

# M5L12. Porter's Competitive Value Chain

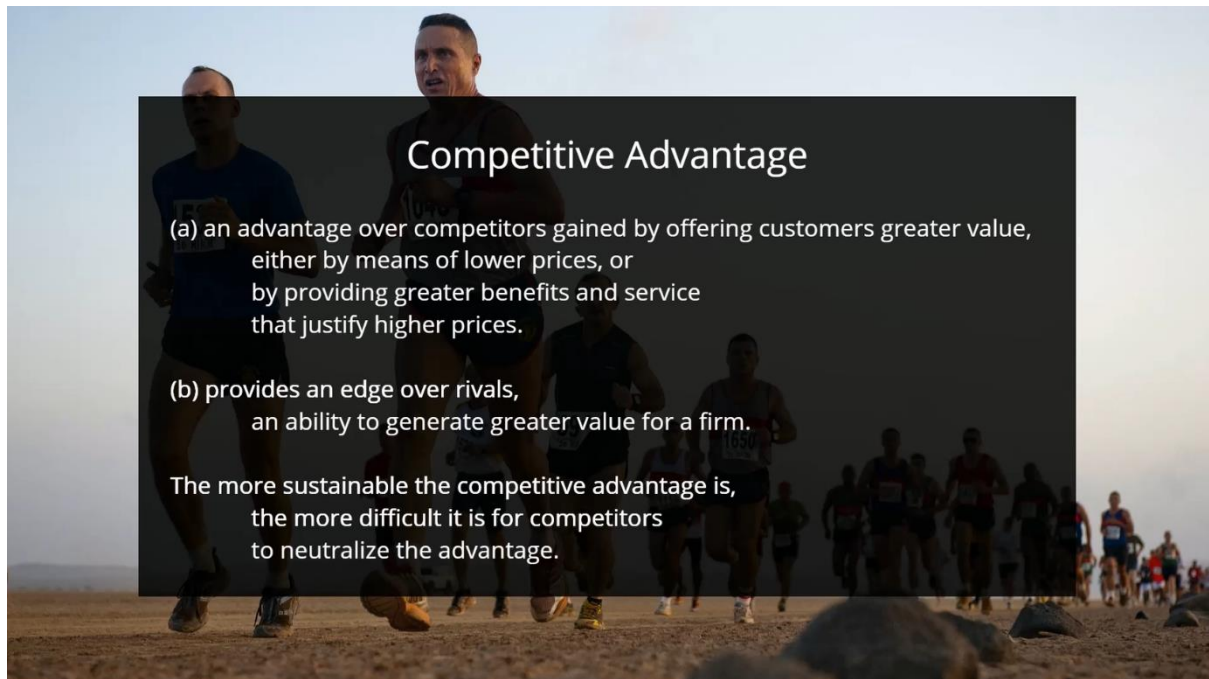
## Introduction

*Slide #1*



In this topic, I will introduce Michael Porter's competitive value chain analysis.

## Slide #2



A competitive advantage is an advantage over competitors gained by offering customers greater value either by means of lower prices or by providing greater benefits and service that justify higher prices.

Competitive advantage provides an edge over rivals and an ability to generate greater value for a firm.

The more sustainable the competitive advantage is, the more difficult it is for competitors to neutralize the advantage.

### Slide #3

Anita McGahan ~ University of Toronto,  
Michael Porter ~ Harvard Business School

Research study about the sources  
of performance differences among firms  
in different industries.

Almost half of the firm's superior performance is  
a results of competitive advantage,  
and only 15% of the difference  
is attributable to industry profitability.

Study article is on eCampus.



Anita McMahon of University of Toronto and Michael Porter of Harvard Business School conducted a research study about the sources of performance differences among firms in different industries.

They observed that almost half of the firm's superior performance is a result of competitive advantage, and only 15% of the difference is attributable to industry profitability.

#### **Slide #4**



The competitive value chain is a business managing concept that was developed by Michael Porter.

Competitive value chain is a collection of activities that are performed by a company to create value for its customers.

The activities lead to competitive advantage and ultimately create a higher profitability for a company.

So basically, the competitive value chain provides a guidance of what activities companies can take to build up their competitive advantage.

## Slide #5



Porter's value chain consists of a number of activities, namely primary activities and support activities.

Primary activities have an immediate effect on the production, maintenance, sales, and support of the products to be supplied.

Support activities form the basis of an organization.

It describes the company's structure and its long-term operations.