



The Course & package of Handouts are based on the BOOKS:

- GML – *Global Management Lectures* (2016 – Joe Santangelo)
- EXPORT MANAGEMENT & Corporate Strategy (2016 – Joe Santangelo)
- CONTEMPORARY MANAGEMENT (2016 – Jennifer George)
- DEFINITIONS taken from: WEB-FINANCE INC. - Business Dictionary



INTERNATIONAL ACADEMY OF ROME

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COURSE: **ENGINEERING MANAGEMENT (CERTIFICATE) INE4009**
SESSION: 10) FUNCTIONAL STRATEGIES
VALUE CHAIN MANAGEMENT

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DEFINITIONs (1 / 5)

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VALUE CHAIN:

Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage. A value chain typically consists of (1) inbound distribution or logistics, (2) manufacturing operations, (3) outbound distribution or logistics, (4) marketing and selling, and (5) after-sales service. These activities are supported by (6) purchasing or procurement, (7) research and development, (8) human resource development, (9) and corporate infrastructure (*Porter's perspective*).

DEFINITIONs (2/5)

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Value Chain MANAGEMENT:

The process of organizing the connected group of activities that create value by producing goods or services from basic raw materials for purchase by a consumer. The basic objectives of employing value chain management in a business is to **integrate communication** and **increase cooperation** between production chain members, in order to decrease delivery times, reduce inventories and increase customer satisfaction.

THUS: Increasing Efficiency & Effectiveness based on a steady Process/Production PATTERN.

DEFINITIONs (3/5)

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FUNCTIONAL STRATEGY:

Organizational plan for human resources, marketing, research and development and other functional areas. The functional strategy of a company is customized to a specific industry and is used to back up other corporate and business strategies.

DEFINITIONs (4/5)

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FUNCTIONAL STRATEGY:

Examples

Production strategy ("*make or buy*") - defines what the company produces itself, and that purchases from suppliers or partners, that is, how far worked out the production chain (*Production Chain Size*).

Financial Strategy - to select the main source of funding: the development of their own funds (depreciation, profit, the issue of shares) or through debt financing (bank loans, bonds, commodity suppliers' credits).

Organizational strategy - decision on the organization of the staff (choose the type of organizational structure, compensation system).

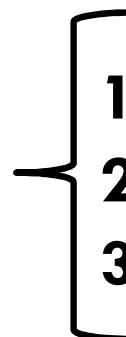
DEFINITIONs (5/5)

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COMPETITIVE ADVANTAGE:

A superiority gained by an organization when it can provide the same value as its competitors **but at a lower price**, or can charge higher prices by providing **greater value through differentiation**. Competitive advantage results from matching core competencies to the opportunities.

PORTER's Perspective:

- 
- 1) Cost Supremacy
 - 2) USP
 - 3) Niche's FOCUS

CUSTOMER's Expectations

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What Do Customers Want?

Given that satisfying customer demand is central to the survival of an organization, an important question is “What do customers want?” Although specifying *exactly* what customers want is not possible because their needs vary from product to product, most customers prefer

- 1.** A lower price to a higher price.
- 2.** High-quality products to low-quality products.
- 3.** Quick service and good after-sales service to slow service and poor after-sales support.
- 4.** Products with many useful or valuable features to products with few features.
- 5.** Products that are, as far as possible, customized or tailored to their unique needs.

VALUE CHAIN:

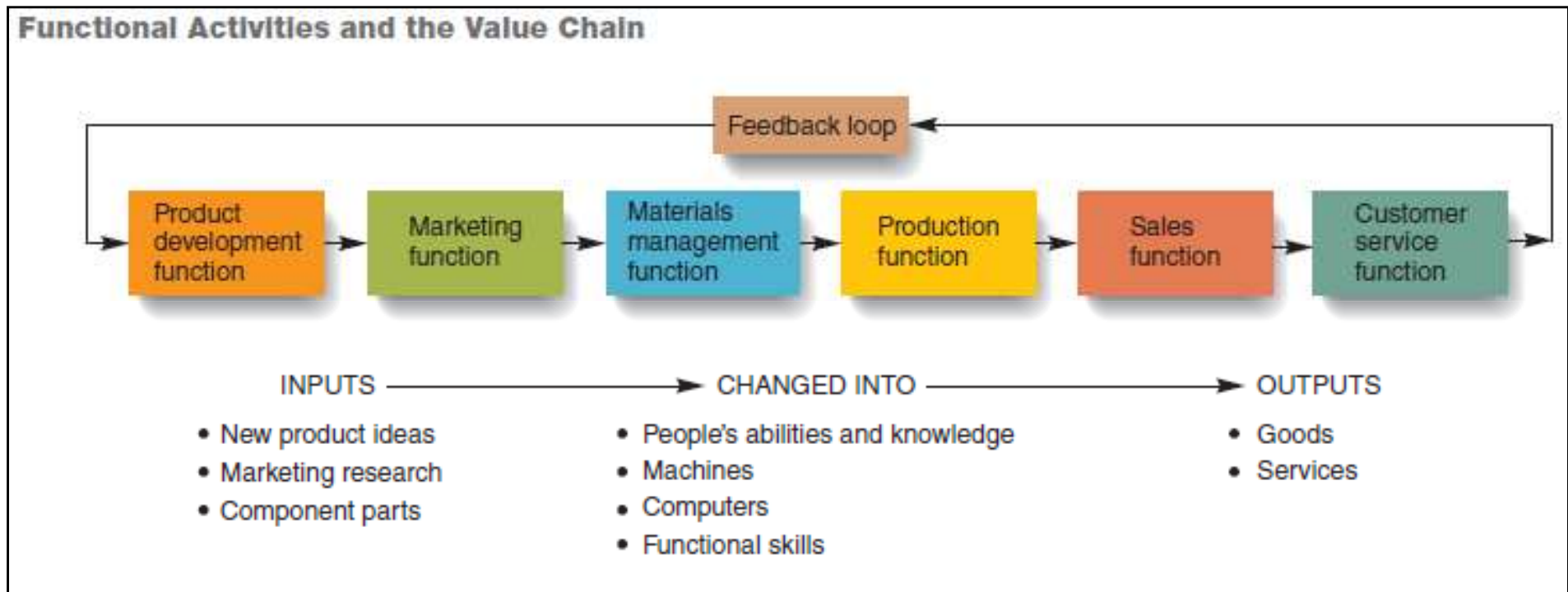
Academic Perspective Layout

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Functional Activities

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VALUE CHAIN MANAGEMENT

as a Corporate Main Strategy

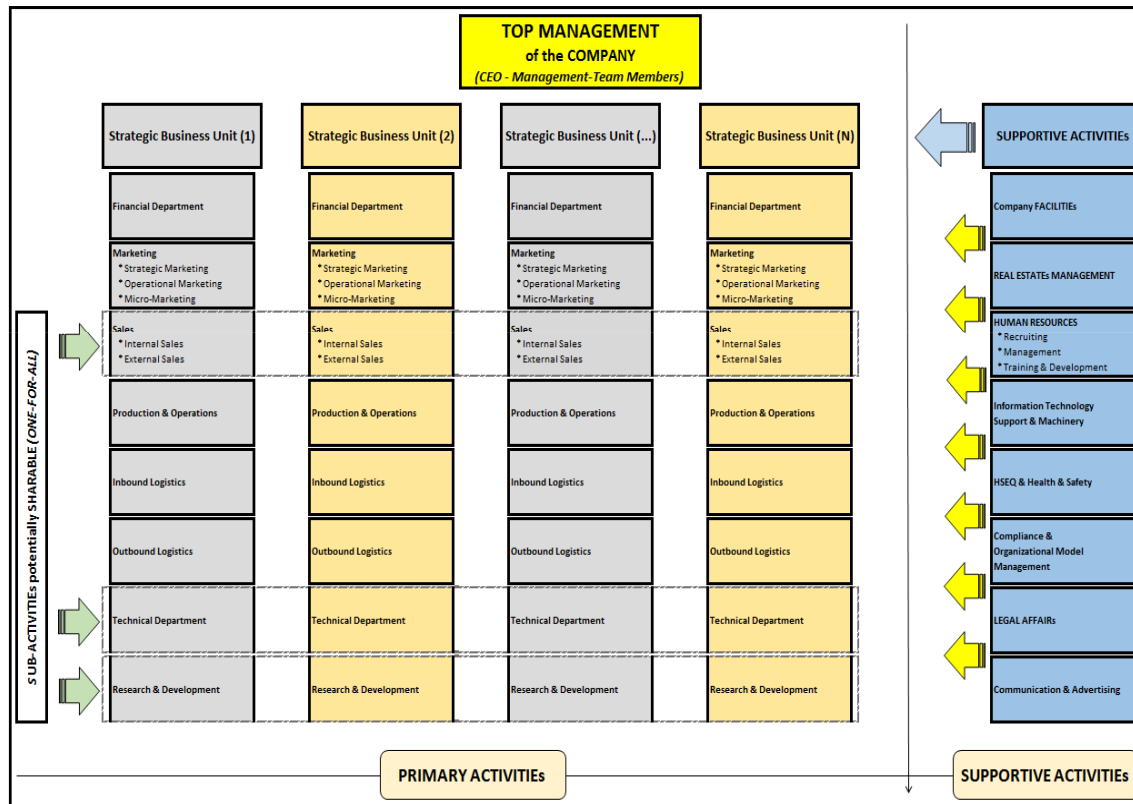
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VALUE CHAIN MANAGEMENT	TOOLS	Factors INFLUENCING the Activity (Strategy Set-Up)	KIND OF OUTPUT	HERARCHICAL LEVEL	PERSON IN CHARGE
	1	2	3	4	5
	1 KERNEL 2 SCENARIO's PLANNING 3 PESTLE ANALYSIS 4 S.S.V.O.P.-ANALYSIS 5 ANSOFF MATRIX 6 STRATEGIC MAPPING 7 BUSINESS MODEL PATTERN	MARKETPLACE GOALS SHAREHOLDERS' Expectations STAKEHOLDERS' Expectations Business ENVIRONMENT	GRAND STRATEGY KERNEL	CORPORATE STRATEGY	CEO GRAND STRATEGIST (Owner of the Company)
	VALUE CHAIN MANAGER - GENERAL MANAGER/GENERAL DIRECTOR: Strategies finalized to define SIZE - Limit of Expenditure - Interconnections amongst Business Units - Coexistence - Consistency - Sustainability				
	8 PORTER'S FIVE FORCES' PATTERN 9 SHARE/GROWTH MATRIX 10 ACCESS/SUCCESS MATRIX	GRAND STRATEGY BUSINESS UNITS peculiarities	STRATEGIC PLANS	STRATEGIC BUSINESS UNITS	Business Unit MANAGERS
	11 MARKETING MIX PLANNING 12 S.W.O.T-ANALYSIS 13 EXPERIENCE/CURVE-MATRIX	GRAND STRATEGY BUSINESS UNITS peculiarities PROCESSES peculiarities	OPERATIONAL PLANS FUNCTIONAL PROGRAMS	FUNCTIONAL DEPARTMENT	Heads of the Departments
	SPECIFIC TECHNICALITIES RULES & REGULATIONS	ALL THE ABOVE ITEMS JOB Specific peculiarities	TECHNICAL SPECIFICATIONS TECHNICAL PROCEDURES STANDARD OPERATIONAL	SPECIFIC DEPARTMENT PROJECT MANAGEMENT DEPARTMENT	MIDDLE MANAGERS EMPLOYEES

VALUE CHAIN:

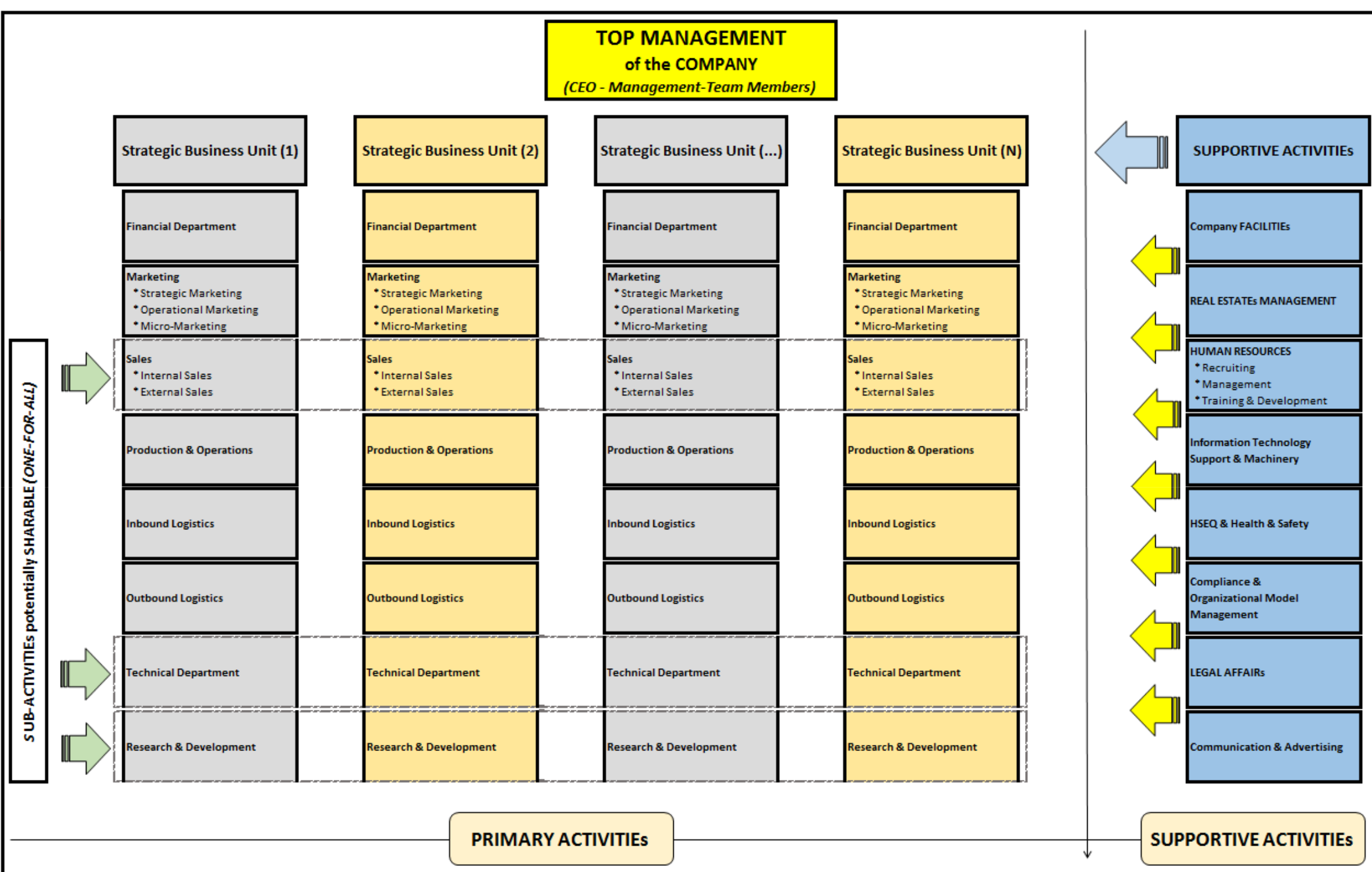
Matricial Feeding Process

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FEATUREs:

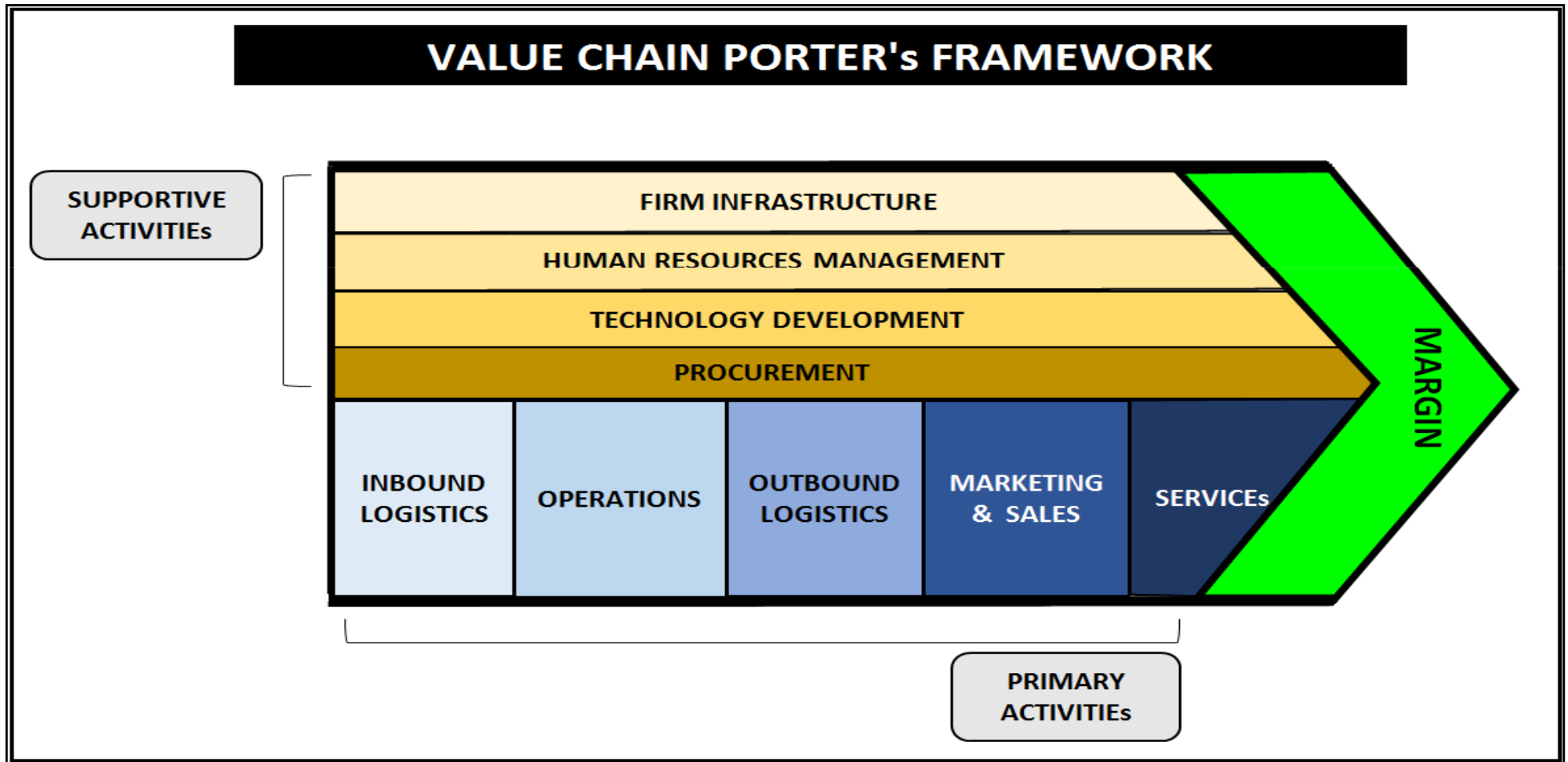
- **INTEGRATION**
- **INTERCONNECTON**
- **COOPERATION**
- **COMMUNICATION**
- **(Mutual) SUPPORT**



VALUE CHAIN:

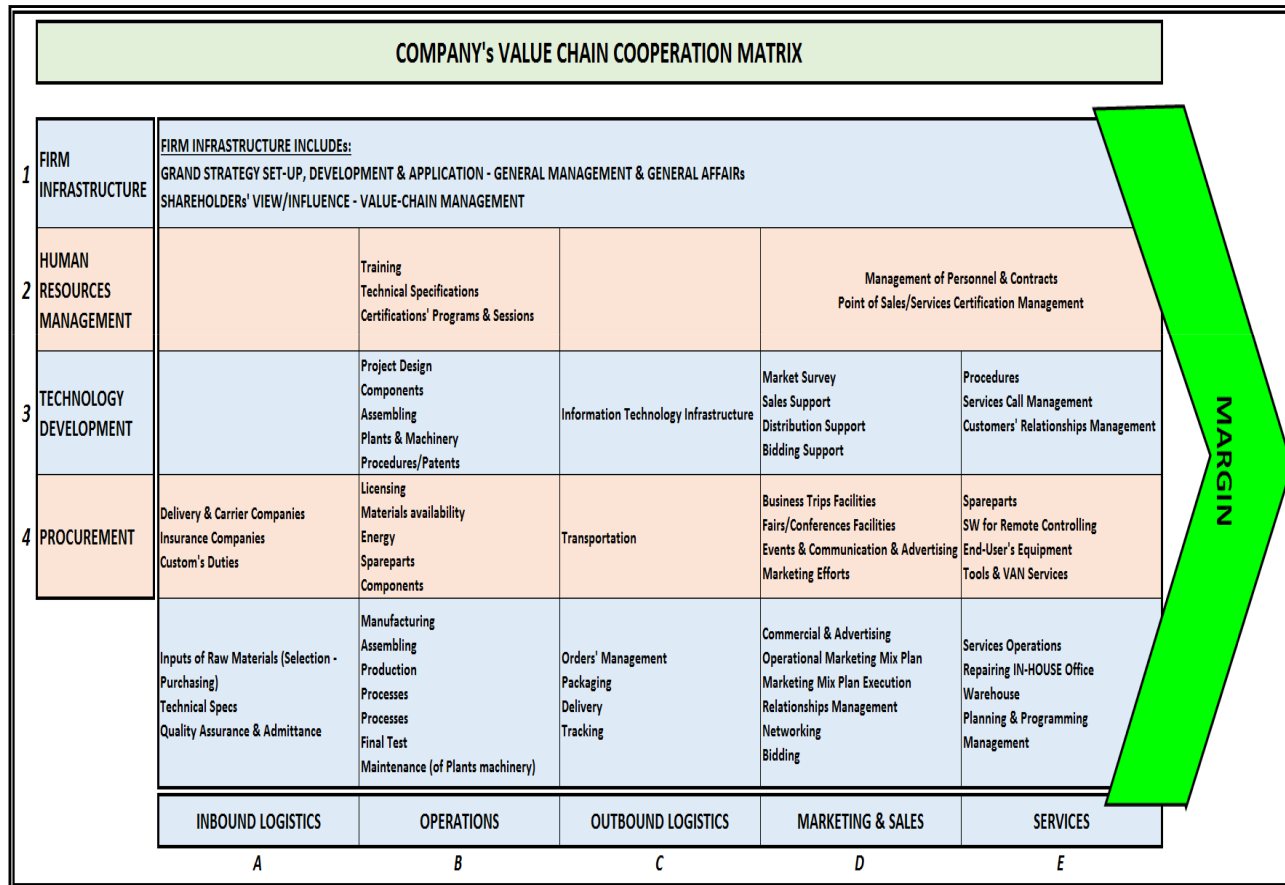
Porter's FRAMEWORK

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Company Value Chain COOPERATION MATRIX

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**PRECISE
CONTRIBUTION:**

**SBU + Matricial Pattern
→ Cooperation MATRIX**

THUS:

***What does any supportive
UNIT/FUNCTION provide the
CORE FUNCTION with?
(expectations)***

COMPANY's VALUE CHAIN COOPERATION MATRIX

1	FIRM INFRASTRUCTURE	FIRM INFRASTRUCTURE INCLUDEs: GRAND STRATEGY SET-UP, DEVELOPMENT & APPLICATION - GENERAL MANAGEMENT & GENERAL AFFAIRs SHAREHOLDERS' VIEW/INFLUENCE - VALUE-CHAIN MANAGEMENT				
2	HUMAN RESOURCES MANAGEMENT		Training Technical Specifications Certifications' Programs & Sessions		Management of Personnel & Contracts Point of Sales/Services Certification Management	
3	TECHNOLOGY DEVELOPMENT		Project Design Components Assembling Plants & Machinery Procedures/Patents	Information Technology Infrastructure	Market Survey Sales Support Distribution Support Bidding Support	Procedures Services Call Management Customers' Relationships Management
4	PROCUREMENT	Delivery & Carrier Companies Insurance Companies Custom's Duties	Licensing Materials availability Energy Spareparts Components	Transportation	Business Trips Facilities Fairs/Conferences Facilities Events & Communication & Advertising Marketing Efforts	Spareparts SW for Remote Controlling End-User's Equipment Tools & VAN Services
		Inputs of Raw Materials (Selection - Purchasing) Technical Specs Quality Assurance & Admittance	Manufacturing Assembling Production Processes Processes Final Test Maintenance (of Plants machinery)	Orders' Management Packaging Delivery Tracking	Commercial & Advertising Operational Marketing Mix Plan Marketing Mix Plan Execution Relationships Management Networking Bidding	Services Operations Repairing IN-HOUSE Office Warehouse Planning & Programming Management
		INBOUND LOGISTICS	OPERATIONS	OUTBOUND LOGISTICS	MARKETING & SALES	SERVICES
		A	B	C	D	E

MARGIN

Value Chain Unit

EVOLUTION MATRIX (1 / 2)

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VALUE CHAIN UNIT	STAGEs of INDUSTRY EVOLUTION (Business Field)			
MARKETING & SALES	INTRODUCTION	GROWTH	MATURITY	DECLINE
TASKs	1) Human Resources highly skilled and technically competent, to create the best AWARENESS and to find the huger ACCEPTANCE from the Customers	1) Ability to establish BRAND RECOGNITION in the Market;	1) Competences and commercial capabilities to PROMOTE PRODUCTs to NEW MARKETS (Market Development) and to HOLD EXISTING MARKETs (Market Coverage);	1) COST REDUCTION Policy (Economy of Scale - Economy of Scope);
STRATEGIEs (to implement)	2) Finding the best and most effective ADVANTAGEOUS ACCESS to the MARKET and to the DISTRIBUTION;	2) Ability to define NICHE's and to create Economy of Scales;	2) PRICING FLEXIBILITY (Price Variance);	2) Externalizing NON-CORE Activities;
PROGRAMs	3) Defining a CLEAR CUSTOMER's PROPOSITION and a CLEAR ORIENTATION for the Company;	3) Strengthening STRONG DISTRIBUTION Relationships and Contracts;	Competences in DIFFERENTIATING PRODUCTs (Differentiation);	3) Revising the VALUE-CHAIN Units SIZEs;
ACTIONs	4) Create Commercial RELATIONSHIPs with the CONTRACTORs (or with the SUPPLIERs of the final Customer).	4) Developing new CHANNELs of Distributors/Agents/Promoters;	3) Growth/Share-Analysis and relevant Actions.	4) Strengthening the COMPANY IMAGE and the COMPANY REPUTATION;
		5) Strong COMMUNICATION & ADVERTISING campaigns;		5) Introducing NEW PRODUCTs in the Marketplace.
		6) Defining and Applying a strong MARKETING-MIX PLAN.		

Value Chain Unit

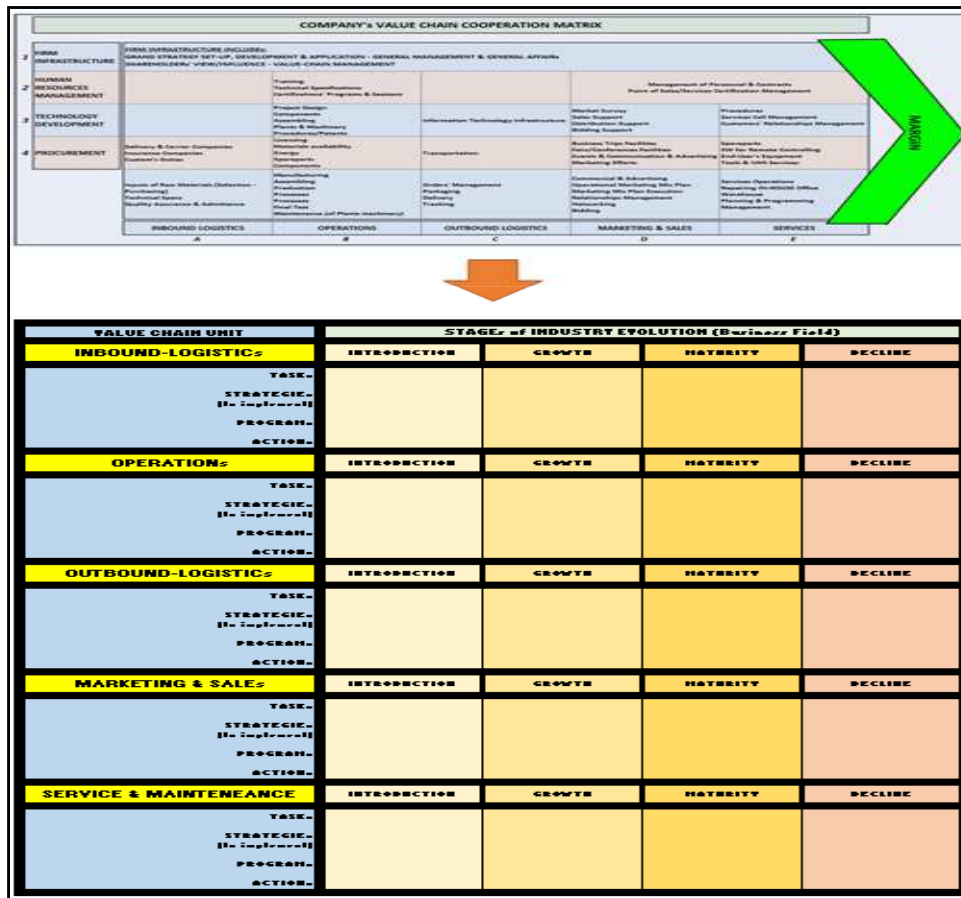
EVOLUTION MATRIX (2/2)

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VALUE CHAIN UNIT	STAGES of INDUSTRY EVOLUTION (Business Field)			
OPERATIONS	INTRODUCTION	GROWTH	MATURITY	DECLINE
TASKs STRATEGIES (to implement) PROGRAMs ACTIONs	1) Ability to EXPAND PRODUCTION CAPACITY effectively and without impacting the COSTs; 2) LIMITED number of DESIGNs and relevant STANDARDISATION of the Patterns/Designs; 3) Developing, Releasing and Implementing EFFECTIVE Standard Operational PRocedures (both in Operations and in the Processes); 4) Defining a MODULAR Scenario (in Operations).	1) Capabilities to ADD PRODUCTs VARIANTS; 2) Production CENTRALIZATION; 3) Economy of SCOPE and other kind of COST-REDUCTION Strategy; 4) Defining a Quality Standard; 5) Seasonal SUBCONTRACTING.	1) Ability to IMPROVE PRODUCTION and to REDUCE the FIXED COSTs; 2) Ability to SHARE and/or REDUCE and/or INCREASE the Production CAPACITY, according to the Orders/Turnover and to the PROSPECT; 3) Contracting advantageous RELATIONSHIPs with the SUPPLIERS.	1) Ability to PRUNE PRODUCT LINES; 2) Further COSTs REDUCTION through: *) Productive Delocalization; *) Distribution; *) Application of New Technologies; *) Exploitation of New Raw Materials 3) Simplification of INVENTORY CONTROL (integrated digital warehouse); 4) SUBCONTRACTING or solutions of LONG-PRODUCTION RUN.

STRATEGIC PLANNING on Value Chain Management

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**VALUE CHAIN
MANAGEMENT:**

COOPERATION MATRIX

**added to
EVOLUTION MATRIX**

Three main kinds of Services/Facilities LAYOUTs

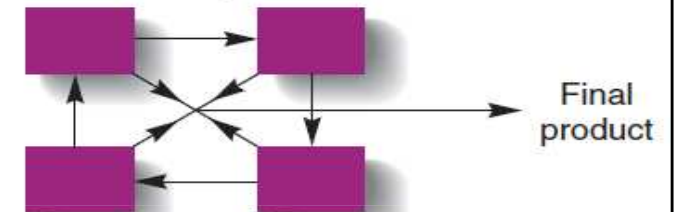
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Three Facilities Layouts

a. Product layout



b. Process layout



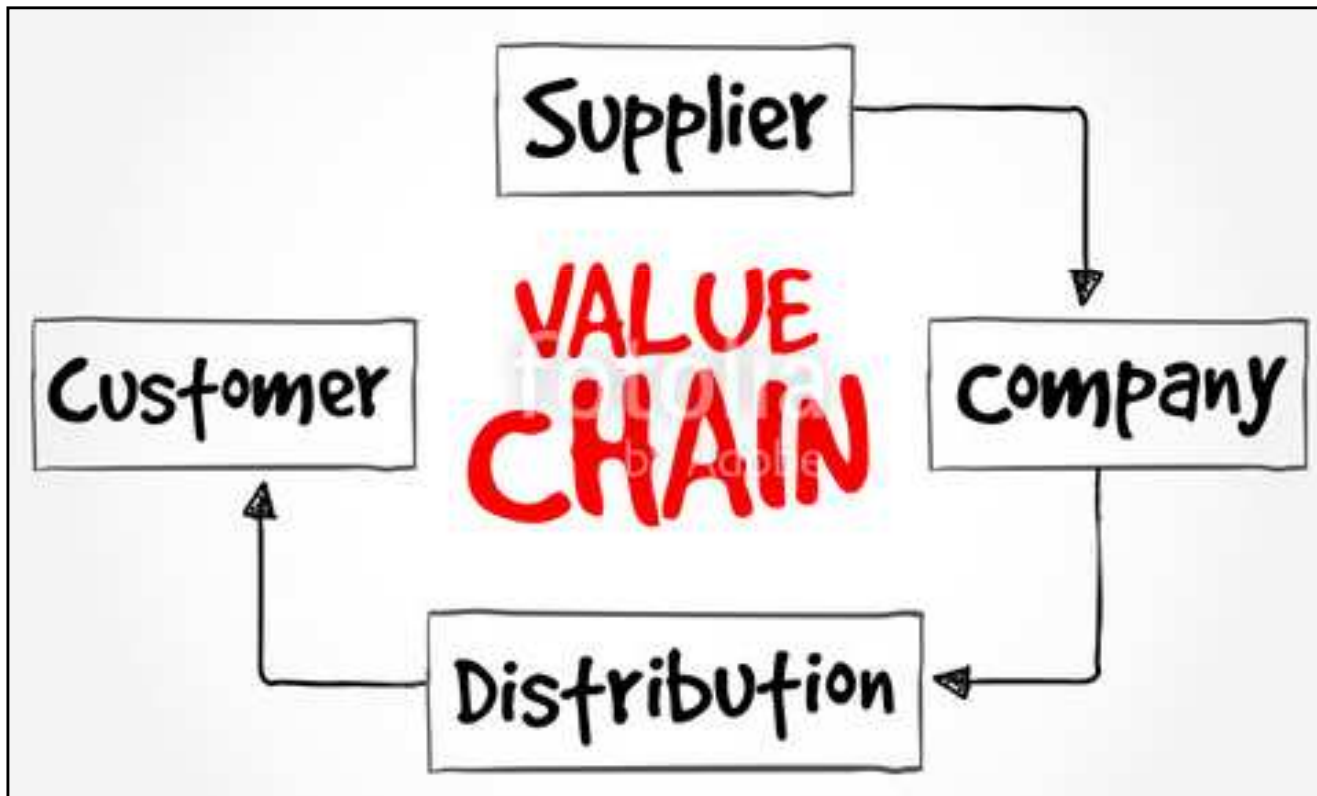
c. Fixed-position layout



Value Chain

LOGISTICS PERSPECTIVE

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Logistics SUPPLY CHAIN:

1. **EXTERNAL SERVICES**
2. **INTERNAL SERVICES**
3. **Projects Oriented Organizations**
4. **Plants & Machinery**

SUMMARY (1 / 2)

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Summary and Review

VALUE CHAIN MANAGEMENT AND COMPETITIVE ADVANTAGE

To achieve high performance, managers try to improve their responsiveness to customers, the quality of their products, and the efficiency of their organization. To achieve these goals, managers can use a number of value chain management techniques to improve the way an organization operates.

IMPROVING RESPONSIVENESS TO CUSTOMERS To achieve high performance in a competitive environment, it is imperative that the organization's value chain be managed to produce outputs that have the attributes customers desire. A central task of value chain management is to develop new and improved operating systems that enhance the ability of the organization to economically deliver more of the product attributes that customers desire for the same price. Techniques such as CRM and TQM, JIT, flexible manufacturing, and process reengineering are popular because they promise to do this. As important as responsiveness to customers is, however, managers need to recognize that there are limits to how responsive an organization can be and still cover its costs.

SUMMARY (2/2)

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Summary and Review

IMPROVING QUALITY Managers seek to improve the quality of their organization's output because doing so enables them to better serve customers, to raise prices, and to lower production costs. Total quality management focuses on improving the quality of an organization's products and services and stresses that all of an organization's operations should be directed toward this goal. Putting TQM into practice requires having an organization-wide commitment to TQM, having a strong customer focus, finding ways to measure quality, setting quality improvement goals, soliciting input from employees about how to improve product quality, identifying defects and tracing them to their source, introducing just-in-time inventory systems, getting suppliers to adopt TQM practices, designing products for ease of manufacture, and breaking down barriers between functional departments.

IMPROVING EFFICIENCY Improving efficiency requires one or more of the following: the introduction of a TQM program, the adoption of flexible manufacturing technologies, the introduction of just-in-time inventory systems, the establishment of self-managed work teams, and the application of process reengineering. Top management is responsible for setting the context within which efficiency improvements can take place by, for example, emphasizing the need for continuous improvement. Functional-level managers bear prime responsibility for identifying and implementing efficiency-enhancing improvements in operating systems.

IMPROVING PRODUCT INNOVATION When technology is changing, managers must quickly innovate new and improved products to protect their competitive advantage. Some value chain strategies managers can use to achieve this are (1) involving both customers and suppliers in the development process; (2) establishing a stage-gate development funnel for evaluating and controlling different product development efforts; and (3) establishing cross-functional teams composed of individuals from different functional departments, and giving each team a leader who can rise above his or her functional background.

**THANK YOU
FOR YOUR
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