

INTERRELATIONSHIPS AMONG VALUE-CHAIN ACTIVITIES WITHIN AND ACROSS ORGANIZATIONS

There are two levels that must be addressed: (1) interrelationships among activities within the firm and (2) relationships among activities within the firm and with other organizations (e.g., customers and suppliers) that are part of the firm's expanded value chain.

With regard to the first level, recall AT&T's innovative Resource Link program wherein employees who have reached their plateau may apply for temporary positions in other parts of the organization. Clearly, this program has the potential to benefit all activities within the firm's value chain because it creates opportunities for top employees to lend their expertise to all of the organization's value-creating activities.

With regard to the second level, Campbell Soup's use of electronic networks enabled it to improve the efficiency of outbound logistics. However, it also helped Campbell manage the ordering of raw materials more effectively, improve its production scheduling, and help its customers better manage their inbound logistics operations.

An example of how a firm's value-creating activity can enhance customer value is provided by Ciba Specialty Chemicals (now part of Novartis), a Swiss manufacturer of textile dyes. The firm's research and development experts have created dyes that fix more readily to the fabric and therefore require less salt. How does this innovation add value for Ciba's customers? There are three ways. First, it lowers the outlays for salt. Textile companies using the new dyes are able to reduce their costs for salt by up to 2 percent of revenues, a significant drop in an industry with razor-thin profit margins. Second, it reduces manufacturers' costs for water treatment. Used bathwater-full of salt and unfixed dye-must be treated before it is released into rivers or streams (even in low-income countries where environmental standards are typically lax). Simply put, less salt and less unfixed dye mean lower water-treatment costs. Third, the higher fixation rates of the new dyes make quality control easier, lowering the costs of rework.

Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor. Strategic Management. 2 ed. New York: McGraw-Hill Irwin, 2005.