

Importance of the value chain analyze

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Abstract

This is the first step toward the study of recognition sources of the strategic capacity and finding the way of connection of profit resources of enterprise and strategic result. It deals with the verification of how the activities of the enterprise use its competitive advantage. Analysis of the value chain is considered as a method serving to this purpose. Value analysis is initially considered as an accounting analysis aiming to reflect the profitability of specific stages of the production process in order to make improvements to the cost or value.

The term describes the chain of values of how form the business process extract a chain which activities are inputs transformed in output as a value for buyers. Value Chain is derived activities in an organization named as a "value system." The essence of value chain analysis shows the assessment of the impact of individual activities or profit gain.

KEY WORDS: Accounting, strategic management, decision making.

JEL classification: H, M, M41,

Analysis of value as a concept is established by Porter in 1985, concept which is based on accounting practices that calculate value of added products through individual stages of the process production. According to Porter each activity should be calculated in order to verify the sources of competitive advantages. Chain of value actually represents the value which is equal to cost plus (+) profit. The value chain analysis aims to understand how business' process creates value for buyers. This is realized through analyze of business process into activities that occur during this process, ranging from business' inputs in the process through to outputs and activities after the sale. The primary activities of the company are grouped in five main areas: internal logistics, operations, logistics, foreign marketing and sales, and service. Each of these primary activities is associated with ancillary activities, following the latter divided into four types: supply, new human sources management, infrastructure and services ¹.

Use of resources

One of the key activities of value chain analysis is the awareness that enterprises are not a random machine, money and people. Enterprises are the value activities and links between them which are a source of competitive advantage for them. Therefore, the analysis of resources should not be limited by the study of resources, but to go further, to assess how these resources are used.

Control of resources

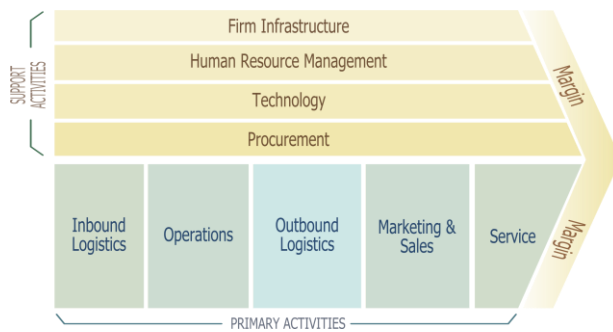
Since many important activities of the value can be taken directly out of control of the enterprise should be done a resource analysis which will evaluate the enterprise to be influenced in creating value through the system of values. There exist some way through which the company may achieve this control:

- *Vertical integration* aimed to wield control of all activities of the values system.
- In the manufacturing industry is used for a long time control concept of *the outcome of suppliers*
- A philosophy that is often used is a *total quality management*, which assumes control of the creation of value through work relationship that is created between the various specialists within the value system.

Value chain analysis aims to understand how business process creates value for buyers.

The analysis seeks to determine the costs of these activities that was relying on, to issue conclusions whether the enterprise spending priorities before the competition. For such event are researched their characteristics in order to establish which activities are organized in the value chain can differentiate their products and services company. Value chain analysis activities of the company divides into two basic groups, and these are the primary activities and support activities as shown in the figure below:(value chain)

¹ Kume.V. *Menaxhimi strategjike*, 2010, fq. 154



Primary activities: primary activities are grouped into five main areas these are: Domestic Logistics, operations, foreign logistics, marketing and services. Primary activities deals with production or services and includes the physical creation of the production, marketing, and transfer of sale and after sales services ².

- **Internal Logistics:** includes activities that have to do with storage and distribution of inputs such as are supplying raw materials, fuel, energy and other parts needed, and also have to do with the allocation of inputs, manipulating materials in the warehouse delivery to the place in working and managing the stocks.
 - **Operations:** dealing of the activities that make the transformation inputs in final production form, and which are associated with the manufacture, assembly, testing, packaging, equipment and facility maintenance quality assurance and environmental protection.
 - **Logistics outsourcing (outputs):** deals with the collection activities of product, distribution and distributing the product to the costumer. Also has to do with work in the warehouse, processing orders, selecting and packaging, dispatch and distribution operations. For specific products that will include storage of materials, processing, transportation etc.. As in the case of services it has to do with agreement for finding customers.
 - **Marketing and sales** it has to do with activities provide the means by which consumers recognize the product or service and create opportunity to buy it. These tools can be the sales force, advertising, promotion, market research and planning and distribution networks.
 - **Services** it has to do with activities that provide customer support, as are installing, sending spare parts maintenance and alteration, technical assistance, information and support concerns.
- **Supply** deals with the process of purchasing inputs for primary activity. Including the supply and provision of raw materials and material, services, supply of machines and other inputs needed for support of enterprise activities. Extends over the entire supply chain activity values by noting that each activity is part of the chain and each activity uses any input types.
 - **Enterprise Infrastructure** it has to do with activities that relate to general management, accounting and finance, legal affairs and ensuring the protection, information system and other functions of management to leadership.
 - **Human Resource Management** this is a field that has more of an important relation to all primary activities. It includes recruitment, training, development and reward of employees of the organization.
 - **Research, technology, and system development** all activities have a technology value. Key technologies can be related directly to product, processes or specific resources. Activities here associated with research and development, manufacturing, research and process development, process design progress, design of equipment and tools, development of software computer systems, telecommunications, computer support of design, development of computerized support systems, etc..

We value chain analysis is necessary to evaluate the activities in each particular case by noting that an activity that in a enterprise or industry is support in undertaking other may be primary.

Implementation of value chain analysis

The processes of value chain analysis that goes through several stages which help to its findings are relevant. These phases are:

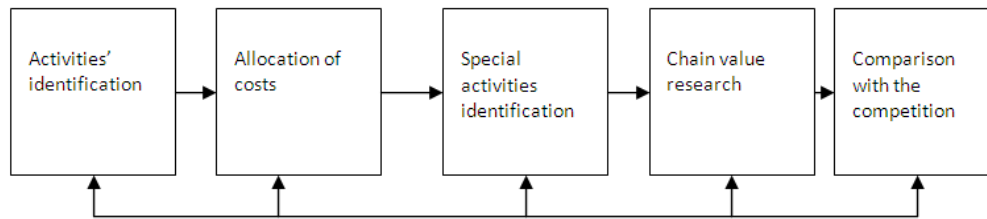
1. Identification of activities
2. Expenditure Allocation
3. Identification of specific activities
4. Value chain research
5. Comparison with competition

Look how these phases are shown in the following statement

That value chain analysis will focus on all activities or only some of them it will depend on the specific needs of industry and analyst focusing on activities of interest.

Each of the primary activities associated with ancillary activities which involve infrastructure of enterprise which helps primary activities to develop normally. These fall into four types:

² M.B, M.C, M.D, Z. D, M.G.B, L.F., Menaxhenti Stratexhik, 2008.fq. 90



Each one of the stages of value chain analysis has its own specifics and we will examine the following each one.¹

1. **Identification of activity.** First step in the value chain analysis is the breakdown of business activities and groups are under review the order of their primary activities and support activities. This is the reconstruction assistance the first level of decomposition in which analysis can not be stopped but must go further and identify the activities within each of two groups of primary and support activities. The purpose of analysis determines how deep will go for developing analysis. If the purpose of analysis is only to identify groups of activities and global way to determine the costs of primary activities and support activities then the decomposition will not go further than the second level. But if the purpose of this analysis is the determination of enterprise resource weaknesses in relation to competition they must apply a detailed breakdown. From this diffraction can be seen (distinguish) those activities which constitute strength and those that constitute weakness in the enterprise. If we take as an example the service activity such are the installation, alteration, distribution and other parts, each one of them can be a major source of competitive advantage or weakness. In this stage of value chain analysis from the managers is required to try to examine the potentials of weakness that may occur in some activities and not to do with breaking down global activities.
2. **Allocation of costs.** In this stage of value chain analysis as we identify the necessary activities to be determined costs for each of these activities, in this order management has available two methods:
 - **Traditional accounting method**
 - **Determining the costs of activities method**
3. **Identification of specific activities** in this stage of analyzing the value chain will not only discover the costs advantages or disadvantages, but can also orientate the attention in several differentiation sources of advantages in relation to competition.
4. Once the value chain is documented is necessary to identify which activities are critical for customer satisfaction and market success. Such activities deserve main attention to the internal research analysis.
5. **Comparisons with the competition.** To gain a qualitative analysis of the value chain is necessary the comparison of its value chain to competitors. These

comparisons can be made at different levels of degradation of the value chain, but the most effective ways is what is done on the level of key activities. In this case the evaluation of internal factors and the values of activity is best done using benchmarking.

The efficacy of value chain analysis is that these special activities are recognized in full production process that has participated in determining the cost, quality and attributes in other manufacturing and final services.

Conclusion

There are several ways in which a firm can reconfigure the value chain to create unity. It can be integrated to perform functions once performed by its customers. It can reverse integration in order to have more control over its inputs. It can implement new technologies or processes to exploit new distribution channels. Finally, firms need to be creative to develop a value chain configuration that increases the difference of the products.

¹ Po aty. Fq.92

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