

e-Lecture
On
Management Information System
for

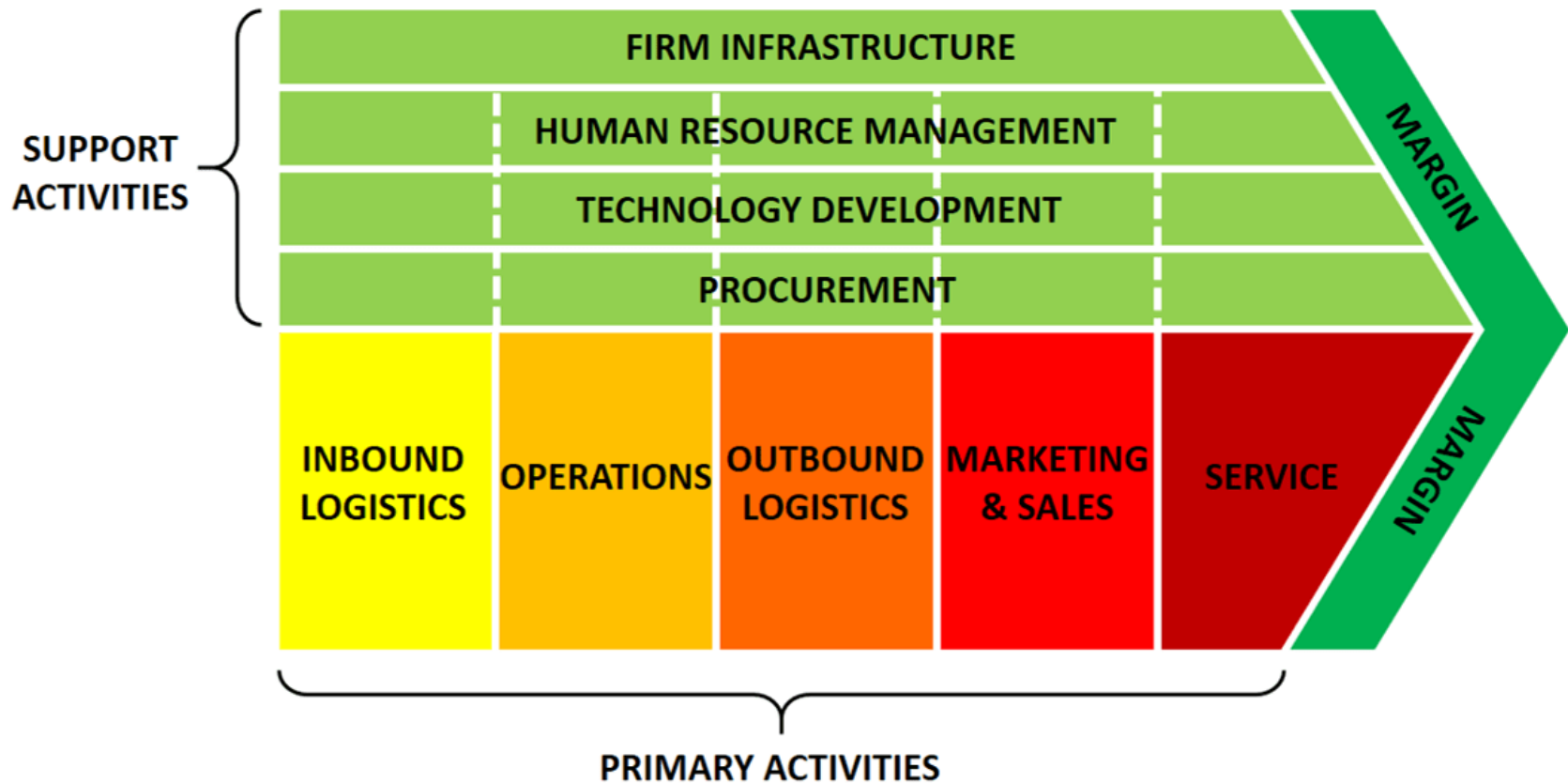
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Dr. Rajesh Kumar Goutam
Assistant Professor
Department of Computer Science
University of Lucknow

Value Chain

- A value chain is a set of activities that an organization carries out to create value for its customers.
- Porter proposed a general-purpose value chain that companies can use to examine all of their activities, and see how they're connected.
- The way in which value chain activities are performed determines costs and affects profits, so this tool can help you understand the sources of value for your organization.
- Porter's Value Chain focuses on systems, and how inputs are changed into the outputs purchased by consumers. Using this viewpoint, Porter described a chain of activities common to all businesses, and he divided them into primary and support activities, as shown below

Porter's Value Chain Model



Primary Activities

Primary activities relate directly to the physical creation, sale, maintenance and support of a product or service. They consist of the following:

- **Inbound logistics** – These are all the processes related to receiving, storing, and distributing inputs internally. Your supplier relationships are a key factor in creating value here.
- **Operations** – These are the transformation activities that change inputs into outputs that are sold to customers. Here, your operational systems create value.
- **Outbound logistics** – These activities deliver your product or service to your customer. These are things like collection, storage, and distribution systems, and they may be internal or external to your organization.
- **Marketing and sales** – These are the processes you use to persuade clients to purchase from you instead of your competitors. The benefits you offer, and how well you communicate them, are sources of value here.
- **Service** – These are the activities related to maintaining the value of your product or service to your customers, once it's been purchased.

Support Activities

These activities support the primary functions above. In our diagram, shows that each support, or secondary, activity can play a role in each primary activity. For example, procurement supports operations with certain activities, but it also supports marketing and sales with other activities.

- **Procurement (purchasing)** – This is what the organization does to get the resources it needs to operate. This includes finding vendors and negotiating best prices.
- **Human resource management** – This is how well a company recruits, hires, trains, motivates, rewards, and retains its workers. People are a significant source of value, so businesses can create a clear advantage with good HR practices.
- **Technological development** – These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.
- **Infrastructure** – These are a company's support systems, and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.

Companies use these primary and support activities as "building blocks" to create a valuable product or service.

Strategic information systems

- *A competitive strategy* is a broad-based formula for how a business is going to compete, what its goals should be, and what plans and policies will be required to carry out those goals.
- *Strategic information systems* are information systems that are developed in response to corporate business initiative. They are intended to give competitive advantage to the organization. They may deliver a product or service that is at a lower cost, that is differentiated, that focuses on a particular market segment, or is innovative.
- *Through its competitive strategy:* an organization seeks a competitive advantage in an industry—an advantage over competitors in some measure such as cost, quality, or speed.

Strategic information systems

Strategic Information Systems (SISs)

SISs provide strategic solutions to the 5 Business Pressures:



Strategic management

Strategic management is the way an organization maps the strategy of its future operations. The term strategic points to the long-term nature of this mapping exercise and to the large magnitude of advantage the exercise is expected to give an organization. Information technology contributes to strategic management in following way:

- Innovative applications
- Changes in processes.
- Links with business partners
- Cost reductions.
- Competitive weapons
- Relationships with suppliers and customers.
- New products
- Competitive intelligence

Thanks

Dear Students

If you have queries, Please feel free to contact me at

e-Mail: rajeshgoutam82@gmail.com

Mobile No: 9453838526