

WEEK 4 – The Internal Environment

Layers of the Business Environment

- **Macro-environment** → Highest-level layer, factors in this layer impact all organisations to some degree
- **Industry (or sector)** → Constituted of all organisations that produce the same products or services
- **Competitors** → Layer closest to organisation, within an industry or sector

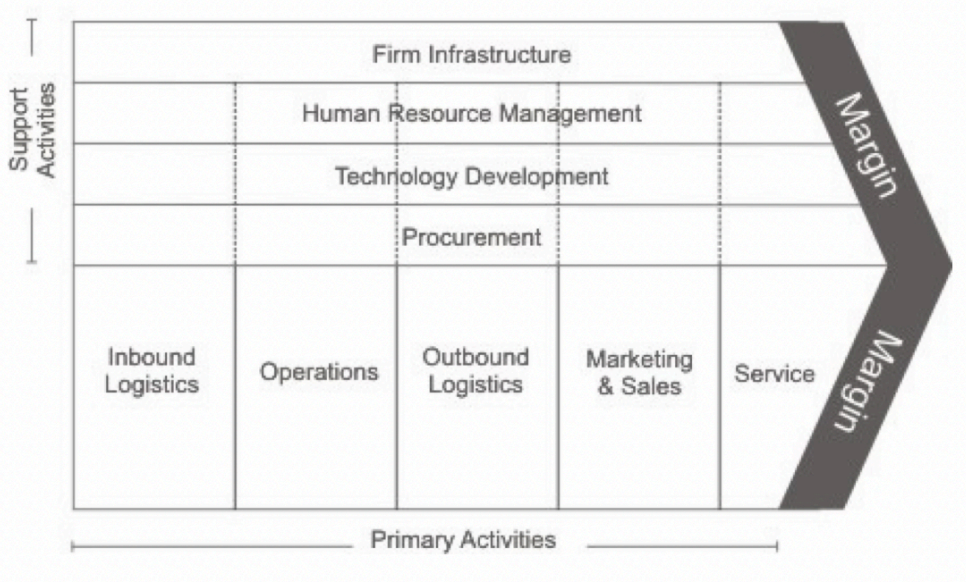
Critiques of SWOT

- Quite one-dimensional and isn't very complex

Value Chain

- Developed by Porter in 1985
- Maps out organization's process and identify opportunities to increase value
- helps us to understand the processes by which organizations take inputs, add value, and produce outputs.
- 2 core parts
 - o Primary activities → inbound logistics, operations, outbound logistics, marketing/sales and service
 - o Support activities → Firm Infrastructure, Human Resource Management, Technology Development, and procurement

Figure 1: Porter's Generic Value Chain



Critiques of Value Chain

- By nature, it can deceive us into seeing an organization as a linear input>value add>output system.
- Lends itself most easily to manufacturing of goods
- It is hard to translate to smaller, more agile or nimble organisations.
- It doesn't distinguish between generic and distinct goods.
- Very hard to properly use

Resource Based View

Definition: certain assets with certain characteristics will lead to sustainable competitive advantage. All the traits are required to be present to result in a sustainable competitive advantage

VRIO

- Fits within RBV
- **Value, Rareness, Imitability, and Organisationally Relevant**
- helps conceptualise an organization's resources and in turn, competitive advantage

Resources & capabilities lead to competitive advantage when they are:

Valuable

They allow the firm to exploit opportunities or neutralise threats in external environment & customers cannot substitute them

Rare

Possessed by few (if any) current or potential competitors

Imitatable

Other firms either cannot obtain them, or must obtain them at a much higher cost

Organisationally relevant

The firm must be organised appropriately to obtain the full benefits

Using VRIO

