

# Research on Enterprise Value Chain Management Based on Competitive Strategy

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**Abstract:** With the rising cost of labor factors in China, several multinational companies that rely on labor-intensive industries have withdrawn their production lines from China, which has had a huge impact on the development of Chinese enterprises. Under the guidance of national policies, many enterprises have begun to climb to the high end of the value chain. This paper analyzes the main function of value chain management by studying the composition of industry value chain management from the perspective of competitive strategy. In view of the lack of enterprise value chain management, this paper discusses from three aspects: product, technology, and price. Product homogeneity has been found to greatly reduce the market competitiveness of products, which is not conducive to the value-added and sustainable development of enterprises. Based on this, corresponding strategies have been proposed, in which enterprises should maximize the advantages of value chain management through scientific and efficient information management techniques.

**Keywords:** Competitive strategy; Enterprise; Value chain management

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## 1. Introduction

In view of the current international pattern, the global value chain system is becoming more and more ideal. The positioning of different countries in the global value chain is mainly affected by the depth and breadth of the international trade and division of labor they participate in <sup>[1]</sup>. From the perspective of the embedded characteristics and position of the global value chain, companies with certain value-added capabilities found in the upstream of the global value chain are mainly concentrated in developed countries, including Europe, America, Japan, and South Korea, and their roles are focused on research and development (R&D) as well as design. Enterprises in the middle reaches of the global value chain generally rely on the concept of “creating value for customers,” and these enterprises have a large value-added space. The second comprises of enterprises that rely on resource-based products, which usually come from resource-based countries, but have relatively low technological strength. Finally, there are low-value-added and low-status group settlements <sup>[2]</sup>. These local enterprises are generally in a passive position, mainly contracting some low-end product processing and assembling businesses, most of which come from developing countries with poor economic environment. With the increasing global economic development and the fierce competition for resources in the global value chain, how Chinese enterprises can improve their value and market competitiveness while ensuring a scientific and reasonable competitive strategy is the focus of current research.

## **2. Composition of enterprise value chain management based on competitive strategy**

### **2.1. Value-added chain**

The fundamental elements of enterprise value chain include capital flow, logistics, information flow, and value-added flow. From the perspective of customers purchasing enterprise products, the fundamental factor that affects customers' choices and decisions is the value experience that products and services bring to customers. The essence of the entire process of enterprise production is the process of creating and increasing enterprise value <sup>[3]</sup>. Therefore, the value-added chain itself is an essential part of the enterprise value chain, and colleagues are also important for maintaining the stable development of business operations and their positions in the leading market. The value of the value-added chain of an enterprise directly affects the market competitiveness of the enterprise. The greater the value of the value-added chain, the greater the competitiveness in the market <sup>[4]</sup>. Therefore, if an enterprise wishes to improve its market competitiveness based on competitive strategy, the enterprise should promote the growth of its own value-added chain value. Enterprises need to maximize customer value satisfaction and minimize the links and activities that consume the value-added chain and ineffective labor in the production and operation process on the premise of ensuring the stability of the internal structure.

### **2.2. Information chain**

In defining the role of information chain in the development of enterprise management from the perspective of competitive strategy, enterprises need to ensure the effective integration of customers, market demand, changing inventory, production management, product sales, and other information, as well as promote the upgrading of their value chain by maximizing the overall role of information chain. Enterprises can use highly integrated information flow to adjust the operations of various entities in the value chain in a timely manner and achieve rapid response to market demands and changes <sup>[5]</sup>. In particular, the rapid development of modern technology has promoted the continuous innovation of informatization construction, which has created favorable conditions for the upgrading and transformation of the production and operation of enterprises. At the same time, the information chain can promote the efficiency of coordination and interaction between each link of the value chain, thereby further improving the utilization rate of enterprise value chain resources. Hence, the information chain is the impetus and guarantee for enterprises to promote the function of the value chain. It can be said that the level of enterprise management informatization has a decisive influence on the functional level of the value chain <sup>[6]</sup>.

### **2.3. Value chain and operation chain**

There are certain connections and joint effects among various activities and links in the pre-production process of enterprise operation. For example, the "raw material supply – product production – finished product sales" link embodies a linkage between upstream and downstream operations. In the whole process, various activities may bring and create value for the enterprise <sup>[7]</sup>. Therefore, enterprise should make correct judgments on the value-added activities through information on production and operation cost, including the identification of non-value-added activities and operations. Based on this, enterprise management needs to clarify the requirements of different value chains and design operations based on market requirements and their own actual situations. However, non-value-added operation activities do not mean that there is no need to set up or that the operation itself has no actual value or function <sup>[8]</sup>. The production and operation activities as well as value enhancement of the enterprise depend on the needs of customers. By meeting their needs, profits can be obtained while increasing value, and an internal and external operation chain process can be formed. Although the transformation process will consume resources, it promotes the output value of the operation and gradually transfers it to the next operation link, so the final result of the operation chain is, to a certain extent, the presentation <sup>[9]</sup> of the final value of the value chain <sup>[9]</sup>.

### **3. Insufficient performance of enterprise value chain management based on competitive strategy**

#### **3.1. Product homogeneity affects value added**

The homogeneity of products produced by enterprises is due to the high similarity in appearance, function, and performance. Low product differentiation will affect consumers' judgments and decisions. Product homogeneity will greatly reduce the market competitiveness of products, which is not conducive to the value-added and sustainable development of enterprises<sup>[10]</sup>. The main reason of product homogeneity is the lack of innovation in the production of products by enterprises. Innovation capability is an indispensable basic element for enterprises to realize value-added and enhance value<sup>[2]</sup>. In view of the weak management of enterprise value chain and the pressure of maintaining participation in market competition, enterprises will make price adjustments and other homogeneous products behaviors, thus limiting their profit space and even forcing them to withdraw homogeneous products from the competitive market<sup>[11]</sup>. In addition, product homogeneity will dampen the enthusiasm of enterprises for R&D and innovation; there is no support for new products, and there are no patents, unique performances, and other elements to occupy the market. It is difficult for enterprises to avoid problems such as the decline of output value.

#### **3.2. Technology gap threatens value**

Based on the perspective of competitive strategy and combined with the positions of developed countries in the international value chain, an analysis of the development trend as well as the production and operation goals of enterprises reveals that core technology exists in enterprises since the technical level of products reflects their overall strength. Enterprises take initiative in the market competition and have certain competitive advantages. Especially in the international market competition environment, customers generally set certain technical thresholds to screen cooperative enterprises and manufacturers<sup>[12]</sup>. In international market transactions, due to the long-term technological precipitation of products in developed countries, they have achieved competitive advantages to a large extent. In China, except for one enterprise and institution that develops high-tech and professional scientific research, the rest of the enterprises responsible for product production lines are in a passive position in the market competition. Additionally, in consideration of the technological level gap between local enterprises and enterprises in developed countries, the value influence of enterprises themselves weakens in the international market<sup>[13]</sup>.

#### **3.3. Decline in product price competitiveness**

In consideration of the law of market competition, when the technical levels of enterprises are almost the same, customers are more inclined to choose enterprises with lower prices. Therefore, in order to gain opportunities, some companies will drop their prices. Some enterprises do not even take into account the needs of value chain management and long-term development goals, compressing profits to a meager level, resulting in the reduction and weakening of the price advantage of enterprises<sup>[14]</sup>. The main reason enterprise value chain management cannot effectively increase the competitive price of products is that product homogeneity leads to more intense competition, while production and operation costs have not decreased due to environmental impact, which ultimately leads to a decline in product price competitiveness.

### **4. Enterprise value chain management strategy based on competitive strategy**

#### **4.1. Utilizing information management system to maximize the advantages of value chain management**

Since information chain has a decisive influence and role on enterprise value chain and management, enterprises should actively promote informatization construction and maximize the advantages of value chain management through scientific and efficient information management technology<sup>[15]</sup>. Enterprises should build an efficient information management system that meets their own production and operation

needs, as well as use advanced management software and technologies in the system to integrate and internally share key data information related to enterprise value chain management. First, ensure the information symmetry of value chain management <sup>[3]</sup>. Enterprises should provide scientific basis for decision-making in value chain management based on technologies, such as big data analysis and cloud computing. By analyzing the integrated production plan, output information, order forecast, and other information, the effectiveness of value chain management decision-making can be improved. Moreover, the information management system is conducive to enterprises to maximize the advantages of both, value chain and management, as well as help enterprises improve their capabilities in response to significant changes in the market environment <sup>[16]</sup>. Enterprises can also optimize, reorganize, and reengineer business processes based on the value chain theory and the information fed back by the system identification.

#### **4.2. Leveraging value chain management synergies to protect competitive advantages**

The use of synergy to enhance the competitiveness of enterprises helps to promote the overall value of enterprises, so as to ensure that it is greater than the sum of all parts of the value chain <sup>[4]</sup>. In order to promote enterprise value chain management coordination from the perspective of competitive strategy, it mainly begins from two aspects: reducing enterprise cost, and promoting product innovation. Enterprises can effectively coordinate various links in the value chain, realize the improvement of resource utilization in procurement, production, R&D, design, warehousing, sales, and other links, and then control production and operation costs <sup>[17]</sup>. At the same time, under the synergistic effect, enterprises can dynamically adjust production and operation plans with the advantage of information sharing, thereby enhancing the flexibility of enterprise value chain management and production flexibility, as well as further reducing cost consumption. For product innovation, enterprises need to rely on information and experience, while considering the parts of the value chain that can be optimized and upgraded, along with the potential needs of customers, so as to carry out innovative R&D and design of products <sup>[18]</sup>. Enterprises need to make full use of the invisibility of value chain management synergies to protect their competitive advantages on the basis of ensuring their own distinctive features of products, so that they are not easily imitated.

#### **4.3. Leveraging strategic alliances to achieve overall value enhancement**

Since enterprise value chain management does not ensure that all links have competitive advantages through internal construction, enterprises should deconstruct the value chain, classify, and divide value-added and non-value-added links by retaining the links with competitive advantages and separating them. The resulting chain can then be handed over to other more competitive enterprises for management, thus forming strategic alliances among enterprises <sup>[19]</sup>. The use of strategic alliances is conducive to promoting resources and complementing the advantages of enterprises, which can effectively reduce transaction costs and control their own resource consumption of non-value-added operations. In the process of strategic cooperation, both parties can learn from each other, explore new knowledge and skills, as well as develop high-quality, cutting-edge products. In this way, it is conducive to promoting both parties to realize the improvement of enterprise competitiveness and expand the profit space. In addition, strategic alliances are conducive to enterprises for diversifying business risks <sup>[20]</sup>. An enterprise can transfer the risk of product development failure to another enterprise on a shared basis, so that it will neither affect the stability of the internal structure of the enterprise, nor reduce the overall value of the two companies.

### **5. Conclusion**

In conclusion, the core of enterprise value chain management is to achieve efficient use of resources and maximize market competitiveness. Therefore, in order to promote value chain management based on competitive strategy, enterprises need to ensure the symmetry of information, and on this basis, optimize

each link of the value chain, and promote the advantages of value chain management through process reorganization and reengineering.

### Disclosure statement

The author declares no conflict of interest.

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