Qualitative Value Chain Analysis and Strategic Choices

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Abstract
This study explored the use of qualitative value chain industry audit in value creation. Structured interviews were conducted with value chain players of a commodity based agriculture industry to understand their priorities for value creation. Value chain participants prioritised the strategically relevant activities along and within the chain where they perceive utility can be added to product and services of the industry. Along the value chain, participants chose activities and services aimed at changing consumer perceptions and satisfying consumer demands, followed by market penetration strategies, finance to increase production and provision of quality inputs. The study suggests the use of qualitative value chain audit as a means of improving industry value chain activities and services based on informed choice and may provide the foundation for quantitative value chain analysis that measures the actual value that prioritised value chain activities would generate.

Keywords: *value chain, strategy, qualitative, value creation*

INTRODUCTION

The value chain framework is an approach for breaking down the sequence (chain) of business functions into the strategically relevant activities through which utility is added to products and services in a business or an industry (Porter, 1985) . Value chain analysis is conducted for various reasons. Value chain analysis is undertaken in order to understand the behaviour of costs and the sources of differentiation (Shank & Govindarajan, 1993). Value chain analysis of the business or industry is also used by strategic analysts to understand vulnerabilities, discover and evaluate opportunities for expansion, look for increased margins, understand more profoundly suppliers, customers and competitors (Levicki, 2003). In today's competitive environment, the need for industries to ensure value in order to gain stakeholder support compel industries to examine the means by which value is created or lost. Studies on developing competitive strategies for commercial agriculture using value chain analysis of selected commodities recommends analysing the qualitative features of the value chain such as the institutional and organisational factors that affect costs and shape relationships among the value chain actors (Keyser, 2006). It has also been suggested that, for domestic value chains, strategy should begin with understanding needs and priorities through direct research (Henning et al., 2008). This raises the question of whether qualitative value chain analysis provides understanding of vulnerabilities and priorities? Additionally, would value chain players' perspectives inform value creation activities? The purpose of this study, therefore, was to conduct a qualitative value chain audit of an agriculture commodity industry with a view to understanding the priorities of the value chain players. This study aims to add on to the emerging perspective of understanding the qualitative features of value chain analysis and how this may contribute to strategic development and competitiveness of industry organisations in emerging economies.

METHOD

The research aimed at exploring the qualitative features and strategic choices that inform value chain analysis. Understanding the perspectives of value chain players on vulnerabilities and priorities for industry development was important for this study. The study focused on the mushroom industry in Ghana and the value chain players who were active members of the national industry organisation. Interviews were conducted with value chain players at two regional and one national meeting and they were required to indicate on the questionnaire what parts of the chain that their businesses were in. The primary activities chain adopted for this study were   input supply, production, processing, marketing and trade and consumption The questionnaires were explained to respondents and facilitators were available to assist

interviewees in filling the forms. Respondents were asked to rank, from most important (1) to least important (5) priority solutions for the 5 primary value chain activities. For each of the primary activities, respondents also ranked, from most important (1) to least important (5), priority solutions for improving activities. The data was analysed using SPSS for Windows. Percent ranking scores were used. Eighty five percent of respondents were males while 15% were females. The percentage of respondents involved in the value chain activities of input supply, production, processing, marketing and trade were 30, 40, 10, and 20, respectively.

RESULTS AND DISCUSSION

The results were presented on the basis of respondents' involvement in the industry and their perspectives on priority solutions for the primary value chain activities. The value chain framework describes the chain of value-creating primary (inbound logistics, operations, outbound logistics, marketing and sale, and service) and supporting (firm infrastructure, human resource management, technological development, procurement) activities of firms and industries (Porter, 1985). The current study considered the primary value chain activities that included input supply, processing, marketing and trade and consumption. The results of the priority solutions for value chain functional activities showed that respondents ranked, from the most important to the least important, input supply, increased production, improved marketing and trade, increase in consumption   and processing activities (Table 1). Value chain players perceive that attempts to making the industry competitive should address the challenges based on the identified priorities. Following up on the priority solutions of value chain activities the study looked at perspectives on improving input supply, production, marketing, processing and local consumption. Respondents priorities for improving production, from the most to the least important, were availability of quality spawns, access to finance for production activities, availability of production technology, increasing production capacity, and government support for the industry. For marketing, selling fresh products to new customers was of primary importance to growing the mushroom market followed by selling fresh products to existing customers, selling processed products to existing customers and finally selling processed products to new customers. Critical to improving domestic demand was the need to change consumer perceptions (ranked 1st), improving packaging (2nd), improving shelf-life of fresh products (3rd), increasing consumer choice with more products and adopting low cost strategy (5th).

The value chain approach is a business oriented approach which aims at making use of the best values and views the organisation or industry as a sequential process of value creating activities; creating value for buyers that exceeds the costs of production (Dess et al., 2005). The value chain is different for different firms and industries (Porter, 1985) and the primary activities chain adopted for this study, input supply, production, processing, marketing and trade and consumption, differs from the general agriculture value chain stages (input supply, farm production, assembly, processing and logistics) adopted by Keyser (2006) but is similar to that of Weidinger (2005). The success of private firms is only the beginning of successful value chain development that has to be followed by the creation of a vibrant value chain where all stakeholders are focused on the needs of the market and create collaborative business models that promote equitable growth (Henning et al., 2008). The value chain approach starts with the market and consumer demands and develops promotional and production strategies in a deductive manner and intends to increase value; and in the development context considers where value is added and who benefits (Weidinger, 2005). In his methodology for value chain analysis for competitive commercial agriculture in Africa, Keyser (2006) observed that quantitative value chain analysis (focuses on the amount of money a buyer is willing to pay for a firm's output and in an open economy this price is determined competitively and flows upstream from the consumer to each producer and marketing company involved in the growing, collection, transformation, and delivery of that commodity to its terminal market) must be couched within an analysis of qualitative factors. Value chain participants' perspectives on vulnerabilities and priorities are, therefore, important. Along the mushroom industry value chain, participants advocate for changing consumer perceptions to improve demand, emphasise market penetration, access to finance for production, increased government support for commercialisation and reliable sources of input provision .

The study has practical implications. From industry development point of view, and the strategic choices that have to be made, government and international development assistance should take on board the perspectives of value chain players. It should inform funding decisions and quantitative value chain analysis.

Table 1. Priority solutions for value chain activities

Priority solutions for value chain primary activities	Rank
Provision of quality inputs	1 (most important)
Increase production activities	2
Improve marketing and trade	3
Increase consumer demand	4
Increase processing activities	5(least important)
Improving input activities	
Access to finance	1 (most important)
Ease of procurement of input and supplies	2
Government policy and enabling environment	3
Reliable sources of input supplies	4
Consistent supply of input materials	5 (least important)
Growing the market	
Selling fresh products to new customers	1(most important)
Selling fresh products to existing customers	2
Selling processed products to existing customers	3
Selling processed products to new customers	4 (least important)
Improving production	
Availability of quality inputs	1(most important)
Increasing access to finance	2
Technology to maintain optimum production conditions	3
Improving production capacity	4
Enabling environment for commercialisation	5(least important)
Improving demand and consumption	
Changing consumer perceptions	1(most important)
Improving packaging	2
Improving shelf life of products	3
Increasing consumer choice	4
Adopting low cost strategy	5 (least important)

CONCLUSION

The study concludes that qualitative value chain analysis of participants' perspectives provides the means for understanding priority activities for value creation. The study recommends qualitative value chain audit as a means of improving industry value chain activities and services based on informed choice. It opens up further studies on qualitative features of the value chain. Quantitative value chain analysis may provide the foundation for quantitative value chain analysis that measures the actual value that prioritised value chain activities would generate.

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