

KEY ACTIVITIES IN A BUSINESS MODEL

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Abstract: A key activity is any activity in the company, which creates value. It is a tool for creation a competitive advantage and brings differentiation on the market. Deficit such activity brings the collapse of the company and its presence adds value. The main aim of this study is to analyze the key activities of 208 companies. The target group of the survey was - firms in the Slovakia. For their analysis we chose two approaches - quantitative and qualitative. Companies were contacted by survey and afterwards the information were completed from the annual report or by personal communication with the employees. Quantitative output was accompanied by short case studies that illustrate the reasons and motives of companies. Each example is provided in parentheses industry, number of employees in 2011 and sales in the same year.

Keywords: key activities, sell, marketing, production, logistics, warehousing

JEL Classification: M10, M21

1. INTRODUCTION

Business process is activity or task, which produce a specific service or semi-finished products, which is needed for creation of the main value. This value is afterwards sold to customer. Companies build their competition advantages on these activities and without them are lost. For some company it could be marketing, sell management or just warehousing, which differ the company from the others in the market.

2. METHODS OF STUDY

The target group of the survey was - firms in Slovakia. For their analysis we chose two approaches - quantitative and qualitative. The first is based on knowledge of the frequency of the data in the sample, ie questionnaire is designed so that it is set a range of responses, but it is not known percentage number of each. In open questions, the range of responses is generated during the analysis. Qualitative research analyzes the subject of interest in depth. For a quantitative research is positive sample higher order and the disadvantage is less depth and less detail informations. Qualitative research allows to study the subject in depth and to analyse the causes and context. Survey of respondents (companies) we make by a questionnaire.

At the stage of determining the size of the target group, we decided for the uniformity of the sample - companies which have business in Slovakia. We were able to contact 315 businesses, with a different number of employees, sales volume and differential focus. Checking the validity of data was made internally. We checked the integrity of-say, their reasonableness and logic. If the answers to questions one or more were missing or incomplete, questionnaires were not used for evaluation. We drive out 107 questionnaires. Left us 208, which passed the final control. In them were based on additional information from either the company or the available information corrected erroneous data (questions that have been misunderstood). Total sample was 208 companies. This sample and the data are judged as valid and continued phases of the organization and classification, ie recording data into the SPSS Statistics 14.0. This computer

program is designed for research and statistical analysis. It was founded in 1968 in the company IBM Corporation. Companies use it to survey the market in health care providing analyzes, the government, educational institutions and other areas to assess the selected sample. Its advantage is that in addition to standard statistical methods makes it possible to acquire and create derived data and cross-table, and then analyze one thing from several angles. Quantitative output was accompanied by short case studies that illustrate the reasons and motives of companies. Each example is provided in parentheses industry, number of employees in 2010 and sales in the same year.

3. KEY ACTIVITIES

By analyzing the value chain proposed by Michael Porter, we examined which activities are crucial for the companies. The analysis divides all activities into primary (input logistics, production and operations, sales, customer service) and secondary, which create value separately from the direct production process (people development, research, planning and financing). Firms can select max. 2 options. Summary shows table 1.

Table 1 Primary activities

ACTIVITIES	number	%
Sell and marketing	116	55,77%
Production/operation	106	50,96%
Sell support, services to customers	75	36,06%
Input logistics, warehousing, purchasing	73	35,10%
Output logistics, warehousing, distribution	61	29,33%

The most important activities is the sale and marketing. Targeted marketing is the key for increasing sales and on the other side, sophisticated sales channels can be a good servant to increase sales. **Alpine Pro Stores Ltd.** (clothing industry and commerce, 92 empl., 5 mil. €) is focused to the manufacture and sale of sports textiles and accessories. Since this is a relatively young company that is in our market since 2009, it is necessary for this company to build image. In conjunction with precisely-targeted advertising in various ski resorts, cooperate with famous athletes, the Czech and Slovak Olympic team, the company has well established on the market and since his arrival has been experiencing

continuous growth in product sales and revenue. Thanks dealers and their shops, which are directly on the slope of the major ski and are designed in a graphics company, the company has created not only a strong awareness of a brand, but also the connection – *good slope = good brand*.

The fact that sometimes the creation of new channels increases sales, proves the company **Elstrote Ltd.** (clothing, 34 empl., 0.98 mil. €), which produce shoes and clothes people in a cost effective and good quality, conforming the European standards. In 2010 the company created two new distribution channels – store and online sales. In a relatively short time this decision brought a significant increase in revenue. In the meantime, the company sold only through wholesalers. Based on this experience, the company is considering creating own sales network.

Some companies do not use the website for direct sales, but only as the support. **Okno-Daff Ltd.** (manufacturing, 9 empl., 0.85 mil. €) specializes in the manufacture and sale of environmentally friendly lead-free plastic windows and doors. Its website (www.oknodaff.sk) used to support the sell. Each potential customer, who wants to buy some products of company, can create calculate the final price (product + service). There is also a movie about producing processes, which show ecology of company and also sophisticated technology and quality of products.

Marketing and sale of the product may starts for several years and just afterwards can change to the the acceptable product and find its customer. „There is a globally successful concept Nestlé Nespresso. The employees worked on this ide for eight years. And during the first eight year it did not work at all. But Nestle could invest every year and now Nespresso works well and earn a lot of money. Imagine that during the first eight years someone told us it takes too long, so to quit.“¹

Sometimes a company can have sales and marketing at a high level, but if it does not know estimate the time of new decision, it may end up. **Kodak** Company in the world of digital cameras finished as a disaster. „The company had the first difital camera in its labs in 1975. However, the project was buried: it threatened the well-functioning and the development of selling traditional film tapes. The current CEO of Kodak Antonio Perez said that Kodak had incredibly good research and patents, but has not skill how to sell them. „Actually, I was terrible in selling," he told for Bloomberg.“² Right now the company wants to restructure the business and to focus on the field of printers.

Stanislav Bernard, owner of brewery **Bernard**, sees the success of campaigns in speed and controversial topics that attract media: „We have a long-term campaign -The world is crazy, hold on ... We response to the issues of the day. If one is strong enough to take some time and that we kidded about it, or that we laughed at it, so we take it. The response must be quick. We take topics also from our employees. All the themes we consult with lawyers (mostly because it feeds some celebrity). The production is finished in six or seven days. For example, when police beat the young man in technofestival when police broke into the

Czech television, or when doctors go on strike, we started our promotion.“³

More than a third of companies are aware importance of **customer care, purchasing support and customer service**. **Techgum Company Ltd.** (chemical and mechanical industries, 120 employee., 10 mil. €) is focused to the production of technical rubber components and manufacturing rubber and textile conveyor belts and gaskets. The sale and installation generates 85% profit, the remaining 15% is made up through additional services that arise after the purchase - the service, monitoring the quality of products and devices that provide employees of this company. This makes the company growth and improving relationship with clients.

Providing **input logistics**, is for many companies important, but not key activity. It said 35.1% of companies, of which only 43.68% were manufacturing, the other dealing with trade. For company **IT Fragment Ltd.** (IT industry, 8 employee., 0.72 million. €) has become warehousing one of the most important activities. In the words of the manager of the company, the initial establishment of one of the biggest mistakes was when he tried to save money on warehousing and reduce inventories to a minimum. When a potential customer saw, that the product is not in stock and would have to wait for the product, decided to purchase the product from the other company. So the company decided to lease also one other small office that serves as the warehouse. The advantage is smooth and short process from ordering through delivery, what increases the value added.

In the Table 2 it is showed the secondary activities, which are used in companies (the firms could mark max. 2).

Table 2 Secondary activities

SECONDARY ACTIVITIES	number	%
Technology: research, development, technical production, preparation	93	44,71%
Management and human resource development	83	39,90%
Infrastructure: Planning, Finance, IS/IT, legal services	80	38,46%
Purchasing	58	27,88%

Research, development and technology preparation can help the company achieve more than the national quality. Small company **Luky MZ Ltd.** (prudction industry, 6 employee., 0.18 million. €) is focused on the production of commercial printing. Through innovations of machine the company created a stable competitive advantage, where os the high costs of imitation technology and equipment. In addition, orders for customers in Slovakia come from abroad, what demonstrates that the technological level and the price is favorable compared with other countries.

The company **Osram** (production industry, 1800 employees., 93.9 million. €) is located in Nove Zámky and produces a wide variety of light sources for automotive and general lighting. It is the largest producer in Slovakia and one of the two largest in the world. Products made in Nove Zamky are in standard quality and are marked as Made in Slovakia. Cost on research is more than 5% of turnover (4.7 mil. €), and thanks this activity is now the company high-

¹ ORFÁNUS, D. – CZWITKOVICZ, T. 2011. Teraz sú skvelé časy. In *Trend*. ISSN 1335-0684, 2011, roč. 11, č.47.

² PODSTUPKA, O. 2012. Legenda s nožom na krku. In *Trend*. ISSN 1335-0684, 2012, roč. 12, č.3.

³ JESNÝ, M. – PODSTUPKA, M. 2012. Ako sa oslobodzuje pivovar. In *Trend*. ISSN 1335-0684, 2012, roč. 12, č.12.

tech firm in the lighting industry. In the coming years it expects even stronger growth innovation.

4. CONCLUSION

Key activities describe those processes, which create value in companies. Using the Porter value chain analysis, we divided them into primary and secondary. The primary activities interpose into the process of production. The most important are sales and marketing. The second most important activity is the manufacture and operation, and the third is to support the sales and customer service. The most important secondary activities include research, development and technical preparation of production. Investments in research ensures continuous innovation especially in the engineering sector. That one must always necessarily follow sales and marketing. Management and

development of human resources is considered the second most important secondary business activity. The third is to ensure the overall infrastructure of business - finance to planning, IS / IT and legal services. Representation of key activities (production and sales) reflects the deviding of sectors to production and sell. Up to 80% of manufacturing companies engaged in the research and development, which in the future could bring the creation of excellent companies with European coverage. At least the companies engaged in logistics, which is hived off. Activities that help to create value directly, are left by companies inside the activity structure and specific activities such as education, logistics, IS / IT, marketing and legal services are taken by partners.

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