

GLOBAL VALUE CHAINS: A REVIEW OF MULTIDISCIPLINARY LITERATURE

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ALB-Canada meeting, May 3, 2019

Toronto, ON, Canada

Agenda

- Motivation for our study
- Guiding framework
- Review methodology
- Select key insights (related to conference theme)
- Knowledge gaps/directions for future research
- Next steps

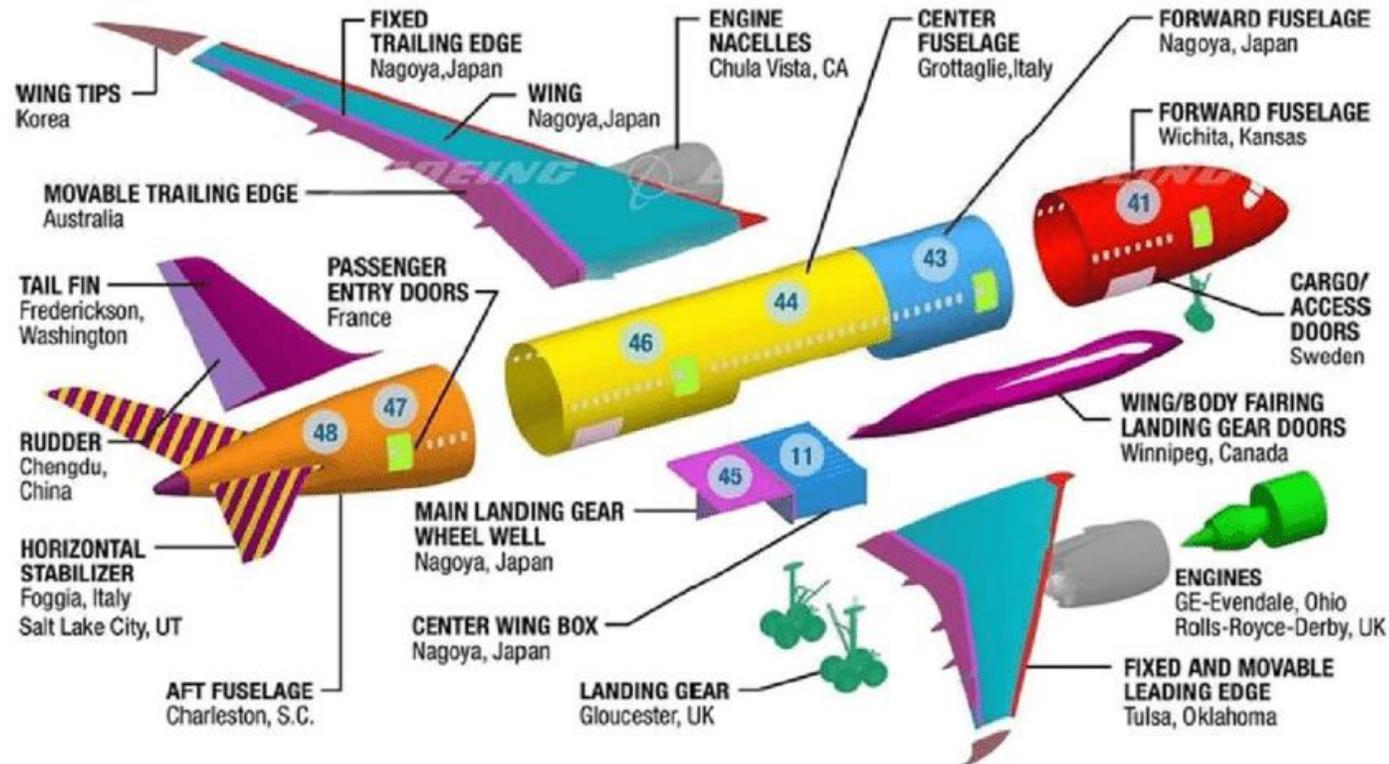
GVC definition

- A governance arrangement that utilizes, within a single structure, multiple governance modes for distinct, geographically dispersed and finely sliced parts of the value chain (Mudambi, 2008, 2008; Buckley, 2009)

Boeing's global production network

THE COMPANIES

U.S.	CANADA	AUSTRALIA	ASIA	EUROPE
Boeing	Boeing	Boeing	Kawasaki	Messier-Dowty
Spirit	Messier-Dowty		Mitsubishi	Rolls-Royce
Vought			Fuji	Latecoere
GE			KAL-ASD	Alenia
Goodrich			Chengdu Aircraft Industrial	Saab



Source: The Boeing Company

Why review GVC literature?

- Phenomenon subject to investigation in a wide range of disciplines since 1990s
 - Economic sociology
 - International economics
 - Regional and development studies
 - International political economy
 - Supply chain management
 - Operations management
 - IB
- No systematic review from an IB perspective
 - Our paper: complementary research streams, IB-centric perspective
 - Guiding framework: comparative institutional analysis (TCE/internalization theory)

Macro-level influences

Cultural, institutional, geographic, economic characteristics of home/host locations

- Quality and cost of production input
- Technological environment and IP protection regime
- institutional quality and political stability
- Norms and value systems

Structural governance

1. Control

- Make, buy or hybrid decisions for each value chain activity

2. Location: GVC mapping

- Location choice for discrete activities
- Regional versus global governance
- Emerging versus developed markets
- Clusters and local linkages

3. Network structure

- Power relations
- Centrality and density
- Linkage heterogeneity
- Openness

**Governance
& performance
outcomes of
global value
chains**

Strategic governance

4. Learning

- Knowledge acquisition, creation and diffusion
- Innovation and absorptive capacity
- Catch-up and upgrading

5. Impact of lead firm

- Size/age/ownership
- Location/industry sector
- Strategy
- Capabilities

6. GVC orchestration

- Specific contractual choices to manage GVC
- Entrepreneurial guidance
- Social mechanisms/relational governance
- Value distribution

Micro-level influences

Behavioural assumptions re: decision-makers in lead firms and peripheral units

- Bounded rationality and bounded reliability
- Cognitive capabilities
- Managerial capabilities, etc.

Review methodology

- Empirical articles published in leading journals in:
 - ▣ IB
 - ▣ General mgmt
 - ▣ Supply chain mgmt/operations mgmt.
 - ▣ Economic geography, economic sociology, regional and development studies, and international political economy
- Search terms: GVC/GPN/GCC/Global Factory – as a major variable or issue under investigation
- Total: 18 journals/54 articles

Key insights: Microfoundations

- Bounded rationality/reliability of decision makers impacts efficiency of GVCs
 - ▣ Managers underestimate the cost of global sourcing/overestimate ability to coordinate inputs and outputs (Levy, 1995)
 - ▣ Managers don't know where value is created in the GVC (Seppälä et al., 2018)
- Solution?
 - ▣ Common identity and language (Lipparini et al. 2014)
 - ▣ Building upon individual cognitive and managerial capabilities (Eriksson et al., 2014)

Key insights: GVC governance

- Structural governance choices are impacted by macro-level characteristics, but are driven primarily by firm-level strategic considerations (Dallas, 2015)
- Technological advances shape the make-up of GVCs
 - ▣ Digital connectivity enables exploiting complementarities between geographically dispersed processes (Gooris & Peeters, 2016)
 - ▣ Limits participation by suppliers located in technologically underdeveloped regions (Foster et al., 2018).
 - ▣ Potential impact of the latest technology (3D printing): shorter, more dispersed, more local GVCS, located closer to end users (Laplume, Petersen, & Pearce, 2016).
 - ▣ Unbundling/rebundling GVCs? (Rehnberg & Ponte, 2018)

Key insights: GVC governance (2)

- Control of the GVC is firmly in the hands of technology leaders (Buckley & Tian, 2017)
- Upgrading and catch-up by suppliers
- But: Developing technological/R&D capabilities not enough
 - ▣ Need “global orchestration know-how” (Buckley (Tian, 2017)
 - ▣ Entrepreneurial role of lead firms
 - ▣ Relational governance is a critical component of network orchestration

Key insights: Macro-level characteristics

- Institutions greatly impact GVC's abilities to engage in, and profit from, innovation
 - ▣ Inadequate institutions prevent local firms from transforming R&D into innovative products and services (Jean, 2014)
 - ▣ Solution? International collaborations, engaging with international institutions
 - ▣ Leapfrogging is easier at early stages, when copying is possible, but few shortcuts to be competitive at the cutting edge: R&D, time, collaborations
- Institutions are dynamic: Strategies progress with development
 - ▣ Internal R&D becomes a dominant strategy for upgrading as liberalization progresses (Kumaraswami et al., 2014)
 - ▣ Suppliers with more advanced technologies become core players in regional networks (Suder et al., 2015).

Knowledge gaps and ways forward

- Microfoundational aspect underrepresented
 - ▣ 'Assumption-omitted testing' (Tsang, 2006)
- Geographic scope and GVC mapping
- Learning in a GVC
 - ▣ Reverse knowledge transfer and learning in the lead firm virtually unexplored
 - ▣ Specific mechanisms/channels through which knowledge travels
- Impact of lead firm ownership on GVC governance (private/public/SOE/family firms)
- Temporal factors and dynamics of GVC arrangements

Knowledge gaps and ways forward (2)

- Finance and financialization in MNEs' participation and coordination of GVCs
 - ▣ Impact of financial considerations (e.g. share price) on GVC configurations
- GVC impact on macro-environment
 - ▣ Addressed in only four studies
- GVCs and digitization
 - ▣ Have digital technologies transformed the basic governance structure of GVCs?
 - ▣ Integration of digital and brick-and-mortar scenarios within the same GVC
 - ▣ The impact of home country Internet regulations on GVC governance (Wu & Gereffi, 2019)
 - ▣ Relational governance in a digital environment

Our next steps

- Include conceptual articles
- Expand discussion on theoretical underpinnings of current GVC research
- Greater focus on discussion of performance outcomes