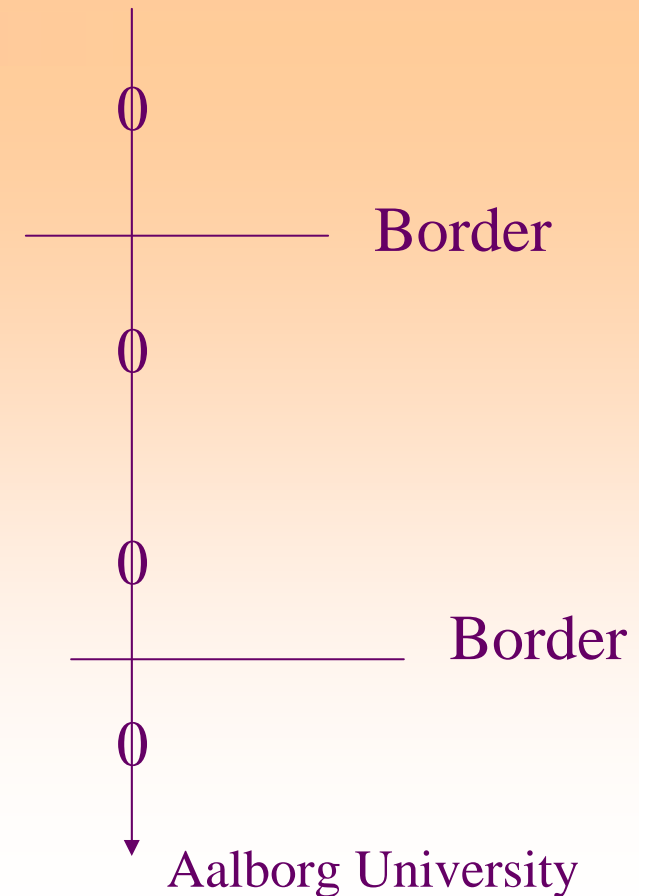


# The Global Value Chain and Development

**DDRN-Working Group Seminar**  
**March 9, 2010**

Olav Jull Sørensen, Centre of International Business





# Aim

To present for discussion:

- \* Some principal ideas on the Global Value Chain (GVC).
- Some examples of GVC-development
- Cases from Georgien and Tanzania

# Five Basic Questions

## **Formation:**

Who/How many actors/links ?  
Why are new ones established/  
existing ones abandoned ?

## **Management:**

How is the chain/the  
links managed?  
What tools exist for  
co-ordination?

## **Embeddedness:**

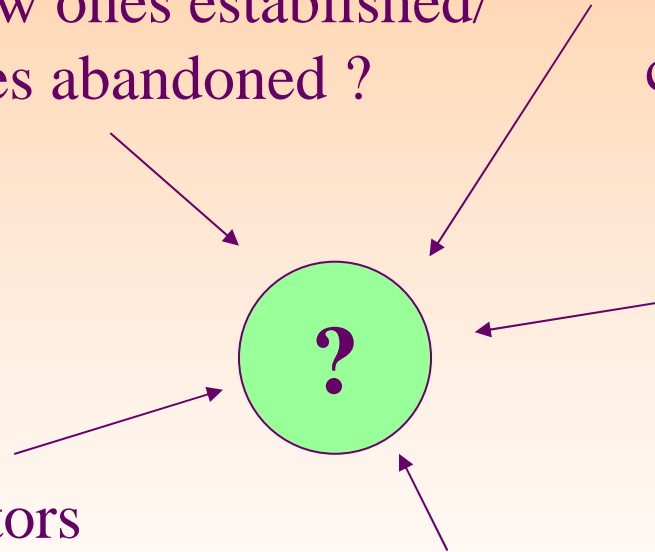
How are the actors  
connected to specific  
places (context).How  
mobile are they

## **Location:**

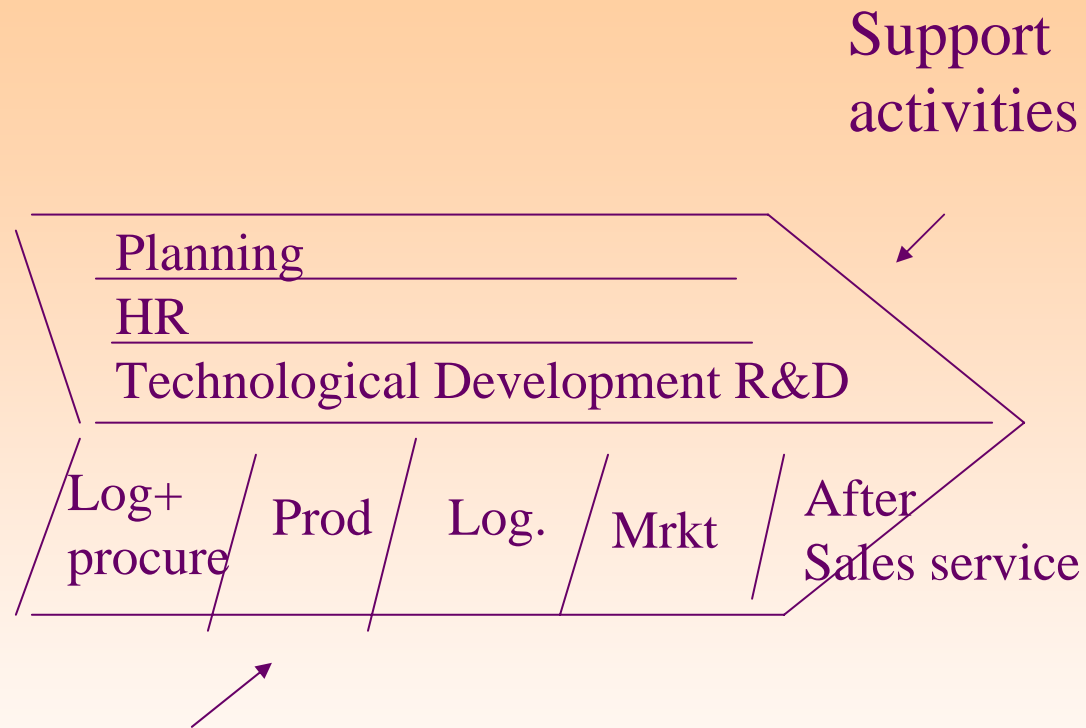
Where are the actors  
located? (spatiality)

## **Relations:**

What mechanisms tie  
the actors together? (governance)

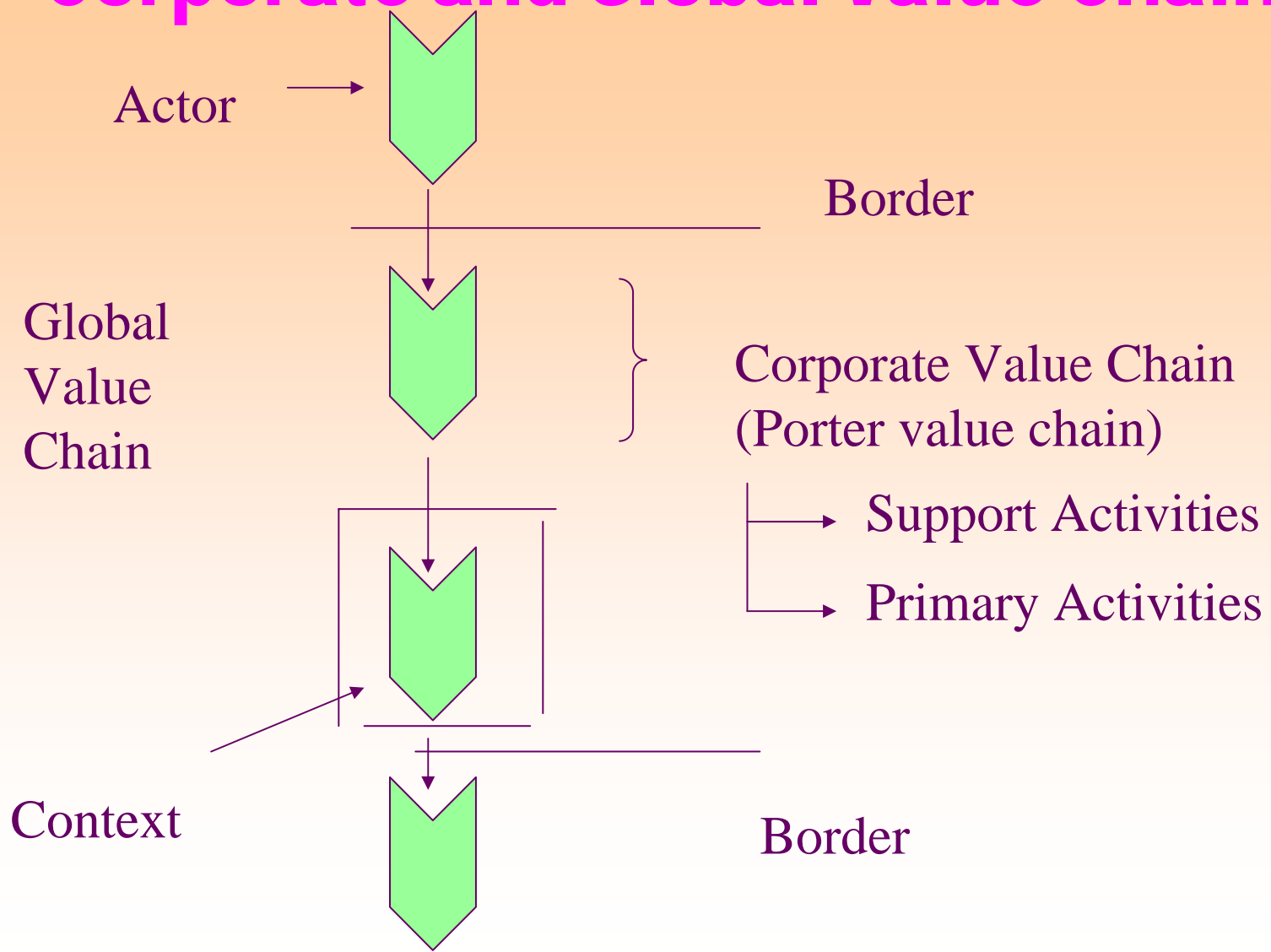


# The Corporate Value Chain



Where are the activities located globally?

# Corporate and Global Value Chain

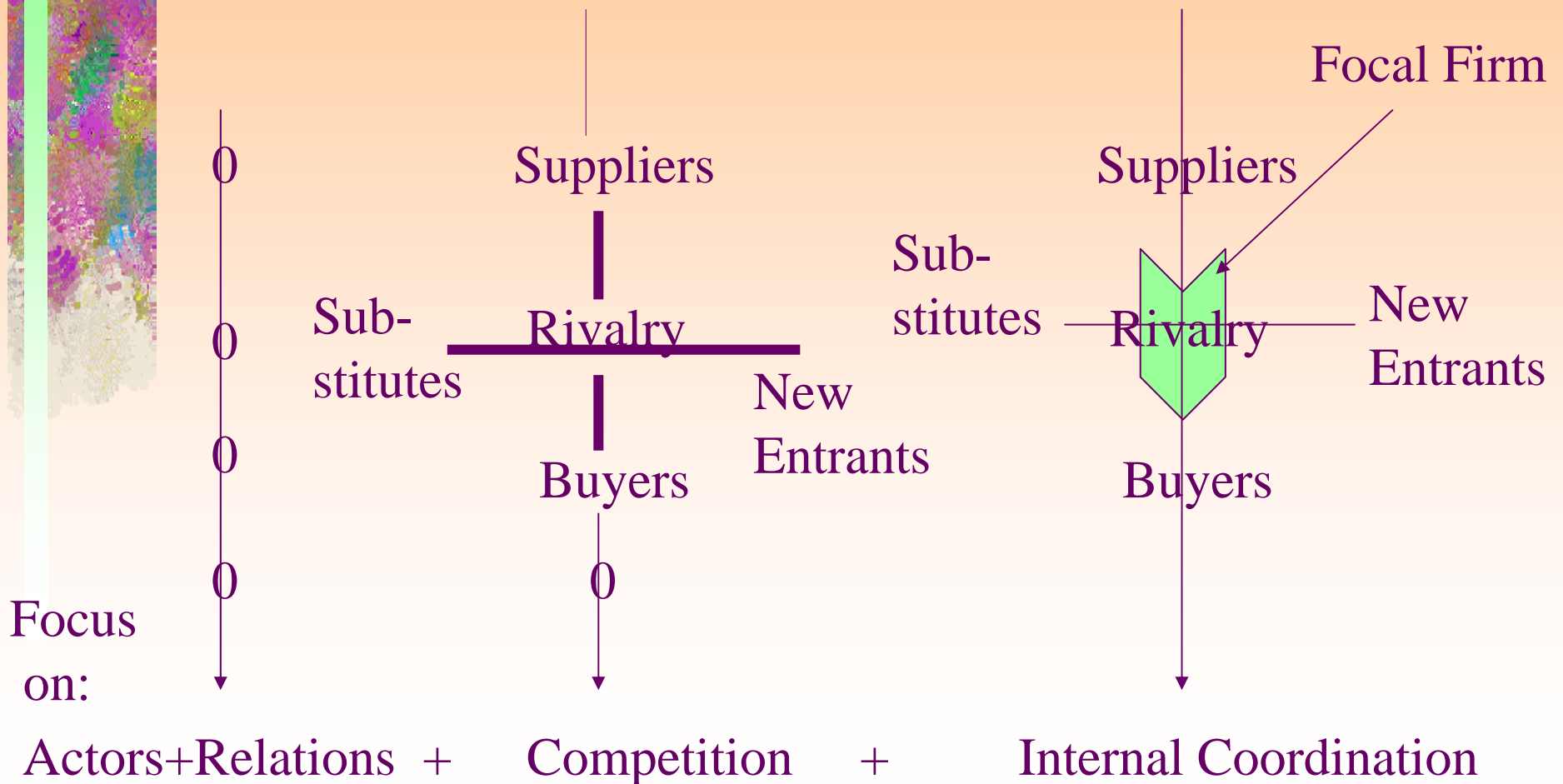


# Combining Theories

GVC

GVC+5-Forces

GVC+5-Forces+CVC





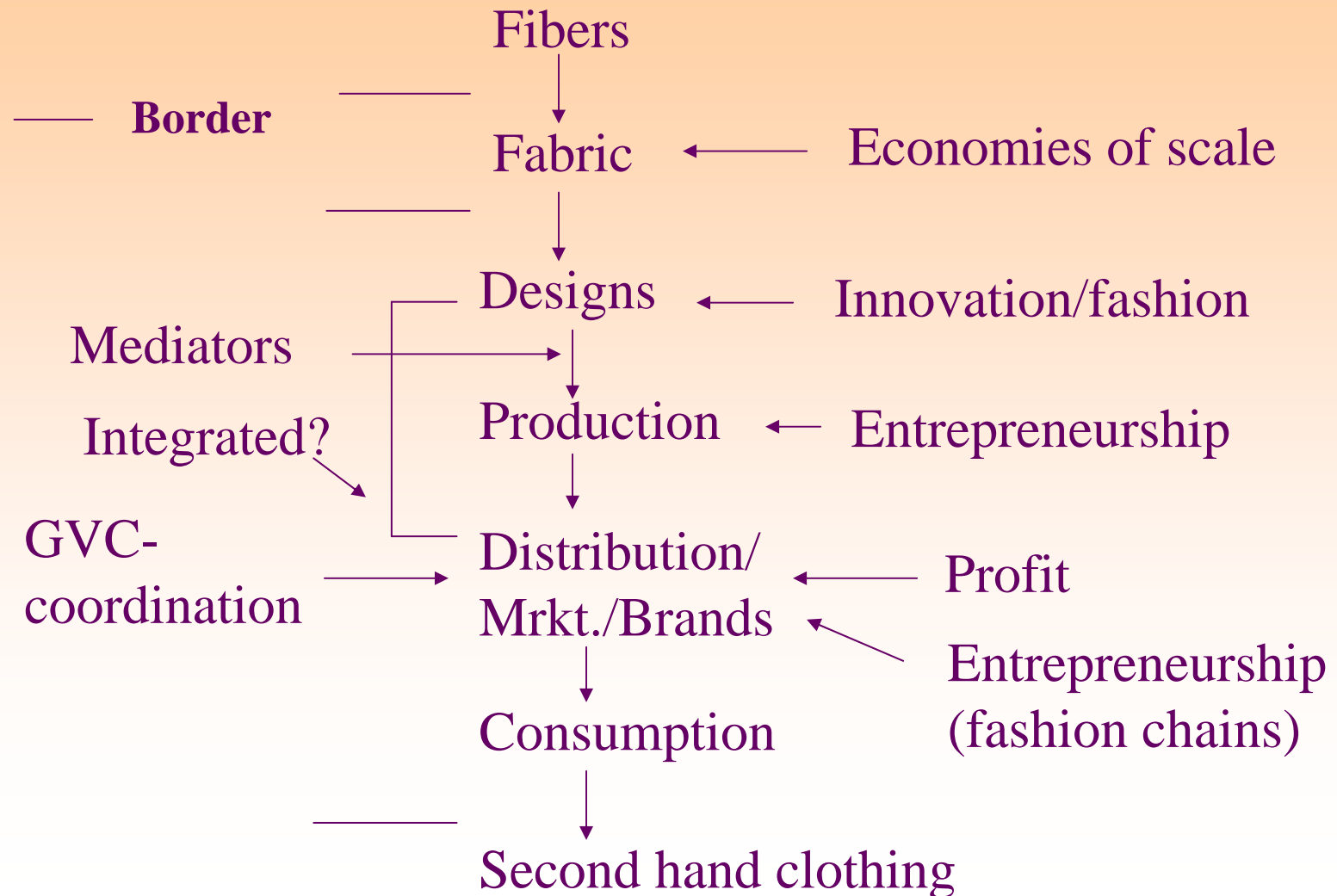
# GVC as a Flexible Instrument

- where is the dynamics - where are the bottlenecks

- \* Value Creation      Who creates value
- \* Profit      Who appropriates the value
- \* Efficiency      Location; economies of scale.
- \* Co-ordination      How are the actors linked; What systems are used: JIT; IT; SCM
- \* Entrepreneurship      Degree of entrepreneurial dynamics
- \* Environment      Life Cycle Management
- \* Innovation      Who innovates; Any clusters?

The outsourcing model

# Garment to Illustrate





# Zara-Case

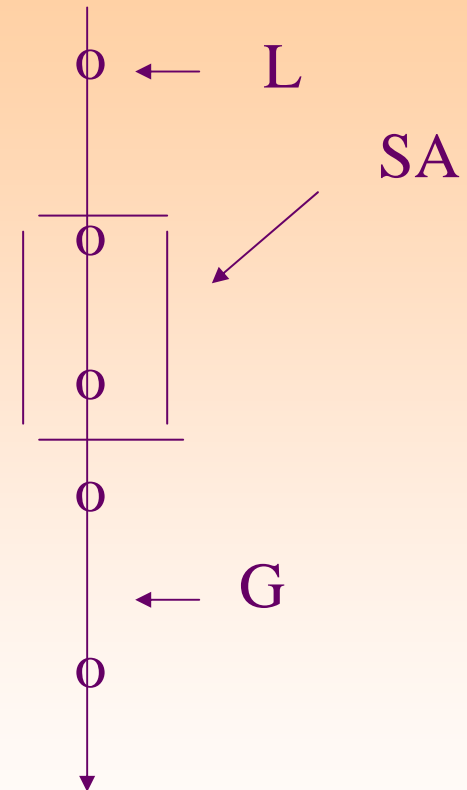
- To provide value to the consumers, what are the critical factors? (ref. Slide 12 (GVC as a Flex. Instrument) and 14)
  - What actors or linked actors are responsible for the critical factors? Any bottlenecks
- \* Identify the innovative and entrepreneurial actors or links
- \* Identify the critical actors for efficiency and quality?

# Procedures for Using the GVC

- \* List Functions Sequentially -o
- \* Identify Actors o or o
- \* Identify main support actors - SA
- \* Describe Location L
- \* Determine the Linkage Governance -G
- \* Identify Lead TNCs (if any)

→ **The basic structure**

- \* Describe local embeddedness/  
mobility of actors



- \* Describe and analyse, how innovative, entrepreneurial etc the GVC is

# Drawing the GVC

Functions

Competition

Primary Actors

Support  
Actors

Instituti-  
onal  
Actors

Location

Semi-  
products

Components

Robots

Logistics

Components

R&D

Compact

Assembly

Marketing/  
Branding

Standard

Sales Sub

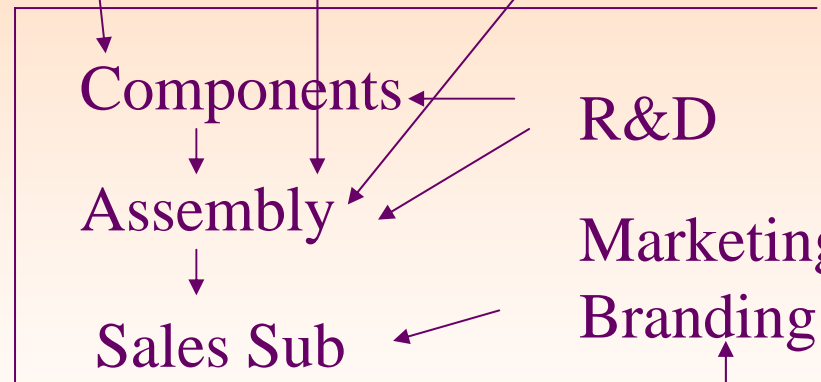
Advertising

Installers

Consultant  
Engineers

End users

Internal  
functions/actors





# Using the Framework

The (G)VC-Framework can be used to study various Phenomenons, for example:

- Entrepreneurship in the GVC
- Innovation throughout the GVC
- Information and Knowledge Flow up and down

Depending on the focus of the study, we will have to turn to the relevant literature and draws on its concepts and models.



# Support to Private Sector Led Rural Development in Georgia

Examples from an appraisal study related to the development of value chains (local and global) for fish and fruits/berries .

Fish GVC: Import substitution; LVC exists, driven both by retailers and producers. The basis is an increase in urbanisation and income + tourism.

Fruits: Identifying replacement for lost Russian market; Local market not big; Visit to processor, who searches for foreign markets while securing access to F&B through: (a) own farm; (b) local procurement; © seedlings, advice and demonstration farm. Driver of the chain can come from both retail, processors, logistics, cooperatives. Tried to contact Rynkeby.



# Georgia-challenges

Tie information/  
knowledge flow to  
product flow

## Challenge 1: Information and Knowledge Flow (p. 26)

With hardly any agricultural extension services, the building of the value chain was challenged with the commercialisation of the knowledge generation and information flow.

Challenge 2: The 1 HA-prison of farmers within (kind of) farming clusters.

- Can survive (perhaps) but not prosper; access to more land (state owned or buy neighbouring plots)
- \* May benefit from forward integration through cooperatives



# Dried Fruits and Vegetables in Tanz

Action Research project to develop the VC for DF&V

Can be seen as a Triple Helix-project with interaction between research, private sector and Government/Donor

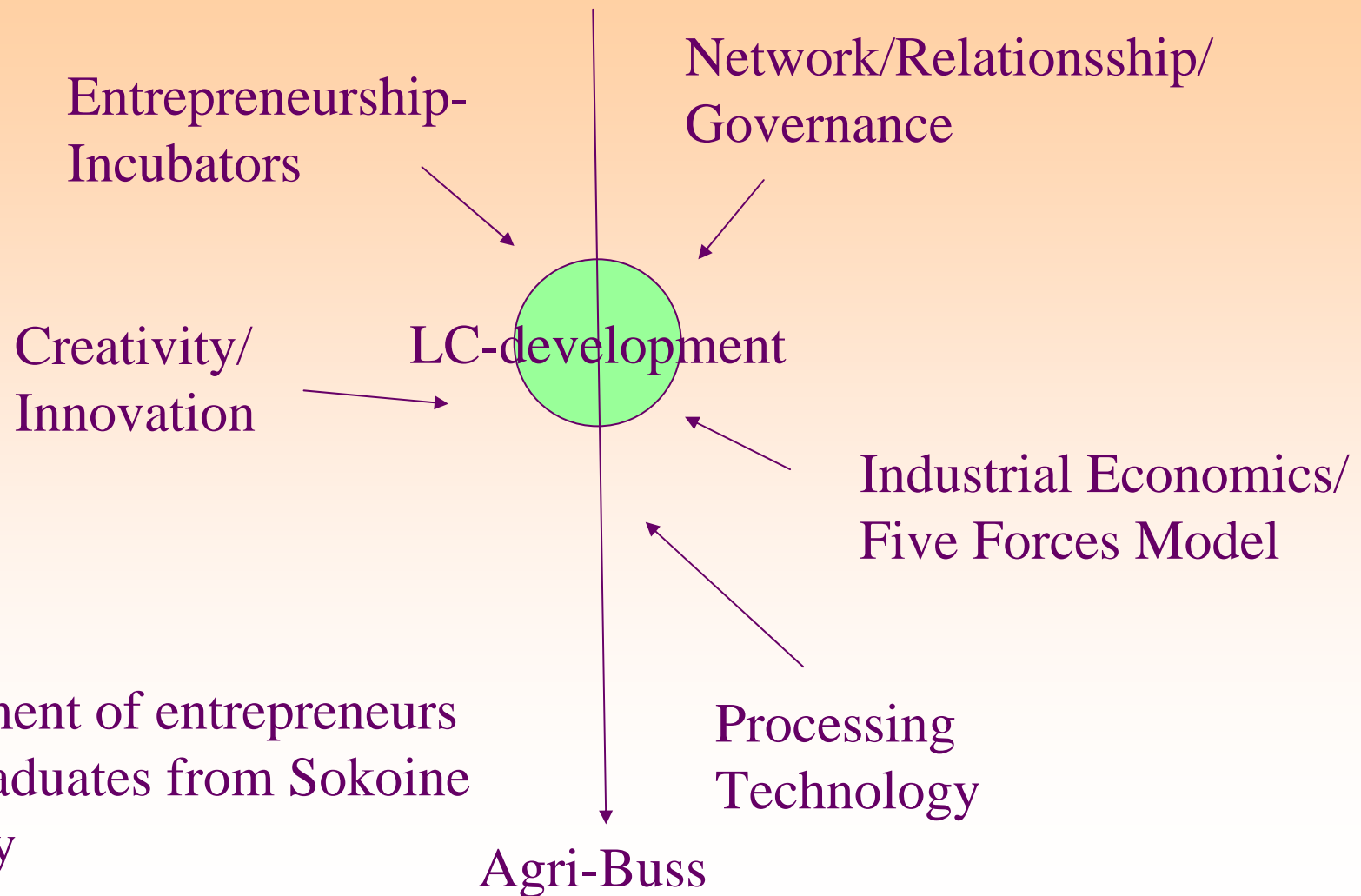
The VC exists on a very modest scale. It is donor driven; Subsistence oriented, and focuses on women.

# Research Driven??

PhDs within:

- Processing technology
  - Business – entrepreneurship
  - Consumer behavior (buying, consumption): Norway
  - F&V in general
  - Production of mangoes (ants)
- } Project PhDs
- } Applied for by others

# Basic Framework



Development of entrepreneurs  
Out of graduates from Sokoine  
University