7. Networks and chains
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How individuals shape global production

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The contemporary literature on the organization of transnational production is dominated by firm- and meso-level research such as the global commodity and value chains paradigm. In economic sociology, the global value chains (GVCs) paradigm has characterized the contemporary literature and defines the extant knowledge. GVCs research emphasizes the economic motivations for participating in the world-economy and considers the unequal distribution of value in parallel with the distribution of labor within global production networks as sociogenic and representative of the unequal power relations within the world-economy.

In recent years, many Chinese production and manufacturing firms (e.g., OEMs) have achieved disintermediation in the way that they participate in the world-economy. The Chinese export manufacturing industry has become prominent for achieving success in industrial upgrading and disintermediation at the global level, and this is primarily achieved through industrial learning, such as the evolution from OEM to global original design manufacturing (ODM), and then brand development, such as the evolution from ODM to original brand manufacturing (OBM), for example, Haier and Hisense in the electronics sector. Chinese firms have also achieved industrial upgrading through the acquisition of foreign firms, for example, Lenovo’s buyout of IBM’s personal computing business. Many Chinese firms, including both large enterprises and small and medium sized enterprises (SMEs), have achieved end-to-end disintermediation of their export supply chains, and a prominent example is the Chinese computer firm Lenovo, a partially listed state-owned enterprise (i.e., a “red-chip” corporation), which has achieved global end-to-end disintermediation through retailing Chinese-made computers directly from its factories to global end consumers through internet retailing. Lenovo’s case is typical of the large Chinese firms (typically red-chip) and industrial upgrading. However, what is more interesting is that small privately owned Chinese enterprises have also achieved global end-to-end disintermediation of their export supply chains, and one prominent way that this has been achieved is through the immigrant entrepreneurship of the Chinese.

A flaw of the extant knowledge is that sociological studies of GVCs have been firm-centric and have not considered the significance of individuals and their agency within the global organization of firms and production. In fact, GVCs analysis, which has been firm-centric, posits that firms seek out industrial upgrading to “move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches” (Gereffi 1999: 51–52). Hence, the research has premised economic explanations of industrial upgrading and disintermediation (which can be understood as a variant of industrial upgrading). This is a problem, because the way in which the world-economy
is organized is as much sociogenic as it is economic, and Bair (2005) argues that the literature should focus more attention on the social nature of the GVCs within the contemporary world-economy through contextualizing chains within the wider social, historic, and political-economic conditions in which they exist. For instance, explanations of disintermediation may be enriched beyond the economic considerations of firms to incorporate the agency of entrepreneurs and the impact of social forces that shape the agency of entrepreneurs. This is important, as social forces have already been demonstrated to be significant for determining the participation of firms in the world-economy. For instance, dialectal and provincially derived ties have been found to impact upon the organization of the Chinese furniture export supply chain throughout the business networks of the Chinese Diaspora (Lee 2010).

As GVCs researchers posit that economic motivations, such as the retention of value and industrial learning, motivate firms to seek out industrial upgrading and disintermediation, they have largely excluded what motivates the individuals that control the firms and operate within GVCs to seek out disintermediation. This is inadequate for understanding how contemporary supply chains evolve, because the disintermediation of GVCs may result from non-economic forces such as immigrant entrepreneurship. The agency of individuals—that is, the volition of entrepreneurs—is highly pertinent to global supply chains, and the decisions they make concerning their personal lives can shape transnational business networks, the organization of global production and the distribution of labor and goods as well as profit. Lee (2010) demonstrated that non-economic motivations, such as personal preference for the “lifestyle” in Australia, may be the ultimate motivation of Chinese immigrant entrepreneurs in the Sydney furniture industry who have facilitated the disintermediation of the Chinese export industry (Lee 2010: 53). This means that firms are not the only agents that can shape the contemporary world-economy, and the agency of individuals shape the concatenation of economic actors and value inputs in the contemporary world-economy. Thus, the significance of individual agency needs greater recognition in the sociological literature on GVCs and transnational production.

Overall, the GVCs literature should explore the ways that non-firm actors and non-economic motivations operate in the world-economy as a way of enhancing sociological paradigms for understanding the global organization of production. The current GVCs literature does not elucidate the significance of non-firm actors, specifically individuals and their agency, and this is a barrier to fully developing the knowledge of the contemporary world-economy and society. Moving on, the GVCs research should encompass individual agency and the social dynamics that arise from the larger—often global—contexts as key concerns for GVCs scholarship, and this will allow researchers to provide better answers to existing questions and ask new questions about GVCs and their existence at the nexus of the global and the local and as the product of both individual agency and firm- and meso-level dynamics.

References

