



Global value chains and the Philippines

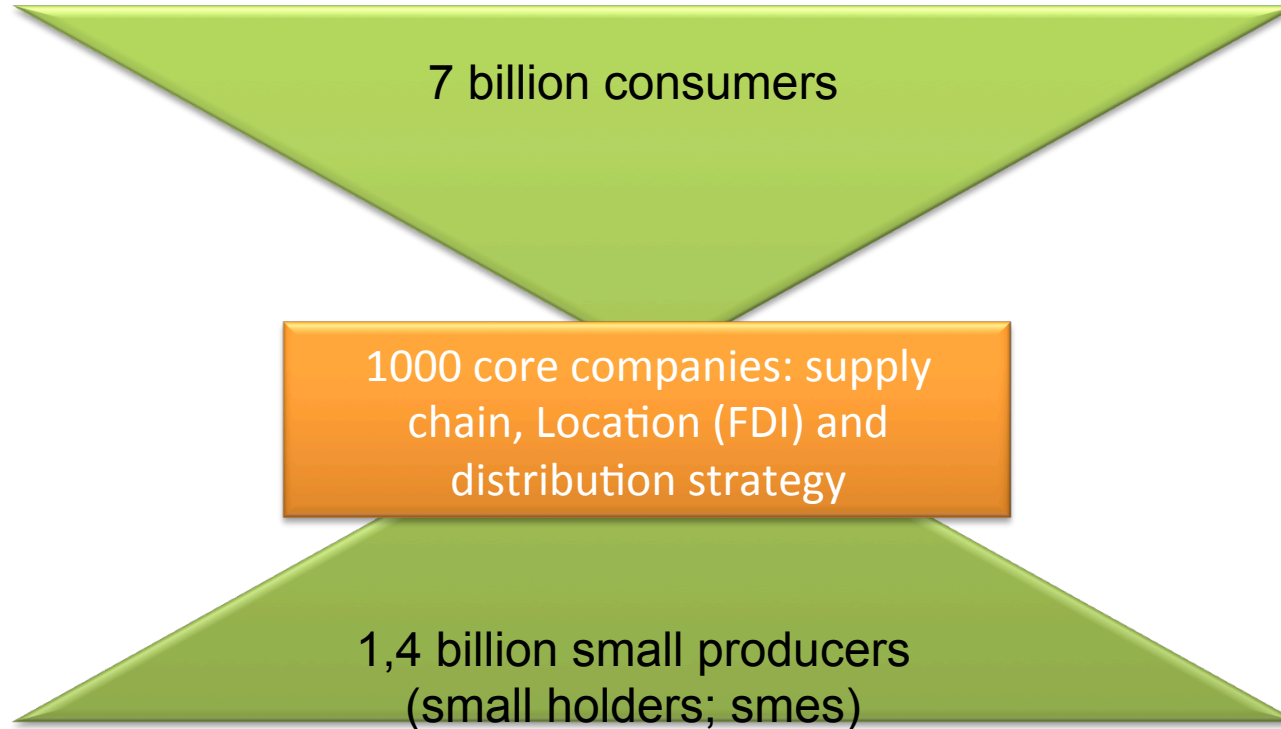
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Outline

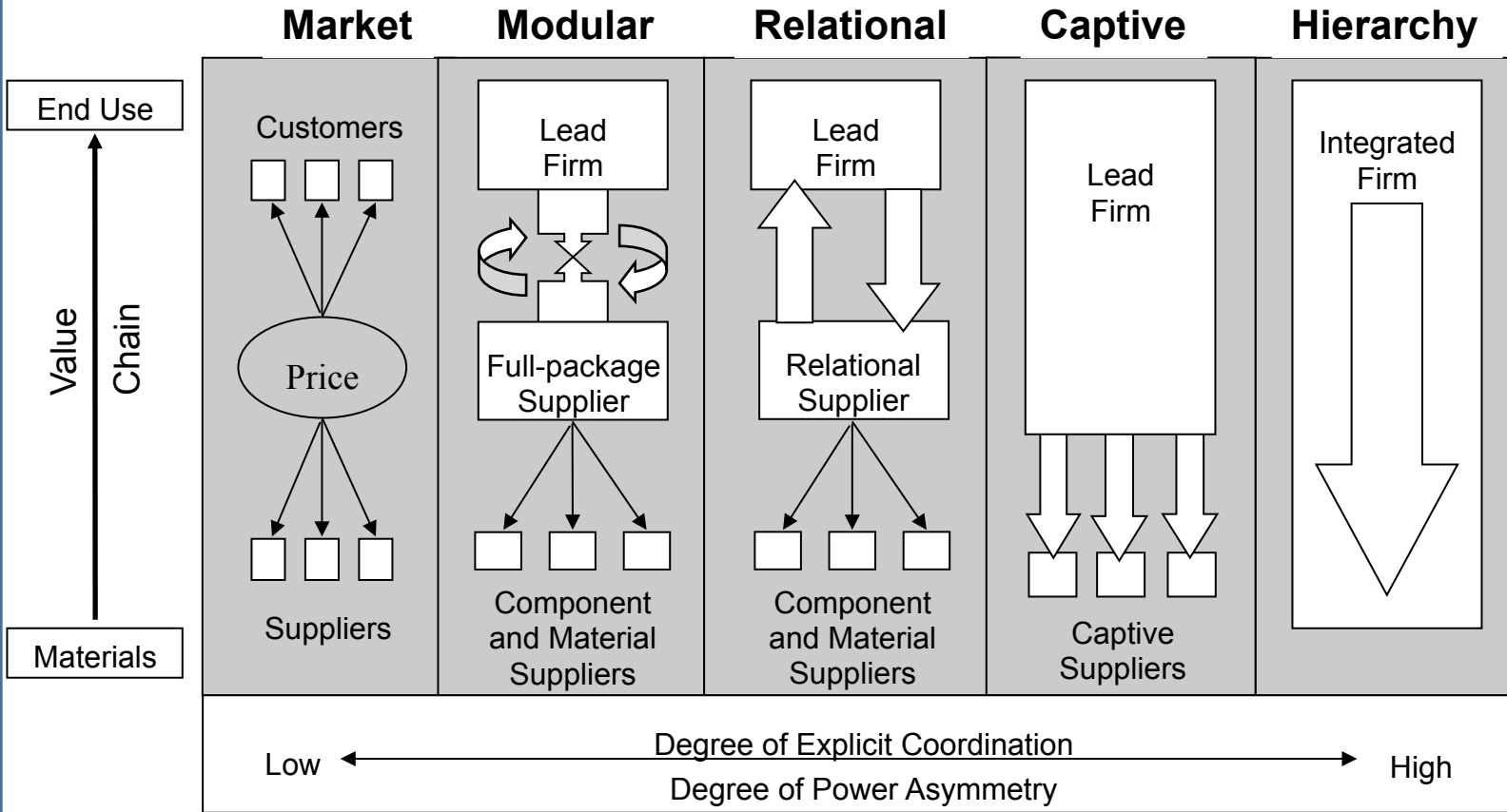
- Global value chain
- Top down approach
- Bottom up approach
- Policy implications

GLOBAL VALUE CHAIN

Hour glass model...



Lead Firms: 5 governance types



Global value chain approach to MICT

- Top-down
 - Sustainable supply chain management strategies of lead firms/multinational companies
- Bottom-up
 - Upgrading strategies of Philippine companies in a global value chain

Studies

Top down:

1. van Lakerveld: Strengths and Weaknesses of Sustainable Supply Chain Management Literature
2. van Lakerveld & van Tulder: Managing the Transition to Sustainable Supply Chain Management Practices - Evidence from Dutch leader firms in the Philippines

Bottom up:

1. van Lakerveld, van Tulder & Balaoing-Pelkmans: What Enhances Sustainable Supplier Upgrading? - Assessing some structural antecedent of supplier strategies in the Philippines
2. Mendoza: Horizontal and Social Upgrading through Global Value Chains in the Philippines
3. Mendoza: Innovation and Vertical Upgrading in Global Value Chains - The Case of Philippine Manufacturing Firms

TOP-DOWN APPROACH

Sustainable supply chain management

“The management of material and information flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e. **economic**, **environmental** and **social**, into account.”

Source: Seuring and Müller 2008:1700

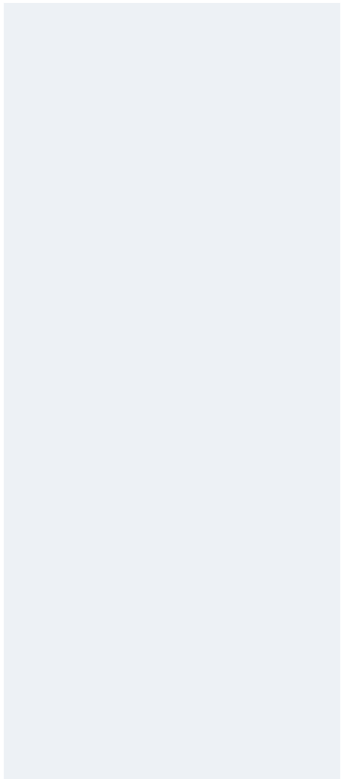
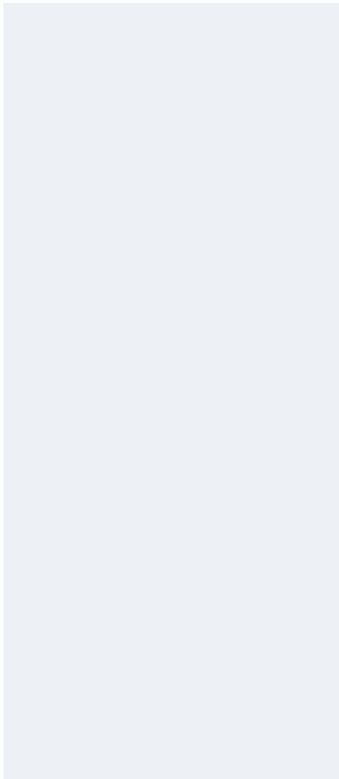
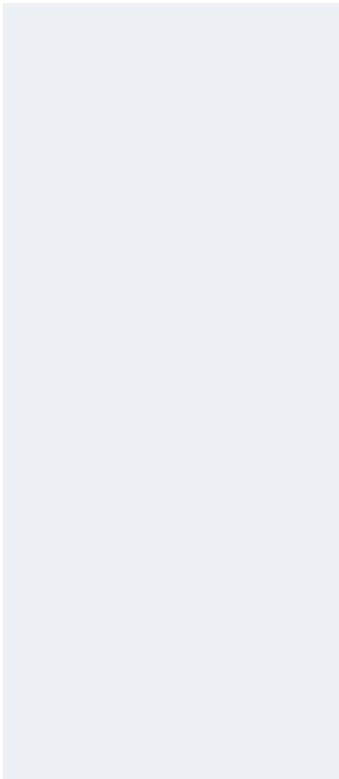
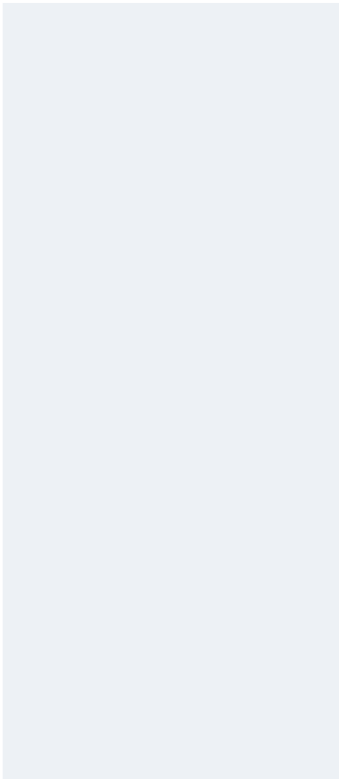
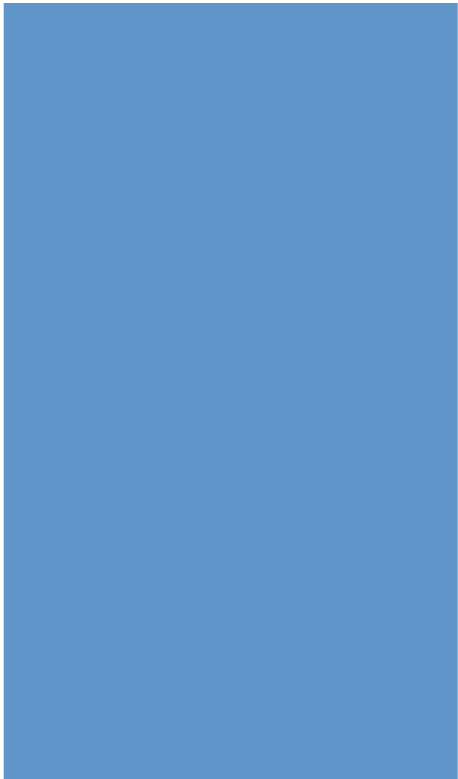
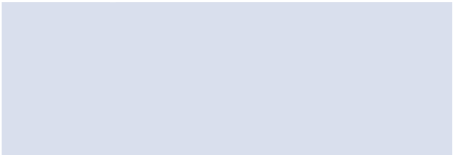
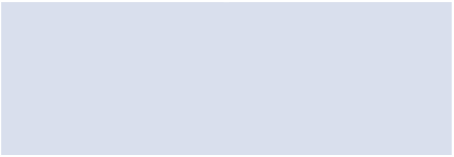
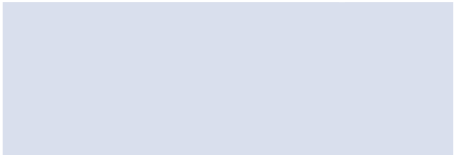
Strategy →

Inactive

Reactive

Active

Pro-active






Strategy →	Inactive	Reactive	Active	Pro-active
Phases	[1] Compliance→	[2] Internal alignment→		[3] External alignment




Strategy →	Inactive	Reactive	Active	Pro-active
Phases	[1] Compliance→	[2] Internal alignment→	[3] External alignment	
A	A1	A2	A3	A4
B	B1	B2	B3	B4
C	C1	C2	C3	C4
D	D1	D2	D3	D4

Examples

- Dutch MNCs active in the Philippines
- Value chain links to the Philippines
- Frontrunners in sustainability
- Changes SSCM strategy 2007 → 2013



		Inactive	Reactive	Active	Proactive
Policy - Supply chain analysis - Risk analysis - Inclusion of indirect suppliers			2007 →	→ →	2013
				2007 → 2013	
					2007 → 2013

		Inactive	Reactive	Active	Proactive
Training for suppliers / Capacity building (upgrading)		2007 → 2013			
			2007 →	→ →	2013
			2007 → →	2013	

BOTTOM-UP APPROACH

Upgrading strategies:

- Process upgrading
- Product upgrading
- Functional upgrading
- Inter-sectoral upgrading
- Social and ecological upgrading

“Vertical upgrading”

“Horizontal upgrading”

Attitude→	Inactive	Reactive	Active	Pro-active
Tipping point	[1] Compliance→		[2] Internal alignment→	[3] External alignment
Upgrading	<p>Process</p> <p>Same product, but increased production and/or efficiency.</p>	<p>Product</p> <p>More advanced products or production line.</p> <p>More value added to the product at the supplier</p>	<p>Functional</p> <p>Improve skills, knowledge or content of activity.</p> <p>Allow for differentiation within the same sector.</p>	<p>Social/intersectoral</p> <p>Improve general knowledge, beyond the product, the production process and the sector.</p> <p>Allow for diversification of the supplier company.</p>

Philippine companies

- 2012 Survey on Adjustments of Establishments to Globalization
- Covers 450 Philippine manufacturing firms
- Data 2007 – 2011
- Information on GVC position – link to MNCs

General patterns bottom-up upgrading

- Attention to upgrading increases (2007-2011)
- Process upgrading is largest across sample
- Limited attention to intersectoral upgrading

MNC Subsidiaries	MNC Suppliers	MNC Partners	Non MNC supply chain
57	121	5	236

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Differences in upgrading dependent on origin mother company			
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Negligible attention for intersectoral upgrading			

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Differences in upgrading dependent on origin mother company	More companies focus on upgrading	High overall upgrading levels	
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Negligible attention	Limited attention for	Attention for	

MNC Subsidiaries	MNC Suppliers	MNC Partners	Non MNC supply chain
57	121	5	236
Differences in upgrading dependent on origin mother company	More companies focus on upgrading	High overall upgrading levels	Less companies focus on upgrading
<ul style="list-style-type: none"> - Philippine (Product) - Asian (Process) - US/EU (Social) 	Attention for product and social upgrading	Most companies focus on process and functional upgrading	Attention for functional upgrading
Negligible attention	Limited attention for	Attention for	Limited attention for

POLICY IMPLICATIONS

Top-down

- Important to look at MNC strategies and lead companies in value chains
- Understand the difference between intention and realisation
- Front runner companies are not always inclusive, even if they state that they are proactive
- It is difficult to move from vertical to horizontal upgrading
- It is likely that the regulatory environment is important:
 1. to create conditions for compliance;
 2. to stimulate companies to go beyond compliance.

Bottom-up

- Importance to look at the linkages of SME suppliers to value chains. It is a selection environment for effective upgrading strategies (and for policy measures that try to support this).
- Research reiterates importance of intersectoral upgrading.
- Indications of a more balanced approach if suppliers can become 'partners'.

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THANK YOU