ORGANIZING IN TIMES OF CRISIS: THE CASE OF COVID19

Class 10: Organizing for Resilience in the Global Economy

https://timesofcrisis.org
LEARNING AIMS

- Understand how global supply chains for different goods and services have developed historically
- Understand how global supply chains are organized and governed, making them prone to risks
- Understand how global supply chains can be made more resilient
THE PHARMACEUTICALS SUPPLY CHAIN(S)

Branded products
Quality generics
Low-value generics

Research
Target identification/validation; lead optimization

Development
Pre-clinical, clinical 1-3

Regulatory approval

Manufacturing

Marketing and sales

10-15 years

Lane (2008), Haakonsson (2009)
THE GARMENT SUPPLY CHAIN

Planning collection -> Designing and prototyping models -> Buying materials -> Manufacture and assembly -> Marketing -> Distribution -> Retailing

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Full package/full service

“New verticals“

backward integration         forward integration

Lane (2008), Schüßler (2009)
GARMENT INDUSTRY (NOT RETAIL) IN GERMANY

Statistisches Bundesamt (2006); cited in Schüßler (2009)
WHAT IS BEHIND INTERNATIONALIZATION AND FRAGMENTATION OF VALUE CHAINS?

**Motives**
- Market access (export and labor)
- Efficiency considerations (cost cutting, focusing on core competences)
- Access to knowledge and expertise
- Escaping regulations and responsibility

**Main driver**
- Trade liberalization, esp. WTO TRIPS (Agreement on Trade Related Aspects of Intellectual Property Rights, 1994) and WTO membership of China (2001)
- Global competition spurring industry concentration and cost cutting

**Facilitator**
- Information technology
KEY CONCEPTS

- Global…supply chains, commodity chains, value chains, value networks, production networks – common denominator: more than flows of goods
- Lead firms and suppliers, networked interorganizational relationships
- Buyer-driven vs producer-driven
- Governance: coordination, but also specific allocations of resources and distributions of gains – market, modular, relational, captive, hierarchy
- Inequality and upgrading

Gereffi (1999), Gereffi et al. (2005)
COMPLEXITY 1: PLURAL FORMS

Schematic picture of garment industry global value networks

Helfen et al. (2019)
COMPLEXITY 2: REGULATORY GAP

- No "world government" and multiple collective action problems between firms, between suppliers and between nations.
- International regulations such as the OECD’s corporate responsibility guidelines typically non-binding.
- Preferential trade agreements focus on market liberalization/protection rather than responsibility or resilience.
- Multinational Enterprises (MNEs) are called upon as political actors but face weak long-term incentives to act responsibly.

E.g. Scherer & Palazzo (2011); Ashwin et al. (2020)
RESULT: GLOBAL PRODUCTION AS A CONTESTED ARENA

Macro-institutional structures (transnational, regional, national)

Networks of actors

embedded in

producing and reproducing

Uneven geographical distribution of power and wealth

Sydow et al. (2016), based on based on Dicken (2004), Coe et al. (2008), Levy (2008)
Global rush for coronavirus drug sees India stop exports

Supplies of chloroquine hoarded despite lack of concrete evidence about its effectiveness

Arcadia Group cancels ‘over £100m’ of orders as garment industry faces ruin

As owner of brands including Topshop and Dorothy Perkins cancels unshipped orders, thousands will be left without income, warn rights groups

- Coronavirus - latest updates
- See all our coronavirus coverage

Kelly, A., The Guardian, 15.4.2020

Kuchler, H./Findlay, S./Peel, M., Financial Times, 25.3.20
FROM RISK TO RESILIENCE

From key risk factors...
- Fine-grained supply chain structures
- Resource dependence – increased through supplier consolidation
- Outsourcing spirals and competency traps
- Lean supply chains
- Systemic inequalities
- Weak regulation

...towards systemic resilience
- Intelligent mix of make, buy and cooperate/local and global on a whole network level to allow for loose coupling, diversity, redundancy
- New technology, e.g. 3D printing
- Strengthening global governance and collective action
- Changing regulations, facilitated by sustained stakeholder pressure
- Sharing responsibility
SUMMARY

- States have a key role to play in setting the rules of the game of the global economy – supply chains as political arenas

- The current structure of global supply chains bears several risks for lead firms, suppliers, workers and consumers, and risks are unequally distributed

- Resilience can be gained from taking a „whole networks“ perspective on managing supply chains, involving stakeholders and sharing responsibilities
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