

When GVC & IS (finally) meet

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GVC

- General positive expectation that firms coordinating the **GVC (i.e. the lead firms) produce a positive impact on suppliers by transferring them valuable knowledge to compete in global end-markets** (Gereffi, 1999; Gereffi et al, 2005; Sturgeon et al, 2008);
- The participation in GVCs is a key opportunity for small firms in developing countries;
- What role the GVC lead firms do play in fostering and supporting this innovation/upgrading process depends on the **governance patterns and on the power relations characterizing the GVC.**

What is missing?

- To understand **whether and how firms involved in GVCs** (as well as clusters, regions and countries) **innovate**, the focus should not exclusively be on GVC characteristics and on the role of lead firms;
- But *also* on the domestic technological capabilities **at the firm** (Morrison, Pietrobelli & Rabellotti, 2008), **industry, cluster/region** (Pietrobelli & Rabellotti, 2007) and **innovation system levels** (Pietrobelli & Rabellotti, 2011).

GVC & Innovation

- In a recent literature survey (with Elisa Giuliani), we have found **only 55 articles** in Scopus dealing with GVC & Innovation since 2005 ;
- In these GVC cases we have searched for empirical evidence on:
 - a) The *local firms' degree of innovativeness* taking into account the extent to which different types of innovations (product, process, market and organizational) have been undertaken at the level of the local firms that are part of the GVCs;
 - b) The *learning mechanisms* adopted considering the extent to which local firms use: a) **GVC learning sources** (e.g. technology transfer from lead firms), b) **learning sources internal to the firms** and c) **external learning sources from non-GVC actors** (e.g. local universities).

Innovation in GVC: a virtuous *liaison*?

- (a) *GVC-led Innovators*: innovative local firms, which intensively use knowledge sources from within the GVC;
- (b) *Independent Innovators* also innovative firms, but whose learning sources mainly come from outside the GVC;
- (c) *Weak Innovators*: a large group of scarcely innovative firms, drawing selectively on some of the knowledge sources available within the GVC but poorly using other forms of learning.

not always...

- In developing countries in spite of being part of one or more GVCs, local suppliers do not always use the GVC as a privileged source of knowledge and technologies;
- In most of the observed cases, **GVC-related knowledge is exploited only as a complementary source to other channels of knowledge** (e.g. firm level efforts, collective learning at the local level, imitation, learning from other non-GVC actors, etc.);
- About half of our empirical observations are GVCs where **innovation is hardly taking place**, a condition that coexists with local firms' relative closure to both GVC-related and other kinds of knowledge sources, as well as with local firms' poor skills and knowledge creation efforts;
- Therefore, local heterogeneity – at the level of firms, clusters, regional or national system of innovation – strongly conditions the extent to which suppliers in developing countries take advantage of GVC-related knowledge.

The way ahead

- More empirical research about learning and innovation heterogeneity at level of firms, clusters, regions and countries at the Southern-end of the GVCs;
- More empirical research about the relationship between innovation and upgrading in GVC, and in particular about social and environmental upgrading;
- More empirical research on GVCs led by lead firms from the South.

How could we address these issues?

- Case studies;
- Firm level analyses:
 - data on FDI integrated with patent data;
 - Innovation surveys integrated with other firm level surveys;
- Country/Sector analyses:
 - TIVA/WOID integrated with patent data, R&D and STI statistics.

Thank you

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