Strategies of association and sustainable innovation in GVC’s: Producer multichannel experiences from the southern hemisphere

Hernan Manson* & Jorge Walter **
* International Trade Centre (ITC, Switzerland)
**CONICET - Universidad de San Andrés, Argentine
Research assistant: Ms. Sabrina Herzog

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Methodology

- case studies that are illustrative. Focus on the producer perspective in their participation, positioning and trajectory in the GVC’s in Argentina and Uruguay during the period of 1998 to 2014.

- The selection of the cases was deliberate, as the persuasive power of these cases (Siggelkow 2007)

- methodology used for collecting information
  - secondary sector and industry research and stakeholder mapping;
  - assessment of relationships and linkages between stakeholders (enterprises, institutions, associations, government) through unstructured interviews with key value chain stakeholders and government institutions
  - analysis of producer and value chain trajectories using a dual logic that involved the identification of key functions required for competitiveness and for the adaptation of export/trade strategies followed by the producers
GVC: the Buyer and Producer perspective

- **Buyer Perspective:** Focus on the lead firms and relationship with SME’s & inter-firm networks using “Industrial Governance” lenses and looking at individual transactions in value chains dominated by lead firms.

- **Producer Perspective:** Focus on the producer agency and strategies when inserted in chains that are dominated by the buyer lead firms. Producer perspective also factors the multiple transactions (product market combinations) and channels the producers are trading with.

- **We focus on:**
  - The producer firms and their trajectory
  - The strategies adopted by firms (and countries) to join, compete and maximize benefits of participating in Global and local Value Chains
  - Forms and evolution of firm linkages and association types as a way to become more resilient to external and internal competitive pressures
  - Innovation types, upgrading and downgrading paths
    - Process innovations; Product innovations, functional innovation, Organizational forms and institutional innovations
# Forms of Producers’ Association

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Horizontal, non commercial cooperation for innovation between agricultural producers: AACREA and the CREA Groups</th>
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<tbody>
<tr>
<td>Case 2</td>
<td>VC and non commercial cooperation between textile-garment producers: The Pro-Tejer Foundation</td>
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<tr>
<td>Case 3</td>
<td>Vertical and commercial cooperation between an european technology provider and a local white goods producer: the Alliance Marcegaglia-Persano</td>
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</tbody>
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| Case 4 | Horizontal and commercial cooperation between citrus exporters:  
  4.1 The FAMA Consortium (SMEs association)  
  4.2 The strategic Alliance San Miguel (Argentinian lead firm) – Citrícola Salteña (Uruguayan SME) |
## Forms of association between producers, strategic objectives and type of linkages, type of trajectory

### 1. CREA

<table>
<thead>
<tr>
<th>Case 1. AACREA</th>
<th>Forms of association</th>
<th>Objectives and type of linkages (chain)</th>
<th>Producer - GVC trajectory</th>
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</thead>
</table>
| Non-commercial alliance or linkages at horizontal and national level | - National level Association **between producers groups** in different territories (AACREA) and local level association **between family owned producers by type of production** (CREA) | - To improve productive efficiency and quality  
- Development and experimentation through sharing and adaptation of new technologies at process and product level as well as management (accounting, financial, sourcing and HR management) and family enterprise succession. | Join GVC, maintain and improve competitive positions |
## 2. PRO – TEJER

<table>
<thead>
<tr>
<th>Case 2. Pro-Tejer</th>
<th>Forms of association</th>
<th>Objectives and type of linkages (chain)</th>
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<tbody>
<tr>
<td></td>
<td>Non-commercial alliance at horizontal and vertical level</td>
<td>To protect and defend the interest of the local textile-garment value chain vis-à-vis national government policies, imported goods and employment after the 1990 crisis and due to internal market opening, post Washington consensus</td>
<td>Join GVC, maintain and improve competitive positions</td>
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<td>- National level association (Fundación Pro-Tejer) between different enterprises operating at various value chain stages in the textile and garment industry</td>
<td>- <strong>To improve the firm productive efficiency</strong> and competitiveness, targeting both industry and design</td>
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<td></td>
<td>- Association between members and support institutions (R&amp;D; Textile engineer University and Industrial Design)</td>
<td>- <strong>To build qualified labour pool</strong> and training curricula as well as new <strong>technology for process and products</strong></td>
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### 3. MARCEGAGLIA-PRANO

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<tr>
<th>Case 3; Alliance Marcegaglia-Prano</th>
<th>Forms of association</th>
<th>Objectives and type of linkages (chain)</th>
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| -                                  | Strategic alliance or association between a foreign technology supplier and a local producer SME (vertical alliance) **for commercial positioning and innovation** | - To penetrate and gain positioning in the Brazilian market (given the crisis of the value chain in Argentina and exit of lead firm).  
- Prano follows a multichannel strategy:  
  o Continues to produce for local market  
  o Exports to Chile from Argentina  
  o Diversifies products into new sector (service to auto parts)  
  o Expands with Marcegaglia to Brazil | Join GVC, improve competitive position and maximize benefits through multichannel |
### 4.1: FAMA

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<tr>
<th>Case 4.1 FAMA consortium</th>
<th>Forms of association</th>
<th>Objectives and type of linkages (chain)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>FAMA: import and export consortium</td>
<td>Commercial alliances and linkages:</td>
<td>Join GVC, improve competitive position and maximize benefits through multichannel</td>
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<td>- Horizontal association form between SME’s in the citric cluster in Argentina (joint selling, construction of chilling and packaging plant, traceability)</td>
<td>- Between producers:</td>
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<td>- Vertical or chain association with a lead distributor in Europe (who finances investments)</td>
<td>- To compete in Europe against South Africa</td>
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<td>- Cooperation between FAMA and local support institutions</td>
<td>- To continue and expand production in the local market</td>
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<td>- Through FAMA to supply the largest supermarket chain</td>
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<td>- Individually through their own retail channels</td>
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<td></td>
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<td>- Collaborate with R&amp;D and support institutions to improve technology and productive efficiency</td>
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<td>- To receive funding for investment via foreign lead firm (lead firm then becomes more competitive by securing quantity and origin of supply</td>
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## 4.2: SAN-MIGUEL-CITRICOLA SALTEÑA

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<tr>
<th>Case 4.2 Alliance San Miguel-Citricola Salteña,</th>
<th>Forms of association</th>
<th>Objectives and type of linkages (chain)</th>
<th>Producer - GVC trajectory</th>
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</table>
| **Strategic Alliance San Miguel (Argentina) – Citricola Salteña (Uruguay)** | - Alliance between a lead firm in the Argentinean lemon cluster (Tucumán) and an SME in the citric cluster in Uruguay. | For San Miguel (world leader in lemon production and export):  
- To maximize the efficiency of their lemon distribution channel in Europe by adding products (oranges, tangerines). Resulting in more products offered and broader availability throughout the year.  
For Citricola Salteña:  
- Professionalize their management with support (and learning from) San Miguel  
- Add value to their products (packaging and merchandising) and become closer to the sales points. Citricola follows a Multichannel strategy:  
  o As it continues to export through other channels (distributor) and at the same time sells with San Miguel  
  o Continues to sell in the domestic and regional market | Join GVC, improve competitive position and maximize benefits through multichannel |
Key lessons

- The cases show institutional innovation forms that help producers diversify, adopt multichannel strategies and become more resilient in their trajectories.

- All of the producer strategies presented result from private sector led responses, from within the chain and/or cluster.

- Learning comes from multiple and simultaneous channels: not only within vertical relationships that are driven by lead firms but also via horizontal linkages between producers interacting collectively with support or service delivery institutions.

- A multi-channel approach concerns a variety of functions, including finance, association forms and linkages; this is in addition to pursuing multiple commercial product-market combinations or channels.

- New forms of association (Lanzalacco, 2008) are key. Allows producers to learn, design and adapt their own multichannel strategies and to link with actors in the chain and territory (vertical, horizontal). This enables:
  - CREA groups to learn and innovate through non commercial alliances
  - Pro-Tejer to negotiate with the government vis a vis other sectors (automotive) in the context of Mercosur; build productive capacities and capabilities for the firms
  - Prano to form commercial alliances with a technology provider and simultaneously exploit and explore multichannel options and position itself internationally in local market-value chain crisis context
  - FAMA to obtain funding from its buyer; set up traceability systems for export, reposition itself in local markets and upgrade their technology
  - Citricola Salteña to professionalize its management and operations
Key lessons (cont)

- Opportunities for innovation depend on the context and competitive pressures in the cluster and in the global and local chains + export and local markets simultaneously.

- When inserted in buyer or lead firm controlled chains: different types of Associations are key for producers to diversify risk, compete and expand and multi-channel strategies enable for the producer resiliency, competitiveness and development trajectories.

- **Non linear trajectories** (Walter 2011) for multichannel insertion (Bradach y Eccles, 1989) that allow producers to combine and recombine exploration and exploitation (March, 1991). This makes the producers more resilient and their strategies more sustainable (and dynamic) in the longer term.

- **Policy implications: By adopting the producer perspective**, a clear shift takes place in how to conceptualize the integration dynamics (and support policies required) of enterprise and countries in GVCs. How to better promote linkages? Plural forms of associations and multichannel strategies?
References


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THANK YOU

walter@udesa.edu.ar

hmanson.itc@gmail.com

Prof. Jorge Walter, Universidad de San Andres, Buenos Aires, Argentina
Mr. Hernan Manson, International Trade Centre, (UN-WTO)