
6. Governance and power in global value chains

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6.1 INTRODUCTION

Global value chain (GVC) analysis draws on international political economy, development studies, economic geography management studies and economic sociology to provide insight into the transnational organization of economic activities and how these interact with local actors and institutions to shape development processes. Typically, the analytical starting point is a discrete ‘value chain’, defined as the full sequence of value-adding activities required to bring a specific product or service from its conception to its end use. GVCs in specific industries tend to be ‘governed’, more or less explicitly, by identifiable sets of ‘lead firms’ that select suppliers, place orders, set requirements, and sometimes tightly coordinate the activities of suppliers and affiliated companies (Gereffi, 1994). Lead firms are akin to ‘keystone species’ in ecology, having disproportionate influence on the structure and function of ecosystems (Österblom et al., 2015). Since these influences are mainly felt within the bounds of specific industries, GVC analysis tends to be focused on ‘meso-level’ economic structures, situated between micro-analysis of specific organizations and workplaces and macro-analysis of large-scale economic jurisdictions.

Early work on GVC governance focused on the role played by lead firms, especially those that exert ‘buyer power’ by placing large orders in their supply chains (e.g., Gereffi, 1994). Later, as the trends toward outsourcing and offshoring gathered steam, work focused on the emergence of large transnational or global suppliers (e.g., Sturgeon, 2002). Unlike the literature on international business, which focused on multinational firms’ various advantages in international markets (Dunning, 1988) and how they influence governments or international organizations to obtain favourable rules (Vernon, 1971), GVC researchers’ interest in lead firms is in their role as key actors in cross-border business networks. Work on apparel sewing, electronics assembly, and contract farming revealed lead firms’ direct and indirect roles in setting up increasingly elaborate, spatially extensive, and often exploitative systems of contracting and subcontracting that had previously been either invisible or treated in isolation from the full range of international forces governing them. This take on GVC governance is based on the observation that, while both the disintegration of production and its reintegration through interfirm trade have recognizable dynamics, they do not occur spontaneously or automatically (Gibbon, Bair and Ponte, 2008). Instead, these processes are driven by the strategies and decisions of powerful actors in GVCs. Understanding governance in this context entails examining the concrete practices, power dynamics and organizational forms that structure cross-border business networks.

More recently, however, the discussion of GVC governance has expanded beyond a focus on interactions between lead firms and their suppliers to include other actors that shape GVC dynamics, such as governments, certification agencies, international non-governmental organizations (NGOs), multi-stakeholder initiatives and labour unions (Bair and Palpacuer, 2015; Raj-Reichert, 2015). As a result, Dallas et al. (2019: 667) expand the definition of

GVC governance from management of buyer–supplier linkages to ‘the actions, institutions and norms that shape the conditions for inclusion, exclusion and mode of participation in a value chain, which in turn determine the terms and location of value addition, distribution and capture’ (drawing from Gibbon et al., 2008; Ponte and Sturgeon, 2014). In the next section we group this proliferation of analytical frameworks into three broad approaches: ‘governance as driving’, ‘governance as linking’ and ‘governance as normalizing’. In the subsequent section, we argue that research on GVC governance has not been particularly successful at explaining what kinds of power GVC drivers actually employ, when and where. To address this, we present a typology of power in GVCs from Dallas, Ponte and Sturgeon (2017, 2019) to help construct a holistic approach to governance that cuts across its micro-, meso- and macro-dimensions. We conclude with an empirical application of this framework.

6.2 APPROACHES TO GVC GOVERNANCE¹

6.2.1 Governance as ‘Driving’

The early approach to governance developed by Gereffi (1994) related to the process of organizing activities with what he then called global commodity chains (GCCs). Because some activities have higher entry barriers and are more profitable than others, this division of labour influences the allocation of resources and distribution of gains among chain actors (firms and workers). As for who does the organizing, Gereffi and his colleagues showed that a group of ‘lead firms’ has historically played a critical role by defining the terms of supply chain membership, incorporating or excluding other actors, and allocating where, when and by whom value is added (Gereffi, 1994; see also Bair, 2009; Gibbon and Ponte, 2005; Kaplinsky, 2005).

In Gereffi’s GCC framework there are two types of lead firms: buyers and producers. The producer-driven variant is akin to the internal and external networks emanating from large multinational manufacturing firms, such as General Motors and IBM. Although multinational firms had long been a focus of research and debate among scholars of the global economy, the GCC framework highlighted the role played by firms that had been largely ignored in previous research – ‘global buyers’, including large retailers such as JC Penney, Sears, Walmart, Tesco and Carrefour, as well as branded merchandisers and agro-food processors, such as Nike, H&M, Nestlé and Kraft. Gereffi’s research, which initially focused on the apparel industry, found that global buyers often do more than place orders (Gereffi, 1994). They actively help to create, shape and coordinate their supply chains, sometimes directly from headquarters or overseas buying offices and sometimes through intermediaries, which include a wide range of actors, most notably international trading companies such as Hong Kong’s Li & Fung. While global buyers typically own few, if any, of their own factories and processing plants, they sometimes specify in great detail what, how, when, where and by whom the goods they sell are produced. But even when such *explicit* coordination is not present, extreme market power has allowed global buyers to extract price concessions from suppliers and farmers. Suppliers have responded by locating more of their operations in low-cost locations and working hard to extract price reductions from their own workers and upstream suppliers (Feenstra and Hamilton, 2006).

The buyer- and producer-driven GCC typology was based on a historical depiction

of technology and barriers to entry that was appropriate for a specific set of industries in a specific time period, mainly the 1970s and 1980s. While the buyer- and producer-driven lead firm categories remain a useful distinction, technological change, firm- and industry-level learning and changing norms and standards are ongoing processes. The chain governance shifts of the 1990s led to a multiplication of efforts in explaining changes in the organization of global industries over time (see following sections). It also led to the adoption of the term 'value' to replace 'commodity' because of the common understanding of the latter as pertaining only to primary products. The term 'value' also captures the concept of 'value added', which fits well with the chain metaphor (Sturgeon, 2009; see also Gereffi in Chapter 1, this volume).

6.2.2 Governance as 'Linking'

Moving beyond the historically based typology of buyer-driven vs producer-driven governance, Gereffi, Humphrey and Sturgeon (2005) constructed a predictive theory that could, absent other factors, account for observed changes and anticipate future developments in how interfirm linkages are governed in GVCs. The authors argued that different combinations of three variables (the complexity of information exchanged between value chain tasks; the codifiability of that information; and the capabilities resident in the supply base relative to the requirements of the transaction) would be associated with five types of linkages in value chains: (1) simple market linkages, governed by price; (2) modular linkages, where complex information regarding the transaction is codified and often digitized before being passed to highly competent suppliers, governed by standards; (3) relational linkages, where tacit information is exchanged between buyers and suppliers with unique or at least difficult-to-replicate capabilities, governed by trust and reputation; (4) captive linkages, where less competent suppliers are provided with detailed instructions by very dominant buyers, governed by buyer power; and (5) linkages within the same firm, governed by management hierarchy (see Gereffi et al., 2005).

This typology yields three intermediary network forms between hierarchy and markets: the captive form, which is the most 'hierarchy-like', where lead firms dominate their suppliers' business to the point where they are unlikely to act in opportunistic ways; the relational form, which occurs when buyers and fully independent suppliers build and maintain thick asset-specific relationships based on geographic and social propinquity (i.e., clusters), repeat transactions, or strategic decisions to favour the benefits of access to complementary competencies over the risks of opportunism; and the modular form, where buyers and suppliers reduce asset specificity by exchanging complex information in codified form according to standard protocols, while keeping tacit knowledge contained within each firm or node of the value chain. The bottom left-hand part of Figure 6.1 shows the stylized network forms that relate to each linkage type, the possible role of powerful component suppliers, or 'platform leaders', in the modular type, and the encapsulating function of hierarchy, with the shaded area in the figure denoting the ownership boundary.

The main motivation was to develop a dynamic theory of GVC governance. Gereffi's GCC framework offered a static typology based on observed industry differences at a point in time. But rampant outsourcing and offshoring in the 1990s in producer-driven industries like electronics, autos, and aircraft had imbued them with features similar to

Key Variable: Linkage type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	
Market	Low	High	High	
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	
Characteristics:	Stylized network form	Requirement for explicit coordination	Tolerance of distance	Supplier switching costs/asset specificity
Linkage type	Lead Supplier(s) — firm(s)			
Market		Low	High (Global)	Low
Modular				
Relational				
Captive				
Hierarchy				

Note: PL = platform leader. The shaded box denotes corporate ownership and control.

Source: Ponte and Sturgeon (2014), originally modified from Gereffi et al. (2005) as adapted by Dicken (2007, p. 158).

Figure 6.1 Global value chain linkage mechanisms and network characteristics

buyer-driven industries such as apparel. A theory was needed to help explain such changes. The main innovation was the ICT-enabled modular form, which accommodated complex linkages in technology-intensive industries that shifted the ‘intermediate’ form of chain governance away from relational linkages and part way along the spectrum toward market linkages. Suppliers encapsulated more functions to accommodate these shifts, which is one reason why supplier competence was included as a variable. But accommodating changes in producer-driven chains was only one motivation. Once the framework was in place it could be used to help explain change in a variety of industries, such as footwear and fine vegetables, and also shifts (back) toward relational linkages based on strategic decisions by lead firms to re-integrate specific functions or when radically new processes and products resulted in de-codification and the re-elevation of tacit knowledge exchange.

So, while governance in Gereffi’s (1994) formulation refers to the role played by powerful firm-level actors, or chain drivers, the focus of Gereffi et al. (2005) was on the characteristics of linkages between firms at individual nodes in the chain. The result was a theory of how and why specific linkages in the chain are governed rather than a theory of whole chain governance, since firms may form different types of linkages at various times, with different business partners, and at different points in the value chain (Ponte and Sturgeon, 2014). However, aside from the structuring role of platform leaders in a few GVCs and within the limits set by technology and relative competencies, lead firms are typically assumed to exert strong influence over the observed form of governance because of buyer power.

6.2.3 Governance as ‘Normalizing’

The approach to ‘governance as normalizing’ explores the discursive dimension that frames buyer–supplier relations and transmission mechanisms along the chain. The term ‘normalizing’ does not mean ‘making things normal’ but rather how a given practice is aligned to be compatible with a standard, expectation or norm (Gibbon et al., 2008). While the focus on standards resonates with the governance-as-linking approach, especially the modular form, much of the existing work on GVC governance as normalizing (Ouma, 2010; Ponte, 2002, 2009; Ponte and Gibbon, 2005) has drawn on convention theory. This literature builds upon the seminal work of Boltanski and Thévenot (1991), who identify six ideal-type ‘orders of worth’, drawn from philosophical texts, and illustrate how they are used to frame the justification of human interaction and economic practice, including the organization of firms (see also Boltanski and Chiapello, 2000). To illustrate how these orders of worth are used as justificatory devices in practice, they examine a set of action-oriented manuals for business managers, showing that multiple and competing orders of worth may coexist within organizations. Even when one is dominant at one particular time, it may be challenged, thus leading to clarification, adaptation, compromise and/or demise over time.

Convention theory has been used not only to explain internal firm organization (see a review in Jagd, 2011), but also how coordination takes place among firms via the establishment of quality conventions (Eymard-Duvernay, 1989, 2006; Gibbon and Ponte, 2005; Ponte, 2009, 2016; Thévenot, 1995; Wilkinson, 1997). Table 6.1 provides an elaboration of how each of these six orders of worth and related organizational principles can lead to different foci of justification once they are challenged; how these challenges are based on different sets of testing questions and measures of product quality; and, most importantly,

Table 6.1 Key features of orders of worth and quality conventions

		Orders of Worth and Quality Conventions				
Market		Industrial	Domestic	Civic	Inspirational	Opinion
Organizational principle	Competitiveness	Productivity	Loyalty	Representation	Creativity	Reputation
Focus of justification	Product units	Plans, systems, control, forecasts	Specific assets	Negotiation, consultation, distributional arrangements	Innovation, creation	Public relations, media coverage, brand reputation
Key testing question	Is it economic?	Is it technically efficient, scalable, functional?	Does it follow tradition? Can it be trusted?	What is the impact on society? Is it safe, healthy, environmentally sound?	Is it new? Is it a breakthrough?	Is it accepted by the public?
Measure of product quality	Price	Objective technical measurement	Trust, repetition, history	Social, labour, environmental, collective impact	Spirit, personality, osmotic processes	Opinion poll, social media coverage, subjective judgement by expert
Ease of transmission along value chains	High	High	Low	Medium	Low	Medium

Source: Ponte and Sturgeon's (2014) elaboration of the six orders of worth (as in Boltanski and Thévenot, 1991) in relation to five main elements: entries in organizational principle, measure of product quality and ease of transmission are adapted from Ponte (2009); entries in focus of justification and key testing questions are adapted from Gibbon and Riisgaard (2014).

how they ‘travel’ along value chains. While quality conventions typically overlap, one or a specific combination (for example, market and industrial, or domestic and opinion) often form a dominant underpinning for linkages in a value chain node at a particular time. However, conventions and their combinations also evolve, are subjected to testing, and are adjusted or give way to different conventions or combinations over time.

Convention theory helps GVC researchers to unpack governance dynamics in two ways: (1) by drawing attention to the normative nature of coordination beyond the three GVC linkage theory variables of complexity, codifiability, and supplier competence; for example, conventions underpinning specific linkages can help to explain how transactions can become more or less codified as products, business practices and technologies (an issue addressed by Gereffi et al., 2005); and (2) by examining whether and how dominant conventions are transmitted or travel along a GVC, what makes them travel, and which actors have the normative power to impose one convention over another beyond a single value chain node. This helps explain which linkages are important in terms of whole chain governance.

Taken together, the three approaches outlined in this section – governance as driving, linking and normalizing – offer researchers a rich theoretical palette for understanding the structure and dynamics of GVC governance. As appropriate, the research subject can include not only lead firms but also suppliers, governments, non-governmental organizations and the conventions that prevail in specific industries and societies. Despite this progress, discussions of GVC governance are still hampered by an underspecified concept of how power is manifest in GVCs. GVC theory has mainly focused on the direct expression of power across bilateral business linkages, and this places limits on its explanatory efficacy, especially when researchers need to consider the roles of less obvious factors and actors that shape GVC governance. To help fill in this gap in GVC governance theory, we offer a typology of power in GVCs developed by Dallas et al. (2017, 2019).

6.3 FOUR TYPES OF POWER IN GVCs²

‘Power’ has been a foundational concept in examining GVCs. In most GVC research (e.g., Gereffi et al., 2005), power as a concept focuses on the uneven bargaining relationships between firms, especially between lead firms and suppliers. It is explicitly related to rents (Davis, Kaplinsky and Morris, 2017; Kaplinsky, 2005) or often implicitly linked to the concept of ‘drivenness’ and its different degrees of intensity. However, over time, its usage and meaning of (both implicit and explicit) have become overstretched, offering little explicit insight on whether other kinds of power may support or hinder the relative bargaining power of firms. GVC bargaining power (e.g. Gereffi et al., 2005) is most similar to ‘coercive’ power in the broader theoretical literature on power, in that one actor directly utilizes incentives or sanctions to compel another actor to act according to their wishes. Coercive power has the characteristics of being intentional in its application, conflict-oriented and resource-centric.

However, as the analytic lens of GVCs has expanded, new conceptualizations of power implicitly or explicitly have been introduced. More informal and indirect sources of power are commonly found in the literature now, in combination with traditional forms of coercive bargaining power. For instance, firms and other actors increasingly come to

agreement over explicit and formal industrial standards and certifications, as well as over more informal conventions, best practices and norms (Nadvi, 2008; Ponte and Gibbon, 2005). Likewise, consumer and social movements can shape GVCs, and also vary in their degree of formal organization (Bair and Palpacuer, 2015). Various levels of state action and authority also have structuring effects on GVCs (Horner, 2017; Jespersen et al., 2014; Neilson and Pritchard, 2011). While these socioeconomic structures might include elements of cooperation and collective action, they can also be highly contentious, and when fully consolidated, embody and fix power relationships in ways that systematically create winners and losers and often favour incumbents. In other instances – such as in certain pathways toward modularization, financialization and network organization – power can be exerted in even more ‘diffuse’ ways – for example, through imitation or broad acceptance of strategic norms associated with historically situated business models – such as lean production or outsourcing and offshoring (see Gibbon and Ponte, 2005; and Sturgeon and Whittaker, Chapter 28 this volume). Such collective and emergent outcomes tend to be generated ‘by human action, but not by human design’ (Dallas, 2014). This has pushed research on GVC governance research beyond analysis of power as exerted across dyadic inter- and intrafirm linkages. In the following sections, drawing from Dallas et al. (2017, 2019), we propose a fuller typology of power in GVCs, and then apply it to a case study of the wine industry.

6.3.1 Two Dimensions of Power in GVCs

Power in GVCs has two broad dimensions: ‘transmission mechanisms’ and ‘arena of actors’. In other words, power is expressed in specific groups of actors along several vectors. The *transmission mechanisms* of power are anchored by two ideal types: direct and diffuse. On the one end of the spectrum are circumstances in which GVC actors (individually or collectively) seek to exert direct forms of influence over other actors or actor groups. This form of power is relatively unambiguous. Actors can clearly identify each other, their actions are intentional and goal oriented, and specific actors ‘possess’ power and the tools and methods of exerting it. In such cases, transmission mechanisms tend to be formal and explicit and can be quite specific in their detail (e.g., defined in contracts). The other end of the spectrum consists of more diffuse forms of power in which actors, or collectives of actors, and the objects of power may be less clearly identifiable, and actions less intentional. The transmission mechanisms for diffuse power can be imprecise, such as those emerging from social movements and the propagation of new managerial models (Gibbon and Ponte, 2005; Sturgeon and Whittaker, Chapter 28 this volume).

The *arena of actors* denotes the specific set of actors or collectives that are directly or indirectly engaged in the processes of GVC governance. We define two ideal types: dyads and collectives. The dyadic arena in the GVC and related literatures (e.g., theories of the firm, strategic management) is well established. This was the arena studied in Gereffi’s (1994) research on lead firms – whether buyers or producers – and their links to suppliers or intermediaries that managed detailed contracting relationships and translated buyer requirements for factories. In Gereffi et al.’s (2005) linkage theory, power asymmetry decreases across dyadic linkages between lead firms and suppliers as one moves from hierarchy toward market forms of governance. This is because power exerted between the dyadic pair is shaped by relative bargaining positions rooted in the purchasing power of lead firms and the competence power of suppliers (Sturgeon, 2009).

The second arena of actors in GVCs, less explicitly researched and theorized, involves ‘collectives’ of actors. The locus of power in this case is a function of the collective behaviours of multiple players acting simultaneously (intentionally or not) and/or of more institutionalized collectives – such as business associations, multi-stakeholder initiatives, or states. We avoid using the term ‘institutions’ here, because not all collective arenas have formal institutional or organizational traits. Therefore, we reserve the term ‘institutional power’ (one of our four combinations in Figure 6.2 below) for cases where the collective arena is combined with the direct transmission of power. In an institutionalized collective, there is a focal organization (such as an industry association or agency of the state) that sets more or less transparent rules for all, or for specific groups of actors (e.g., as in sectoral industrial policies) who experience the rules and their consequences along with others. Any bargaining by actors takes place in the context of the collective

	Transmission Mechanisms	
	Direct	Diffuse
Arena of Actors	<p><i>Bargaining Power</i></p> <ul style="list-style-type: none"> Operates in firm to firm relations Can exhibit different degrees of asymmetry in hierarchy, captive, relational, modular, and market linkages Can also operate when powerful firms interact individually with government agencies, e.g., to carve out exceptions to rules 	<p><i>Demonstrative Power</i></p> <ul style="list-style-type: none"> Operates through informal ‘transmission’ mechanisms along value chains between buyers and suppliers, or aspiring value chain actors Can be shaped by quality conventions implicitly accepted by parties to a dyadic transaction Can drive isomorphism among or between lead firms and suppliers, or among non-firm actors
	<p><i>Institutional Power</i></p> <ul style="list-style-type: none"> Operates through government regulation, multi-stakeholder initiatives and/or other institutionalized forms Can leverage and be leveraged through industrial standards and codified ‘best practices’ Can be ‘agenda-setting’ by removing issues from the bargaining table, e.g., by setting <i>de facto</i> and <i>de jure</i> standards 	<p><i>Constitutive Power</i></p> <ul style="list-style-type: none"> Operates through broadly accepted norms, expectations and best practices, e.g., isomorphism within industries or across social groups Can arise through decentralized collaboration among loosely or un-affiliated actors, sometimes engendering new norms and practices (e.g., non-proprietary, collaborative open source software)

Note: Examples are illustrative, not comprehensive.

Source: Dallas et al. (2019, p. 673).

Figure 6.2 A typology of power in global value chains (GVCs)

(e.g., through lobbying), and this distinguishes power dynamics in collectives from that operating through dyadic interactions.

6.3.2 Four Types of Power

Combining the two dimensions of ‘transmission mechanisms’ and ‘arenas of actors’ yields a four-category typology that incorporates many of the types of power observed in GVCs: bargaining, demonstrative, institutional and constitutive (Figure 6.2).

Bargaining power (dyadic and direct) is in play when the arena of actors is dyadic and the transmission mechanism is direct, and it is clearly the most common form of power found in GVC and related literatures (e.g., buyer and competence power). In GVC linkage theory (Gereffi et al., 2005), the intensity of power asymmetry between buyers and suppliers depends on the governance form of the dyadic relationship: internal to the firm in the hierarchical form, strongly dyadic in the captive form, less so in the relational form, weakening in the modular form, and very weak in the market form. Nevertheless, the arena of actors is largely populated by firms, and the analysis of power is based on a series of firm-to-firm (dyadic) bargaining snapshots, with some attention shifting from (buyer) power towards various forms of supplier power (see, inter alia, Sako and Zylberberg, Chapter 21 and Raj-Reichert, Chapter 22 this volume). Furthermore, since dyadic power can also be exerted between individual firms and institutions, such as state agencies, there is no reason to confine it only to interfirm relationships.

But changes in dyadic GVC relationships (e.g., increasing requirements) can shape more than the behaviour and choices of suppliers. It can also create a demonstration effect among all suppliers or would-be suppliers of a particular good or service, in addition to second-tier suppliers and beyond. This second form, *demonstrative power* (dyadic and diffuse), may occur through many mechanisms. For instance, a specific form of upgrading may induce adaptation among competing suppliers, or among suppliers wishing to compete in the future. If they cannot meet these elevated requirements, suppliers can be excluded from GVCs (Sturgeon, 2009), and may be forced to downgrade to serve less demanding customers (see Werner and Bair, Chapter 10 this volume). Transmission of new requirements can also take place in more formal ways such as when first-tier or more downstream firms impose new standards or requirements upon other tiers of upstream suppliers. Depending on how explicit and interactive the coordination is between lead firms and first-tier suppliers, this power may fall between the bargaining and demonstrative categories. In other words, the outcome of bargaining within particular dyads can subsequently spread along the value chain and even in contiguous industries through demonstration effects. While this form of power is acknowledged in existing literatures, there is less effort to precisely assess these adaptations and demonstration effects – a key criticism arising from the disarticulation literature (Bair et al., 2013; Bair and Werner, 2011). More research is needed to explain dynamics external to (but nevertheless contiguous to) dyadic GVC activities, so that dynamic strategic choices faced by suppliers and other less powerful firms in GVCs can be better understood (Sako and Zylberberg, 2017). Demonstration power can also be exerted by non-firm actors, such as NGOs or journalists.

Institutional power (collective and direct) is a form of direct power that is exercised by collectives that are more formally organized (e.g., in business associations, multi-

stakeholder initiatives, shared technological platforms, or by the state). While power in dyadic relationships stems from resources controlled by a single organization, such as technological or organizational know-how or financial and other material resources, in collective arenas it is at least partly external, in the sense of being dependent upon the strategic actions of groups of actors, or upon the rules set by formally organized collectives (see also Sako and Zylberberg, Chapter 21 this volume). For example, state agencies exert institutional power when regulating the conduct of categories of actors under their jurisdiction. Multi-stakeholder initiatives can also be said to exercise institutional power because they are collectives where stakeholders are clearly identified, and which provide standards for business conduct or the social and environmental conditions of production, even if voluntary. When such initiatives end up developing third-party certifications, they can indirectly shape dyadic interfirm relationships – such as when buyers require specific certifications from suppliers to meet sustainability requirements. This is partly the reason why non-firm actors, such as international NGOs or social movements, have become important subjects of GVC research (see Palpacuer, Chapter 11 this volume). While it is possible to analyse the relationship between firms and NGOs as dyadic, more often than not, the power of any individual NGOs is undergirded by an expanding ecosystem of like-minded actors, as well as more generalized and diffuse forms of constitutive power (see below). What distinguishes institutional power from bargaining power is that it derives from the combined actions of actors that share clear membership in one or more initiatives or organizations, and use a particular set of standards or link to shared technology platforms. These platforms and initiatives can themselves compete with each other to exert power (e.g., competition between the Alliance vs the Accord as remedial responses to the Rana Plaza factory collapse in Bangladesh). As the degree of formal institutionalization diminishes, institutional power (collective and direct) gradually grades into constitutive power (collective and diffuse).

Constitutive power is manifested when collective arenas do not exhibit clear or formal common membership and thus power is not embodied in particular actors or an institutionalized locus, even to the point that the outcome of power may be unintended. Constitutive power is less explicitly codified, is applied through less precise measurement techniques and standards, and requires less direct forms of enforcement. However, actors still know and agree when a general norm or convention has been violated and sanctions may be collectively imposed, though again enforcement is decentralized and often subtle and nuanced compared to the preordained arbiters and judges that may be used in institutional power. On the one hand, constitutive power can become increasingly formalized and codified and thus evolve into institutional power. On the other hand, institutional power can be challenged, delegitimized and decodified, with practices and norms reverting back to more informal ways as constitutive power. Examples of constitutive power include the slow diffusion of outsourcing or financialization as general ‘best practices’ against which firms come to progressively structure themselves (Gibbon and Ponte, 2005), the loose social movement-like diffusion of sustainability concerns in the governance of GVCs (Ponte, 2014), and/or the normative role exerted by social movements on corporate conduct and transparency (Bair and Palpacuer, 2015). The main difference between institutional and constitutive power is that in institutional power the transmission is direct, while in constitutive power it is diffuse. This does not mean that sanctions or rewards from constitutive power are less regular or certain, but that these are enforced upon each actor

by everyone else in the arena, rather than being oriented and carried out by a focal actor (such as the state, an industry association or a certification agency). Many norms, broad conventions and best practices exist in this non-formalized state.

6.3.3 Power Dynamics and GVC Governance: An Empirical Application

In Figure 6.3, we provide a graphic basis for the possible application of the typology of power to empirical case studies. It includes symbols for three types of firm-level actors: lead firms, suppliers and lead firms with more than one line of business. A few additional actors are specified, including states, non-governmental organizations, industry associations and individuals. Direct power transmission is represented by solid lines, with varying line thickness based on the degree of power asymmetry between actor dyads. Diffuse power is represented by dotted lines – showing the diffuse influence of specific actors on others. Collectives are represented by circles that can accommodate any number of actors, with solid or dashed lines to represent direct and indirect power transmission.

The ‘actor constellations’ section of Figure 6.3 provides a few emblematic, highly stylized examples of power relationships in actor groupings. These include a lead firm with supplier relationships, where ‘bargaining power’ is transmitted directly in dyadic linkages that range from low power asymmetry with market linkages to very high with captive linkages (following Gereffi et al., 2005), and an example of a lead firm with two lines of business, each with its own supplier relationships with various levels of power asymmetry. It also includes a representation of state–firm dyadic bargaining, since powerful firms commonly negotiate terms directly with government agencies, either as one-off agreements or as exceptions to existing regulations. In the category of ‘demonstrative power’, Figure 6.3 indicates how transmission mechanisms operate indirectly in dyadic linkages. In ‘institutional power’, collections of actors exert (stronger or weaker) power within groups, including examples of a state regulating affected firms and other institutions. In the category of ‘constitutive power’, constellations of actors exert indirect power in collectives (e.g. a social movement with more or less coordinated groups of individuals and organizations).

In the remaining part of this section, we apply this framework to the study of power and governance in the wine GVC (Figure 6.4). In the wine GVC, *bargaining power* (dyadic and direct) is exercised over price, quality specifications, product portfolios and logistics. The importance of product specifications is paramount in the top-quality strand of the wine GVC, while price and logistics (including timing, forms of delivery and packaging) are relatively more important at the lower end of the quality range. Product portfolios and economies of scope, however, cut across these distinctions. As large lead firms have switched to using fewer, larger first-tier suppliers, they have demanded broader product portfolios and minimum volumes for each product line – including both low-end and middle-range quality, sometimes even top-quality offerings. This means that both economies of scope and scale are important. In the 1960s and up to the 1980s, bargaining power was wielded by international traders/merchants in lower-end markets, while producers could exercise more bargaining power in higher-end markets (Ponte, 2019; Ponte and Ewert, 2009). The value chain exhibited a multipolar governance structure, with producers, traders and retailers engaged in different bargaining relations depending on quality, origin and destination of wine. With an increasing proportion of wine now sold through retailers carrying a wide portfolio of quality after 1990, rather than through

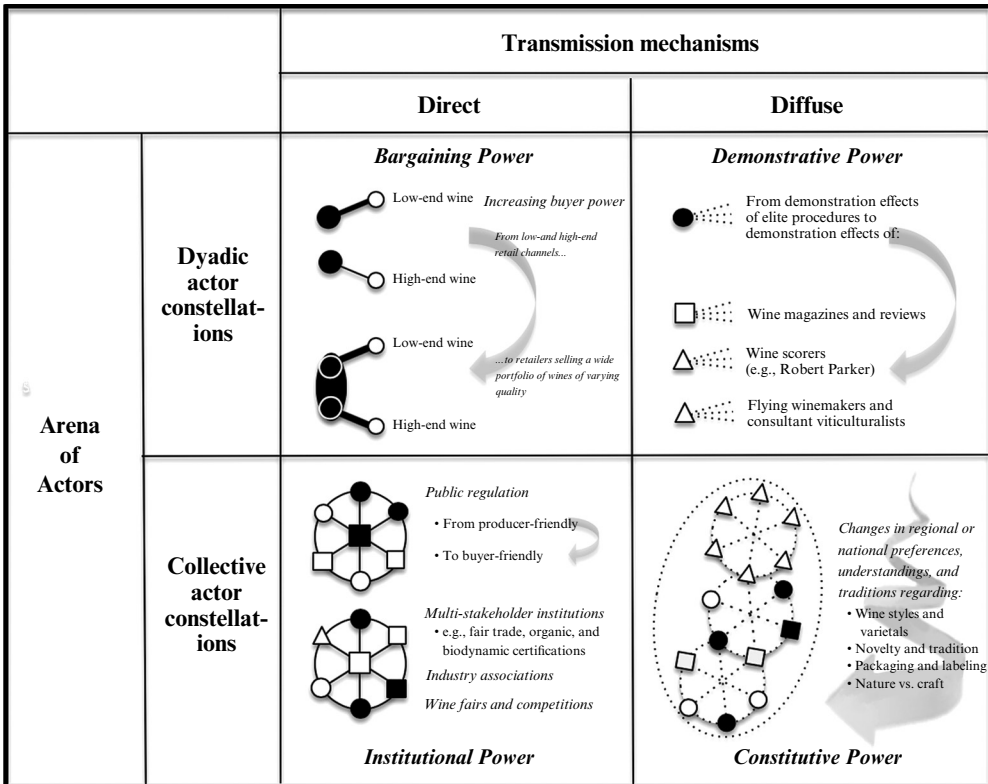
Actors:		Firms	● Lead firm ●● Lead firm w 2 lines of business ○ Supplier / 3 rd party dev.
		Others	■ State □ Other organization (e.g. NGO, Ind. Assn.) △ Individual
Arena of Actors		Transmission mechanisms	
		Direct	Diffuse
Arena of Actors	Dyadic		
	Collective		
Actor constellations (examples)	Dyadic	<p>Bargaining Power</p>	<p>Demonstrative Power</p>
	Collective	<p>Institutional Power</p>	<p>Constitutive Power</p>

Source: Dallas et al. (2019, p. 681).

Figure 6.3 Power in GVCs: actors, arenas, transmission mechanisms and actor constellations

specialist shops, the bargaining power of retailers has significantly increased with regard to international traders/merchants and wine producers (Staricco and Ponte, 2015).

Demonstrative power (dyadic, diffuse) in the wine GVC was traditionally shaped by elite wine producers in some of the top regions of the ‘Old World’ (France, Italy, Spain, Portugal). This was both reinforced and challenged by individual journalists and profes-



Source: Dallas et al. (2019, p. 683).

Figure 6.4 Illustration of power dynamics in wine GVCs

sional tasters through their reviews. But the gradual ideational creation of the ‘new wine consumer’ (see below under constitutive power) has revolutionized the dynamics of demonstrative power as well (Itçaina, Roger and Smith, 2016). Demonstrative power is now increasingly transmitted by key wine tasters/scoters (e.g., Robert Parker), marketers, and ‘flying winemakers’ and other consultants (e.g., viticulturalists, marketers) who move from one property or country to another to help wine producers achieve whatever wine styles are fashionable at the time. These actors increasingly shape the ‘new’ wine styles and aesthetic preferences that then move from one producer to the next through isomorphic, diffuse transmission. This does not necessarily take place in a coordinated or organized manner, thus actors do not operate in consciously collective ways. This suggests a historical movement from demonstration effects that originated from producers to demonstration effects that now originate from buyers – which itself consolidates the shift of bargaining power towards large-scale and diversified wine buyers.

While *institutional power* (collective, direct) in wine GVCs is most clearly exercised by the public sector through local, national and regional regulation (e.g., production quotas and planting registers, distillation subsidies, production rules dictated by *appellation d’origine*

contrôlée systems), multistakeholder initiatives (such as those relating to fair trade, organic and biodynamic), industry associations and wine exhibitions, fairs and competitions also play an important role (Ponte, 2009). Regulatory interventions have been historically stronger in Old World countries – originating first in France and diffusing to other countries and eventually to the EU. However, pressure to adapt regulation to the demands of the ‘new consumer’ (see below) and to recover market share from New World wines has led to major regulatory adjustments in Old World countries, especially following the 2008 EU wine market reform. This included a simplification of categories for geographic indication wines, the permission to sell ‘table wines’ under a brand name, the possibility to indicate grape varietal, and the abandonment of the main forms of production support (Itçaina et al., 2016). Most of these reforms have moved institutional power away from producers and their associations and towards marketers, merchants and retailers.

Constitutive power (collective, diffuse) emanates from local, national, regional and sometimes global understandings and valuations, and highlight more subtle manifestations of power in the wine GVC. One example is the ideational creation of the ‘new wine consumer’, which was gradually developed by marketing experts (supported by biochemists and economists) in ‘New World’ producing countries (the US, Australia, South Africa, Chile and Argentina) and facilitated by the growing sales of wine in supermarkets. These efforts were collective but not in ways that suggest explicitly organized action. As a result, the new consumer is now a well-constructed ideal type in the wine GVC, and viewed as demanding more standardized and predictable wines, year after year – something that New World wine producers are better equipped to deliver given their less regulated wine industries (Itçaina et al., 2016). Other examples of constitutive power are manifested in changes in broadly accepted preferences for certain wine styles or varietals, which are often specific to local or national markets; general understandings of novelty and tradition and their legitimacy; preferred packaging and labelling; dominant understandings of ‘best practice’ related to viticulture, winemaking and/or labour relations; and acceptable relations between geophysical properties and human intervention in winemaking (e.g., whether the winemaker is supposed to ‘shape’ the wine or let the *terroir* express itself; Ponte, 2009).

Constitutive power in wine GVCs has also interacted with institutional power (e.g., in relation to the 2008 EU wine reform), with mutual adjustments in the two kinds of power taking place, and as a collective manifestation of dyadic demonstration effects. Although constitutive power is diffuse, it has had an impact on overall power imbalances in the wine GVC, mainly by reinforcing the bargaining power of merchants and retailers at the expense of producers (especially small-scale ones), and the bargaining power of New World value chain actors at the expense of Old World actors. At the same time, a growing group of Old World actors are themselves adopting and adapting techniques and marketing tools developed by New World producers and merchants; and the EU has reformed its regulatory framework to become nimbler. These countermeasures are themselves reshaping power dynamics within Old World producing countries in favour of ‘more modern’, larger and more capitalized operators.

Overall, demonstrative power has played an important role in how the wine GVC shifted from a multipolar governance system to a unipolar and buyer-driven one, with major retailers acting as lead firms. Demonstrative power contributed to a substantial reshaping of constitutive power, which in turn has been instrumental in justifying changes

in institutional power. Shifts in these three types of power have directly undergirded changes in bargaining power.

6.4 CONCLUSION

GVC governance has provided rich insights into the emergence of spatially dispersed yet centrally coordinated production and distribution networks. The analysis of different forms of GVC governance, coming from a variety of perspectives and based on research on a variety of industry and institutional settings, has been central in this effort. As important as firm-level actors and their inter-relationships are, it is evident that actors, institutions, and norms external to the value chain can also shape GVCs' governance, for example through regulation, lobbying, civil society campaigns and third-party standard setting. Institutional actors, including states and multilateral institutions, shape GVCs by providing a mechanism for signatories to enforce, or not enforce, regulations and a platform for negotiating the terms of international trade agreements. Workers can also influence governance, especially when they are represented by labour unions with the ability to negotiate the terms of employment or when they call work stoppages at the level of the enterprise, industry, or broader economy. Key struggles and contestations take place constantly along GVCs and governance is shaped by the specificities of place and by path dependency.

Power has often been an unspoken companion in these analytical efforts. Power, like finance and gender dynamics, tends to be both everywhere and nowhere in the literature on GVC governance. In this chapter, we examined the various ways in which power has been conceptualized and applied in GVC governance theory and provided an analytical typology to provide guidance for future research. This typology can help isolate various forms of power, and provide a starting point for understanding how they mix and co-evolve over time. GVC power dynamics layer, transform, consolidate, interact and diffuse through distinct and researchable mechanisms and trajectories. Researchers in this field may find it useful to first dissect and theorize these different forms of power as separate layers, before seeking to re-combine them into holistic narratives that tell a story of change over time. Ultimately, differentiating distinct types of power and how they intermix in particular situations and over time should provide a better understanding of how GVCs operate, including who benefits from participation and who does not.

NOTES

1. This section draws selectively from Ponte and Sturgeon (2014).
2. This section draws selectively from Dallas, Ponte and Sturgeon (2017, 2019).

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