An Enhanced Uppsala Model for Rising EMNEs in Global Value Chains

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ABSTRACT

Rising suppliers from emerging markets successfully take orders and follow global buyers’ steps to enter the internationalization process as emerging economy multinational enterprises (EMNEs). Here we present a conceptual literature review with illustrative cases to explore how EMNEs leverage international activities by linking global value chains (GVC) insights with a review of the evolution of the Uppsala models. We propose an enhanced Uppsala model for GVC participants and verify it with four high-profile Taiwanese firms from the ICT, Footwear, Textile and Automobile industries. Results indicate that EMNEs maintain flexibility to connect finely-sliced parts of value chains through various mechanisms to demonstrate their innovations. While the accelerated transformation of lead firms is important, our findings reveal that EMNEs have distinct roles and characteristics to reshape potential routes of GVC development and indicate that the examination of ecosystem position helps for future co-evolution under the dynamic GVC.

Keywords: Global value chains, Uppsala model, EMNEs

INTRODUCTION

The increasing fragmentation of international activity has given birth to the global value chains (GVC) research stream (Kano, 2018; Laplume, Petersen & Pearce, 2016). Trade and investment liberalization, emerging economics, and the rapid pace of technological advances (Buckley & Strange, 2015; Kano, 2018; Narula, 2014) have all contributed to easier cross-border coordination of the geographically dispersed value chains of multinational enterprises (MNEs). These factors have also enabled the growth of emerging economy multinational enterprises (EMNEs). Over the years, several studies have focused on the different terminologies and typologies of GVC (Hernández & Pedersen, 2017) to maximize efficiency. To clarify the dynamics of GVC, Kano (2018) has investigated the relational perspective of the orchestrating firm, also known as the lead firm, which is generally a large established MNE (Mudambi, 2008).

GVC transformation has clearly propelled firms from emerging markets onto a new path of industrialization by simply allowing them to join the GVC (Baldwin, 2012) in the past decade. Nonetheless, attention has mainly been paid to the lead firms rather than the revolution suppliers have undergone as part of this same process. In this paper, we argue that when the lead firms shifted production to Asian countries in favor of its low-wage and abundant opportunities across various markets for intermediate and finished goods (Manning, Larsen, & Bharati, 2015), EMNEs which started as suppliers also leveraged the knowledge exchange to upgrade their capabilities and actualize the internationalization process. Inspired by Johanson and Vahlne’s (2009) business network model, which uses a symmetry between suppliers and buyers for analyzing the supply chain development, we intend to link GVC insights with implications from the evolution of the Uppsala models to investigate the processes, connectivity, and knowledge spillover in GVCs.
The rise of EMNEs has resulted in the establishment of highly competent networks in value chains. The focus of this conceptual literature review is therefore on how the EMNEs can drive impact through the internationalization process under GVC. To address this purpose, this study is organized into several sections. First, we discuss the GVC transformation through a review of the relevant literature on the economic activities and decisions involved in its configuration. Second, we look back on the evolution of the Uppsala models’ internationalization process, while keeping an eye on the model’s call regarding the supplier-buyer relationship and its implications. This is to explore other possible routes for GVC development by aggregating the value-added insights from these two established fields within international business. Third, we illustrate EMNEs’ best practice of reverse innovation, accompanied by case insights from the standpoint of internationalization. Lastly, we propose that the roles and characteristics of EMNEs may uplift their position under GVC with further implications for future research.

TRANSFORMATION OF GLOBAL VALUE CHAINS

Configuration of Global Value Chains

Compared to classical trading activities and supply chains (Al-Mudimigh, Zairi & Ahmed, 2004; Connelly et al., 2013; Priem & Swink, 2012), the concept of value chain goes one step further and asserts that value creation could be evaluated by the originated source of competitive advantages (Al-Mudimigh et al., 2004). These terms led to the definition of the GVC as “the full range of economic activities that firms perform to bring a product from its conception to end use and beyond” that are accomplished on a global scale and that can be pursued by one or more firms (Gereffi & Fernandez-Stark, 2011).

The configuration of GVC is to facilitate and maximize the firm’s efficiency and effectiveness (Priem et al., 2012; Tansuchat et al., 2016). Arguments have been made that the value chain can be viewed as the work of firms “fine-slicing” activities (Kano, 2018; Mudambi et al., 2016) that generates finer modules with several implications. Such specialization implies a process of modularization into disaggregated sub-activities (Contractor et al., 2010) which gives firms opportunities to learn how to improve their performance in new ways. From the aspect of efficiency, this method gives the firms more choices regarding where to locate operations (Hernández et al., 2017; Mudambi et al., 2016), outsourcing and offshoring decisions, and how to coordinate cross-border alliances or equity-based relationships throughout the value chain (Gereffi, Humphrey & Kaplinsky, 2005).

Dynamics of GVC Governance

GVC also follows the traditional governance modes in international business to operate abroad. In this process, the firm determines how to allocate various business functions within a value chain depending on explicit coordination and power asymmetry. While the firms tend to be more connected within GVC, a network of independent and individual firms could be created, or orchestrated by a lead firm, thus providing a context of mutual-trust and power within volatile environments (Buckley, 2016). Nonetheless, as firms have found other alternatives to use contractual alliances or equity-based relationships with mixed FDI entry modes, other GVC governance options have emerged including modular, relational, and captive governance modes (Gereffi, Humphrey & Sturgeon, 2005). Although these optional governance modes are all based on relationships with other firms, all still retain an important role for the lead firm. In short, we conclude that the boundary-spanning activities would thus occur in an integrative fashion, where firms would use the international markets to transact their own knowledge, in terms of internalizing knowledge within the MNEs (Mudambi, 2007, 2008), reducing the hazards by GVC partners, and fostering innovation and new capability development (Kano, 2018).
A New Force from EMNEs

GVC governance can also be affected by the firm, depending on whether it requires specific capabilities to integrate activities internally such as those related to coordination, and management along the value chain (Qian et al., 2012). With the rapid development of information and communication technologies (ICT), enhancement of patent rights and new management systems have reduced transaction costs to the point where the scalable, vertically-integrated MNE lead firms are no longer justified (Kano, 2018).

If the lead firm can align with the interests of its partners through strategic leadership, it is possible to reduce the risk of bounded rationality and bounded reliability. Possible information and power asymmetries may then arise, however, especially when GVC key partners retain operational autonomy (Kano, 2018). Looking at the much-cited case of Apple’s value chain as an example of GVC, several components have been outsourced and shipped to Taiwanese supplier Foxconn for final assembly. Though Apple retains the tacit knowledge, the lessening of power asymmetries is still astutely recognized under their GVC in between, as Foxconn has recently upgraded its capabilities to become a key production intermediary (Kano, 2018) and can even commercialize its own final goods. These shifts of power are bringing new challenges into GVC, but also signify a rising force from EMNEs that demonstrates trickle-up mechanisms such as reverse innovation (Govindarajani & Ramamurti, 2011).

In summary, when EMNEs mature, their position as suppliers may change accordingly, resulting in possibly more than just efficiency considerations under the original GVC. As a new force, GVC become gateways for upgrading their capabilities and delivering reverse innovation for EMNEs. Meanwhile, their partnership with small-and medium-sized enterprises (SMEs) from the home countries (Taglioni & Winkler, 2014) or qualified SMEs from the host countries (Cattaneo, Gereffi & Staritz, 2013) are also being brought under the GVC, such that some top-tier EMNEs are even equipped to institutionalize complex two-way flows of intermediate and final goods across countries (Gereffi et al., 2011). By linking abovementioned insights from GVC, we further borrow the extension literature on the Uppsala models to simulate EMNE’s internationalization process.

EVOLUTION OF THE UPPSALA MODEL

Theoretical Logic Drives the Upgrade of the Model

The Uppsala model was first published by Johanson and Vahlne (1977) in which they described the process by which firms looking to expand abroad could build required resources and successfully become major players on the global stage, which is also known as the internationalization process. The original model was built upon a firm’s behavioral theory, growth theory, and their foreign investments decision process (Meyer & Thaijongrak, 2013) and was based on inductive studies of Swedish firms. Additional details such as an established chain (Johanson & Vahlne, 2009) all required decisions according to a mix of rational analyses. This process could be considered as the governance mode between the firms involved under GVC.

The core concept that drives this theoretical model is experiential learning, which describes a method of dealing with knowledge and resources through learning and how these factors can affect foreign investment behaviors accordingly. A firm may also gain more knowledge about foreign business environments from cross-border commitments, such as understanding of the local customers, competitors, and regulatory requirements. By doing so, the firm can run operations and demonstrate their performance in that host country’s context.
First Attempt to Model the Supplier-Buyer Relationship

The extension intends to articulate a roadmap for the firm to identify where they are in the business network and to lead to incremental commitments by aiming for a goal, such as resources, markets, or strategic asset-seeking. The need to define a network position is profoundly more meaningful for EMNEs (Deng, 2009; Rui & Yip, 2009) because effective integration with a local firm requires fundamental learning to overcome the formidable operational challenges and gain access to relationship in one or more network. If the firm does not have relationships in a relevant network, it will suffer the liability of outsidership and foreignness (Johanson & Vahlne, 2009). From another standpoint, any change in the commitment will either strengthen or weaken the relationship.

In addition, these value chain activities are symmetrical to Uppsala’s business network model in terms of suppliers and buyers (Johanson et al., 2009), as the firm would be required to engage in the production, distribution, and use of goods and services which are also dependent on each other for specialization. This is not only the first attempt to address global supply chain management but could also be the long-standing theoretical foundation explaining the dynamic change of interactions of GVC configuration and governance.

Implication form the Latest General Model

Forty years after the publication of the first Uppsala model, Johanson and Vahlne (2017) firmly presented their latest model as a general model. In this edition, they emphasized the key features of modern firms: “process rather than structure-oriented, a network rather than a stand-alone unit, pro-active and entrepreneurial rather than passive” (Johanson et al., 2017). We argue however that the Uppsala model’s recent application to the modern business world may miss the focus of the dynamic combination of business networks, specifically ignoring the relationship between the supplier and the buyer.

There is no doubt that the capabilities and knowledge development processes from Uppsala’s general model (2017) become even more relevant for keeping the end-to-end GVC configuration alive. Firstly, to define them as a sense-making development during the internationalization process for both MNEs and EMNEs, we combine these two variables of capabilities and knowledge development as “dynamic capabilities” to ensure these development processes can catch up with the dynamic changes of the business environment.

Secondly, we reaffirm the importance of commitment at an individual firm level or a network perspective, like GVC. The level of commitment is subject to the dynamic capability accepted by the firm’s counterparty. Here the idea is to retain the “commitment processes” as one of the variables to drive the change for opportunity development in terms of resource allocation for each finely-sliced economic activity.

Third, we borrow the relationship commitment from Uppsala’s business network model (2009) for illustrating the supplier and buyer relationship. Our intention is to upgrade this variable as “relationship development processes,” in which all participants inside the same GVC can re-negotiate the deliverables and subsequent developments thereafter, such as how organizing or re-allocating the investments may help to improve the performance or even enhance the end-to-end GVC efficiency.
Lastly, rather than defining the firm’s network position based on its committed performance, our view is to broaden their application to multiple networks. Following technological advances, the firm may enter the network with a relevant field or a whole new industry to diversify its business portfolio and sustain overall profitability. Considering its dependence is still on network effects (Thomas, Autio & Gann, 2014), here we propose a new variable of “ecosystem position” to cover more of the value capture process. Ecosystem is defined as the collaborate arrangements through which the firms recombine their individual offerings into a coherent and buyer-oriented solution (Adner, 2006). It is seen as open communities comprised of different actors, such as direct suppliers, complementors, regulatory authorities, policy makers, or related actors. (Thomas et al., 2014). Another extension of the ecosystem has emerged because of the generativity of an enabling technology or digitalization platforms by aggregating heterogeneous alternatives to the external actions (Dattée, Alexy & Autio, 2018).

The proposed conceptual model is meant to offer a general model depicting the cumulative processes of internalization between the suppliers and the buyers and further complement the GVC transformation, even beyond the efficiency considerations. The development of GVC also rides on experiential learning and further deploys across the boundary by external learning mechanisms which evolve together with the Uppsala models for sense-making commitment, capability, and relationship development over time. In addition, we state that two-way interactions between the state variables and change variables are possible in today’s business world, while performance and efficiency are the basic criteria to meet under the proposed conceptual model.

ILLUSTRATION OF RISING EMNES

Research Context and Method

EMNEs represent growth in the fast lane to promote innovation from emerging markets (Govindarajani et al., 2011). Therefore, we will take cases from recent high profile GVCs as a starting point, then work our way backwards to understand how those EMNEs fit into the internationalization process with further insights.

Our case studies explore EMNEs that originated from Taiwan, which provide a good context for our study as these firms have developed considerable competences at home for the following reasons. First, according to the World Investment Report by UNCTAD (2018), Taiwanese firms represent the most
balanced share between upstream components (54%) and downstream components (46%) in GVC participation rate. Second, the Global Competitiveness Report by the World Economic Forum (WEF) (2018) lists Taiwan as one of the four economies considered a “super innovator”, alongside the other developed economics of Germany, the United States, and Switzerland. Furthermore, the “Made in Taiwan” label is internationally recognized and widespread.

In the same way that the Uppsala model began from case studies, we here apply an inductive case study approach to better grasp this phenomenon to achieve a sounder base upon which we may build future theories (Eisenhardt & Graebner, 2007). Four Taiwan companies with leading worldwide positions from different most-discussed GVC industries – Foxconn from ICT, Pou Chen from Footwear, Eclat from Textiles, and Hota from Automobiles – were selected to identify the common distinct characteristics of EMNE activities. We have combined primary and secondary data to build our cases. In addition, we also conducted semi-structured in-depth interviews with a senior executive from each case firm.

**Case Insights**

The cases allow us to illustrate how EMNEs fit in to an established GVC by further extending its internationalization process. Below we briefly introduce the cases, followed by observations from four aspects, namely, dynamic capability, commitment processes, relationship development processes, and ecosystem position according to our proposed conceptual model for GVC.

*Hon Hai Precision Industry Co., Ltd., trading as Foxconn Technology Group (Foxconn).* Foxconn, founded in 1974, is the fourth-largest ICT in terms of revenue in the world and ranked 24th in the Fortune 500 in 2018. Foxconn is dedicated to strengthening its capability through the lowest total cost solution through its proprietary business model of eCMMS to increase the affordability of electronic products across various customer bases. Foxconn is by far the largest final assembler for Apple since the first launch of the iPhone. To enhance its FSA’s sustainability, Foxconn not only recombined spinoffs for value-added new investments. In addition, Foxconn is fully aware of the emergence of the ecosystem concept that describes a wider network comprising of more players. Hence, Foxconn has started implementing its vision of the ICT ecosystem, covering the strategic focuses of Big Data, Cloud, and network transmission, by organizing a new business sub-group in 2017 and even taking advantage of institutional evolution to bypass the US-China trade war in 2018 till now.

*Pou Chen Corporation (Pou Chen).* Pou Chen, founded in 1969 with headquarters in Taichung, Taiwan, is the world’s largest branded athletic footwear manufacturer for global brands, such as Nike, Adidas, Under Armour, and New Balance, etc. Every-one in five shoes worldwide is now produced by Pou Chen and its subsidiaries. Pou Chen’s internalization process also followed the Uppsala model from exporting expanded by setting up additional plants in China. Its guarantee of a stable supply and its reputation for quality products assisted it in becoming the OEM and ODM partners for the athletic lead firms. To retain its value proposition under GVC, Pou Chen expedited its shift from business diversification with management alignment-backed to the footwear-related ecosystem in the year of financial crisis in 2008, with the focus on footwear manufacturing and sportswear distribution channels to be one of the largest distributors in Greater China Region.

*Eclat Textile Co., Ltd (Eclat).* Eclat, a Taiwan-based company, was founded in 1977 and started its business in fabrics trading. The firm primarily engages in developing elastic knitted fabrics for producing casual garments for global leisure brands such as Lululemon, Gap, Target, and J.C. Penney, etc. Eclat strengthened its product capability by seeking resources from strategic alliance partners. Following the boom of health consciousness in the early 2000s, Eclat has been devoted to exploring organic fabric
Eclat has transformed itself to an ODM that offers one-site fitting solutions in their product creation centers in Taiwan to demonstrate comfortable and fashionable garments. Recently, Eclat has even attempted to launch their OBM venture.

_Hota Industrial Mgf. Co., Ltd. (Hota)._ Hota, founded in 1966, is the leading professional transmission system manufacturer in Taiwan. It is also one of the top suppliers in the world to well-known automobile brands such as Tesla, Ford, and General Motors. Because the domestic demand of the Taiwan automobile market was controlled by leading Japanese firms like Toyota at the time, Hota started their business by focusing on export. In order to improve its process development capabilities, Hota proactively engaged Japanese technical firms to retain customization and cost advantages. In addition, this setup allowed it to introduce automated equipment successively to enhance its overall production efficiency of the supply chain system with one-stop shopping solutions.

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<th>Table 1: Summary of Case Studies</th>
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**DISCUSSIONS AND CONCLUSION**

**Securing the Positions from GVC: The Role of EMNEs**

GVC cannot operate efficiently without the lead firm determining the strategy for the entire network and setting the mechanisms for selecting the right participants. As suppliers, EMNEs preserved operational autonomy and began conducting vertical integration in the past few decades to take control over critical production processes. Here, considering that the lead firms can deploy entrepreneurial activity for the purpose of the long-term cooperative relationship, we summarize the implications collected from the cases of EMNEs on how to secure the position from GVC to continue the multiple interactions that occur in the realm of strategic arrangements, which go beyond arm’s length transactions.

Borrowing from the enriched contents of the evolution of the Uppsala model, we take the two variables under the enhanced Uppsala model to articulate the positions of the GVC participants. “Relationship development processes” distinguish the resources to coordinate a set of relationship partners. “Ecosystem position” further captures the boundary-spanning activities across relevant networks.
beyond bounded rationality and bounded reliability of parties involved. The EMNEs and their roles have arisen according to the aforementioned phenomena and can be concluded by four primary roles displayed in Figure 2, as detailed below.

**Pioneer: Strike first to gain mastery.** As the pioneer, an EMNE can influence the lead firm and set the standards for shaping the selection criteria for the entire network. Other participants will strive towards achieving common standards via further exploiting the individual capabilities. For example, Foxconn demonstrated its own ICT ecosystem to connect the future growing engines of Big Data and the Cloud by fast bundling the existing business units.

**Accelerator: A fish leaping over the dragon gate.** This type of EMNE is well-established and commands a capability to organize its value chain activities, which also implies that it is fully able to deal with institutional changes. If such an EMNE dilutes its focus by entering a completely irrelevant industry, its business momentum will slow down due to its lack of experience. Indeed, its ecosystem position may be further surpassed by other suppliers or the lead firms. To secure its position in the GVC, Pou Chen has made the right decision to accelerate with its original focus and drive the excellence of footwear value chains.

**Specializer: Foster a craftsmanship spirit.** In this role, the EMNE is equipped with dynamic capabilities to focus on supporting the growth of lead firms. It stays active in the value chain and keeps aligning new manufacturing capabilities. Eclat’s efforts for co-creation and co-design for Lululemon, for example, caught JC Penney’s eye and resulted in an invitation for Eclat to design a series of sportswear. Such determination can also be evidenced by the EMNE’s investment plan to keep the core competence or tacit knowledge in the home country.

**Trusted Follower: Execute to the end.** In this scenario, the lead firm acts as an architect to determine the participants and decides on optimal locations for finely-sliced economic activities (Buckley et al., 2004). Meanwhile, such sole role of an EMNE is able to grow and enter the internationalization process under the environment set by the lead firms and may even benefit according to the institutional evolutions. Though Hota is deem as an expert only in the supply of transmission gear, its determination to introduce a one-stop transmission system is the quality that have firmly captured the lead firms, such as Tesla.

![Ecosystem Position]

**Figure 2: The role of EMNEs under GVC**
Uplifting the Internationalization Process: The Characteristics of EMNEs

While the GVCs may vary over time due to several pre-conditions set by the lead firms, here we propose an enhanced conceptual model to demonstrate how the Uppsala model provides a different view of reality compared to GVC’s consideration of efficiency. Through the lens of the Uppsala model, EMNEs still appear to have similar characteristics with a logical consequence for their internationalization process together with GVC, as explained in the following.

First, the geographic pattern of the internationalization process for EMNEs is similar as FDI motives originate only after they have established an OEM supplier’s relationship with the lead firms. To further expand the product capacity, these EMNEs took market-seeking and efficiency-seeking approaches to invest in China and then further introduced automated systems to achieve GVC’s required efficiency. The subsequent FDIs are diverse since psychic distance appears to be less of a concern.

Second, the cases also illustrate EMNEs’ pattern of gradual increase of commitment processes through the bilateral dependence among GVC. Rather than only focusing on performance and efficiency, it is the trust-building alongside the relationship development processes where EMNEs also committed subsequent investments via new manufacturing plants or new resources in considering long-term managerial efforts.

Third, the rising EMNEs have been driven by a variety of complementary learning processes to strengthen their dynamic capabilities. EMNEs are now origination engines and are able to obtain new technology and product knowledge from developed economies via strategic alliances or technical corporations. Moreover, the knowledge can be directly acquired from the value chain’s upstream and downstream counterparties to enhance the objective of dynamic capabilities.

Finally, EMNEs have begun to recognize their current position in the ecosystem, such as our illustration of typology roles under the GVC. In order to continue being mandated, EMNEs commit to recombine individual offerings and to enable technology or digitalization platforms for upgrading its position throughout the GVC while aligning its own business agenda. The concept of ecosystem position itself helps EMNEs know the way, go the way, and show the way to retain competitiveness.

Theoretical Contribution

Linking GVC insights to the extensive literature on the evolution of the Uppsala model has enabled several contributions to shape the future of GVC development. As a step towards formulating a more unified explanation of the emergence and dynamic change of GVC configurations, it could prove important to look for similarities between GVC and Uppsala’s business network model and general MBE model regarding their internationalization process.

The basic requirement of GVC is efficiency consideration. Nonetheless, the central issue embedded is knowledge transfer and dynamic capability (Rugman & Verbeke, 2001). Therefore, we highlight that these can be complemented by the business network model from the perspective of resource-seeking to capture the dynamics of learning, trust, and commitment. This may also lead to the exploration and exploitation of value chains (Pyndt & Pederson, 2006) and market-seeking internationalization to coordinate a set of relationship partners across countries (Johanson et al., 2009) with the same level of commitment, and with the possible extension to connect with the relevant industries. Here, we further leverage the extension concept of ecosystem, considering its generativity of distributing technology in digital context and enabling the dialogue into wider communities comprised of institutional stakeholders and other currently relevant actors.
Taken together, it is evidenced that our enhanced Uppsala model is suited to evaluate GVC participants on their current FSAs at firm level and to examine their supplier-buyer relationships at industry level. Furthermore, our model also helps to assess the readiness of each individual firm’s relationship development processes as well as their ecosystem position, in order to formulate their reactions to the change of business environment and institutional evolutions.

Managerial Implications

Our conceptual model views the firm as a connector rather than a production unit under the value chains. In addition, it offers new opportunities to analyze the management and coordination of different economic activities that comprise disaggregated GVC as well as the interactions between GVC participants and market conditions.

From a dynamic perspective, a rapidly growing number of internationalizing EMNEs have started upgrading their capability to take control of the upstream supply network or even extending strategic asset-seeking to try to build around a brand, a design, or a patented technology for shifting all the possible power asymmetric relationship under GVC. These types of EMNEs are flexible enough to connect varied and finely-sliced parts of value chains through different mechanisms, to develop their specific reserve innovation advantage, and to demonstrate their bargaining power among their home country and host countries to implement the integrative ecosystem blueprints. Though the lead firm’s position may be challenged, this indicates the importance of the need to accelerate their interface capabilities on R&D, tacit knowledge, and innovation for further trends. We believe our proposed model is useful in enhancing the understanding of GVC participants’ transformation and internationalization under the dynamic change of global value chains.

Moreover, leveraging the case insights from four suppliers from benchmarking GVCs, our findings reveal that the ability to define the roles and characteristics of EMNEs across different industries is based on their dynamic capabilities, commitment processes, relationship development processes and ecosystem position under the proposed conceptual model. It not only ascertains the synergies between GVC and the Uppsala model to exploit EMNEs’ FDI motives, and showcases for its reverse innovation, but also implies EMNEs’ value-added roles in articulating its business development plans and future blueprints to focus.

CONCLUDING REMARK

In this paper, we conduct a conceptual literature review to synergize an enhanced Uppsala model in the context of GVC with verification from illustrative sample cases from EMNEs who began as a supplier under GVC. Although constructive methodology is not used (Johanson et al., 2009), such longitudinal cases still help to contribute to a deeper understanding of dynamics of the phenomenon.

Having said that, we still adequately capture the possible route of EMNEs under GVC development with the case insights from four high-profile Taiwanese firms across a wide range of industries – ICT, Footwear, Textile and Automobile – on how they upgrade dynamic capabilities, explore new markets, and even seize opportunities for growth. Though Taiwan is currently characterized by subtle diplomatic tensions and lack of growth momentum due to industrial migration, our selected EMNE firms have been well-established for more than four decades. This position allows them the ability to proactively deal with governments as one of their buyers to further initiate institutional change of both home and host countries (Doh et al., 2017) by frequent examination of their ecosystem positions.
In this regard, future research could validate this conceptual model within the context of other industries or in different emerging market locations, such as China or the rising Mighty Five nations (Malaysia, India, Thailand, Indonesia and Vietnam) together represent a potential “new world factory,” which will help to confirm the external validity of this study so that our proposed model and the associated variables can be generalized. This is particularly relevant as EMNEs in these countries usually enjoy greater governmental support from their home country with a desire to fast track the latest trends of the digital economy. This additional research shall further advance our knowledge on how they engage in a differentiated way.

More and more EMNEs start to bid among the GVCs or even start building up their own value chains. Thus, it is logical to aggregate the two established international business fields of GVC and the Uppsala model to redefine the patterns of EMNEs. Incorporating new technologies, leveraging experiential learning, and knowledge spillover to boost the efficiency, effectiveness, and other economic benefits are all key deliverables to determine the respective roles and the distinct characteristics of EMNEs, which in turn are inevitably linked to GVC’s performance and sustainability. Nonetheless, in order to stand out from the crown of dynamic GVC continuously, it is meaningful to also smartly embed a co-evolutionary nature (Cano-Kollmann et al., 2016) along the journey for the internationalization process.

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