

ORGANIZING
in Times of Crisis

Class 10: Organizing Resilient and Responsible Global Supply Chains

**Elke Schüßler
Johannes Kepler University**

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Ukraine War Threatens to Cause a Global Food Crisis

 March 20, 2022
Jack Nicas

New York Times



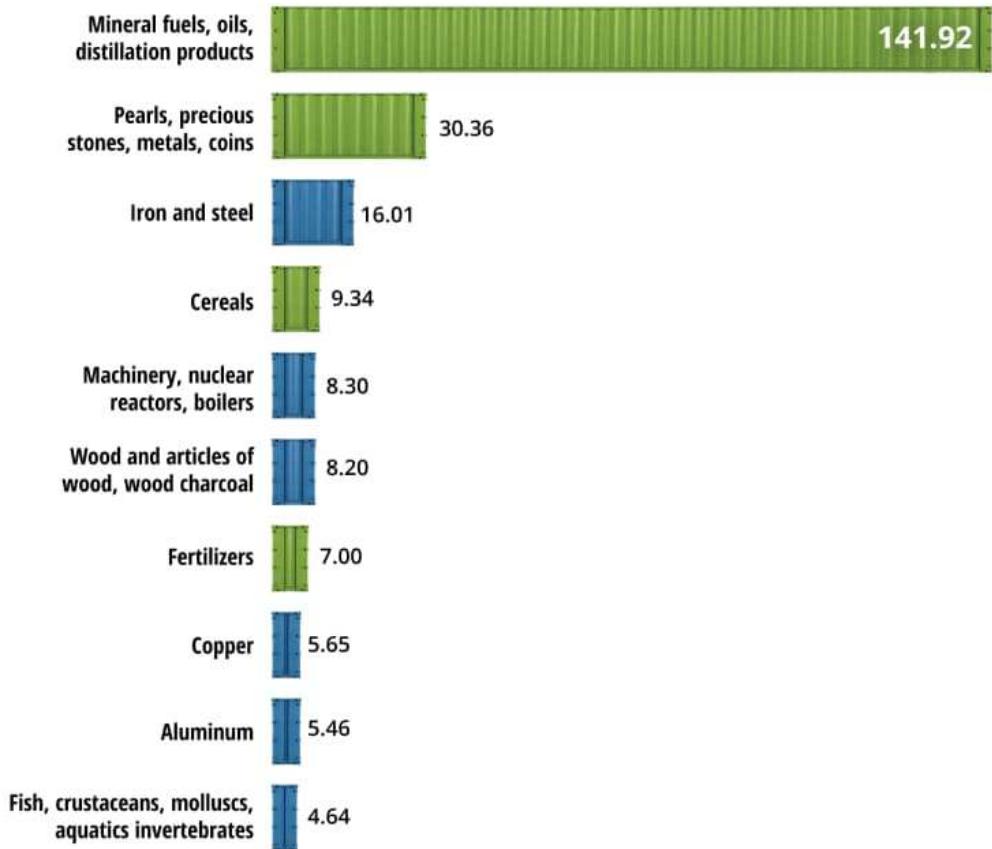
Farmers harvesting wheat last year near the village of Tbilisskaya, Russia. A crucial portion of the world's wheat, corn and barley is trapped in Russia and Ukraine because of the war. Vitaly Timkiv/Associated Press

FIGURE 1

Russia exports sizeable quantities of oil, metal, and agricultural commodities

Russia's exports by category (2020, US\$ billion)

■ Oil, agricultural, and metal exports ■ Other exports



Sources: UN Comtrade Database; Deloitte analysis.

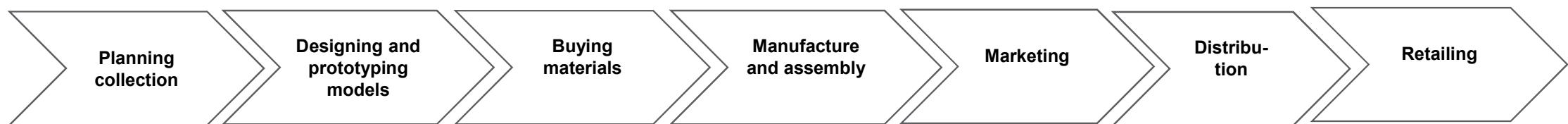
Deloitte Insights | deloitte.com/insights

Figure from: <https://www2.deloitte.com/xen/insights/focus/supply-chain/supply-chain-war-russia-ukraine.html> [2.5.2022]

LEARNING AIMS

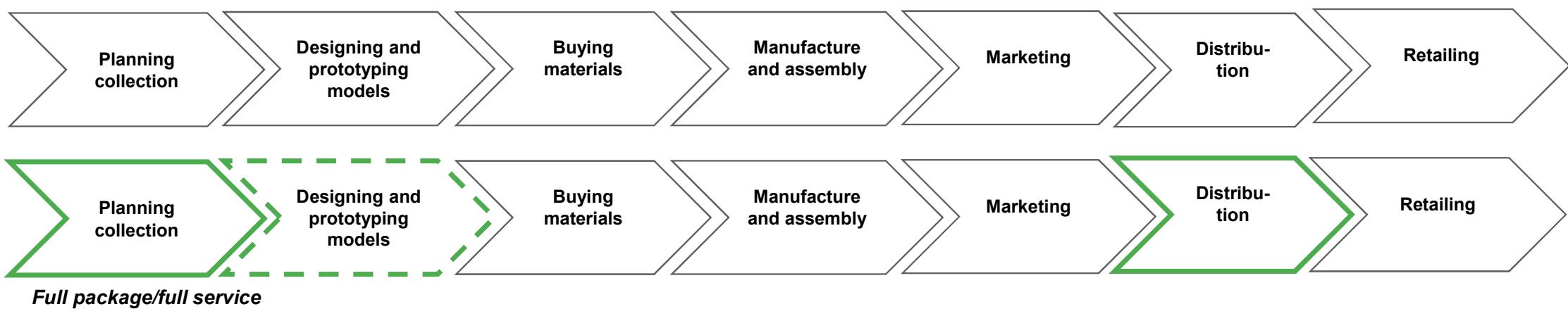
- Understand how global supply chains for different goods and services have developed historically.
- Understand how global supply chains are organized and governed, making them prone to risks and responsibility concerns.
- Understand how – by which governance mechanisms – global supply chains can be made more resilient and responsible.

THE GARMENT SUPPLY CHAIN



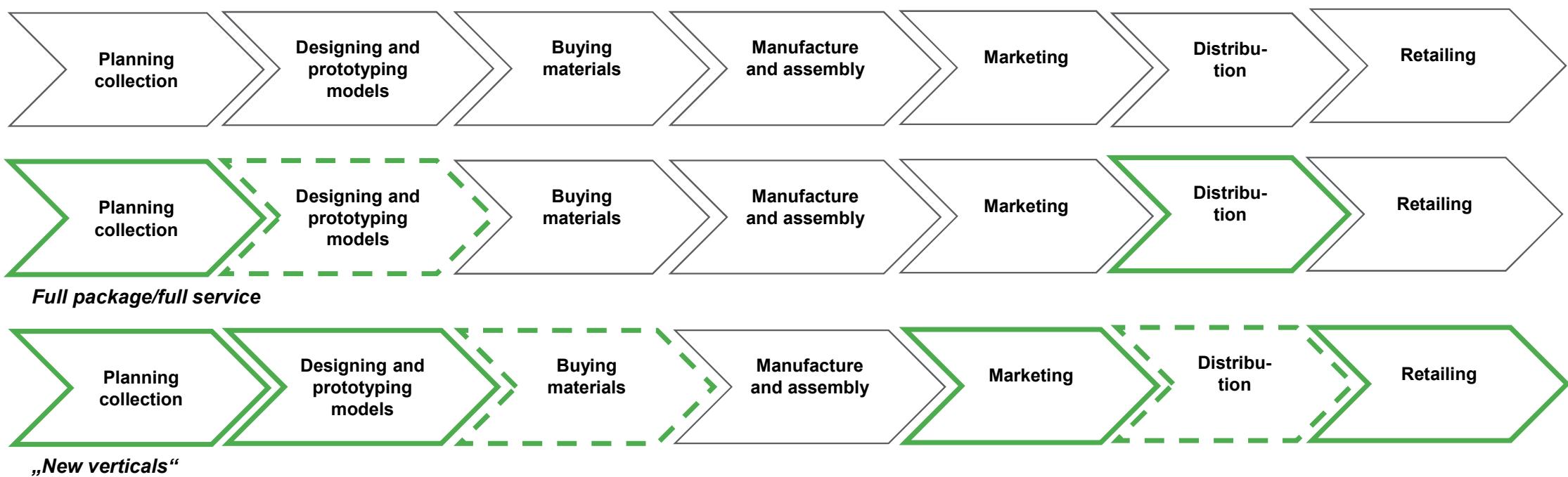
Lane (2008), Schüßler (2009)

THE GARMENT SUPPLY CHAIN



Lane (2008), Schüßler (2009)

THE GARMENT SUPPLY CHAIN



Lane (2008), Schüßler (2009)

WHAT IS BEHIND INTERNATIONALIZATION AND FRAGMENTATION OF VALUE CHAINS?

■ Motives

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

■ Main drivers

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

■ Facilitator

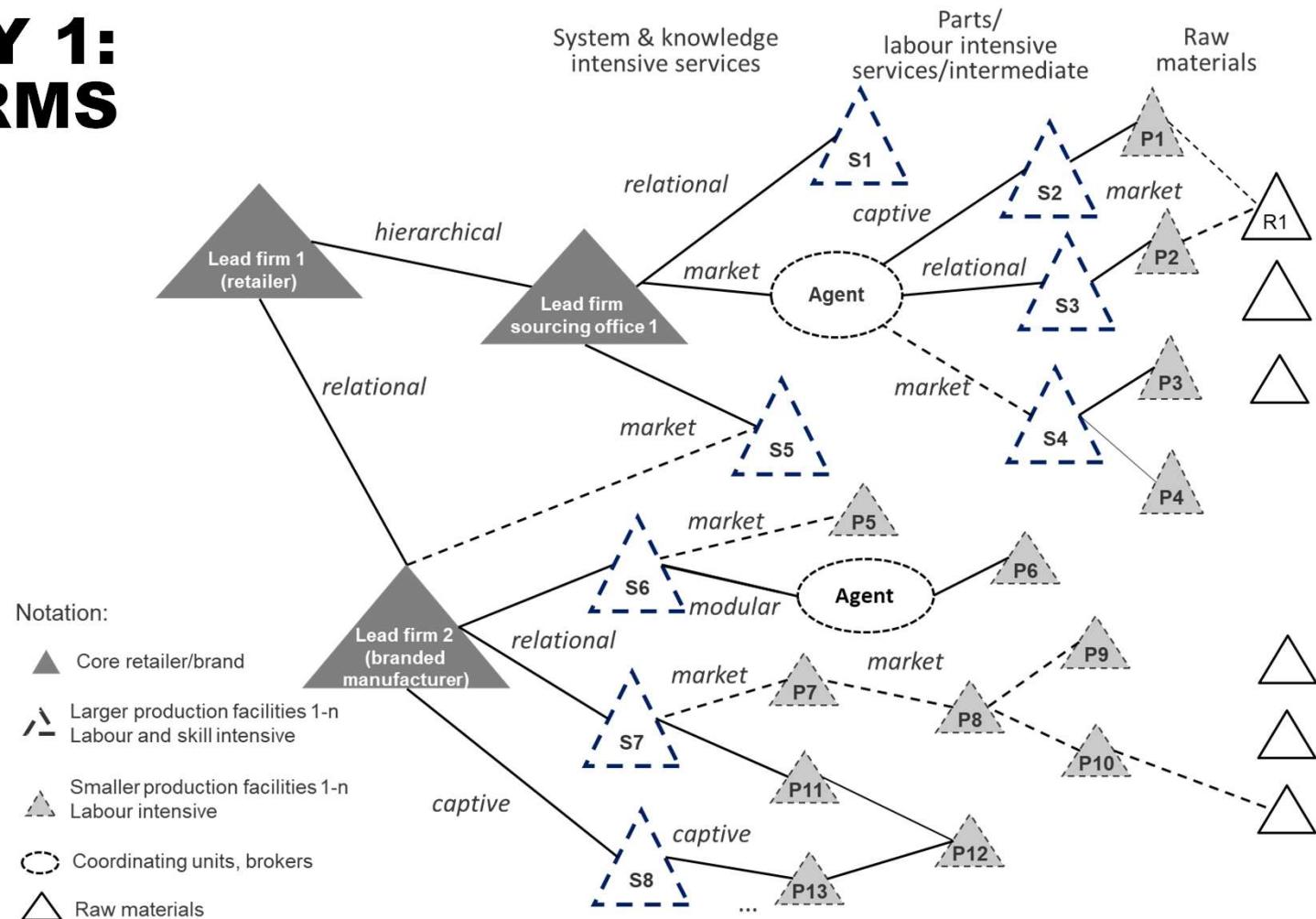
- Information technology

KEY CONCEPTS

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

COMPLEXITY 1: PLURAL FORMS

*Schematic picture of
garment industry
global value networks*



Helfen et al. (2018)

COMPLEXITY 2: REGULATORY GAP

- No “**world government**” and multiple **collective action problems** between firms, between suppliers and between nations
- **Legal complexity** – legal vs moral responsibility boundaries; which jurisdiction should be applied?
- **International regulations** such as the OECD’s corporate responsibility guidelines typically non-binding
- Multinational Enterprises (MNEs) are called upon as political actors but face **weak long-term incentives** to act responsibly

e.g. Scherer & Palazzo (2011)

COMPLEXITY 3: VUCA – DISRUPTIVE EVENTS



Image source: Wikimedia commons

DIFFERENT AVENUES FOR MANAGING COMPLEXITIES

- Via network management (corporate-driven path)
- Via private, multi-stakeholder regulation
- Via public regulation

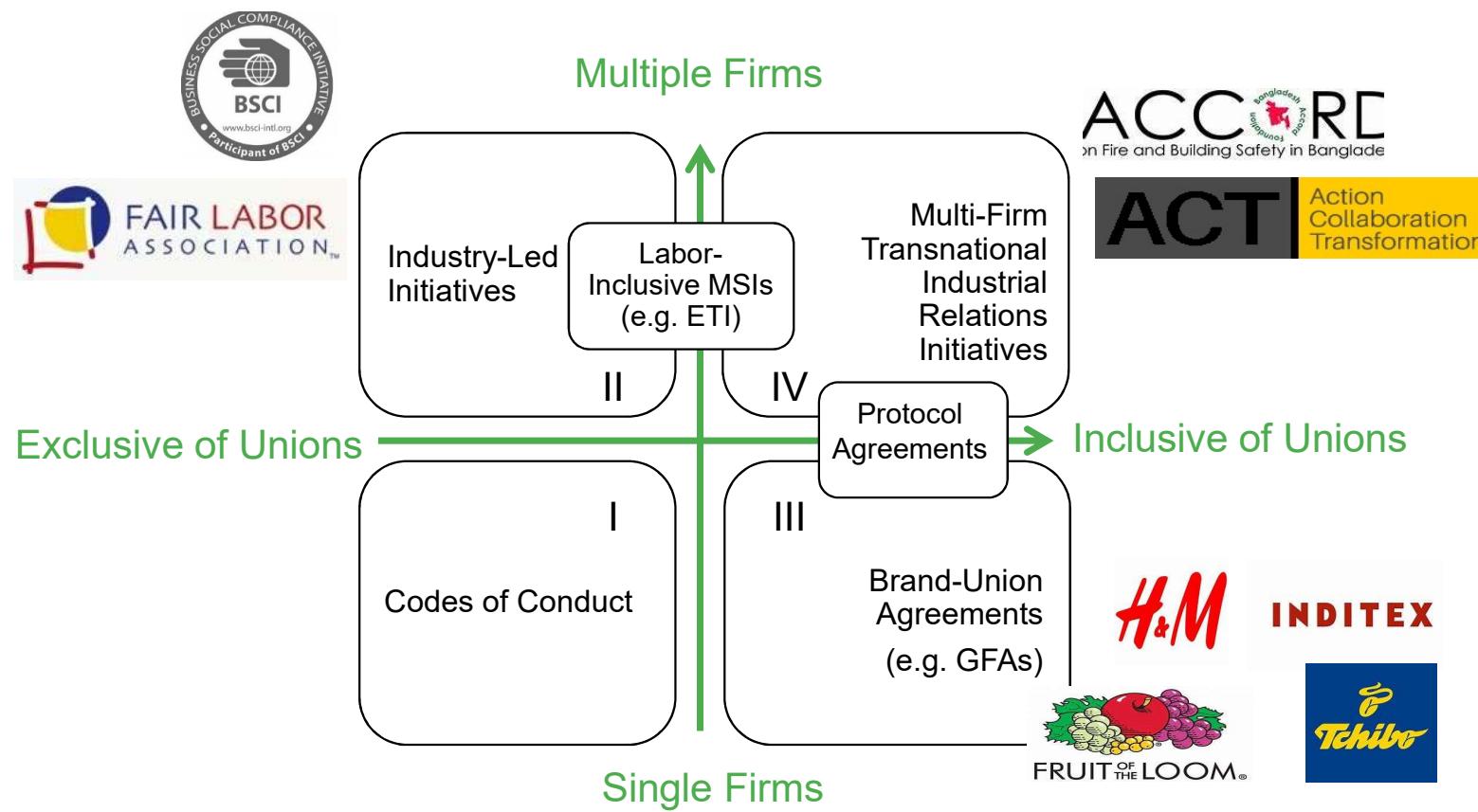


BASIC MODES OF REGULATION

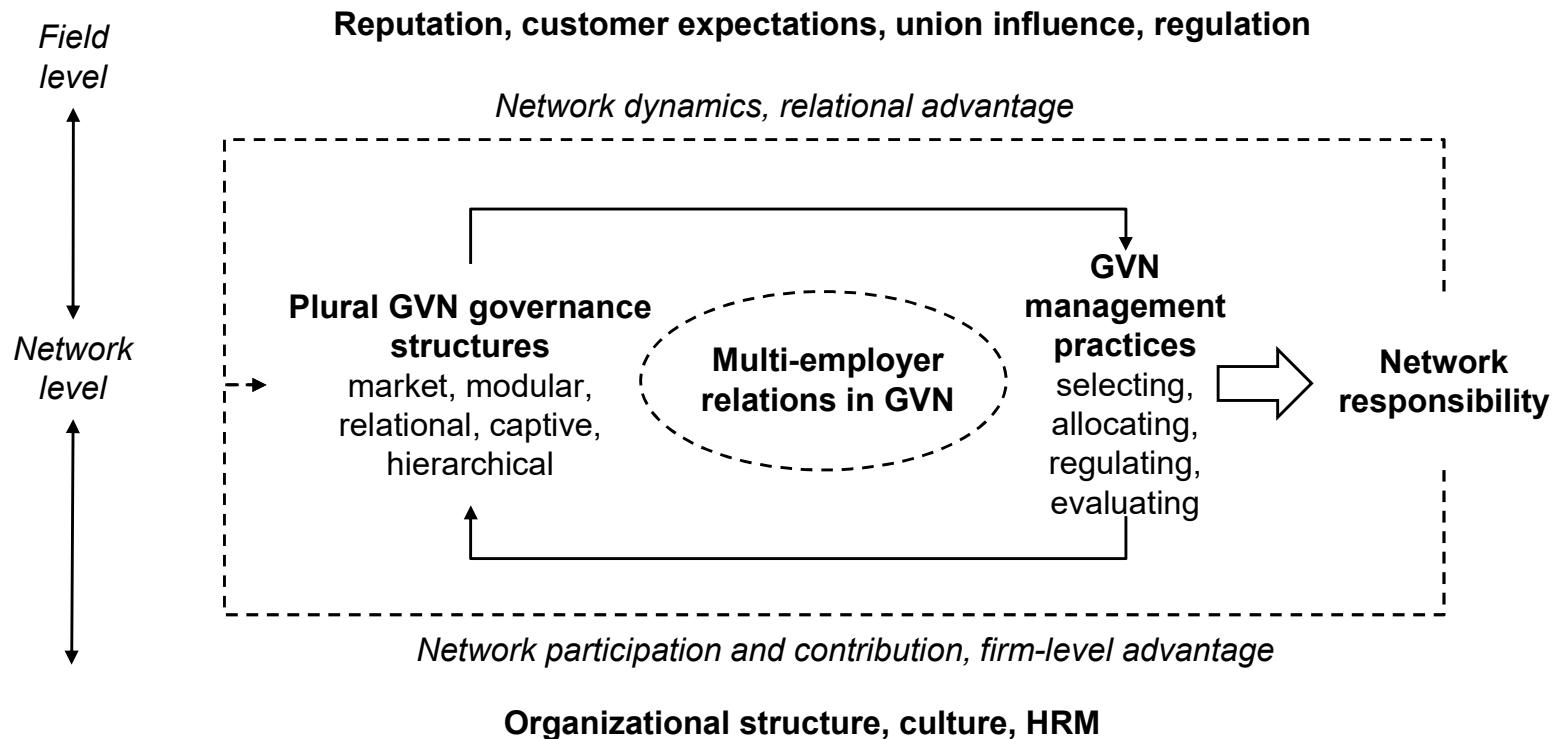
	“Hard” law (public)	“Soft” law (private)
Actors	State, industry associations, trade unions	Companies, NGOs, civil society, trade unions
Mechanisms	Law, sanctions	Incentives, information, moral appeals
Mode	Authority-oriented	Market-oriented
Examples	Loi de Vigilance; Brussels 1 regulation; national civil laws	UN Guiding Principles on Business and Human Rights; UN Global Compact

Own depiction; based on Hassel (2008)

PRIVATE, MULTI-STAKEHOLDER REGULATION

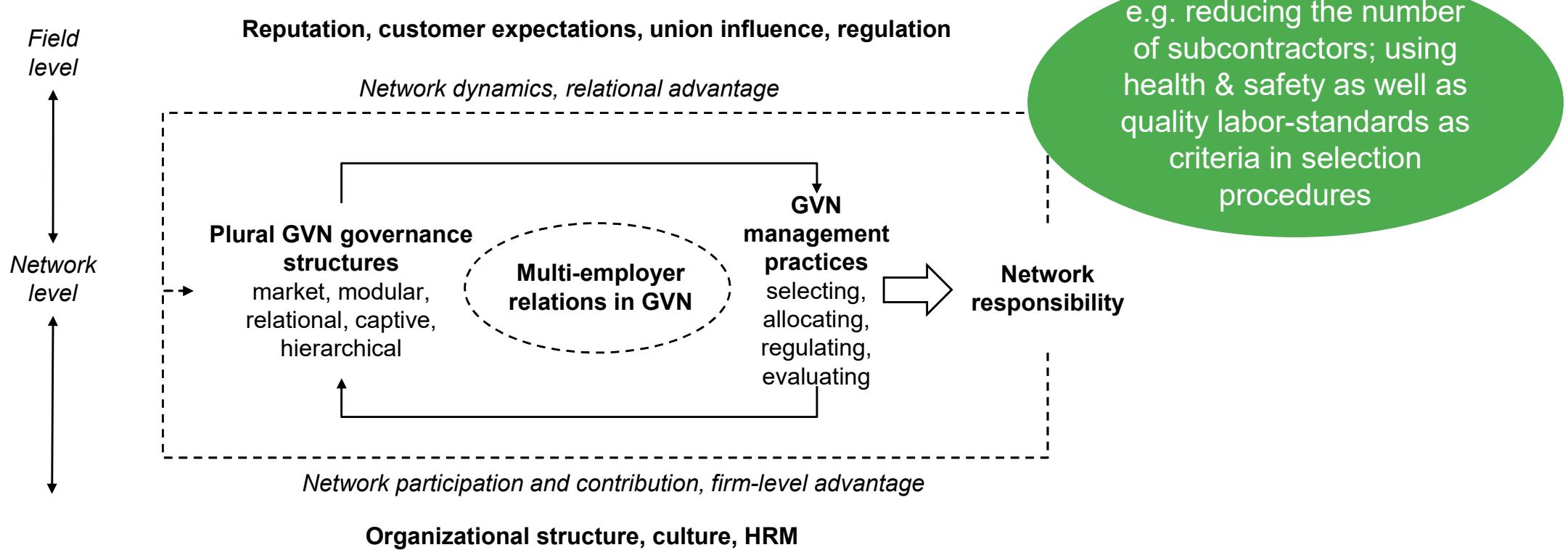


NETWORK MANAGEMENT FOR RESILIENCE AND RESPONSIBILITY



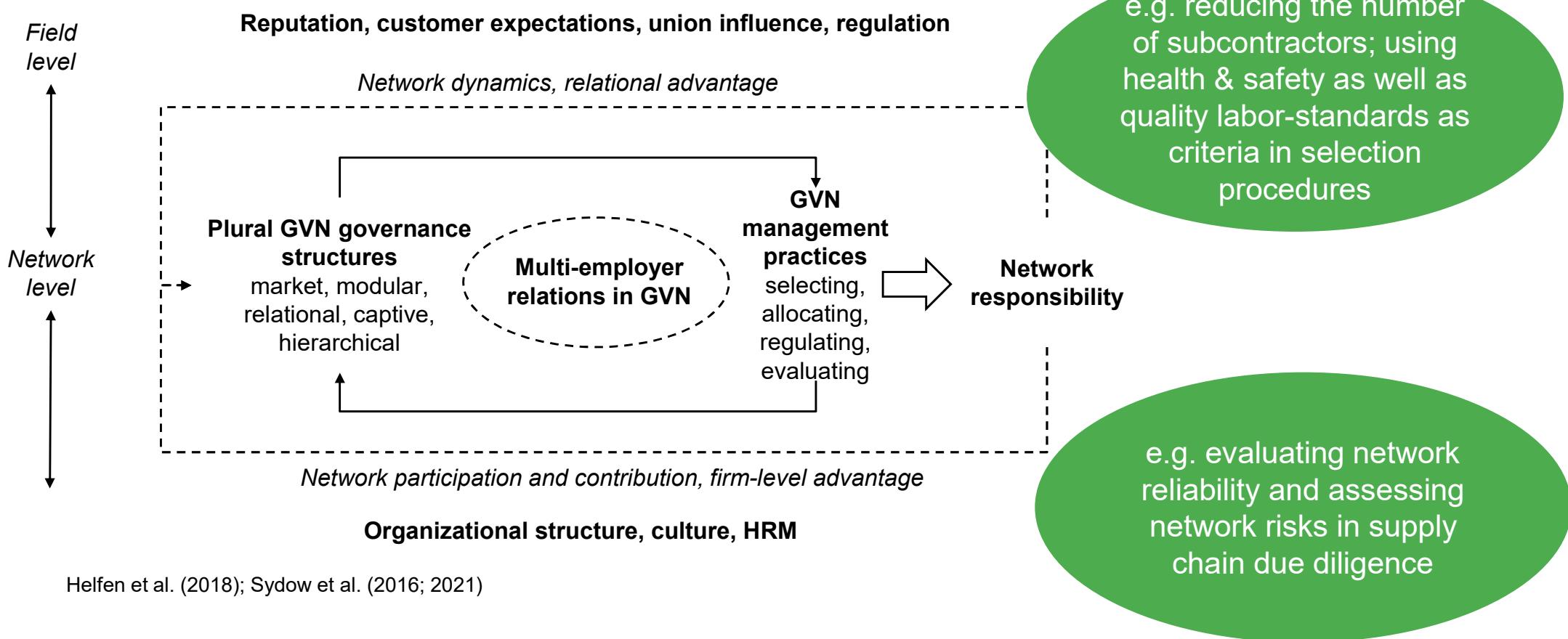
Helfen et al. (2018); Sydow et al. (2016; 2021)

NETWORK MANAGEMENT FOR RESILIENCE AND RESPONSIBILITY



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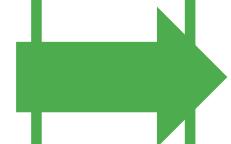
PUBLIC REGULATION – E.G. GERMAN LAW ON SUPPLY CHAIN DUE DILIGENCE

- Passing of the law on 11.6.21 after a long negotiation process (entry into force: January 1st 2023)
- German MNCs have to guarantee human rights and environmental standards in their supply chains and will be fined in case of violations
- No civil right liability; NGOs or unions can file legal action on behalf of affected individuals
- Initially (from 2023 on) only for companies > 3000 employees ~ 600 MNCs. From 2024 on > 1000 employees ~ 2.891 MNCs (BMAS)
- A government agency controls compliance with legislation; sanctions through public procurement bans



FROM RISK TO RESILIENCE AND RESPONSIBILITY

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



- Mixing make, buy and cooperate on a whole network level to allow for loose coupling, diversity, redundancy
- Developing fair purchasing practices
- Using new technologies, e.g. additive manufacturing
- Strengthening global governance, collective action and binding agreements
- Sharing responsibility in industry-specific MSIs
- Developing regenerative strategies

SUMMARY

- States have a key role to play in setting the rules of the game of the global economy – supply chains are political arenas
- The current structure of global supply chains bears several risks for lead firms, suppliers, workers and consumers, and risks are unequally distributed
- Resilience and responsibility can be gained from taking a “whole networks” perspective on managing supply chains, involving stakeholders and developing industry-specific, collective agreements
- Companies have already re-evaluated their supply chains during the pandemic – and will likely continue to do so

CONTACT

Prof. Dr. Elke Schüßler
Professor of Business Administration
Institute of Organization Science
Johannes Kepler University Linz
Mail: elke.schuessler@jku.at
Web: www.jku.at/org
Twitter: [@ElkeSchuessler](https://twitter.com/ElkeSchuessler) and [@OS4Future](https://twitter.com/OS4Future)

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