Final Draft of the Literature Review

Since the industrial revolution, trade and industry have developed at an exponential rate around the world. Globalization has led to a more interconnected society. Where countries had formerly been almost entirely self-sufficient, they have steadily become more and more interdependent. One of the greatest transformations since this early time period has been the development and regionalisation of supply chains. Global supply chains burst onto the scene in 1985 and have pushed industry further and faster forward than ever before. As a result of their growth, these supply chains have decreased the cost and difficulty of transporting goods and services and have directly led to the rise of production sharing and international trade. On a more local scale, the growth of these supply chains has increased the correlation between internationalization of firms and supply-chain participation. Ultimately, supply chains have affected economics, politics, and society. Thus, researchers and economic analysts have relentlessly been exploring how the evolution of global supply chains have affected the production of those firms participating in them, bringing to light an entire society obsessed with being stronger, better, and faster, from production company to critic.

Historically, the origins of international supply chains can be traced back to what researchers call the “2nd Unbundling”. A common theme throughout many research articles is that scholars enforce interpreting and understanding these origins so as to fully understand how supply chain complexity has developed. This specified period of the “2nd Unbundling” transpired around 1985 due to a dramatic fall in the price of trading goods, and is known for ‘unbundling’ offices and factories, leading to the trading of not only goods, but tasks and services as well. Giovannetti acknowledges how Stage B arrived with everything needed to export – world-class technology, management, quality control, a ready-made market, etc. All the developing nation had to add was reasonably reliable workers, a hospitable business environment, and proximity to an advanced technology nation willing to offshore some of its factories (Giovannetti, 2015). In this case, it is stated that all standard, modern practice in production can be traced back to this moment. Likewise, Baldwin (2011) explains just how it became increasingly economical to geographically separate manufacturing stages – to unbundle the factories. Once the separation was feasible, scale economies and comparative advantage made it inevitable. Through this excerpt, Baldwin finds that starting in 1985, with an important acceleration in the late 1990s, most successful developing-nation industrializers joined the supply chains of firms from high-tech nations, especially the manufacturing giants of the 1980s – the US, Japan and Germany. This evidence shows how the “2nd Unbundling” has affected the system of supply. In both pieces of literature it is remarkable to witness the high regard with which authors Giovannetti and Baldwin hold the origin of this new form of production. Even though there were some international issues present within this novel system, just the fact that supply chains were economically beneficial was enough to entrance analysts. Simply put, modern researchers and economists are attracted to what works, regardless of the consequences. This idea is brought further into light through research on the effects that supply chain involvement has on a particular firm, with a major focus on the examination of the different stages of the chain itself.

To expand, many experts have found that the dissection of supply chains from final to intermediate to beginning stages displays their high sophistication and shows how they can influence many modern firms individually. For example, through Giovannetti’s studies on the final stage of the supply chain (exportation), it was found that on average, the comparative index for firms in the sample were designated on a range from 0 markets reached (a non-exporter) to 7 markets reached (an international exporter). The researchers compiled data from the following 7 regional markets around the globe: the EU, EXTRA-EU, North America, China, India, the rest of Asia, and South America. Small firms in supply chains were found to export 21.7% of their goods globally, roughly 7% higher than the 14.2% for firms not involved in a supply chain. These firms involved in the chains averaged an index of 2.3 markets reached on the scale alluded to above, while firms not in a supply chain scored 0.83 markets reached (Giovannetti, 2015). By looking at export data from a wide variety of international firms, Giovanetti manages to capture the distributive operations of global supply chains, and based on how extensively he covers this topic, one can tell that he considers this analysis to be crucial. In a separate case assessing the primary stages of a supply chain, Baldwin (2014) argues that the key aspects of an expanded production framework must be: first, production of the final good requires intermediate parts; second, the parts range from simple to highly sophisticated - the more sophisticated ones being more intensive in their use of competencies. By establishing basic assumptions on the early stages of the chain Baldwin indirectly expresses how he feels his audience should recognize supply chains iteratively - a sum of all of its parts. By observing each author's intense dissection of each individual aspect of a supply chain, it becomes clear that analysts and researchers alike are fascinated by the success of a multi-tiered supply chain. Whether it be for their own personal benefit or to expose it for others, the obvious underlying obsession with economic success is prevalent in the literature produced by these authors. It is representative of a culture centered on moving faster and more efficiently. As important as it is to understand the workings of supply chains on a microscopic level, it is just as critical for understanding the effect they have on firms to fully appreciate a global supply chain's influence on participatory nations as a whole, and through research on this one can see the inherent global passion for efficiency.

Researchers and analysts have composed a variety of articles commonly exploring just how crucial global supply chains are firms, and in turn, the economy as a whole. Baldwin (2014) first exemplifies this with China – a country physically located in the middle of 'Factory Asia. He states that the country rarely uses domestic factors of production, technology, or policy for most of their exports. In this instance, Baldwin looks at China as a success story, a country that has successfully relied on the global supply chain to thrive, prosper, and build an international standing. Another example of this trend brought forth by the same author can be seen in a piece where Baldwin explains how the "share-winners" of production are few. Just seven nations have gained more than one percentage point of world manufacturing GDP since 1970 - those being China, Korea, India, Indonesia, Thailand, Turkey, and Poland. All of the G7 are share-losers over this period. Furthermore, apart from India, all of their manufacturing sectors are heavily involved in the international supply chains of Japan (through the East Asians) or Germany (through Poland and Turkey) (Baldwin, 2014). Basically, this literature implies that even those nations that were not formerly powerhouses in production can surpass those who were just by becoming more involved in the supply chain. While still on the same topic, Lopez-Gonzalez (2014) then provides an alternate example of companies in the Republic of Serbia who face numerous challenges in relation to the supply chain. The most important of these are: underdeveloped logistics infrastructure, lack of information and experts in the field of logistics, lack of modern transport and storage technology, use of outdated organizational models, complicated supply chain network, specific culture, unfamiliarity with the structure of logistics costs in companies, as well as their relatively high share in GDP (between 15 and 18 percent). Lopez-Gonzalez still stands by the common literary trend expressed in the two prior examples by discussing the international economic effects of global supply chain involvement, particularly on a nation's success and standing. These three instances dive into the international impacts that supply chains have, and each author's independent interpretation of these various impacts are representative of a common view on economic success - bigger reach, faster production, and stronger profits.

One can see that the development of supply chains from the mid-1980s to their modern day form has brought change to society and the global economy. By understanding their history, how they work, and their role in a local or national economy a researcher or analyst can grasp exactly how a firm's involvement in a global supply chain affects their production. The depth of this exact research is testament to a society consumed by peak performance, no matter the cost.

References

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