

# Ominant theories explaining the workings of transnational production essay sample...

[Economics](#)



After the emergence of transnational corporations, economists began their careers into the study of economic globalization, therefore, the cross-border operation has become more sophisticated with many theories. Among them, the concept of a global value chain has played an important role in the development of multinational. This essay will focus on the evolution of the value chain.

### Body

Since the 1980s, many scholars have put forward the theory of the value chain. Professor Michael Porter of the Harvard Business School in 1985, pointed in the “Competitive Advantage”: Every enterprise is a collection of various activities in the design, production, sales, send, and auxiliary products process, all of these activities can be indicated as a value chain. The value of enterprise created through a series of activities, these activities can be divided into two types of basic activities and auxiliary activities. The basic activities include internal logistics, production, external logistics, marketing and services; auxiliary activities including procurement technology development, human resource management and corporate infrastructure. These interrelated production and business activities constitute a dynamic process of creating value, that is value chain. In “Competitive advantage”, Potter also break through the boundaries of the enterprise, and extended to the perspective of economic exchanges between different enterprises, the concept of a value system, which is the basis of the concept of global value chains.

Porter’s value chain theory reveals that the competition between enterprises is not just competition of one part, but the competition of the entire value

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chain, while the overall competitiveness of the entire value chain to determine the competitiveness of enterprises. Since the mid-1990s, according to many enterprise operated the transnational production, more and more economists use Porter's value chain theory to research the division of labor of different global enterprises in the value chain. Professor Gereffi applied Porter's value chain concept to the relations of cooperation between enterprises around the world, and put forward the concept of global commodity chain. The Asian newly industrialized economies (NIEs) lasts for up to four decades of rapid economic growth after the war, which is known as the " East Asian Miracle".

Gereffi explained this phenomenon by concept of global commodity chain in " Journal of International Economics". In the environment of economic globalization, the production of the goods is divided into different stages, a transnational production system is formed around the production of a commodity. Organized the different scale enterprises and institutions in an integrated production network, to form a global commodity chain. Gereffi also distinguished two types of global commodity chains: buyer-driven and producer-driven. According to the comparison between the non-market external coordination in producer-driven global commodity chains and the internal coordination in traditional vertically integrated enterprises, Gereffi pointed out that the producer-driven plays an important role in promoting the common progress of every countries's industry in commodity chains.

## Conclusion

Global commodity chain, the emergence of this new type of governance is

the inevitable product of economic globalization, it marks the production to achieve globalization.

## Reference

Porter, Michael (1985). How Information Gives You Competitive Advantage. Harvard Business Review.

2. Gereffi, Gary (1999). International trade and industrial upgrading in the apparel commodity chain. Journal of International Economics.