BOOK REVIEWS

Managing the Global Supply Chain

Tage Skjott-Larsen, Philip B. Schary, Juliana H. Mikkola and Herbert Kotzab

(Gylling, Copenhagen Business School Press, 2007), 459 pages, third edition

Supply chains are continually subjected to forces, internal and external, that are in constant states of flux. Managing a supply chain is therefore a demanding activity that requires a thorough understanding of the concepts and mechanisms that underpin the operation of the supply chain and the factors that influence its performance. In a global environment, these factors are many, often interrelated and beyond the reach of most organizations to influence or control. Knowing what these factors are and understanding how they are likely to impact on the strategic and operational decisions that must be made while managing the global supply chain is critical.

This text sets out to provide a systemic understanding of all the essential facets of the supply chain and its management in the global environment. To accomplish this, the design and operation of the supply chain is presented as a management process that embraces the activities of all the supply chain agents (p.19). Consequentially the primary focus of the text is on managing inter-organizational relationships to facilitate the development of a customer orientated, value driven, supply network. A supply chain model derived from value chain principles provides a common reference point throughout the book, which is organized in three sections covering concepts, processes and management issues.

The first section provides a useful introduction to general supply chain concepts. Chapter two introduces the notion of value creation as a changeable characteristic that demands a responsive supply chain. Focusing on physical flows, activity shifting is presented to illustrate the contribution organizational and structural design can make to supply chain performance. Chapter three provides a particularly interesting, albeit theoretical, discussion on the contribution of network theory to our understanding of how inter-organizational relationships should be managed. The comparison of transaction cost analysis (TCA) with the development of trust through the network approach as a means of protecting organizational interests is useful. Sharing information is critical to the management of relationships, and Information Technology (IT) is an important facilitator in this regard. Chapter four provides a clear and contemporary treatment of the ways in which IT can be used to inform the decision making process and mitigate uncertainty in the supply chain.

With the foundations laid, the second section considers the integration and coordination of inter-organizational activities. Chapters five and six provide good overviews of the approaches and techniques being used in distribution and production although elements of the latter chapter would benefit from a tighter supply chain focus and more detailed explanations, e.g. noting that "with increasing outsourcing activities and globalization the role of quality management systems has to be redefined" (p. 180) without further elaboration is inadequate. Chapter seven considers product development and the role of design in outsourcing and value recovery decisions. Chapter 8 reviews the evolving strategic role of purchasing, buyer-supplier relationships and the use of purchase portfolio models to identify purchasing strategies. Transportation and logistics options are examined in chapter nine and, whilst the discussion is limited to the EU, the chapter provides an informed insight into the drivers and issues affecting the distribution of product in a global context. The principal supply chain configurations for value recovery are evaluated in chapter 10 and discussed in the context of the emerging sustainability agenda. This is a welcome addition to the text although a separate chapter dedicated to this topic, possibly under managerial issues, might have been more appropriate.

The third section opens with the statement: "measuring supply chain performance is most often treated as a non-core activity" (p. 313). A glance through any number of supply chain texts will confirm the truth of this statement. Chapter 11 explains the relationship between measurement and management and critically evaluates several performance measurement frameworks. This is done in sufficient detail to provide an understanding of the issues, while the theoretical support cited will assist those wishing to examine the topic in detail. An unusually theoretical approach to strategy development is adopted in chapter 12, which emphasizes the external issues rather than the internal problem of aligning functional objectives. Consequentially, a useful complementary perspective to the conventional view of strategy development is provided. "Models are essential for planning the supply chain" (pp. 372) and understanding the basis of models and their limitations is an important step in understanding their contribution to the decision making process. Chapter 13 describes how a variety of supply chain scenarios can be modelled using quantitative techniques. This is done effectively and in a manner that should be accessible to a wide readership. Finally a comprehensive, although not particularly insightful, treatment of the factors influencing the globalization of the supply chain activity completes the section.

Minor criticisms apart, this text is well written and complex ideas are presented logically and in an accessible style. Discussions are thoroughly and appropriately grounded while not being over burdened with citations; a comprehensive list of references is included at the back of the book. The inclusion of vignettes as illustrative cases is a useful device which grounds the exposition in the real world. However, presentation is somewhat dated compared with other texts prepared specifically for the educational market. Moreover, its tendency towards the theoretical limits its value to those interested in implementing ideas and applying techniques. But this is clearly not the intended readership. The level of existing understanding assumed and supporting theory used throughout the book makes *Managing the Global Supply Chain* an ideal text for those requiring a more complete treatment of supply chain issues and seeking direction for narrower detailed study in specific areas.

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Transnational Corporations and Local firms in Developing Countries – Linkages and Upgrading

Michael W. Hansen and Henrik Schaumburg-Müller, editors

(Frederiksberg, Copenhagen Business School Press, 2006), 404 pages

The role of transnational corporations (TNCs) in developing host countries continues to strengthen, as international investment flows have increased steadily over the past two decades. World foreign direct investment (FDI) flows reached $1,306 billion in 2006, of which $379 billion was directed to developing countries, rising from $283 billion in 2004 (UNCTAD, 2007). TNCs' impact can be differentiated between its impact on growth (Fortanier, 2007) and on economic development through direct and indirect effects (UNCTAD, 1999). In the context of globalization where knowledge and technology provide the essence of firms' core resources, governments pay particular attention to TNCs' technological spillovers and other indirect effects as potentially powerful means of gaining competitiveness for locally owned firms (Lall, 2002; Castellani and Zanfei, 2006). TNCs in developing economies tend to possess superior technological and managerial advantages. Indigenous firms can enhance their own capabilities faster when they gain access to such TNCs' advantages through vertical (especially through backward linkages as shown by Giroud and Mirza, 2006) and/or horizontal linkages (Scott-Kennel and Enderwick, 2004). Capability enhancement is not an automatic process, firstly because the potential to learn rests upon the absorptive capacity of local firms, and secondly because the extent and depth of linkages may not always be sufficiently high to generate real long term benefit for the host economy (Görg and Greenaway, 2003). The creation of inter-firm relationships (or linkages creation) remains at the heart of the debate on TNCs' impact in host developing economies (UNCTAD, 2001).

In their edited volume, Hansen and Schaumburg-Müller focus on this very crucial issue of linkages and upgrading potential. Their study concentrates on Danish TNCs in five host developing economies (Ghana, India, Malaysia, South Africa and Viet Nam) and two industries (the automotive and garments industries). The volume comprises 13 chapters, with six contributors. It makes a useful contribution to the literature on TNCs' linkages in developing economies and, in particular, adds to the understanding and knowledge of Danish TNCs' activities in developing countries. The strength of the volume is to adopt a common methodology in terms of data collection,[1] and yet allow flexibility for individual contributors to focus on a topic of importance for the country or industry studied. This interesting approach provides sufficient commonalities across chapters for a useful comparison of cases, together with additional analysis on selected linkage-related issues, such as donor intervention, cross-cultural linkages or aid dependency. This work will appeal to three different groups of readers: firstly, to all researchers and students interested in the impact of TNCs on host economies; secondly, to policy makers in developed home and developing host countries; and thirdly, to managers in both TNCs and locally-owned firms in developing countries.

Part I provides the overall introduction, presenting the analytical, conceptual and theoretical framework that underpins the study. In chapter 1, the editors present the conceptual framework and relevant definitions. TNCs' impacts are differentiated between impacts on local firms and impact on industries, pointing to both positive and negative effects of cross-border linkages. Three groups of actors are considered: TNCs, governments and local firms (each presenting their own strategies and set of capabilities). Factors related to these actors are discussed to explain how linkages vary depending on the context. Three sets of research questions are derived from the conceptual framework. First, what are linkages, how are they organized and structured, and what are the processes through which linkages are fostered and implemented? Second, how can cross-border linkages create competitive advantage for developing country firms, and how do they impact overall industrial and economic development? Third, what are the factors that drive some firms and industries to foster strong cross-border linkages, while others fail to do so? Chapter 2 carefully reviews related streams of literature, drawing

[1] Data were collected using two methods: a survey (with a final sample of 90 firms) and case studies (45 Danish investment in five countries explored through on-site interviews together with interviews with 30 local partners).

upon the development and the international business perspectives on linkages. The development perspective enables the reader to contrast the developmental consequences of cross-border linkages, while the international business perspective adds to the understanding of how firms grow, increase profitability and enhance competitiveness as a result of forming linkages.

Parts II and III present the main empirical findings and are organized around case studies of Danish firms' linkages in five developing economies, Ghana, India, Malaysia, South Africa and Viet Nam, and in two industries, the automotive and garments industries. Chapter 3 consists of an overview of the survey results. A total of 346 Danish projects and 86 responses to the survey are analysed, presenting firm characteristics, the nature of linkages, means of upgrading and upgrading effects and the role of government. Chapters 4 to 8 are country cases, and enable the contributors to depict specific circumstances behind linkage development in a single country-setting. The choice of countries was made to allow comparison of linkage experiences depending on the level of economic development, the development strategy adopted by the country and the contrast between linkages resulting from government and aid programmes and those of a commercial nature. Additional primary information collected in individual countries is integrated into the analysis to offer a rich discussion on context-specific issues, together with a brief summary of the policies adopted by governments. Chapters 9 and 10 provide an industry-focused approach to examining the issue. The analysis is based on a small sample, but nonetheless brings insights on how local suppliers upgrade capabilities (in India, Malaysia and South Africa), and on the challenges faced by newcomers in the garments industry of Ghana, Malaysia and Viet Nam that strive to establish links to and be integrated into the global value chain.

In Part IV, chapters 11 to 13 summarize the key findings of the book, discuss policy implications and reflect on existing theoretical literature. These chapters bring together country and industry cases. First, an overview of linkages is put forward in terms of scope, structure and content as well as in terms of the development and upgrading effect, drawing upon the factors shaping linkages (chapter 11). Policy makers will find chapter 12 of particular interest. The authors discuss various policies that support linkage creation, linking the development strategy that is crucial for emerging economies to firm development policies and the integration of TNCs. As pointed out, Malaysia is the only country with systems in place to promote TNCs' linkages, suggesting that there is room for improvement in other economies. Chapter 13 ends the volume with theoretical reflections and perspectives. Different theories need to be combined to fully comprehend TNC linkages. This chapter is a step towards greater integration of the existing literature.

One does agree with the authors on the fact that the realization of cross-border developmental linkages is not yet taking place on a large scale in many developing countries (chapter 12, p. 338), even in hosts with substantial stock of FDI and efficient policy systems such as Malaysia (Giroud, 2007; Iguchi, 2008). Developing economies present distinct challenges related to entrepreneurial and capabilities development for local firms. Hence, governments ought not only to develop efficient FDI promotion strategies, but also to coordinate those with economic development objectives and industrial development policies. Linkages potential is related to local firms' existing proprietary knowledge, governance mode and absorptive capacity (as demonstrated in table 13.2 on page 361). TNCs could also become more aware of the multi-dimensional upgrading potential of their activities with local firms. Hansen and Schaumburg-Müller's volume will help firms, Danish ones in particular, to understand the broader upgrading potential of their activities in developing economies.

Building upon the Danish focus, the authors are able to identify the importance of state aid from the home country in encouraging TNCs linkages. The Danish International Development Assistance (DANIDA) allocates funds to support Danish investment, the establishment of joint ventures and technology collaborations between Danish firms and local firms in host countries (the PS programme), and export to developing countries. Based on the survey, the authors find that 60% of the 86 projects receive aid money (chapter 3, p. 69), with Ghana, Viet Nam and South Africa benefiting most from the PS programme. Accordingly, chapters 4 and 8 focus on donor intervention and aid dependency in Ghana and Viet Nam respectively. This reliance on state raises the question as to why existing studies on linkages have paid so little attention to the role of government in the *home country* of TNCs in linkages creation. This volume itself, arguably, could strengthen this angle in its summary chapters, particularly in chapters 12 and 13.

To conclude, the volume as a whole makes a notable contribution to the existing knowledge on TNCs, linkages creation, local firms upgrading potential, economic development and the role of governments in fostering inter-firm relationships. The contributors integrate several theoretical streams and offer insights on the activities of Danish TNCs. It makes excellent reading for managers, academics and policy makers.

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