VALUE CHAIN: CONCEPT, TYPES AND ECONOMIC EFFECTS

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The concept, types and economic effects of value chains are examined in the article. The article emphasizes the role of value chains in driving economic progress. It is shown that the value chains have become an important driving force for global economic development. At the same time, it is substantiated that the country's integration into global value chains brings not only opportunities, but also many challenges for its development.

Keywords: value chain; economic effect; global value chain; specialization; vertical integration.

ЦЕПОЧКА ДОБАВЛЕННОЙ СТОИМОСТИ: СУЩНОСТЬ, ТИПЫ И ЭКОНОМИЧЕСКИЕ ЭФФЕКТЫ

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В статье исследованы сущность, типы и экономические эффекты цепочек добавленной стоимости. Подчеркивается роль цепочек создания стоимости в обеспечении экономического прогресса. Показано, что цепочки создания стоимости стали важной движущей силой глобального экономического развития. Одновременно обосновано, что интеграция страны в глобальные цепочки создания стоимости несет не только возможности, но и множество вызовов для ее развития.

Ключевые слова: цепочка создания стоимости; экономический эффект; глобальная цепочка создания стоимости; специализация; вертикальная интеграция

Concept and Definition. The concept of "value chain" was first proposed by Michael Porter in 1985 in his seminal work "Competitive Advantage: Creating and Sustaining Superior Performance". Porter believes that the value chain is a series of production and operation activities carried out by enterprises in vertically integrated industries to provide valuable products or services to the market. These activities include inbound logistics, transportation, outbound logistics, marketing and sales, and services. These production activities are supported by multiple departments such as corporate infrastructure, human resource management, technology development and procurement.

The value chain also includes two categories: basic activities and supporting activities. Basic activities include production, sales, and transportation, which are directly creating value; but supporting activities are different. Supporting activities include procurement, technology development, human resource management, etc., which are supporting value creation to support the basic activities. The current value chain is a stage of combination, which is an organic combination of complete business services, more comprehensive and accurate services, and a more reasonable allocation of corporate departmental structure.

Today, with the development of the times and the economy, the expansion of the global value chain, the concept of the value chain has evolved to observe the progress and development of the overall project from a broader perspective, adding the participation in the manufacturing of goods and service production stages and the separate sales stages, and the activities of many enterprises and stakeholders [1, p. 7].

The global value chain (GVC) has become a significant key feature of the modern economy, expanding Porter's value chain theory and emphasizing the international division of labor and the interconnection of industries on a global scale. Its characteristics are that the production processes of various countries provide an analytical framework to further understand the decentralization of value creation, value application, value capture and value sharing in the global production network, as well as the dynamic specialization of enterprises in specific tasks and activities, and how these processes evolve over time and technological changes [2, p. 18].

Types of value chains. According to the governance structure, the balance of power and the relationship between companies, the value chain can be governed from five different directions.

1. Market-oriented value chain: The meaning and characteristics of the market-oriented value chain are to use some different transaction methods to obtain resources and economic benefits in the market, and the ultimate goal is to create economic value through profits. There is no direct holding relationship with upstream and downstream enterprises, and it is a separate governance relationship. This is a mechanism that is completely dominated by the market to regulate various mechanisms, and the government does not participate in guidance and intervention. Although this model ensures that the distance between the two parties to the transaction gives the market a strong autonomy, the communication between buyers and suppliers is low, communication is difficult, and there is a risk of speculation.

2. Modular value chain: This type is suitable for standardized products. In order to allow customers to use the product, the manufacturer produces goods and provides a series of services according to the needs of the buyer, but retains supervision and control over the production process and does not withdraw from the production experience link. At the same time, complementary companies have emerged in the modular value chain. These companies complement the company in terms of products, but do not completely dominate.

3. Relationship value chain: This value chain requires the collaboration of multiple companies, such as the development of large aircraft and the packaging combination of household products. Each company must perform its duties, open up each relationship hub, simplify work pressure, and improve work efficiency. Whether it is the stage of product development or production, it is difficult to rely on a single company. It is necessary to find partners, cooperate

for mutual benefit, create brilliance, and cooperate with multiple parties. But this is an equal partnership, no one controls who, but a cooperative relationship, and equal participation in the production and operation activities of the enterprise.

4. Captive value chain: This type of value chain has a weaker degree of control than the relational value chain, but a stronger degree than the market value chain. For example, in order to produce some products, which may be complex or time-sensitive and not worth producing by itself, Company A delegates them to Company B and signs an outsourcing agreement or a cooperative manufacturing agreement with Company B. However, Company B is not an advantageous and powerful upstream supplier, so Company A has a certain voice in Company B and can control Company B's production and operation activities to a certain extent. In other words, Company A has certain restraining rights over Company B, but does not have complete control. In name, it is a cooperative relationship, but in reality, Company B becomes a captive object and is controlled by Company A.

5. Hierarchical value chain: This type can be understood as opening a branch for your own company and exercising absolute control over the branch. For example, the head office controls the branch, and the head office makes a resolution, and the subordinate company needs to accurately convey and follow it. The head office is at the highest level of the hierarchical value chain, and the subordinate is at the lower level. Vertically integrated companies control the entire production process from raw materials to final products. It can be understood as a self-sufficient value chain type. It is also more conducive to the supervision of product quality control, and a single move can affect the entire system.

Therefore, the type of value chain governance has a significant impact on the distribution of power, risk and rewards among participating enterprises and the potential for upgrading and innovation within the chain [3, p. 30].

Economic effects of value chains. Value chains have a huge economic impact in many ways.

At the enterprise level, becoming part of a value chain can gain access to new markets and is an effective way to acquire new technologies, enabling enterprises to improve their capabilities and strengthen their competitiveness [4, p. 1267]. Value chain upgrading can take the form of process upgrading to improve the efficiency of product production and circulation, product upgrading to launch better quality products, functional upgrading to obtain new functions and abandon low value-added methods to move to high value-added functions, and chain upgrading to move to a more complete value chain [5, p. 1020—1023].

At the industry level, value chains can drive the specialization of enterprises, accelerate productivity growth, and the smooth development of expertise training and new activities in new departments. Integrating local companies into global value chains allows small companies to develop their core technologies in global value chains, promotes technology transfer, and enables other companies to achieve technology and skills integration and development, as well as adopt international standards to unify differences and best practices

[3, p. 28]. However, the benefits of participating in the value chain are not achieved automatically, but depend on the help of local enterprises and market environment, including but not limited to the absorption capacity of local businesses, the local business environment, and the attitudes and policies and strategies adopted by local governments and industry stakeholders.

At the national level, participating in the global value chain can help economic growth, create new employment opportunities, reduce poverty in some regions, and promote the stable development of society. Lay a solid economic foundation. In particular, developing countries can use the comparative advantages of value chains in labor-intensive work and abundant natural resources to attract foreign investors and integrate into the global production network [6, p. 260]. However, the benefits of participating in the value chain are often unevenly distributed, with some developed countries and developed regions occupying a larger share of value added, while other developing countries and poor regions face challenges such as long working hours, low wages, poor working conditions, and limited upgrading opportunities [7, p. 43].

Strategic significance. The growing economic importance of value chains has been gradually discovered by various countries, and value chains have a great impact on decision-making at the national and international levels. Governments of various countries actively promote and support their own enterprises to integrate into global value chains, promote structural upgrades within these value chains and innovation of enterprises. This may involve a series of government policy interventions, such as investing in large-scale infrastructure guarantees and long-term compulsory education, providing more targeted support for small and medium-sized enterprises, promoting foreign direct investment, and close ties between domestic enterprises and multinational corporations [8, p. 260].

At the international level, investment policies and trade development have an indispensable impact on the integration and development of value chains. Trade agreements, strategic management, reasonable market access conditions and standardized rules of origin can effectively shape the motivation of enterprises to participate in regional governance and create global value chains and individual development [2, p. 24]. International organizations such as the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) play a key role in formulating global trade and investment agreements and rules, and have a significant impact on the governance and development of value chains [9, p. 18].

Conclusion. Value chains have become an important driving force for global economic development. International trade has gradually revolved around the basic theory of value chains, reshaping a series of links between the production, transactions and consumption of goods and services, and achieving closer interactions and connections. Understanding, innovating and finally transforming the concepts, types and economic impacts of excellent value chains is essential for companies, policymakers and researchers seeking to drive and master the complexity of the contemporary economy.

The development of the global value chain has brought opportunities, but also many challenges. It is a double-edged sword. On the one hand, it promotes economic growth, creates new employment methods to increase employment rates, reduces poverty rates and promotes fairness, but on the other hand, it also brings problems such as uneven distribution of benefits and difficulty in the development of new entrants due to information asymmetry. Effective policies and prudent strategic countermeasures are needed to ensure that the interests of most participants in the value chain are reasonably distributed and to avoid risks as much as possible.

With the continuous development of the global economy, value chain research will become a key area of future economic globalization research and precise development. It can not only provide internal and external driving forces for economic globalization, but also point out the general direction of development for global national enterprises.

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