

Global Value Chains: The Role of the Business Services? *)

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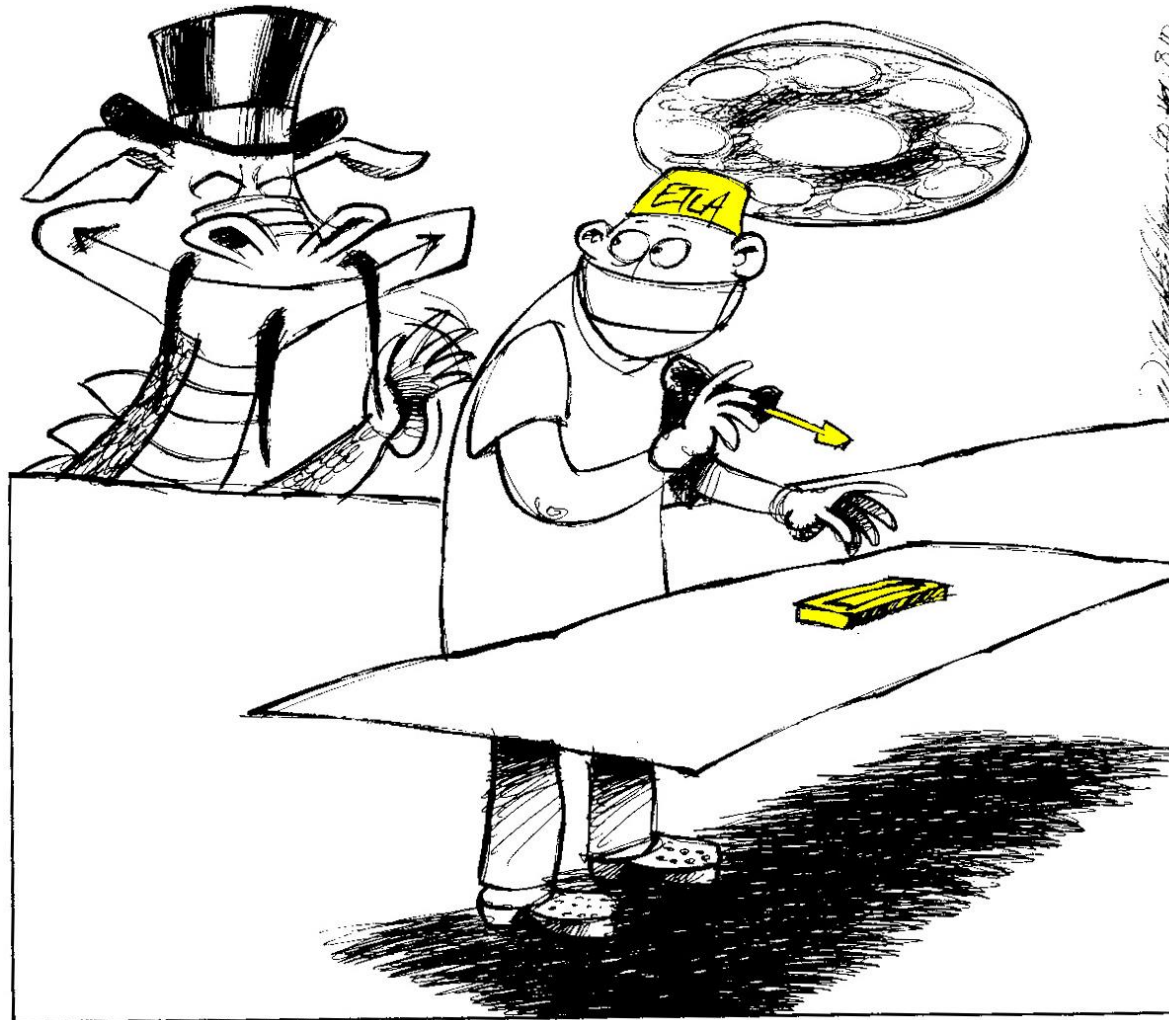
Helsinki

Thursday, 19th December, 2013

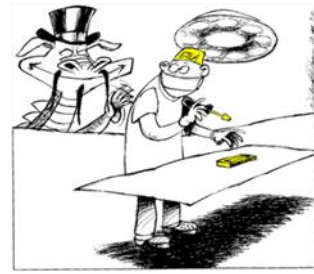
*) This research is a part of the ongoing research project “Value Creation and Capture – The Impact of Recycling and Global Dispersion of Intangible Capital”, (2013-2014), funded by the Finnish Funding Agency for Technology and Innovation.



"Screwdriver economics"



Evolution of GVC studies



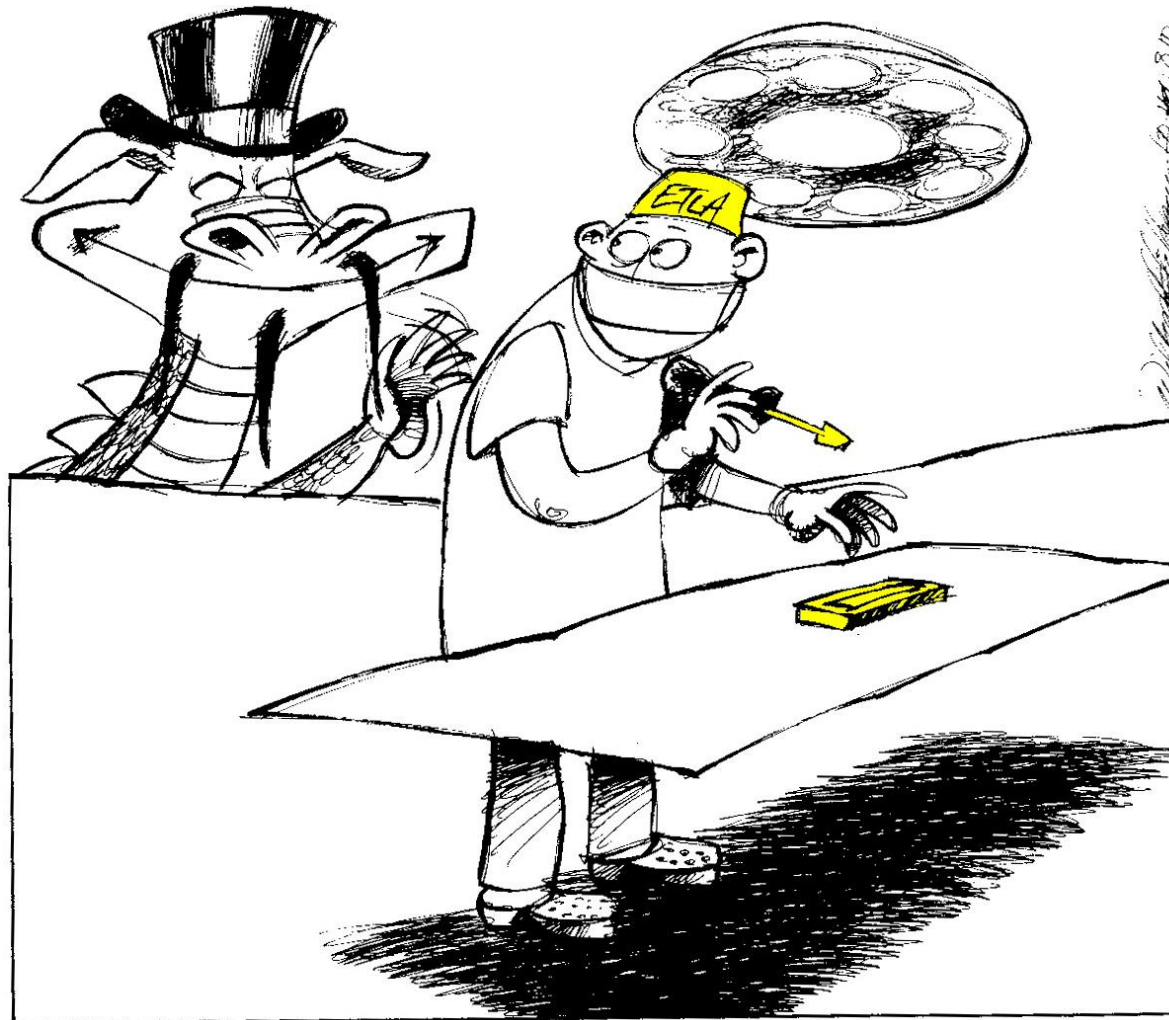
- **2010: Nokia N95 analysis**
 - Book, wiiw Research Report, and academic article (published in JITC)
 - Single point of time, multilocation (Asia and Finland)
- **2011: Analysis of three Nokia budget phones**
 - ISA 2011, academic article (under review in ICC)
 - Multiple points of time
- **2012: Analysis of bicycle**
 - ETLA Discussion paper, State of the Region Report 2013
 - Multilocation (offshore (Asia), near shore (the Baltics), and Finland)

Evolution of GVC studies

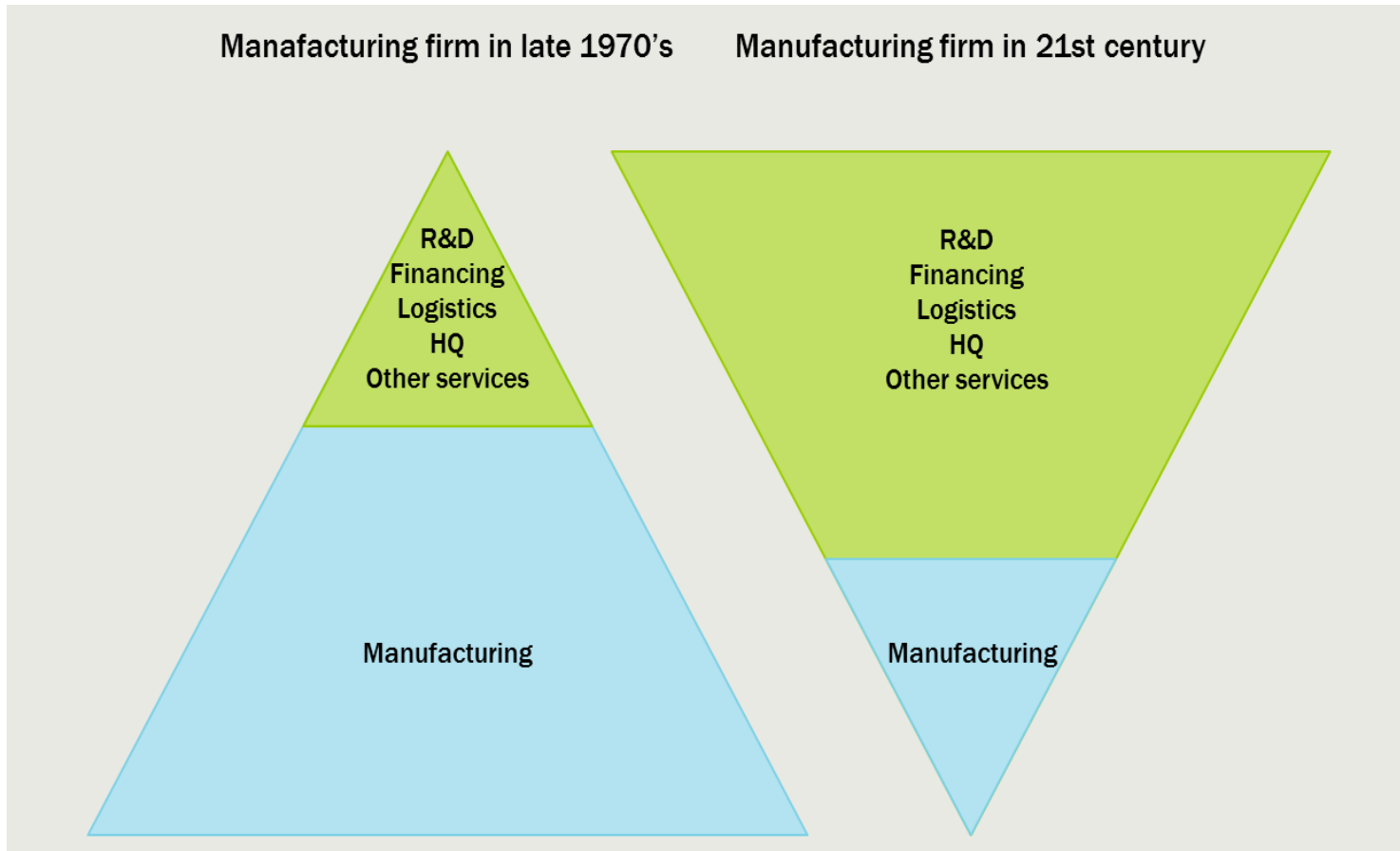


- **2012: Analysis of precision machinery product**
 - ETLA Brief, academic article (under review in SCM)
 - Multilocation (USA, Asia, and Finland)
- **2013: Analysis of precision machinery product**
 - ISA 2013, conference and working paper (under review in I&I)
 - Product life, Product vs. Services
- **2014 (forthcoming): Extracting Value through Technology and Service Platforms: The Case of Licensing, Services and Royalties**
 - ETLA Brief
 - Intangible Assets

“The Role of the Business Services in Manufacturing Firms”

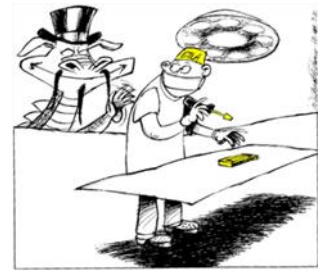


The Role of the Business Services in Manufacturing Firms: True?



(Source Pajarinen et. al, 2012; Kenelle arvoketju hymyilee? Koneteollisuus globaalissa kilpailussa, p. 27)

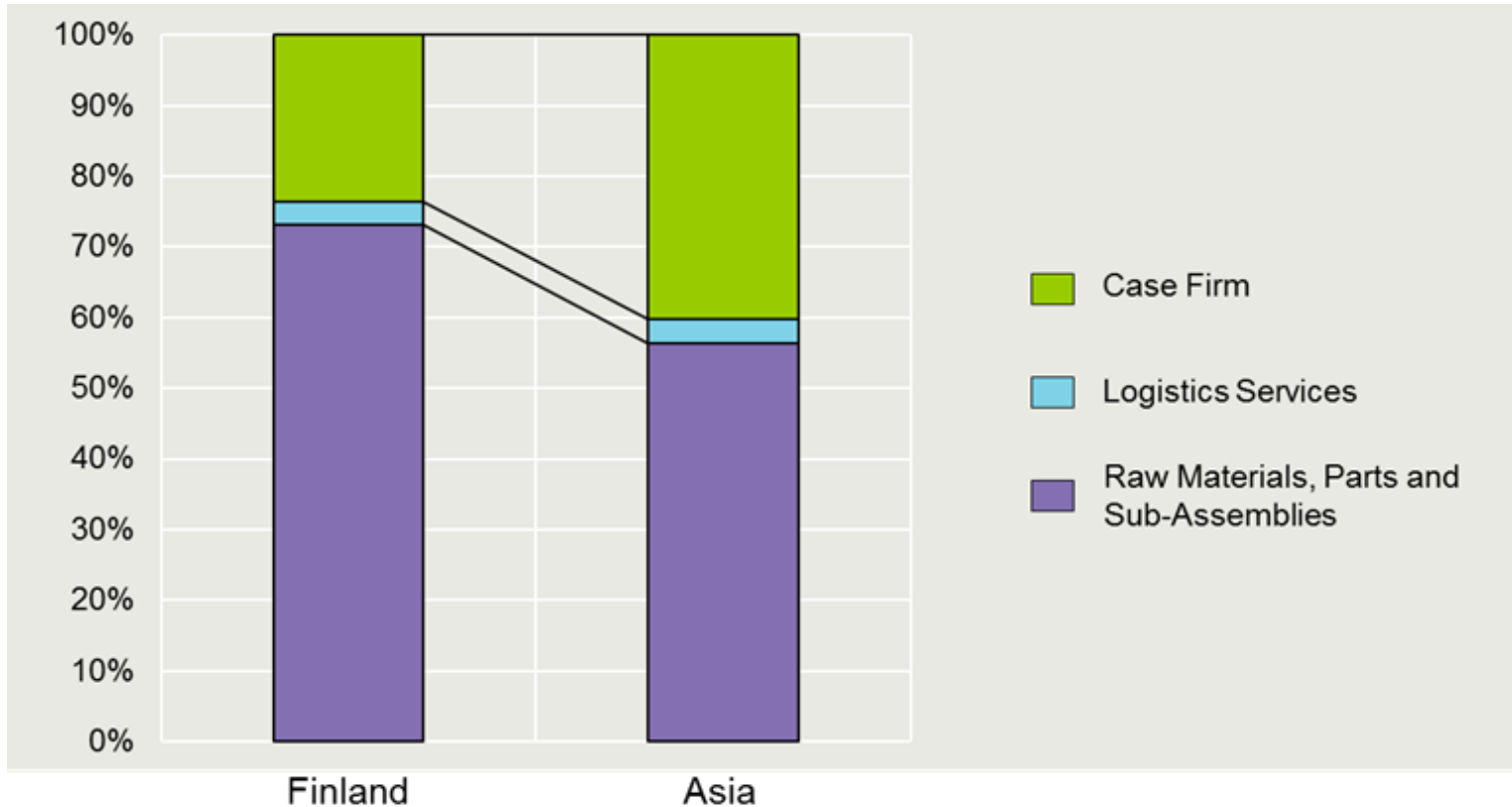
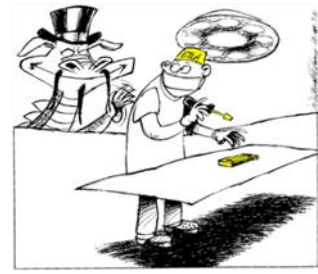
The Role of the Business Services in Manufacturing Firms: True?



Two Drivers...

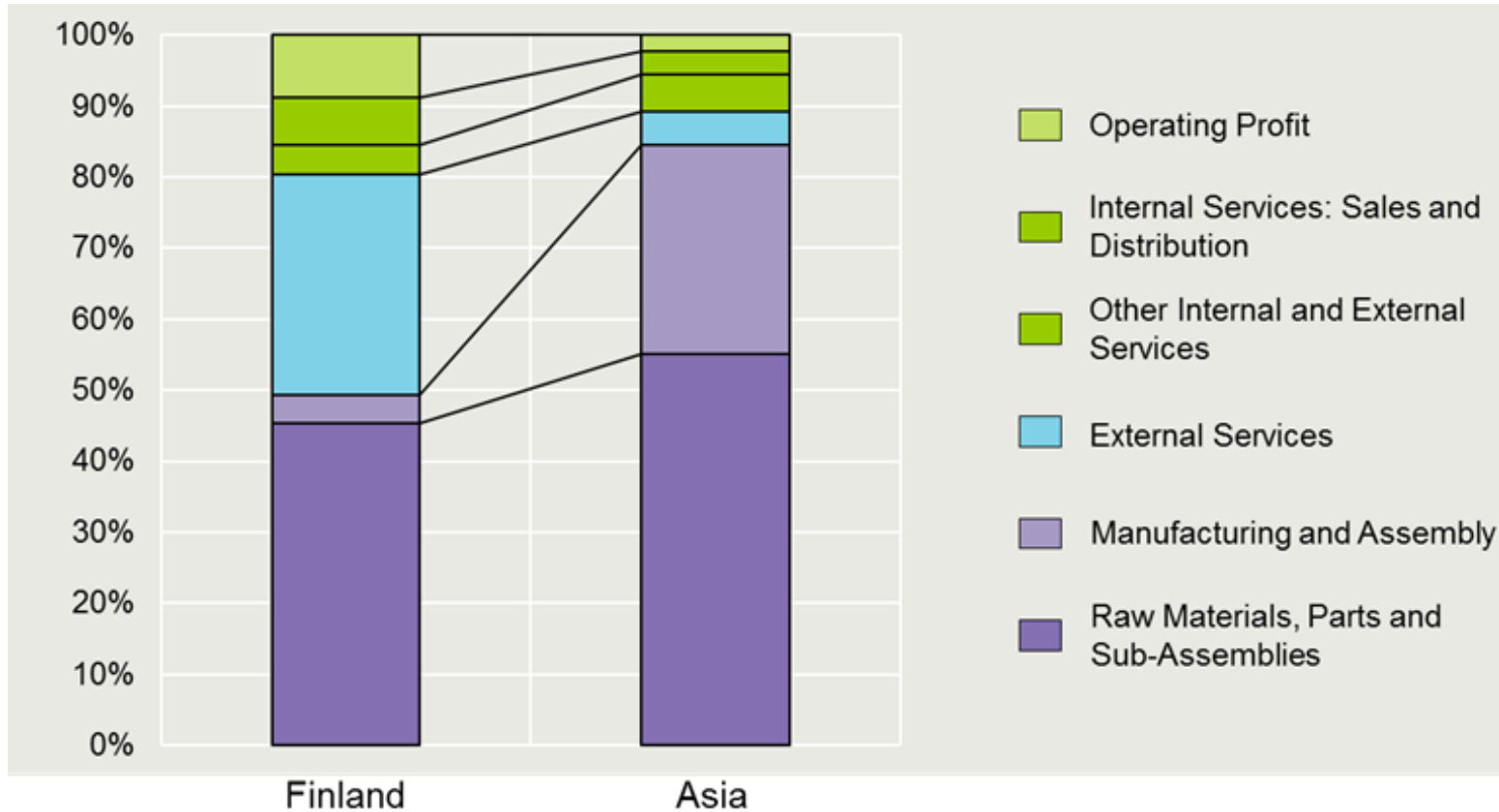
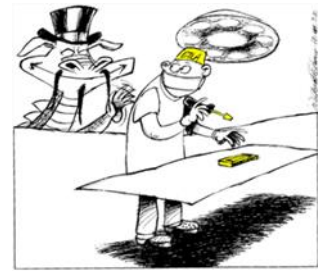
- **From Fixed Cost to Variable Cost**
- **From Direct Cost to Indirect Cost**

The Role of the Business Services in Manufacturing Firms: Case SME



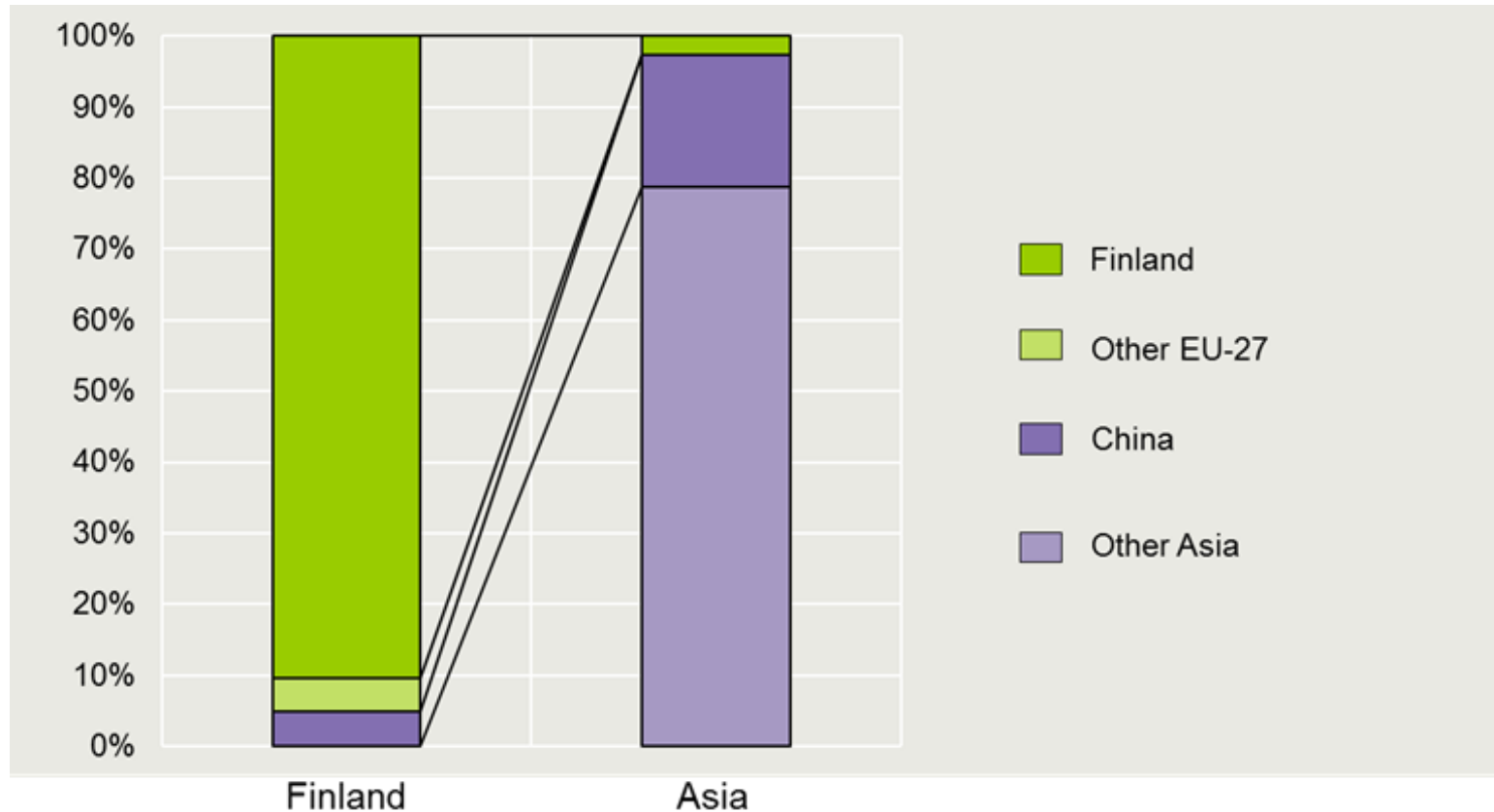
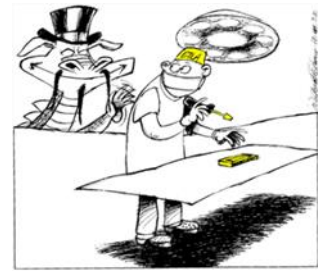
(Source: Value Creation by participant; Ali-Yrkkö & Seppälä in Pajarinen et. al., 2012; Kenelle arvoketju hymyilee? Koneteollisuus globaalissa kilpailussa, p 94-95)

The Role of the Business Services in Manufacturing Firms: Case SME



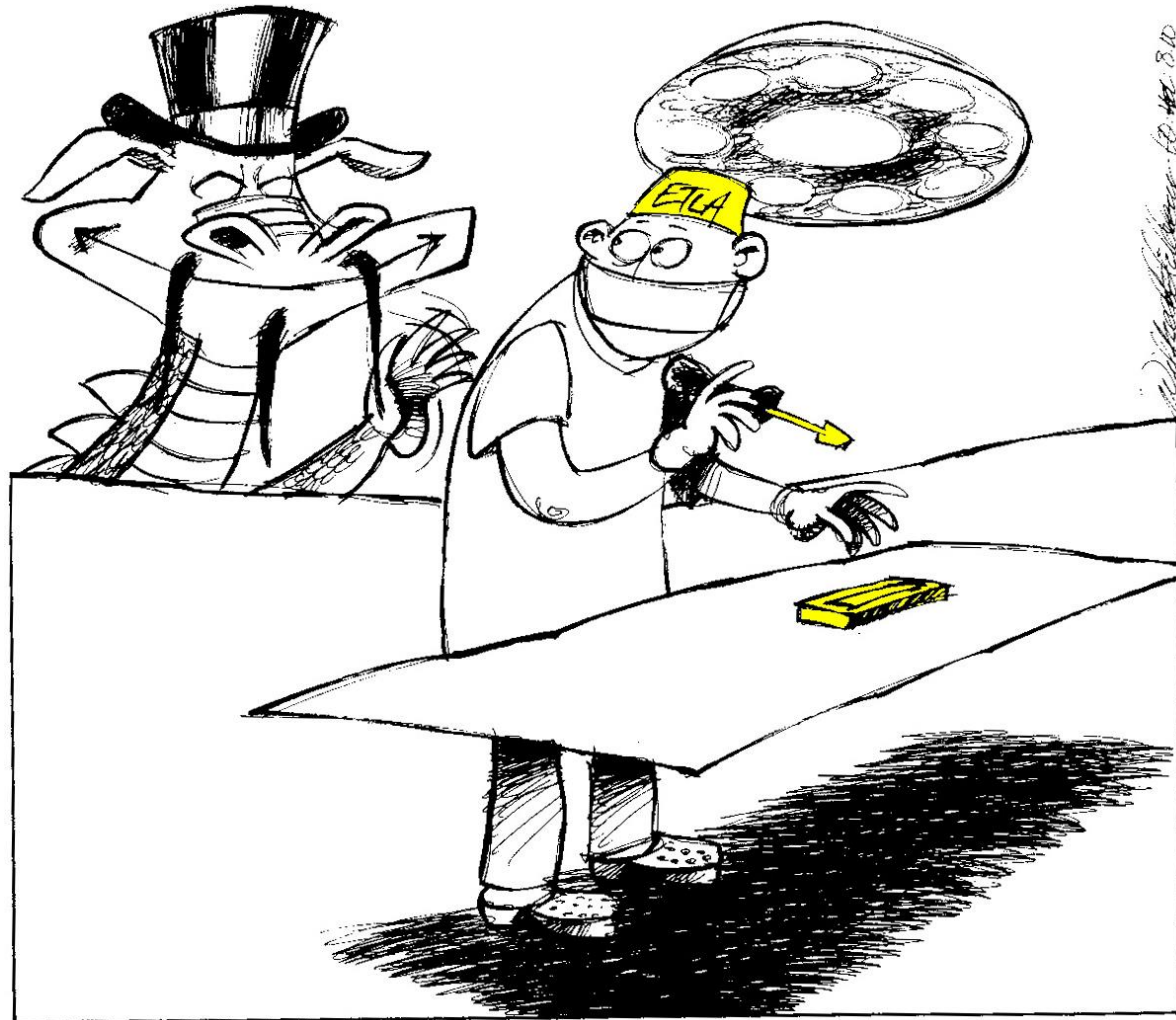
(Source: Value Creation by function; Source Ali-Yrkkö & Seppälä in Pajarinen et. al., 2012, Kenelle arvoketju hymyilee? Koneteollisuus globaalissa kilpailussa, p 94-95)

The Role of the Business Services in Manufacturing Firms: Case SME

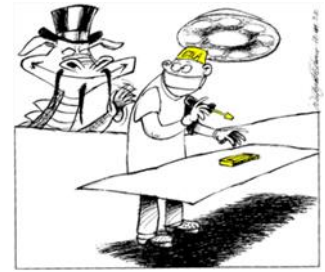


(Source: Value Creation by geography; Source Ali-Yrkkö & Seppälä in Pajarinen et. al., 2012, Kenelle arvoketju hymyilee? Koneteollisuus globaalissa kilpailussa, p 94-95)

***“The Role of the different Business Services in
the Value Creation of the Firm”***



“The Role of the different Business Services ...” SME vs. LE



| | SME (Small and Medium Size Enterprise); < 50M€ in revenues | LE (Large Enterprise); >50M€ in revenues |
|--|---|---|
| Indirect Sourcing (Business Services) | 11,81% | 14,81% |
| Direct Sourcing | 59,58% | 52,30% |
| Original Equipment Manufacturer (OEM) | 28,61% | 32,89% |
| | 100% | 100% |

(The distribution of value added in a small and a large manufacturing firm)

“The Role of the different Business Services ...” SME vs. LE



| | SME (Small and Medium Size Enterprise); < 50M€ in revenues | LE (Large Enterprise); >50M€ in revenues |
|---|---|---|
| Indirect Sourcing (Business Services) | 11,81% | 14,81% |
| Direct Sourcing (Materials) | 29,49% | 43,23% |
| Direct Sourcing (Manufacturing Services) | 30,09% | 9,06% |
| Manufacturing (OEM) | 4,36% | 16,60% |
| Original Equipment Manufacturer (OEM) | 24,25% | 16,29% |
| | 100% | 100% |

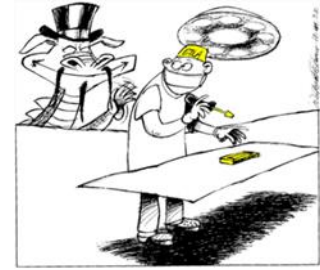
(The role of externally bought services in the value creation of firms)

Indirect Sourcing (11,81%) is sliced further ...

| | SME (Small and Medium Size Enterprise); < 50M€ in revenues | LE (Large Enterprise); >50M€ in revenues |
|---|--|--|
| Logistics Services | 25,19% | 15,01% |
| Administration and Financing Services | 16,70% | 5,47% |
| Facility, Vehicle, and Office Services and Leasing | 15,01% | 23,84% |
| Marketing Services | 13,92% | 6,98% |
| Travel Services | 12,67% | 7,52% |
| ICT, and Services | 3,77% | 2,66% |
| Occupational Health Services | 3,45% | 4,57% |
| R&D Services | 2,77% | 1,85% |
| Other Expenses | 6,52% | 32,10% |
| Total | 100% | 100% |

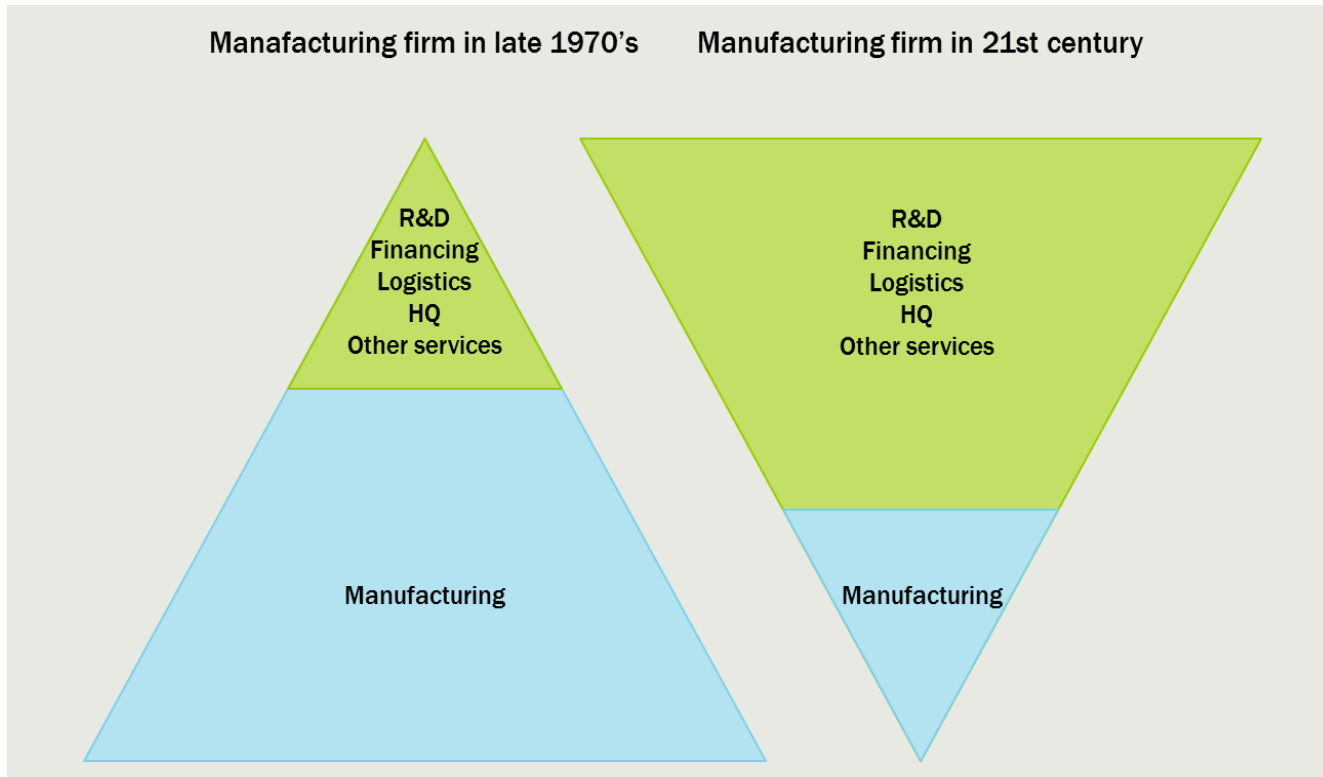
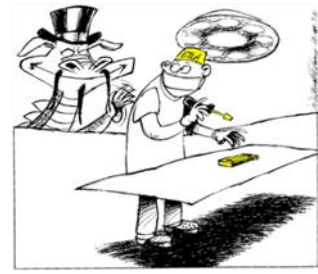
(The role of indirect sourcing in the value creation of firms)

Preliminary observations #1/1



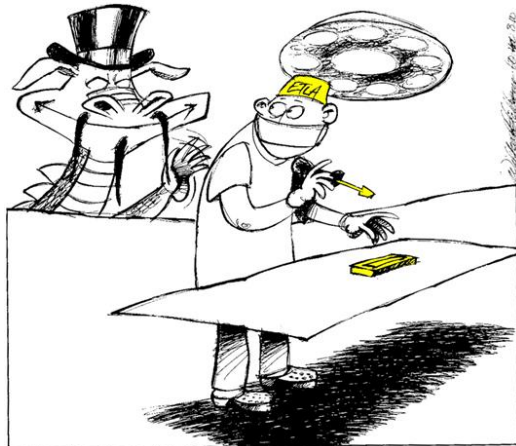
- The lead firm bears a **primary responsibility** of maximizing value added of the entire supply chain
 - Bargaining Power of the Firm; Make / Buy decisions
- The changes in **inventories** is recognized as an important component in the value creation of the Firm
- The role of the Business Services is recognized as a major value added component in comparison to manufacturing

The Role of the Business Services in Manufacturing Firms: It is Partly True!



(Source Pajarinen et. al, 2012; Kenelle arvoketju hymyilee? Koneteollisuus globaalissa kilpailussa, p. 27)

Thank You!



*Comments, remarks & discussion
are more than welcomed:*

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