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FORECASTING THE TRENDS FOR THE DEVELOPMENT OF GLOBAL VALUE CHAINS: THE CASE STUDY OF THE FURNITURE AND AGRIBUSINESS SECTORS

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AGENDA

- INTRODUCTION
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- CONCLUSIONS

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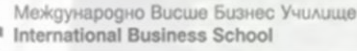


INTRODUCTION

Benefits for SMEs	Risks for SMEs
Increasing the productivity and quality of human capital	Lack of qualified personnel
Reduction of production costs and costs of selling products	Geopolitical uncertainty, financial risks, logistics issues
Diffusion of knowledge and technology and increasing the capacity of local firms to absorb new knowledge	If a significant part of production takes place in foreign countries, the transfer of knowledge and know-how can be hampered by geographical, cultural and institutional differences
Development of innovation capacity, enabling leading firms to rationalize costs and allocate more resources to research and development	Lack of transparency of the relationships of actors in the chain and reluctance to share knowledge from multinational companies

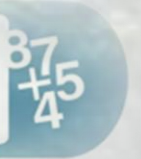
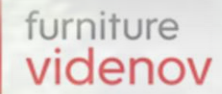
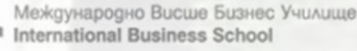
INTRODUCTION

Benefits for regions	Risks for regions
Increasing the innovativeness and productivity of the economy in the region	It is not a guarantee of successful economic and regional development. Sectors that are relatively productive and integrated in the GVCs often do not contribute significantly to the local economy
Increasing employment and living standards	Outflow of labor to the other countries where part of the production activities are carried out
More effective management of negative effects on the economy from extraordinary events and shocks (such as pandemics, wars, etc.)	Minimum added value for the region
Overcoming the constraints of local resource providers and improving the economic growth of the region	Development of economic regions that are more closely related to foreign markets rather than the regional economy



INTRODUCTION

The purpose of the study is to forecast the prospects for the development of global value chains through the application of the Delphi Method in the furniture manufacturing and agribusiness sectors. The Delphi method is an expert-based survey that takes place in several stages – most often there are three stages. The experts' responses are analysed and summarized after each stage. In each subsequent stage, survey participants receive aggregated feedback on the answers given by the experts in the previous stage. The aim is to reach a consensus among participating experts on realistic and feasible perspectives for the development of global value chains.



SURVEY METHODOLOGY

- The study was conducted in three stages in the period April 2023 – August 2023 using the software product Unipark
- Over 30 experts from the forestry and agriculture sectors were identified and invited by email to participate in the study
- The questions in the first section focus on the experts' views on the nature of GVCs and the impact of enterprises' participation in such chains on the economic development of the regions. The second section contains questions on the assessment of the capacity of firms in global value chains to develop innovative potential and to achieve economic growth conditional on or influenced by their participation in GVCs. The third section of questions has a legal focus and relates to European and national policies: their role, implementation, and effectiveness on global value chains.
- A threshold of agreement was set when 75% or more of the experts responded that they fully agreed or rather agreed with a statement. For questions where more than 5 statements were agreed upon in the second stage, participants ranked them by choosing the ones they considered most important

RESULTS

Question 1: What is your understanding of a global value chain (GVC)?

In the first round, 23 different responses were received, summarized in 8 statements. Five of them received over 75% agreement in the second round, and in the third round these five statements were ranked in order of importance as follows:

1. GVC enable the sharing of knowledge and resources, thereby helping to increase the efficiency and competitiveness of business.
2. GVC create synergy between different sectors in regional economies, which leads to economic growth within the framework of sustainable development.
3. GVC are an important economic environment for innovation and competitiveness for Bulgarian companies.
4. GVC means connectivity of production processes, as well as supply of goods and services from multiple operators and suppliers.
5. GVC are a modern approach to creating capital gains for business owners, with a significant technological, financial and other impact on the surrounding environment, but also with great risks to society.

Question 7: How does the participation of enterprises in GVC affect their innovation potential?

14 statements were formed based on 66 responses from the first round. The experts unanimously approved all 14 in the second stage. Faced with the difficult task of determining the top five in the final round of the survey, the experts split their votes fairly evenly, with only two of the statements garnering greater support (half of the experts). These are:

1. The participation of enterprises in GVC gives them the opportunity to access good practices, access to innovations, borrow experience and obtain know-how.
2. Participation in GVC stimulates the development of the innovative potential of companies through the need to solve non-traditional problems in the process of interaction with foreign partners.

For a third of the participants (6), the most important ways in which the participation of enterprises in GVC affects their innovation potential are the following:
3. Participation in GVC stimulates the aspiration to provide competitive products/services.
4. Participation in GVC opens up new horizons and new partnerships.
5. Participation in GVC enables import/transfer of technology, innovation exchange, technology sharing, knowledge exchange and dissemination of established practices.

RESULTS

Question 8: How can firms acting as suppliers in the GVC derive benefits and develop activities with higher added value as a result of their participation in the chains?

On this question, as on the previous one, a wide variety of opinions was received in the first round, so that here too 14 statements were formed. Only one of them fell just short of the 75% agreement mark in the second round. Again, similar to the previous question, in the third round the experts highlighted two ways in which supplier companies benefit from their participation in GVC:

1. Exchange of foreign experience, application of good practices and implementation of high quality standards.
 2. Access to new product and market niches.
- Three other ways were chosen by about a third of the experts. The remaining statements received only a few votes each.
3. Improving supply chain efficiency to create strong supplier and technology positions to support new product development.
 4. Participation in GVC helps to share knowledge and, on this basis, presupposes the development of activities creating higher added value.
 5. Diversification of product ranges and provision of commercial services, including practices from international manufacturers.

Question 10: Please select five main risks that you believe exist to the participation of firms in global value chains?

This question is different from the others. Already in the first round, experts were instructed to indicate up to five main risks faced by companies participating in GVC. 60 responses were received, which after analysis were reduced to 21 summarizing statements. In the second round, the experts identified five of these 21 risks that they believed to be the most important. The list of the five main risks looks like this:

1. Loss of own identity.
2. Legal risk, complex regulations and adverse changes in regulations.
3. Limiting the freedom of decision-making, following established practices of large suppliers.
4. Dependence on other companies.
5. Data leakage, theft of intellectual property and business ideas.



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RESULTS

Question 6: What is your opinion about the management practices in Bulgarian enterprises in relation to their participation in GVC?

The 23 responses from the first round were converted into 7 statements. All but one received over 75% approval in the second round. Four statements were identified as important by half or more than half of the experts participating in the third round. These statements are:

1. *A small percentage of Bulgarian enterprises have long-term management practices in this direction. Rather, they are influenced by the impact of other participants in the value-adding chain.
2. Management practices need to be flexible and adaptable to the conditions in our environment.
3. Bulgarian enterprises are mostly micro, small and medium. There is a lack of management understanding and management practices for GVC – if they exist, they are not sufficiently developed.
4. Management practices include developing innovative products and services, finding new export markets, optimizing production processes and integrating into global value chains. Some Bulgarian companies are able to apply these management practices successfully and move up the value chain, while others can only struggle to survive in the competitive environment.

Regarding this issue, it is interesting to note that the opinion regarding the lack of long-term management practices in Bulgarian enterprises, as a result of which they are rather influenced by the impact of other participants in the chain, rather than making independent decisions, in the second round had more -low rate of approval than the other three statements. In the last round, however, this opinion stood out as the most significant characteristic of management practices in Bulgarian enterprises in connection with their participation in the GVC.

Question 3: In what specific ways do global value chains affect regional economies?

In this question, as in the previous one, the experts in the first round indicated five of the pre-set possible answers. In the second round, they were informed about the arrangement in the previous round and had the opportunity to change their answers. The most important ways in which GVC affect regional economies are:

1. Competitiveness.
2. Innovation potential of the regional economy.
3. Innovation potential of the business.

The answers 'Labour productivity', 'Total volume of production of products and services' and 'Employment' received the same number of points.

The most notable "jump" was noted in the innovation potential of the regional economy. This impact remained at the bottom of the rankings in the first stage, but climbed almost to the top of the rankings after the second round. In contrast, the innovation potential of business, a clear "winner" in the first ranking, fell to third place after reflection.

RESULTS

Level of agreement on the circumstances under which participation in global value chains may negatively impact regional development

Source: own analysis based on the data from the three stages of the Delphi

Opinions of experts from the previous stage	Strongly agree	Rather agree	Neither agree, nor disagree	Rather disagree	Totally disagree	Level of agreement
The more active/larger participants in GVCs can gain a dominant position and manipulate the participation of less active / smaller participants.	72%	28%	0%	0%	0%	100%
Price pressure from larger players in the chain can lead to destruction of local entrepreneurial businesses due to importation of products of lower quality and at much lower prices.	61%	39%	0%	0%	0%	100%
Reduction of regional production, regional development activity and the workforce in the relevant field.	39%	50%	6%	6%	0%	89%
Predatory use of resources and environmental pollution.	56%	22%	17%	6%	0%	78%
Wars and political crises.	56%	22%	6%	11%	6%	78%

CONCLUSIONS

As a matter of priority, the experts involved in the Delphi survey consider that participation in GVCs improves regional competitiveness and innovation potential. They were unanimous on the possibility for Bulgarian enterprises in the chains to gain access to good practices and innovation, to learn from experience, and to acquire know-how. Despite the reported positive effects, previous author studies in the field reveal the reluctance of Bulgarian enterprises to participate in GVCs (Georgieva, 2023; Georgieva et al., 2022). The main risks of such chains, reported by the experts in the study, are the danger of large multinationals gaining dominant positions over smaller national ones and the existence of price pressure from large companies along the chain. Although these results support the literature in the field, they do not consider thoroughly the regional specificities and the impact of GVCs on the regional economy and innovativeness. Emphasis is also placed on the role of vertical links between firms in the chain, without considering horizontal links. Due to the limitations of the present study, more research is needed on the impact of GVCs on specific regions.



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Thank you for your attention!

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