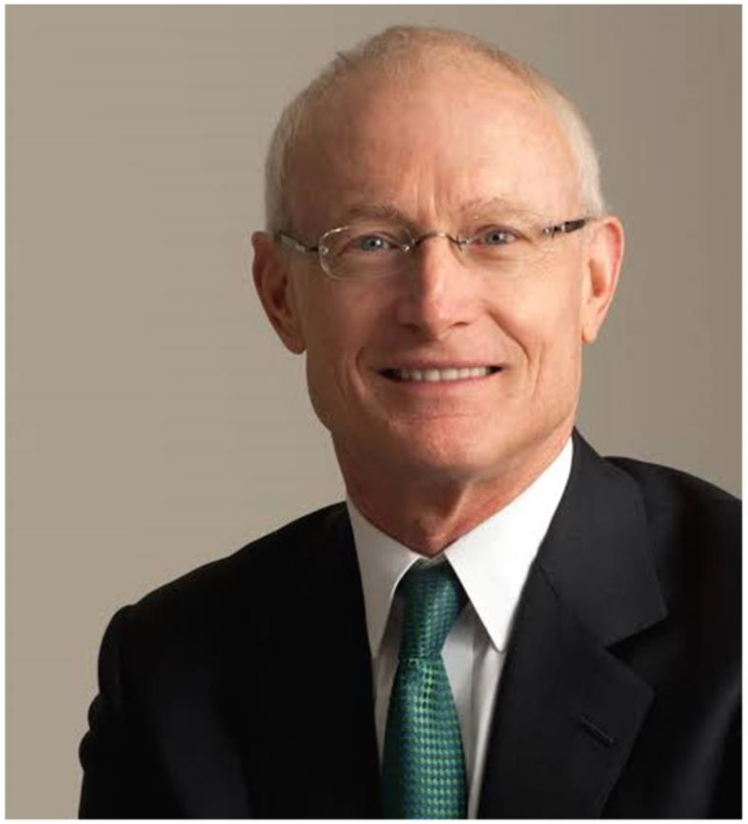
What we just saw is the By Product of the vary topic we are about to discuss today…

GLOBAL VALUE CHAIN

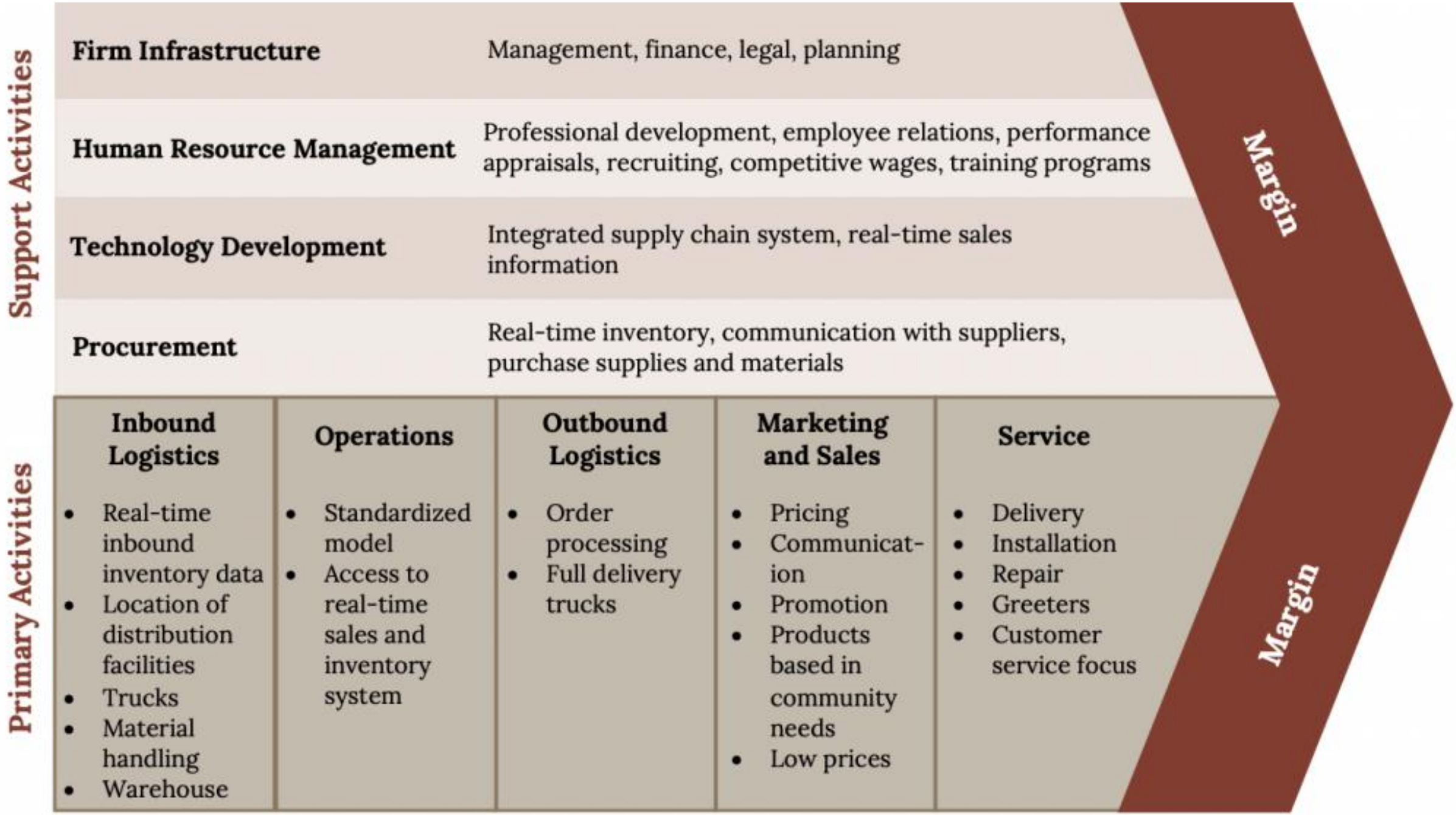
Before Understanding GVC, Let's see WHAT IS VALUE CHAIN?

A **Value Chain** is the **set of all activities** a business performs to deliver a product or service to the customer — from the initial idea to after-sales support — with the goal of **creating value at each step**.

This concept was introduced by **Michael Porter** in 1985 and is used to analyze how businesses gain competitive advantage by optimizing each activity in the chain.



Michael Porter


Support Activities
Firm Infrastructure
Management, finance, legal, planning
Human Resource Management
Professional development, employee relations, performance appraisals, recruiting, competitive wages, training programs
Technology Development
Integrated supply chain system, real-time sales information
Procurement
Real-time inventory, communication with suppliers, purchase supplies and materials
Margin
Primary Activities
Inbound Logistics
Real-time inbound inventory data
Location of distribution facilities
Trucks
Material handling
Warehouse
Operations
Standardized model
Access to real-time sales and inventory system
Outbound Logistics
Order processing
Full delivery trucks
Marketing and Sales
Pricing
Communicat-ion
Promotion
Products based in community needs
Low prices
Service
Delivery
Installation
Repair
Greeters
Customer service focus
Margin

By Definition:

A **Global Value Chain (GVC)** refers to the full range of activities that businesses and workers do to bring a product or service from its conception to end use and beyond, **when these activities are spread across different countries**.

The Core Components Includes

The **Global Value Chain (GVC)** in the IT industry refers to the series of activities and processes that IT products and services undergo, from conceptualization and design to production, marketing, delivery, and support.

These activities are dispersed across multiple countries and often involve a wide range of stakeholders, including multinational corporations, suppliers, software developers, and service providers.

Importance of (GVC) in IT & ITES Industry

- Facilitating efficiency and cost reduction.
- Driving economic growth and global market access.
- Enhancing innovation and collaboration.

Cost Optimization through Outsourcing

- Global Value Chains allow IT/ITES companies to **outsource development, support, and operations** to regions with lower labor and infrastructure costs — boosting profitability.
- *Example:* US-based software firms outsource coding or testing to India, the Philippines, or Eastern Europe.

Access to Specialized Talent

- Companies can tap into **global pools of specialized skills** such as cybersecurity, AI, or cloud architecture — regardless of geographic boundaries.
- *Example:* A SaaS company may use UX designers from the UK, developers from Vietnam, and DevOps engineers from Poland.

24/7 Service Delivery & Support

- A globally distributed workforce enables **round-the-clock operations**, ideal for customer service, IT support, and managed services
- *Example:* US-based software firms outsource coding or testing to India, the Philippines, or Eastern Europe.

Agility and Scalability

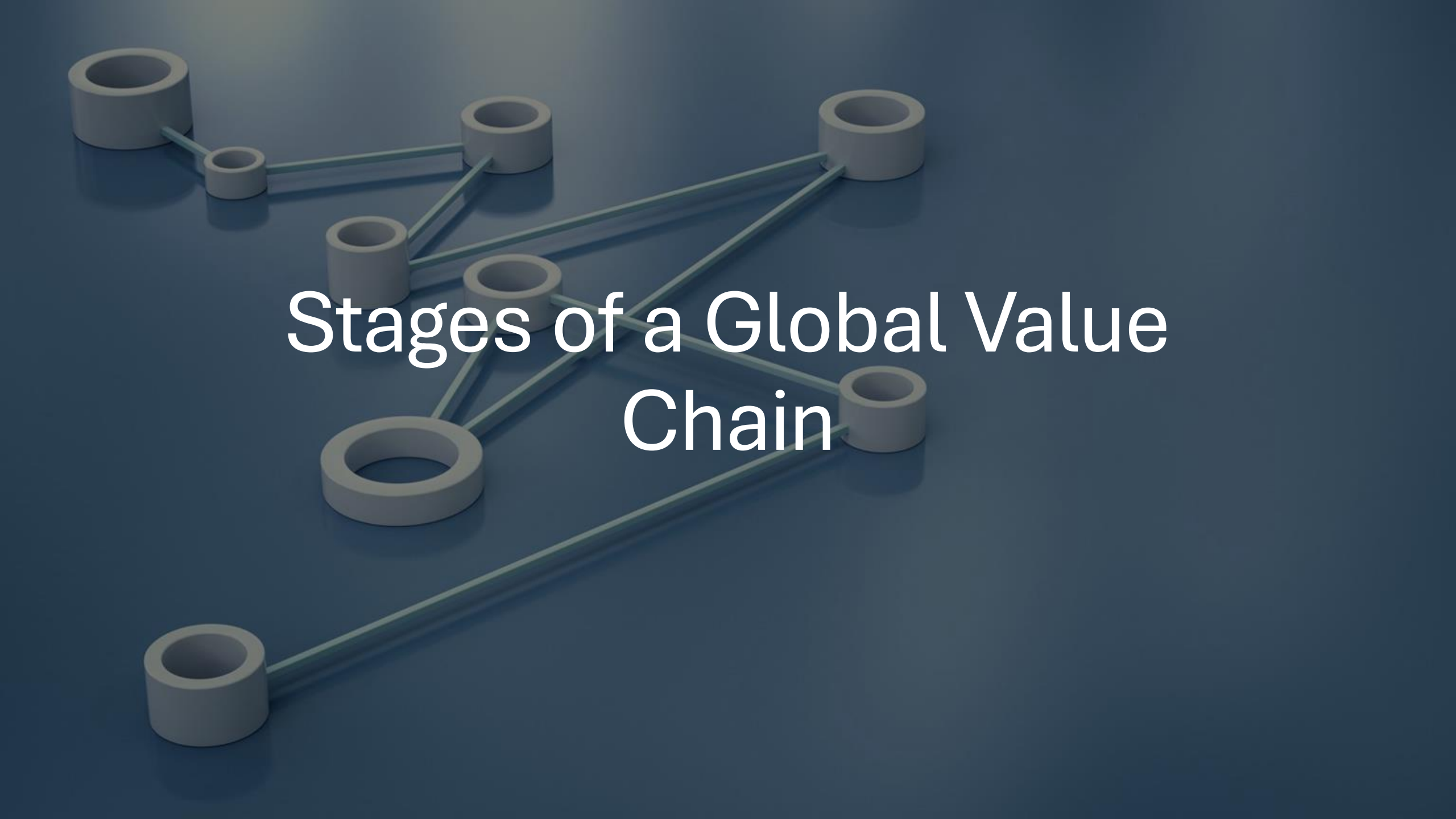
- GVCs help IT companies **scale operations faster** by leveraging offshore partners, freelancers, or third-party vendors during peak demand.
- *Example:* A SaaS company may use UX designers from the UK, developers from Vietnam, and DevOps engineers from Poland.

Diversification of Operational Risk

- By distributing operations globally, ITES firms reduce risks like **geo-political instability, regulatory changes, or talent shortages** in one region.

Accelerated Innovation & Collaboration

- Cross-border collaboration encourages **co-innovation**, shared R&D, and diverse perspectives in solution development.
- *Example: Example:* Open-source software teams contribute from multiple countries in real time, driving innovation faster than isolated teams.



Stages of a Global Value Chain

Research & Development (R&D)

This is where the idea is born — product planning, innovation, software architecture, UI/UX design.

Example:

Apple designs the iPhone in **California, USA**.

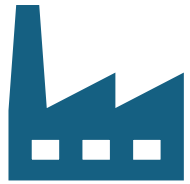
Google develops core algorithms at its **Mountain View HQ**.

Component Sourcing / Tools Licensing

Gathering what's needed — chips, screens, or in tech: APIs, cloud infrastructure, datasets.

Example:

Samsung sources displays from **Samsung Display Korea**,



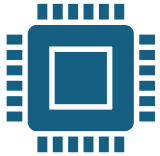
Production / Development

For physical goods: manufacturing & For tech: software development, testing, QA.

Example:

iPhones are assembled in **China** by Foxconn.

A Google product's backend might be coded in **India**, tested in **Poland**.



Integration & Assembly

Bringing everything together — hardware parts or software modules.

Example:

A Samsung smartphone integrates camera tech from **Sony**, chips from **Qualcomm**, and UI built in **Korea**.

Marketing & Localization

Brand messaging, regional campaigns, adapting for local markets

Example:

Apple launches separate **ads for Japan, India, and Europe**.

Google changes the UI language and features of Google Maps per country.

Distribution & Delivery

Shipping physical products or deploying digital services globally.

Example:

iPhones are shipped to 100+ countries.

Microsoft rolls out a new Windows update **simultaneously worldwide** via the cloud.

After-Sales Service & Support

Customer service, technical help, updates, and community engagement.

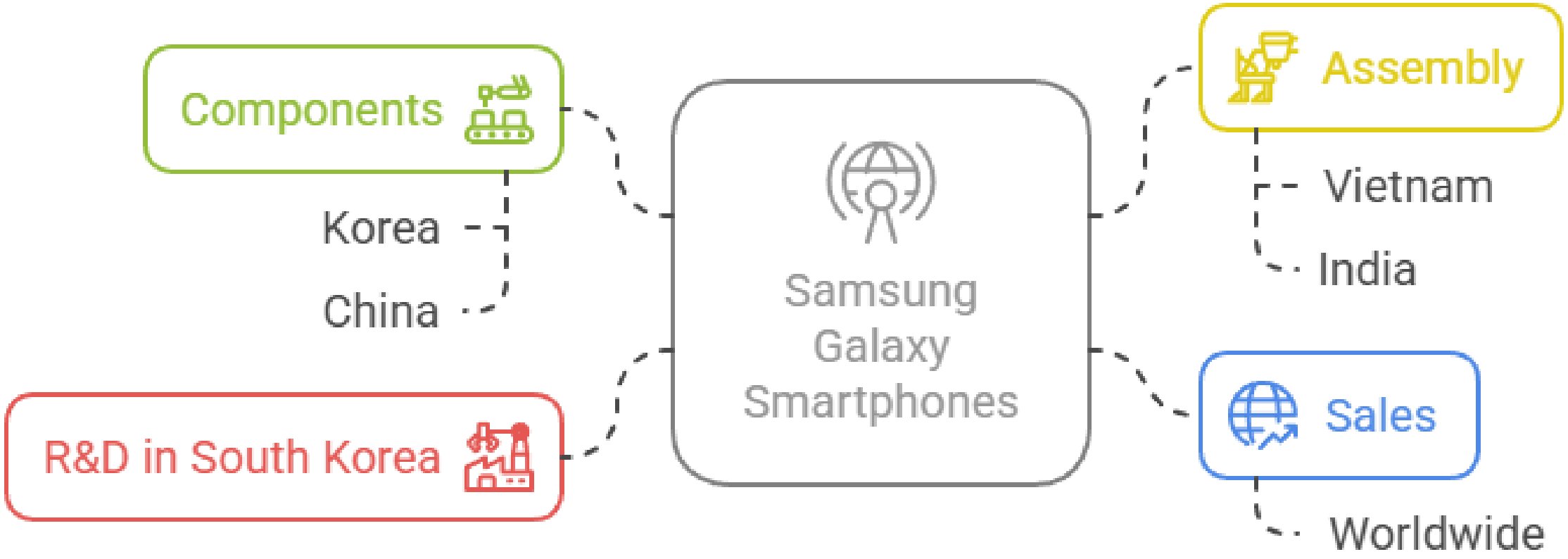
Example:

AppleCare runs 24/7 support.

Google uses **chatbots and offshore support centers**.

Real-World Case Study:

Samsung Galaxy Smartphones: Global Production and Distribution



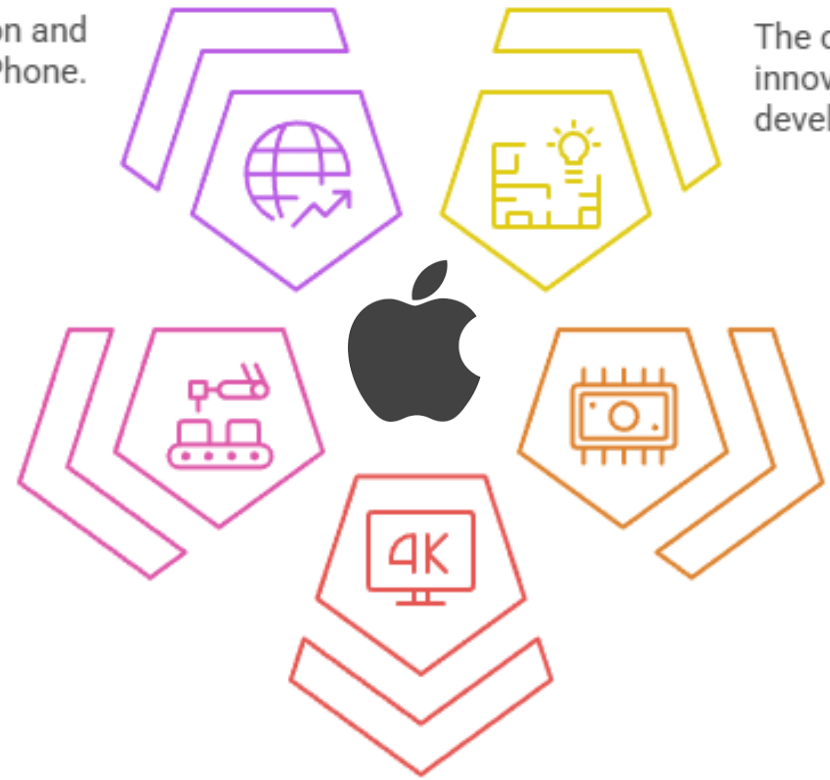
The Global Journey of iPhone Production and Sales

Global Sales

The worldwide distribution and marketing of the iPhone.

Design

The creative process and innovation behind the iPhone's development.



Assembly

The final stage of putting all components together in China.

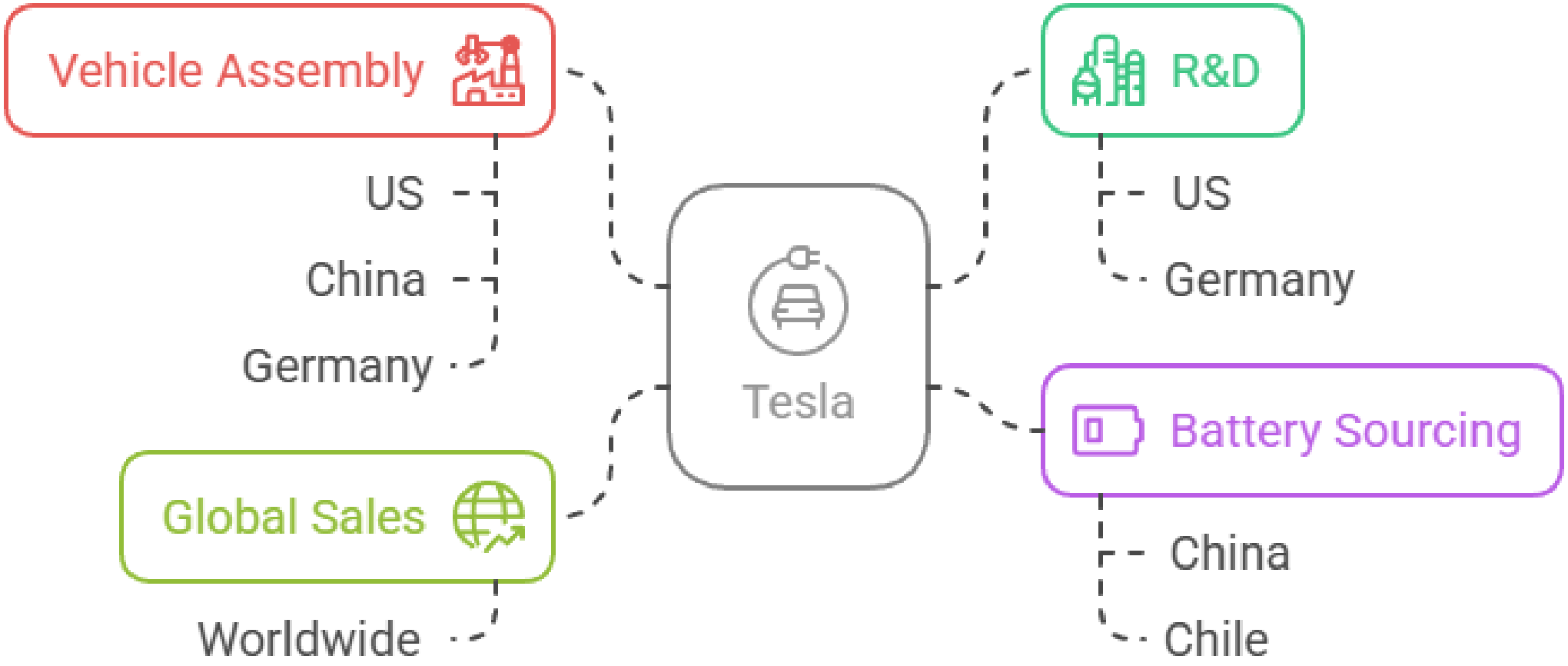
Chip Manufacturing

The production of essential microchips in Taiwan.

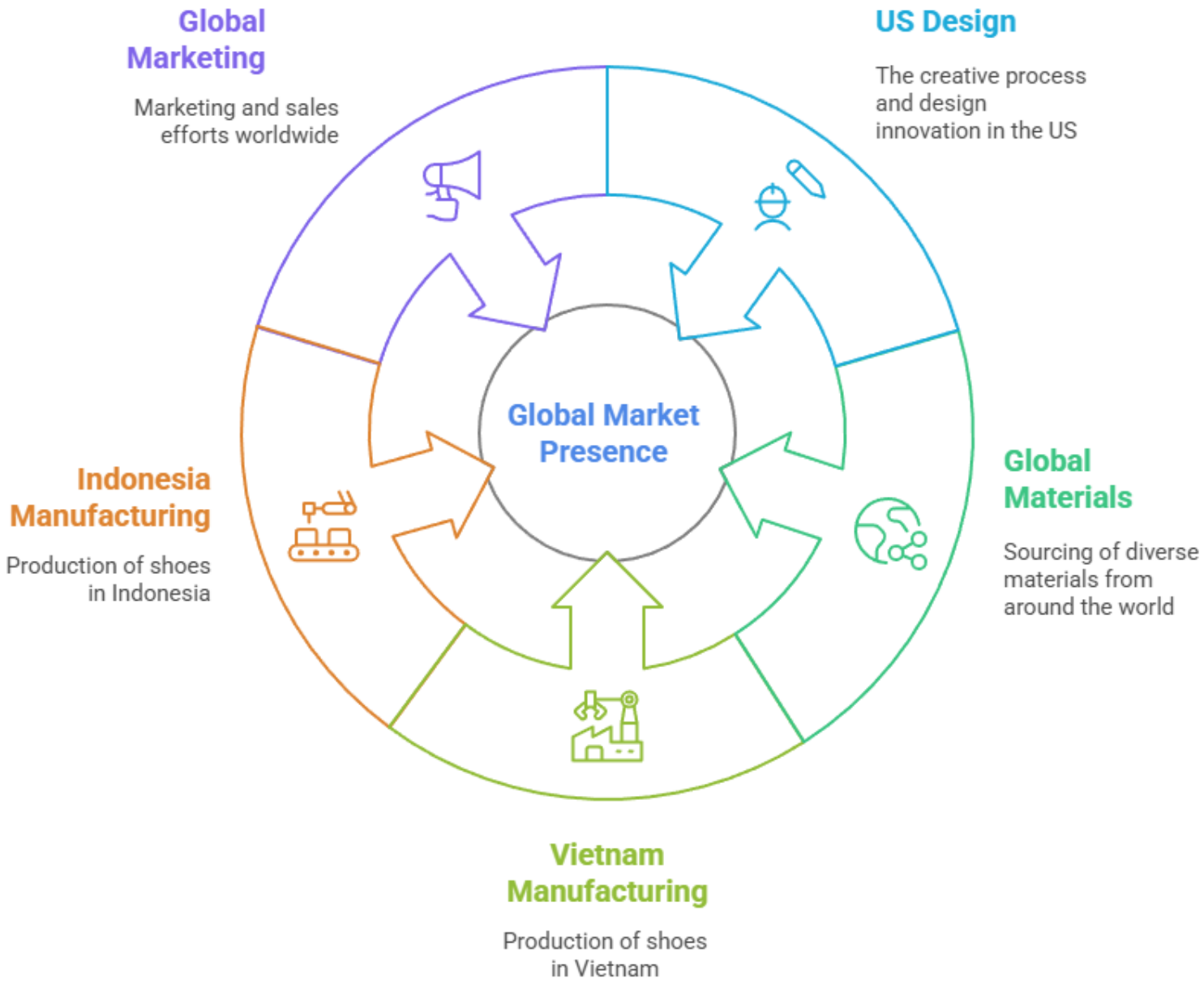
Screen Production

The creation of high-quality displays in Korea.

Tesla's Global Operations and Supply Chain



GVC of NIKE


Global Marketing
Marketing and sales efforts worldwide
US Design
The creative process and design innovation in the US
Global Market Presence
Indonesia Manufacturing
Production of shoes in Indonesia
Global Materials
Sourcing of diverse materials from around the world
Vietnam Manufacturing
Production of shoes in Vietnam

Key Differences Between IT and FMCG GVCs

Aspect	IT	FMCG
Focus	Innovation, technology	Volume, efficiency
R&D Importance	High	Moderate
Manufacturing	Fragmented, specialized	Centralized, localized
Distribution	Centralized	Decentralized
Marketing Approach	Innovation-driven	Brand/emotion-driven

Challenges And Opportunities

Challenges:

1. Supply Chain Disruptions

Events like pandemics, wars, or natural disasters can break links in the chain, delaying production and delivery.

Example: COVID-19 halted semiconductor production, affecting tech brands worldwide.

2. Geopolitical Tensions & Trade Barriers

Tariffs, sanctions, and political conflicts (e.g., US-China trade war) can impact sourcing, pricing, and operations.

Example: Huawei's restrictions on accessing US tech components disrupted its global value chain.

3. Lack of Transparency

It's often hard to trace every supplier or subcontractor in a global chain — increasing risks of **labor exploitation, quality issues, or unethical practices**.

Especially risky in outsourcing parts of IT development or customer data handling.

Challenges:

4. Compliance & Regulatory Complexity	Different countries have different rules for labor, taxation, data protection, and environmental standards. *Example:* GDPR in Europe vs. weaker data laws in other regions creates complexity in handling user data ethically.
5. Logistics & Cost Management	Rising fuel costs, freight issues, and longer lead times add financial and operational pressure.
6. Cybersecurity Threats	Globally distributed systems are **more vulnerable to breaches**, especially when vendors or partners lack strong security protocols.

Opportunities:

Access to Global Talent & Resources	Companies can tap into specialized skills, technologies, and innovations from anywhere in the world. *Example:* US tech firms hire developers in India, UX teams in Europe, and data analysts in Africa.
Cost Efficiency	Producing or outsourcing certain activities in lower-cost regions can reduce overall operating costs. *Example:* BPO services from the Philippines or Bangladesh offer high-quality service at a lower cost.
24/7 Operations	Global time zones allow round-the-clock production, support, or service delivery — increasing responsiveness and customer satisfaction.

Opportunities:

Market Expansion	A global footprint helps brands **reach new markets**, increase sales, and diversify customer bases.
Innovation through Collaboration	Working across countries encourages **cross-cultural problem-solving, diverse thinking, and faster innovation cycles**. *Open-source projects, remote dev teams, and global hackathons are examples of this in IT.*
Risk Diversification	Spreading production and operations across regions helps minimize over-dependence on a single source or location.

Ethical Behavior in IT/ITES Global Value Chain

Ethical practice in a Global Value Chain refers to conducting all activities within the value chain — from sourcing and production to distribution and support — in a way that is **morally responsible, transparent, fair, and respectful** to all stakeholders across different countries.

- It ensures that while value is being created globally, it does not come at the cost of **human rights, labor rights, environmental harm, or data misuse**.

BUSINESS ETHICS EXAMPLES

Inspiring examples of ethical business practices

Why Ethics Matters in the IT Industry's Global Value Chain

Data Privacy & User Rights

- IT companies deal with sensitive user data across countries. Unethical practices like **data misuse, unauthorized sharing, or surveillance** can lead to legal action and brand damage.
- *Example:* Facebook's Cambridge Analytica scandal exposed unethical data handling across borders — shaking global trust.

Fair Labor & Outsourcing Standards

- Many IT functions (e.g., call centers, dev work, QA) are outsourced globally. Ethical GVCs ensure **fair wages, decent working conditions, no exploitation**, especially in developing countries.
- *Example:* Tech firms outsourcing to South Asia must ensure workers aren't underpaid or overworked in unhealthy environments.

Intellectual Property (IP) Protection

- When software, code, and designs are shared across borders, there's a high risk of **plagiarism, code theft, or IP leakage** if ethics aren't prioritized.
- *Example:* Leaked designs or stolen algorithms can cost millions and destroy a brand's competitive edge.

Cybersecurity & Cross-Border Responsibility

A global tech value chain exposes systems to diverse cyber risks. Ethical practices include **proactively securing systems**, not cutting corners on security to save costs.

Example: A third-party vendor with weak cybersecurity can become the entry point for global data breaches.

Cultural Sensitivity & Localization Ethics

When deploying services globally, ethical GVC practices ensure that **local norms, accessibility needs, and digital rights** are respected.

Example: An AI system developed in one country shouldn't discriminate against users in another due to untested localization bias.

Environmental Responsibility (Green IT)

Tech GVCs should minimize **e-waste, energy consumption, and carbon footprint**s, especially in data centers and hardware manufacturing.

- *Example:* Ethical brands like Google and Apple commit to **carbon-neutral operations** and green supply chains.

GVC & the US–China Trade Conflict – Impact on IT/ITES

What's happening?

- US has restricted export of AI chips and chipmaking tools to China.
- China responded by limiting export of rare earth minerals used in tech hardware.
- Tech firms are rethinking global supply routes, vendors, and compliance models.

Area	Effect
💻 Hardware Sourcing	Shift from China to India, Vietnam, Taiwan
☁️ Cloud Services	Fragmented cloud ecosystems & localized hosting
🔐 Data Compliance	Higher scrutiny of tech stacks, stricter audits
📞 Outsourcing	Greater trust in neutral delivery markets like India, Bangladesh
⚠️ Cybersecurity	Demand for end-to-end secure operations & transparency

Who Benefitted out of this?

Country	What They Gained
Vietnam	Surge in electronics & textile exports
India	Apple’s expanding iPhone production; software & chip design opportunities
Mexico	Nearshoring by US firms to avoid tariffs
Bangladesh	Growth in apparel as buyers diversify sourcing

Final take:

The US–China trade war showed us that **GVCs are deeply influenced by politics, not just economics.**

Companies that succeed are those that build **agile, multi-country value chains** that can adapt quickly to disruption.

That's all for the day!

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