

**The disintermediation of the
furniture supply chain.
Chinese immigrant entrepreneurs
at the global-local nexus.**

By Frederick William Lee

A thesis submitted in partial fulfilment of the requirements for the degree of

Bachelor of Arts with Honours

Department of Sociology and Social Policy

The University of Sydney, 2010

Acknowledgements

First and foremost, I thank Dr. Salvatore Babones, my supervisor, for his unrelenting patience and invaluable advice. His mentoring has made my honours year truly rewarding. I like to thank Dr. Jennifer Wilkinson for teaching me, and I would also like to thank all my undergraduate lecturers and tutors. Thank you all for helping me realise my goals.

I wish to thank all those who took part in this study for taking time from their busy schedules to speak to me. Their kindness has enriched my understanding of the world-economy.

I thank my friends and colleagues for their good cheer. I am indebted to Xiao Yuhuan for the continued support and advice he has given me throughout this year. Thank you!

Finally, I owe so much to my family. I thank my parents and my aunt Haiyan for their love, and for believing in my potential. To my grandparents: although you will never read this, I hope you would have enjoyed reading my work.

Abstract

In the contemporary world-economy Chinese firms have significantly improved their positions within global supply chains. One way this has been achieved is through the disintermediation of supply chains, i.e. their evolution from contract manufacturing to original equipment manufacturing. The more successful firms are even retailing indigenously developed products to western end consumers. The global value chains (GVCs) paradigm of the economic sociology understands this phenomenon as improving firm- and meso- level competencies motivated by economics. Consequently, how individual agency and broader social contexts influence transnational production is not well understood. Based on interviews with 18 Chinese entrepreneurs of factory direct furniture retailers in Sydney, this study finds that individual agency within particular sociohistorical contexts are influential to the disintermediation of global supply chains. The results show that the GVCs paradigm needs refinement in order to fully understand global supply chains and disintermediation as sociological – rather than economic – phenomena.

Table of Contents

<i>Acknowledgments</i>	1
<i>Abstract</i>	2
<i>Table of Contents</i>	3
<i>List of Figures</i>	4
<i>List of Tables</i>	4
<i>List of Abbreviations</i>	5
1. <i>Introduction</i>	6
2. <i>Theoretical Overview</i>	11
2.1. Global Value Chains Theory.....	12
2.2. Alternate Models of Supply Chain Disintermediation.....	23
2.3. Transition From Communism to Capitalism	31
2.4. Synthesizing the Various Models	33
3. <i>Data and Method</i>	35
3.1. Defining Furniture.....	35
3.2. Sampling	38
3.3. Interviewing	43
3.4. Ethical Considerations and Reflexivity.....	46
4. <i>Results</i>	49
4.1. Business Operations and Disintermediation	49
4.2. Non-Economic Impacts to Chain Organisation	52
4.3. Summary of Findings.....	59
5. <i>Discussion</i>	61
5.1. Making Sense of Disintermediation.....	61
5.2. Refining Embeddedness, Networks and <i>Guanxi</i>	66
5.3. Transition to Capitalism.....	68
5.4. Creating the Value in Value Chains.....	70
6. <i>Conclusion</i>	72
<i>Reference List</i>	76
<i>Appendices</i>	80

List of Figures

<i>Figure 1: Entrepreneur Native Province Within the Greater China Area</i>	<i>42</i>
<i>Figure 2: Value (US\$) of Furniture Imports Into Australia From Mainland China.....</i>	<i>63</i>

List of Tables

<i>Table 1: Years Trading by Type of Retailer.....</i>	<i>50</i>
<i>Table 2: Primary Reason for Migrating to Australia as Stated by the Respondent</i>	<i>52</i>
<i>Table 3: Primary Reason for Migrating to Australia by Type of Visa.</i>	<i>53</i>
<i>Table 4: Type of Visa on Arrival by Type of Retailer</i>	<i>54</i>

List of Abbreviations

COMTRADE	United Nations Commodity Trade Statistics Database
FOB	Freight on Board
GCCs	Global Commodity Chains
GVCs	Global Value Chains
OEMs	Original Equipment Manufacturers
SMEs	Small or Medium Sized Enterprises
SOEs	State Owned Enterprises
GPNs	Global Production Networks

1. Introduction

“Do you understand now?” Mike said to me in his accented English. I didn’t understand and I was confused. I sat in silence for a moment. Mike chuckled, and continued unprompted, “We got our visas through my investment, but we didn’t come here to start a shop. My daughter likes living in Australia. She wanted to stay after graduation. I made an investment so she could get PR [permanent residency]. Starting this business is how we are here, not why. Now do you understand?” It made sense. “Yes.” I said. I did understand.

Mike’s experience is not uncommon amongst Chinese entrepreneurs in the Sydney retail furniture industry. Many of the respondents I interviewed are the owners of established furniture factories in China who migrated to Australia for personal reasons under business and investment migration schemes. Their experiences form part of the broader social context that describes the networks of economic actors in the capitalist world-economy in which production has become globally dispersed. Chinese immigrant entrepreneurs play an interesting role in these networks of transnational production, and their experiences warrant the attention of sociologists.

In recent years the immigrant entrepreneurship of ethnic Chinese has been a catalyst for changes to the established order of transnational production systems, and challenges the traditional hierarchy of global capitalism by altering the role of Chinese firms in the world-economy. In many cases Chinese entrepreneurs have been able to influence changes to the established concatenation of economic actors and production processes within these systems of transnational production that have traditionally relegated Chinese industry and enterprise to lower value roles, such as contract manufacturing. Importantly, contemporary Chinese firms are increasingly able to achieve the disintermediation of supply chains, which has

resulted in economic improvements. One of the ways that this has been achieved is through the entrepreneurship of Chinese immigrants who are influential in the upgrading of Chinese firms within the world-economy. However, relatively little is known about how immigrant entrepreneurship, as an inherently social phenomenon, affects the systems of transnational production and the way that Chinese firms operate within them.

The production of goods in the contemporary world economy is characterised by the functional integration of transnationally dispersed inputs and actors. The inputs, both physical (such as raw materials) and the labour used to transform them, and non physical (such as product design, research and development, and retailing), are dispersed amongst transnational networks of economies and actors that transcend regional and national boundaries. Although the economic actors that participate in transnational production are localised in nation states, and even in sub-national divisions, their operations integrate the transnationally dispersed production inputs into completed products. These networks of actors and their inputs are primarily understood in the economic sociology literature through the rhetoric of chains – the global value chains (GVCs) and the global commodity chains (GCCs) research paradigms – and these research paradigms explore the way that transnationally dispersed actors and production inputs are organised at the global level and their meso-, industry-, and economy-level manifestations.

Even though the GCCs and GVCs rhetoric have been used interchangeably by some researchers, GVCs research is differentiable from GCCs research, and GVCs has come to supersede GCCs. Fundamentally, GVCs research is focused on understanding the concatenation of transnationally dispersed actors and production inputs in terms of the value they generate and retain within the transnational production networks. This contrasts with GCCs research which focuses on understanding the organisational dynamics of transnational

production as they exists at the meso-level, and how the meso-level governance structures produce outcomes for firms. This will be explained in further detail in the theoretical overview.

Although the concept of GVCs and GCCs do not appear obvious at first, we are already familiar with the basic concept through our lay knowledge of the contemporary world-economy. In our everyday lives we encounter the systems of transnational production that the GVCs and GCCs describe through the consumer goods we utilise. We are probably aware of the fact that some of the products we purchase may be produced in foreign countries (think of the ubiquitous “Made in China” label). Yet, it is difficult to discern the entire set of production and value inputs that contribute to the products that are available to us, and the breadth of the geographic and economic networks that these inputs are dispersed in. For instance, although we may understand a product to be “made” in a particular place (e.g. a “Made in China” leather sofa), it could draw on the inputs from a far broader set of actors located in numerous other countries. The Chinese made leather sofa we are thinking about could, perhaps, be designed by an Italian firm and manufactured at a Taiwanese owned factory in Foshan, southern China. The finished sofa may then be exported through a Hong Kong based trading firm, imported to Australia by an Australian owned furniture wholesale company, and then it might be retailed through an American controlled furniture chain store.

How these globally disaggregated networks of production processes and actors are able to functionally integrate their operations is the subject of the GVCs and GCCs research paradigms. By using these paradigms, researchers of economic sociology have explored the networks of inputs and actors that constitute transnational production, the development and evolution of these networks, and their existence at the global-local nexus. Both the GVCs and GCCs research considers these networks to be a sociogenic, as opposed to an ecological,

feature of the world-economy (Bair, 2005; Coe et al., 2008; Knutsen, 2003). However, the current literature has insufficiently accounted for the existence of these chains in terms of the individual human agency that create the conditions for their existence and evolution.

This study explores the disintermediation of GVCs through immigrant entrepreneurship in the Sydney retail furniture industry, and considers the broader motivations for immigrant entrepreneurship beyond the economic and firm-centric explanations that are common in GVCs analysis. The disintermediation of GVCs is becoming increasingly commonplace in the contemporary world economy, yet it has received relatively little attention in the economic sociology. The disintermediation of GVCs refers to the removal of intermediaries between the ultimate producer of a good (e.g. the original equipment manufacturer (OEM) in the case of a manufactured good) and the end consumer (e.g. the retail customer in the case of retail goods). Disintermediation can either remove the entire set of intermediaries between the OEM and the end consumer – this is called end-to-end disintermediation – or it may constitute the removal of only a few of the intermediaries between the OEM and the end consumer in the case of partial disintermediation.

Through the disintermediation of global supply chains, the goods that are available in contemporary markets are delivered by fewer intermediaries as OEMs move to capitalise on the transport and communication technologies and global economic conditions that allow them to capture greater proportions of the value generated by transnational production. This phenomenon requires further research to better understand the distribution of value within the world-economy and the networks of transnational production that shape this distribution. Furthermore, sociologists should seek to develop their understanding of this phenomenon beyond firm-centric paradigms as the extant research does not adequately account for the role of individual agency within transnational production networks. Also, the role of immigrant

entrepreneurship in facilitating disintermediation has not been explored, although this appears to be an increasingly common phenomenon especially for ethnic Chinese.

This study explores how and why entrepreneurs have achieved disintermediation, and suggests that the literature requires greater elaboration to incorporate the entire set of possible explanations which encompass the full range of economic and non-economic motivations arising from both firm and non-firm actors. This is because the dominant GVCs and GCCs research paradigms are firm- economic-centric, and have produced understandings of transnational production which are premised towards recognising firm and meso-level dynamics as significant in lieu of the agency of individuals. Furthermore, the GVCs and GCCs research focuses on understanding economic motivations as the driving force of disintermediation at the expense of a more detailed enquiry into how the broader sociohistorical context influences economic actors and behaviours at the global and local levels.

Drawing on interviews with 18 ethnic Chinese immigrant entrepreneurs of small and medium sized enterprises (SMEs) in the Sydney retail furniture industry, the results of this study make two main contributions to the literature. Firstly, the results demonstrate that global supply chains and disintermediation are affected by the micro-social context of individuals and their agency. The personal desires of individuals are found to be primary motivation for many immigrant entrepreneurs, and economic motivations are often ancillary to the non-economic personal reasons. Secondly, in light of the transformations to Chinese economy (from communist to capitalist), the results reveal that the broader sociohistorical and political-economic contexts provided the conditions that actually enable Chinese to become entrepreneurs, and then to become immigrant entrepreneurs who facilitate the disintermediation of global supply chains for Chinese firms.

2. Theoretical overview

The contemporary literature on transnational production is interdisciplinary, and is informed by contrasting frameworks and explanatory models. Network- and chain- analogy paradigms of research have come to dominate economic sociology and its research on transnational production. These paradigms contribute to the theoretical understanding of how the contemporary world-economy works, and focus on the increasing reliance on networks of non-state actors. In particular, the GVCs paradigm – which has superseded the GCCs paradigm – has come to characterise the sociological research on this topic.

Although GVCs and GCCs research have proven to be useful as non-state centric approaches to understanding the contemporary world-economy, critiques suggest that researchers using these chain analogy paradigms have been slow to question the empirical and epistemological validity of their assumptions. Bair (2009) argues that chain researchers (both GVCs and GCCs) have insufficiently questioned the accuracy of the network- and chain- type analogies they utilise in light of the empirical research which contradicts parts of the extant knowledge. For instance, Bair (2005) argues that GVCs research should place greater emphasis on contextualisation within sociohistorical and political-economic context, as these are pertinent to understanding the existence of transnational production within the world-economy.

This criticism is also true of the GVCs research on disintermediation, which has made sense of it primarily as industrial upgrading. However, industrial upgrading as an explanatory model of disintermediation premises firm actors and economic motivations in explaining the occurrence of disintermediation. This will be explained in further detail in the next section. Fundamentally, though, the industrial upgrading model fails to consider the human agency, non-economic motivations, and non-firm actors that are integral to supply chains and their

disintermediation. This is problematic as individual agency within particular sociohistorical and political-economic contexts have been empirically demonstrated to be mitigating factors of disintermediation and supply chain organisation (Knutsen, 2003; and Thomsen, 2007), and this should prompt further research to explore why firms actually disintermediate their operations vis-à-vis both economic and non-economic sources of influence.

I argue that GVCs analysis has produced an understanding of disintermediation which is decontextualised and desocialised, and this warrants improvement. Specifically, greater attention needs to be directed towards understanding how non-firm actors and non-economic influences are able to shape the geography and configuration of GVCs, so that the GVCs research can become an accurate account of contemporary capitalism and its global reach (Bair, 2005: 167).

This theoretical overview is divided into three sections. The first examines GVCs theory – which is the dominant paradigm for understanding the global networks of trade and production – and its industrial upgrading model. The second section discusses the significance of the emerging literature on the embeddedness of transnational production within sociohistorical and political-economic contexts and the implications these new insights have for understanding disintermediation. The third section explains how this study uses a synthesis of the established GVCs framework along with the insights gained through emerging research to elucidate the immigrant entrepreneurship of ethnic Chinese furniture retailers and their role in the disintermediation of global supply chains.

2.1 Global value chains theory

GVCs describe the entire set of globally dispersed actors, production inputs, and labour, which constitute the entirety of a product from its conception to its end use. This includes tangible inputs, such as raw materials and the labour used to transform them, as well

as intangible inputs, such as product design, research and development, marketing, and retailing. GVCs describe a phenomenon which is categorically different from the mere outsourcing of production. Rather, GVCs refer to globally dispersed yet functionally integrated production networks (Bair, 2008). As a research paradigm, GVCs allow researchers to ask questions about global level inequality in relation to value distribution and labour as they are globally dispersed through networks of firms in the contemporary world-economy.

Fundamentally, the GVCs paradigm considers the way that value is created and retained by firms and economies through transnational production, and how these distributions change through industrial upgrading. However, it premises that only economic actors and inputs are significant for explaining the creation and retention of value, and does not account for non-firm, non-economic, and chain-external sources as influential.

GVCs increasingly render national boundaries as redundant in the world-economy in place of transnational networks of firms and other economic actors that transcend national and regional geographies across the breadth of the world. Transnationalism is the qualifying feature of the GVCs paradigm as it is specifically interested in networks of production that are globally dispersed.

The theoretical emergence of chain research in the economic sociology literature signified an increasing astuteness towards recognising the complexity of the global capitalist economy and its economic networks as transcending national boundaries. The initial concept of the “commodity chain” originates from the world-systems school of globalisation research, and the term can be traced to the work of Hopkins and Wallerstein (1977: 128). Bair (2009) summarises the overarching concerns of the commodity chain research of the world-systems school as concerning three broad themes. Firstly, it focuses on understanding the commodity chain in reference to the historical and spatial evolution of the dispersion and integration of

labour (Bair, 2009: 8). Second, the “unequal distribution of rewards amongst the various activities that constitute the single overarching division of labor” (Arrighi and Drangel, 1986: 16) is identified as a focus for world-systems scholars. And thirdly, world-systems research seeks to understand commodity chains through linking their existence and “geographic reach” to cyclical patterns in the world-economy such as Kondratieff –A and –B phases (Bair, 2009: 8). Additionally, Bair (2009) notes that the world-systems perspective approaches commodity chains as a characteristic of historically cyclical patterns in the world-economy, and thus the scope of world-systems research on commodity chains is macro-historic in nature.

The commodity chain concept of world-systems analysis proved to be inadequate for researchers wanting to understand transnational production within the contemporary world-economy, especially in understanding its unprecedented global reach. It was the work of Gary Gereffi (1994) that saw the development of “commodity chains” into the GCCs paradigm, which has since come to prominence in economic sociology. GCCs research allows researchers to understand how economic actors operating at the different levels of the world-economy (micro, meso, and macro) are concatenated and integrated in globally overarching systems of production. The GCCs paradigm states, contra world-systems research and its view of commodity chains as reflexive of historic cycles in the world-economy, that *global* commodity chains are a qualitatively novel feature of the world-economy emerging from the intensification of globalisation in contemporary capitalism (Bair, 2009: 10).

The GVCs paradigm is a recent evolution of the GCCs research which has attempted to address the inefficiencies of the GCCs paradigm. Initially, GVCs emerged as a response towards consolidating and bringing together the scholars and plethora of research interested in transnational production networks are yet marked by rhetorical and paradigmatic differentiations. This is because critiques illustrated the fact that there was little collaboration

or communication between GCCs researchers and other scholars who were working on closely related topics although with different rhetorics (Bair, 2009: 12). The name “global value chains” was chosen by its proponents as the rhetoric of “value” was thought of as being the most thoroughly inclusive of “the full range of possible chain activities and end products” (Gereffi et al., 2001), as global *commodity* chains was criticised for its rhetorical predisposition towards analysing the production of certain types of goods (Bair, 2009: 12). Subsequently the GVCs paradigm superseded GCCs, and has become the dominant research paradigm of transnational production networks in economic sociology.

As its name implies, GVCs is focused on understanding value chains, as opposed to commodity chains. This means that GVCs research is focused on the transnational distribution of production in terms of value creation and retention, and how these distributions are determined through the networks of firms. GVCs research seeks to deepen the understanding of “the unequal distribution of rewards among the various activities that constitute the single overarching division of labour defining and bounding the world economy” (Arrighi and Drangel, 1986: 16). Although the quote is from world-systems scholars, it succinctly represents the predominant focus of what was to become the GVCs literature. It also reveals the running link between the original concept of commodity chains as was developed in the world-systems tradition of globalisation research and the current GVCs paradigm. Furthermore, the GVCs paradigm contrasts with the GCCs paradigm which is focused more on understanding the significance of governance structures and understanding the dominance of “lead firms”, typically developed world firms, within transnational production networks (Gereffi, 1994).

2.1.1 Industrial upgrading and disintermediation

Industrial upgrading has been a key focus of the GVCs and GCCs literatures.

Industrial upgrading refers to “a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches.” (Gereffi, 1999: 51-52). There are four variants of industrial upgrading that have been identified in the literature: functional, process, product, and inter-chain upgrading (Humphrey and Schmitz, 2004: 123). These four variants of industrial upgrading describe different trajectories that firms and networks utilise to move to more profitable and advanced positions.

Functional upgrading is the best-studied trajectory of industrial upgrading, and it refers to firms changing their functions within transnational production networks to align their operations with more profitable production inputs (Gereffi, 1999: 51). For instance, manufacturers may acquire the functions of sales and distribution firms as a strategy to capture the value that retail firms generate and retain. This is also known as “moving up the value chain” (Ponte and Ewert, 2009), as it realigns the firm’s operations closer to end consumers. It is also the most commonly observed direction of functional upgrading, and is held to increase the value retained by firms (Ponte and Ewert, 2009). Second, process upgrading involves firms becoming more efficient in their operations to minimise costs and reduce excesses (Gereffi, 1999: 51-52), and an empirical example could be machine automation in place of manual labour. Third, product upgrading refers to firms producing more valuable products (Gereffi, 1999: 51-52), and an example would be bicycle spare part manufactures producing retail bicycles. Fourth is inter-chain upgrading, and this involves firms applying the industrial knowledge and experience gained in one chain to engage in other, more profitable, chains. This type of disintermediation has been commonly observed in the technology sector; for instance, computer LCD panel manufacturers may be able to use

their knowledge and experience to enter into the LCD TV chain, and this would constitute inter-chain upgrading.

As this study is interested in instances of disintermediation, which would be characterised as a type of functional upgrading, this rest of this section will explain industrial upgrading with a particular focus on understanding functional upgrading and disintermediation.

Disintermediation is a type of functional upgrading as it occurs through firms acquiring the competencies of the previous intermediary firms in addition to their current functions. Disintermediation can either be end-to-end, which means the total removal of intermediaries such that the OEM retails directly to the end consumer, or it may be partial, for instance an OEM furniture supplier may acquire export wholesale abilities, but not retailing to end consumers. In the GVCs literature, the most commonly noted trajectory of functional upgrading is from tangible production processes, such as OEM manufacturing, to “intangible” processes, such as product sourcing, logistic coordination, research, design, and retailing. This type of upgrading from tangible to intangible has been documented in various sources, e.g. Gereffi (1999), Palpaucer et al. (2005), and Yang (2006).

I posit that the extant literature is inadequate in its use of industrial upgrading as an explanatory model of disintermediation. The GVCs understanding of disintermediation does not show due concern for non-economic and non-firm impacts to the organisation of chains and their evolution. Thus the GVCs literature has inadequately accounted for the organisation of chains and how they change, as it overly focuses on the significance of economic motivations and firm actors. This is problematic as Granovetter contends that social contexts embed the existence of all economic action and he argues that sociologists should be more aware of that fact (1992).

Although the industrial upgrading model is useful, it is limited to understanding the firm actors and economic sources of motivation that inform disintermediation. Although industrial upgrading has provided insights into how firms are able to improve their positions within chains, the literature has been overly focused on micro- and meso-level understandings of individual firm and network level competency, and considers firms and networks to be discrete and purely economic entities. For instance, one of the most important papers published on industrial upgrading, Gereffi (1999), examines sectoral and firm based upgrading in relation to intra-chain governance structure within apparel supply chains, yet it is unclear how, if at all, non-economic motivations and the wider sociohistorical context are relevant.

As industrial upgrading is concerned with ways that firms are able to retain greater value through participating in GVCs, it has overlooked the other actions that do not directly increase the retention of value, but may be part of the broader upgrading strategy. Industrial upgrading refers to economic upgrading and does not imply, nor does it necessarily occur in conjunction with, what may be understood as qualitative upgrading. The study of industrial upgrading only captures the economic success in upgrading – such as the increasing of profits or the gaining of industrial knowledge – but it has done little to furnish the literature with analysis of how firms actually upgrade or why only certain firms have been successful in disintermediation. Furthermore, it ignores the non-value related outcomes of industrial upgrading and disintermediation. This relates back to the role of human agency in the decisions of firms operating within GVCs.

How agency operates within transnational production networks is complex. Agency cannot be considered as distinct from economic action in any sociology of transnational production as it has an integral role in creating the existence of supply chains, and for inducing changes. For instance, developing world firms disproportionately supply the low

valued inputs in transnational production. Typically, these are the labour and raw materials which generate and retain far less value than intangible processes such as design and retailing, which are usually monopolised by developed world firms. Because developing world firms exist in jurisdictions with relatively lax labour laws and pay workers minimal wages, the prevailing trend is for global supply chains to locate the labour components of production in the developing world to exploit this fact. Although there are economic incentives for developed world firms to do this, a large part of it is attributable to agency, as it rests upon the willingness of developed world firms to overlook the conditions of supplier firms in their value chains. This reveals the fact that agency may inform the organisation of transnational production networks; hence it should be explored in the GVCs literature.

For instance, when large western corporations contract out the manual labour components of production to the developing world, they may be increasing the value retained by their firm at the expense of developing world firms and even developing world workers. Contract manufacturers in the developing world are OEM producers of many well known branded products, and have been famously documented in the media as engaging in villainous behaviours such as paying extremely low wages (if at all) and failing to comply with occupational health and safety standards. These unscrupulous practices characterise the experience of many workers in the developing world whose work contributes to transnational production networks (La Botz, 2001), and their experiences warrant the attention of GVCs researchers.

A lot of the qualitative experience of transnational production as experienced by non-firm actors is omitted in the industrial upgrading model of the GVCs paradigm. This is problematic as GVCs are concerned with accounting for the existence of global economic inequalities and the role of non-state actors in perpetuating these inequalities, and the individual stratum may be where these inequalities are most evidently expressed.

2.1.2 Critiques of industrial upgrading

Industrial upgrading, in particular the functional upgrading variant, has been critiqued for its presupposition of directionality as it takes for granted the fact that firms tend to acquire the function of more valuable processes within the chain (Ponte and Ewert, 2009). This has been understood within the GVCs literature to be those functions that are closer to the end consumer (such as retailing), and intangible functions away from the end consumer which are also associated with a greater retention of value (such as product design). This is often referred to as “moving up the value chain” (Ponte and Ewert, 2009), and “up” in this sense means moving closer to the end consumer to engage in more valuable functions.

However, there is no convincing theoretical basis for assuming that moving closer to end consumers is the only way that firms can retain greater proportions of value. Critics argue that “going up the value added ladder is only one of the possible trajectories of upgrading” (Ponte and Ewert, 2009: 1637). Ponte and Ewert (2009) suggest that the vertical axis is not the only axis that binds firms in industrial upgrading, and that there may be numerous other ways that firms have sought to “upgrade” which may not result in the ascension of the value chain. For instance, Ponte and Ewert (2009) contend that what would be understood as “downgrading” has, ironically, been a strategy of South African wine makers to increase their profits. They reveal that South African wine makers have largely been unsuccessful in producing and selling premium wines, and by “downgrading” to produce lower quality and less valuable wines, they have been able to achieve significant increase in the volume of sales, thus generating and retaining substantially greater aggregate amounts of value (Ponte and Ewert, 2009: 1639).

Furthermore, the current literature presents functional upgrading as a linear process through the upwardly directed progression of economic actors. However, functional upgrading ignores the potential of non-linear transformations as part of the set of behaviours

that firms may use to retain more value which Ponte and Ewert (2009) suggest as possibilities. This demonstrates that although GVCs analysis is focused on understanding the distribution of value within the contemporary world economy, it does not adequately account for the full set of behaviours that may contribute to the process of industrial upgrading.

Also, GVCs researchers have not adequately accounted for the unequal possibility of upgrading. This is because the barriers to upgrading, or even entering into a GVC, are identified in the literature as arising from meso-level attributes and micro-level firm characteristics such as a lack of required capital and skills (Thomsen, 2007). This has skewed explanations towards understanding the firm based constraints. However, chain-external barriers and non-firm based limitations, such as regulatory frameworks, trade quotas, and social networks have been empirically demonstrated to be significant factors that influence the possibility of disintermediation. For instance, Thomsen (2007) demonstrates that privately owned Vietnamese clothing enterprises face barriers to entering a GVC (or upgrading within it) as a result of the contemporary sociohistorical and political-economic context of Vietnam's post-communist economy. Thomsen (2007) contends that government regulations – such as export licences and quotas – are an external and non-firm derived force which limits the ability of Vietnamese apparel firms to participate in GVCs. Furthermore, positive relations between entrepreneurs and state cadres and officials were found to be influential in determining the granting of export licences and quotas (Thomsen, 2007) and it demonstrates the significance of non-firm actors and sociohistorical contexts for GVCs analysis. Ultimately, Thomsen (2007) argues that the legacy of Vietnam's planned economy is still being felt in its contemporary transitional economy, and is manifest through chain-external barriers to privately owned firms in accessing public goods such as economic infrastructure.

Hence, Thomsen (2007) argues that the social networks of entrepreneurs in developing nations and post-communist economies are important in numerous ways.

Thomsen (2007) reveals that cronyism and nepotism are commonplace in the Vietnamese economy, and access to GVCs for privately owned Vietnamese apparel firms is highly dependent on the personal connections of entrepreneurs. In particular, positive relations with state officials and cadres are able to influence the distribution of export licences and quotas (2007: 764).

Furthermore Thomsen (2007) demonstrates that being included in ethnic Chinese business circles is important as they provide the means for Vietnamese apparel firms owned by Chinese Vietnamese to access foreign markets (Thomsen, 2007: 765). This will be discussed in greater detail in later parts of this chapter. Overall, the work of Thomsen (2007) is interesting as it contrasts with much of the extant GVCs literature, and demonstrates that understanding the wider context and its influence on shaping participation in the world-economy is pertinent to GVCs research.

Critiques of the industrial upgrading model argue that it is overly focused on meso-level research exploring sector, industry, and network dynamics that influence the ability of the firms to upgrade (Bair, 2005: 154). Furthermore, the governance structures of chains have been argued to be overly emphasised in the industrial upgrading model (Bair, 2005: 154). For example, research on the regional and sectoral level upgrading of East Asian apparel firms within global supply chains from cut-and-sew manufacturing to full-package supply (i.e. OEM) has explained their evolution through the ability of East Asian firms to “establish close linkages with a diverse array of lead firms in buyer-driven chains” (Gereffi, 1999: 38). This type of research on upgrading and firm based attributes is extremely valuable and insightful. However, this tradition of research has not been able to adequately explain how and why certain chains, and certain actors within those chains, have been able to achieve disintermediation in reference to the agency of individuals as well as the broader sociohistorical and political-economic contexts.

This inadequacy significantly hampers research into how and why specific firms, networks of firms, and economies become (and continue to be) the winners and losers in the global economy. Bair (2005) makes the same observation, and she argues that the contemporary literature is overly focused on firm-, meso-, industrial-, and sectoral- level analysis of global supply chain organisation, at the expense of “closer attention to the larger institutional and structural environments in which commodity chains are embedded [which] is needed in order to more fully inform our understanding of the social and developmental dynamics ... at the global-local nexus” (p. 38). To put it simply, the GVCs paradigm needs to relate firm-, meso- and sectoral- level analysis to the wider global and local sociohistorical and political-economic contexts in order to explore the way specific contexts produce certain outcomes in the world-economy.

Hence further research is warranted in elucidating the role of social institutions and structures in embedding the existence of GVCs and the economic actors within the chains, into the larger sociohistorical and political-economic contexts. Furthermore, by incorporating the role of human agency, non-firm actors, and non-economic factors, they may come into the foreground of GVCs analysis, and then the literature may develop a fuller account of transnational production networks.

2.2 Alternate models of supply chain disintermediation

Sociologists and geographers have come to dominate much of the research on transnational production networks. How disintermediation is understood, though, is marked by discordant approaches. The literature is marked by stark contrasts in understanding the interaction between different levels of the world-economy (micro-macro and their nexus) that shapes global production and how economic actors are influenced through both economic and non-economic sources. Sociologists have been key in institutionalising chain analogies as

analytic paradigms for understanding transnational production, whereas human and economic geographers have focused on network based paradigms.

The first part of this section will consider the embeddedness approach to understanding transnational production, and will explain the merits and constraints to understanding actors within chains as embedded. The second part focuses on the context of ethnic Chinese owned business in the contemporary global economy. The third part will consider the significance of the global production networks (GPNs) framework, developed in economic geography by Henderson et al. (2002), and Coe et al. (2004), for understanding disintermediation.

I contend that although the GPNs approach lacks the empirical richness and theoretical depth of the GVCs paradigm it offers some interesting insights that economic sociologists should not overlook. Finally, I will explain how the present study draws on the strengths of the established GVCs paradigm with some of the insights gained from alternate approaches to understanding transnational production.

2.2.1 Embeddedness and non-economic impacts for disintermediation

The current GVCs literature is inadequate in addressing the existence of transnational production within the social world. Importantly, the operations of firms and chains have been represented as discrete from the social context, and purely economic. This has translated into an almost complete ignorance of how non-economic dynamics impact upon GVCs and disintermediation. The significance of the social context in embedding the operations of firms within a chain has been under-researched, and although scholars have argued that economic action arises in the social world and is “enmeshed in a thick net of personal relationships” (Krippner & Alvarez, 2007: 224), GVCs research does not adequately address the interaction and significance of social relations with transnational production.

The understanding of economic actors as embedded into larger networks has become prominent in the social sciences ever since Granovetter's (1985) seminal paper reclaimed the economy as a legitimate field of sociological enquiry. Embeddedness refers to the existence of economic actors and economic behaviours within contextual fields which both frame and influence their existence. Granovetter (1992) argues that pure market relations between actors, i.e., those relations that are unaffected by non-market forces, are empirically rare, and since social relations are important to all forms of economic interaction and organisation, social relations should inform economic sociology.

Other than chains, networks have been used by scholars interested in transnational production mainly as an analytical and heuristic framework to understand the organisational frameworks of transnational economic cooperation. Networks describe the larger cultural, social, economic, regional and other contextual fields in which actors exist and actions take place. However, networks as used in the literature have largely been represented as static and hermetic. The application of networks in the literature on transnational production assumes actors to be embedded into singular, discrete, and unambiguous networks (e.g. Coe et al., 2004; Coe et al., 2008; Hess, 2008; and Sverrisson, 2004). It does not account for how actors may transcend and operate in numerous networks. However, this requires further academic attention, and is beyond the analytical and pragmatic scope of this study.

Embeddedness in sociohistorical and political-economic contexts is used by the present study to frame the understanding of economic actors and behaviours as occurring in an inherently social context. I argue that scholars of GVCs should become more sensitive to the strengths of the embeddedness approach which may be able to complement the interests of GVCs research. The GVCs analyses of transnational production would benefit from being conceptually located within wider social and economic contexts which is argued by Granovetter (1992) to produce the personal and social relations that mediate economic action

(p. 9). I posit that this is a potential area of the GVCs literature which should be developed in order to more accurately represent the existence of GVCs as a novel paradigm of economic organisation in the contemporary world-economy.

However, the contemporary research on transnational production is becoming more astute to critiques of traditional chain research. The literature from researchers working in economic geography has argued that the chain type frameworks of GVCs and GCCs have produced understandings of the capitalist world-economy which are despatialised (Leslie and Reimer, 1999). Economic geographers argue that this is problematic as it decontextualises the operations of firms by failing to consider the complete set of influences that arise through specific contexts across the geographic breadth of transnational production networks (Coe et al., 2004; Coe et al., 2008; Hess, 2008; and Sverrisson, 2004).

Although many GVCs researchers have recognised the theoretical pitfall of overlooking the significance of social contexts, the empirical GVCs research has been slow to address this shortcoming. This has been pointed out by Bair (2005), who argues that GVCs research needs to expand its scope to directly include the sociohistorical and political-economic environments in which transnational production is embedded if scholars are to accurately understand how value is created within chains, how value is distributed, and why (p. 168). Furthermore, Granovetter (1992) argues that the “embeddedness of economic goals and activities in socially orientated goals and activities” should be a disciplinary concern of “the new economic sociology” (p. 3). Thus GVCs research should be more aware of the impact of the social context at all levels of GVCs.

Additionally, researchers have identified social capital and ethnicity as significant for firms seeking to participate in GVCs. Thomsen (2007) shows that ethnic Chinese owned apparel firms in Vietnam often enter a GVC through connections in Vietnam’s ethnic Chinese business circles, and that these firms often win contracts from foreign firms owned by ethnic

Chinese entrepreneurs (pp. 765, 769). Furthermore, Anthias and Cederberg (2009) illustrate that co-ethnic trust and ease of communication are important dimensions of immigrant entrepreneurship within local and global networks of immigrant enterprise (p. 911).

Hence, the embeddedness approach opens up the possibility of non-firm actors and non-economic sources of influence as being pertinent for GVCs analysis of transnational production and disintermediation. This is demonstrated by Coe and Wrigley (2007) who study the impact of the host economy and society for transnational retailers and the retail goods chain. They argue that relations within chains are “simultaneously shaped by the institutional/regulatory/cultural contexts of both the home ... and also of the host economies/societies” (Coe and Wrigley, 2007: 347). This suggests that GVCs are far more complex than a sequential acontextual collection of economic actors and inputs as they are shaped by both the societies and contexts where the production processes are based, as well as by the societies and contexts of the host economies for the produced goods. This clearly demonstrates why it is significant to consider a broader field when researching GVCs, as there are a plethora of influences to transnational production that arise from non-firm and non-economic sources.

2.2.2 Immigrant entrepreneurship: networks, trust, and *guanxi*.

Traditionally, immigrant owned firms were clustered in niche markets and reliant on co-ethnic trade. This is less characteristic of immigrant enterprise in contemporary western economies, and is especially true of ethnic Chinese owned businesses. Furthermore, immigrant entrepreneurship often results in the disintermediation of GVCs (e.g. Wong and Ng, 2002). This is because immigrants may be importing goods directly from OEMs in their home country, and some immigrants – notably those that immigrated through investment and business schemes – may arrive in their destination country as the entrepreneur of an existing

business in their native country. Thus some may decide to directly retail the goods from their business to end consumers in their new country of residence.

The literature on transnational Chinese business frequently mentions the highly networked nature of the ethnic Chinese enterprises, both domestically within China, and amongst the Chinese Diaspora throughout the world. Researchers of contemporary Chinese business practices frequently cite the role of *guanxi* (translated as interpersonal relations and/or favour exchanges) within Chinese business and social networks both within China and amongst the Chinese Diaspora (e.g. Hsu, 2005; Bian and Ang, 1997). *Guanxi* describes the relationships between individuals that allow them to “acquire power, status and resources in Communist China” and are “a key factor in the development of private businesses ... as an effective strategy for individuals to get ahead in a more open, market-like rural society” (Bian, 1994: 971).

Transnational Chinese networks of suppliers and producers are linked through business transactions, but these linkages may exist in parallel with *guanxi*. This has been demonstrated through research on interpersonal relations amongst Chinese entrepreneurs, which finds that “ethnic resources”, the social capital and social networks that are derived through ethnicity, are important to the functioning and success of Chinese owned business throughout the world (Wong and Ng, 2002). Furthermore, Bian and Ang (1997) demonstrate that *guanxi* is relevant for both Chinese within the Greater China Area, as well as throughout the Chinese Diaspora, and they illustrate and compare *guanxi* and job mobility in mainland China and in the ethnic Chinese community of Singapore. Also, similar patterns of cronyism and nepotism have been observed in other societies, and Hsu (2005) compares *guanxi* and *blat* (Russian favour exchange practices which are analogous with *guanxi*) as specific practices that allow individuals in post-communist markets to access opportunities beyond

their immediate social network through friends of friends and maintaining good relations (p. 312).

Also, there is evidence to suggest that *guanxi* networks operate transnationally, and that Chinese entrepreneurs use their social networks and interpersonal relations to link their operations with ethnic Chinese owned firms around the world. Wong and Ng, (1998, 2002) illustrate that internationalised Chinese businesses in Canada operate through transnational networks of co-ethnic suppliers and consumers, which include firms within China itself and throughout the Chinese Diaspora based on *guanxi*. This idea warrants further research in relation to intra-chain organisation and the disintermediation of GVCs since the Chinese Diaspora may be a key route of access for Chinese mainland OEMs to access end markets throughout the world as Wong and Ng (2002) has hinted at.

In relation to disintermediation, *guanxi* is suggested by some researchers to be a significant influence on Chinese business practices in mainland China (Hsu, 2005). This opens up the prospect of *guanxi* being a mutual basis for Chinese firms located throughout the Greater China Area and the Chinese Diaspora to relate to each other. The present study draws on this idea by exploring the role of *guanxi* and interpersonal relations for Chinese furniture enterprises who have already achieved end-to-end disintermediation in foreign markets.

2.2.3 Other perspectives

An alternate perspective for understanding transnational production that has recently emerged is the global production networks (GPNs) paradigm proposed by economic geographers. Instead of using the rhetoric of chains, “network” is the preferred term, and this signifies an important departure from the traditions of chain research. GPNs research claims to be a response to the criticisms of chain frameworks as sequential, nodal and desocialised models for understanding transnational production, such that GPNs scholars argue “the global

commodity chain (GCCs) literature frequently passes over the particularity of individual nodes.” (Leslie & Reimer, 1999: 404).

Having been developed by economic and human geographers, GPNs research attempts to address many of the problems identified with GCCs for which the GVCs paradigm has yet to adequately respond. At their core, the GPNs paradigm spatialise the operations of chains and the concatenation of actors through its focus on chain organisation and economic behaviour as the interaction of local specificities with the transnational dynamics of the GPN. Hence GPNs scholars study the multi-scalar and multi-actor dynamics that constitute transnational production (Coe et al., 2008: 267).

GPNs scholars argue that the research on transnational production should feature greater spatial acuity. They argue that nodal models of organisation do not accurately represent the complexity of economic behaviour and actors, and marginalises the role played by non-firm actors and non-economic influences in transnational production networks. In fact, the wider social and spatial contexts have already been shown to significantly shape the operations of firms and their inclusion into transnational production networks (e.g. Reimer and Leslie, 2008; Sverrisson, 2004; and Thomsen, 2007), but this has not been afforded enough attention in the literature.

Overall I posit that alternate approaches to understanding transnational production offer some interesting ideas for GVCs scholars, and demonstrate that there are areas of the GVCs paradigm that require further refinement to better understand the existence of global supply chains with greater acuity to the sociohistorical and political-economic contexts that produce particular outcomes in the world-economy.

2.2.4 Critiquing the embeddedness approach

GVCs scholars have, however, critiqued the arguments of the embeddedness approach and its implications for GVCs research. It has been argued that through the research on

embeddedness, which focuses on elucidating the effect of social contexts on the operation of firms, the micro level of social analysis has been privileged. Although the concepts of social networks and embeddedness do not implicitly premise a particular level of social analysis, the literature privileges “more local levels of analysis because these are the contexts in which we can see at work [of] the social structure that is at the explanatory core of the embeddedness paradigm – that is, networks of interpersonal relations” (Bair, 2008: 347). This is true, but it is not necessarily a negative trait. The embeddedness paradigm may be justified in that it considers how macro-level social and economic phenomenon are experienced and responded to at the micro-level of interpersonal relations to produce outcomes at the global-local nexus, and this is virtually unexplored in the current GVCs literature. Thus this type of research complements the established strengths of the GVCs framework but extends it beyond firm- and economic-centric understandings. Bair makes the observation that “the global dimension of networks is foregrounded in the commodity and value chains literature” (2008: 347), and this has resulted in a lack of knowledge concerning the role of sociohistorical and political-economic contexts that affect GVCs.

2.3 Transition from communism to capitalism

Since China’s economic (and social) reforms of the 1980s, Chinese firms have progressively engaged in transnational production primarily as suppliers of labour and manufactured goods. China, a “socialist market economy” (Tong, 2006), actively pursues inclusion into GVCs as means of development, and this is witnessed through the exponentially large number of Chinese firms manufacturing consumer goods designed by foreign corporations. Spatially, this is manifest through “special economic zones” (SEZs) – such as Shenzhen, Xiamen, Shantou, etc. – which are “special” regions of China designated

as areas to attract foreign capital and to house the factories that supply goods for export to world markets.

The transition from a communist state planned economy to a capitalist market based economy is important for understanding the industrial upgrading and disintermediation of Chinese firms. As all firms were state owned enterprises (SOEs) in the planned economy, their operations were mediated by the various levels of the Chinese state. Post 1980 reforms, the nature of Chinese enterprise categorically changed. China adopted its “socialist market economy” in which private enterprise is encouraged and firms are able to engage with world markets on the basis of their own accords. Initially firms in the new “socialist market economy” were mainly contract manufacturers for large multinational corporations, engaging in low value and low skill processes, and typically this would be like the cutting and sewing work of apparel manufacture (Gereffi, 1999).

However, contemporary Chinese firms have become dominant OEM producers of a plethora of goods which are exported to global markets. This implies a significant change as Chinese firms have absorbed much of the work traditionally aligned with lead firms, which are the dominant and controlling firms within a chain, such as the sourcing and coordination of raw materials and logistics (Gereffi, 1994). Chinese firms have also become less reliant on large western multinationals for international trade, with traders in Hong Kong, Taiwan and even mainland China mediating much of the exports to the rest of the world. However, what is more fascinating, and is the subject of this study, is that some Chinese producers have begun to retail indigenously developed products directly to retailers and end consumers around the world, and some have even established a direct retail presence in western end markets.

The Chinese export market is now increasingly characterised by disintermediation between Chinese OEMs and foreign end consumers. This is most evident in the electronics

industry, where Chinese firms are now aggressively pursuing OBM manufacturing, i.e. producing and marketing products for export under their own brands (e.g. Haier, Celestial, Hisense, and Lenovo). Originally an OEM supplier to IBM's computer division, Lenovo, China's largest computer corporation, acquired IBM's personal computer division as a means of directly entering into western markets. Lenovo is perhaps the most successful case of the global disintermediation of Chinese producers, and Lenovo computers are now directly sold to end consumers across the world through its website (see Lenovo.com) and products are shipped directly from mainland China based factories to the end consumer. The Lenovo example is characteristic of disintermediation by large Chinese enterprises (typically red-chip, i.e. state owned enterprises with publically traded subsidiaries). However, this study examines the emergence of privately owned small and medium sized enterprises (SMEs) in the disintermediation of the global furniture supply chain. In considering the contemporary Chinese export-manufacturing industry, it is important to keep in mind the transition of the Chinese market from communist to capitalist which created the particular sociohistorical and political-economic context that allows for Chinese firms to actually participate in the world-economy, and to retail their goods directly to the end consumers in foreign markets.

2.4 Synthesising the models of disintermediation

The present study incorporates the knowledge gained from the emerging research with the strengths and methodological framework of the established GVCs literature. This study uses the strengths of the GVCs framework in relation to understanding goods as the product of numerous geographically dispersed actors and their inputs. In addition, this study incorporates sensitivity to the sociohistorical context of contemporary China, and considers immigrant entrepreneurship as a driving force for disintermediation.

I argue that the current literature and frameworks for understanding disintermediation are inadequate because chains, and the economic actors within chains, are conceived of as discrete and decontextualised from the wider social environment. I propose that GVCs research should be more sensitive to the sociohistorical and political-economic context despite its focus on transnational and global-level dynamics. GVCs research should integrate the analyses of chain-internal and chain-external determinants across global-, meso-, and local- levels in understanding disintermediation as a purposeful characteristic of contemporary transnational production. Following on from this, this study uses individual cases of disintermediation in the global furniture supply chain from China to Australia to elucidate the contextual factors and individual agency that shape the operations of firms within GVCs.

This study contributes to the theoretical development of the GVCs paradigm by improving the understanding of how local and global contexts interact to situate transnational networks of production at the global-local nexus, and how these contexts influence the disintermediation of these networks. Bair (2005) argues that GVCs research should seriously address criticisms of decontextualisation and desocialisation by operationalising chains as embedded networks within wider institutional and environmental structures, and that such an endeavour would be useful if we are to “more fully inform our understanding of the social and developmental dynamics of contemporary capitalism at the global-local nexus” (p. 154). Additionally, this study develops the theoretical foundations of the GVCs paradigm by placing individual agency in the foreground of analysis to understand the complex and multifarious sources of motivation for immigrant entrepreneurship and the subsequent disintermediation. This is significant as the extant GVCs research does not account for the individual agency within transnational production networks.

3. Data and Methods

Drawing on interviews with 18 ethnic Chinese entrepreneurs in the retail furniture industry, this study uses interview data to understand how the non-economic and non-firm actor derived influences impact upon immigrant entrepreneurship and the disintermediation of the furniture supply chain linking China and Australia.

The 18 interviews are drawn from a census of the population of ethnic Chinese owned furniture retailers in a predefined region of Greater Sydney with a population size of 23. The aggregate response rate was 78% (n=18), and respondents were sub-categorised as either a traditional furniture retailer (89%, n=16), or an electrical furniture retailer (11%, n=2).

This chapter focuses on explaining the methodological design of the research and its execution, the definition of furniture and its sub-categorisations, and description of the sample. I This chapter demonstrates how this study proceeds, methodologically, from the strengths of the established GVCs tradition, yet is able to explore novel dimensions of transnational production that have been flagged in the emerging literature.

3.1 Defining furniture

The furniture industry was chosen for this study as ethnic Chinese entrepreneurs are highly visible in this sector of the retail sector in Greater Sydney, and preliminary observations confirmed that their operations are mainly factory direct.

Defining the sector being researched is important as GVCs research is sector specific. For this study, understanding what constitutes furniture was more problematic than expected. A common observation amongst the GVCs literature is that relatively little attention is paid to specifically defining and explaining what constitutes the particular sector being researched, and this is common to the work of Gereffi (1999), Thomsen (2007), Ponte and Ewert (2009) and Reimer and Leslie (2008). The sector being studied is usually defined without great

precision in most empirical studies of transnational production, and relies on the assumption that the reader shares a similar understanding of the constitution of the sector with the author. Initially this study relied on the same assumption, and furniture was defined nominally using the researcher's lay knowledge of the furniture sector and can be described as what one may typically understand as household furniture (such as sofas and chairs, surfaces such as tables and desks, and bedding including mattresses). However, preliminary observations of the field site revealed that this definition of furniture would be insufficient in articulating the nature of the furniture businesses as they exist in the field site. This is because a number of firms were solely retailers of household lighting products (such as lamps and ceiling lights) and these items may also constitute an item of furniture although it was not immediately obvious. Furthermore lighting product retailers displayed many of the superficial characteristics of the population of interest, such as advertising as factory direct, and many appeared to be owned by ethnic Chinese entrepreneurs. Although the concentration of lighting retailers was relatively low throughout the field site, it was decided that their presence warranted further consideration.

Subsequently, it was decided that the definition of furniture needed to be re-conceptualised in order to be more reflective of the empirical nature of the furniture industry in the field site by including lighting firms. To do this, it was decided that furniture was to be defined using the United Nations Statistics Division Standard International Trade Classification revision 4 (SITC rev. 4) code 94 definition, which is used by COMTRADE, the United Nations organisation responsible for international trade statistics. This has the advantage of using the same definition of furniture as international trade statistics databases, which means that the findings of the present study may be triangulated with international trade statistics. The COMTRADE data are particularly useful as they provide extensive

information on international trade stratified by different product lines, and even provide data by sub-categories such as sub-product lines (e.g. furniture→seating→sofas).

The SITC rev. 4 code 94 definition of furniture encompasses a range of goods in the category of furniture. It includes both non-electrical type household furniture (hereon referred to as traditional furniture), and electrical type furniture (hereon referred to as electrical furniture). Specifically, the SITC rev. 4 code 94 includes the following items in its definition of “furniture” as a commodity of international trade:

- furniture (including seats, bedding, mattresses, and “other furniture, and parts thereof”);
- lighting (including lamps, lighting fittings, and illuminated signs); and
- prefabricated buildings.

Another key benefit of using the COMTRADE definition is that this allows for greater accuracy in the replicability of the study. As was mentioned before, the current literature lacks specificity in defining the constitution of the specific sector being researched. By adopting an internationally accepted definition which is publicly accessible, it is explicitly clear between the researcher and reader what product lines, exactly, have been included and excluded in this study.

However, it should be noted that the statistics maintained by COMTRADE have their limitations, as do all data. COMTRADE measures the volume of trade between countries in particular product lines using aggregate US\$ value and does not provide statistics on the physical quantity (i.e. units) being traded, and this imposes limitations for research in using these statistics. This limitation is extremely pertinent for GVCs research as will be explained.

Although it is possible for researchers to examine the year by year international trading patterns based on the US\$ value volume of trade of particular goods from the COMTRADE statistics, it is impossible to ascertain if changes to the volume of trade are due

to changes in the quantity of goods being traded, or to changes in the mean cost per unit being traded. This is particularly important for GVCs research as the distribution of value within transnational production networks is a key area of interest.

Based on COMTRADE statistics, it would be impossible to determine if changes to the aggregate US\$ of furniture imports from China can be mainly attributed to increasing quantities of Chinese furniture being imported, or if Chinese OEMs are retaining a greater proportion of value for their production in disintermediated supply chains. This would fit in well with the industrial upgrading model which suggests that disintermediation would result in increasing unit costs as retained at the factory gate as disintermediation moves firms “to more profitable and/or technologically sophisticated capital- and skill- intensive economic niches” (Gereffi, 1999: 51-52) .

Although the data have their limitations, by adopting the SITC rev. 4 code 94 definition of furniture this study hopes to consider general trends in the trade statistics in light of immigrant entrepreneurship and disintermediation, and these statistics are understood in the context of their limitations.

3.2 Sampling

The SITC rev. 4 code 94 definition of furniture is an integral component of the sampling frame as it directly draws from the population of furniture retailers within a predefined region of Greater Sydney. A survey of the contemporary GVCs literature reveals that sector and geographic stratified sampling to be a typical method for selecting a sample in the GVCs and GCCs literatures (e.g. Avdasheva, 2007; Gereffi; 1999; Knutsen, 2003; Thomsen, 2007; Ponte and Ewert, 2009; Wong and Ng 1998; Wong and Ng, 2002). This study replicates this type of stratified sampling which is common in the literature, but utilises

a specific definition of the sector of interest to ensure the replicability of the methods (which other studies typically have not done).

This type of sampling has methodological advantages which explain its use and appropriateness for this type of research. The key advantage is that the geographic and sector derived variables are held constant which allows for analysis to be directed towards understanding the social and organisational dimensions of chains.

Where this study makes a departure from the established methodological traditions of GVCs research is in the sampling of retail firms. Traditional chain research has predominately studied manufacturing and other production based firms (e.g. Avdasheva, 2007; Gereffi; 1999; Thomsen, 2007; Ponte and Ewert, 2009) as opposed to the other types of economic actors that participate in GVCs. Thus the literature is inadequately developed in relation to the role of non-production based economic actors in chain organisation and disintermediation. Furthermore, the sampling of retail firms and their entrepreneurs is justified as they are under-represented participants in the transnational production literature.

The firms that were included in the study were all factory direct retailers of furniture operated by ethnic Chinese entrepreneurs, and they were sub-classified as either OEM retailers (i.e. the entrepreneur owns the OEM furniture supplier in China) or non-OEM factory direct retailers (i.e. the entrepreneur purchases directly from OEM furniture suppliers in China).

3.2.1 Selection of the population

The retail furniture industry was selected due to the visibility and high concentration of ethnic Chinese entrepreneurs in this sector of Sydney's economy. A geographic area of greater Sydney was defined as the geographic stratum for sampling due the high concentration of furniture retailers (the area is well known as a furniture retailing district of Sydney), and many are owned by ethnic Chinese entrepreneurs (as evidenced through

preliminary observation). Within this district a census was undertaken of the identified population. After a total of 4 visits to the field site a census role was produced. The primary characteristics for inclusion into the sampling frame are:

- advertising or appearing to be a “factory direct retailer” of furniture as defined by the SITC rev. 4 code 94 definition (COMTRADE, 2010);
- being an independent retailer; and
- being owned by an ethnic Chinese entrepreneur.

Identifying factory direct retailers was not difficult. In many cases the signage of the store would directly indicate this fact. In other cases the retail store appeared to double as a warehouse, and these stores were initially included into the population as they are likely to be factory direct retailers. However, identifying independent furniture stores proved to be more difficult. Excluding the numerous well known chain stores and the chain stores that were not owned by ethnic Chinese entrepreneurs was easy. It was hard to distinguish between some of the larger independent retailers and lesser well known chain stores owned by ethnic Chinese entrepreneurs. These were often distinguished after the researcher had approached the manager of the store for clarification. Being owned by an ethnic Chinese entrepreneur was relatively easy to determine, and was primarily based on superficial characteristics, such as the retailer or staff appearing to be ethnic Chinese, having Chinese characters in the shop signage or advertising materials, or having a stereotypically Chinese name for the business (as many did).

This yielded an initial population size of 28. Within the initial population there were 23 retailers of traditional furniture, 5 retailers of electrical furniture, and no retailers of prefabricated housing. However, a total of 5 retailers had to be excluded for not meeting the criteria for inclusion; all these excluded retailers were in the subpopulation of traditional furniture stores. Two retailers were excluded as they were not actually owned by ethnic

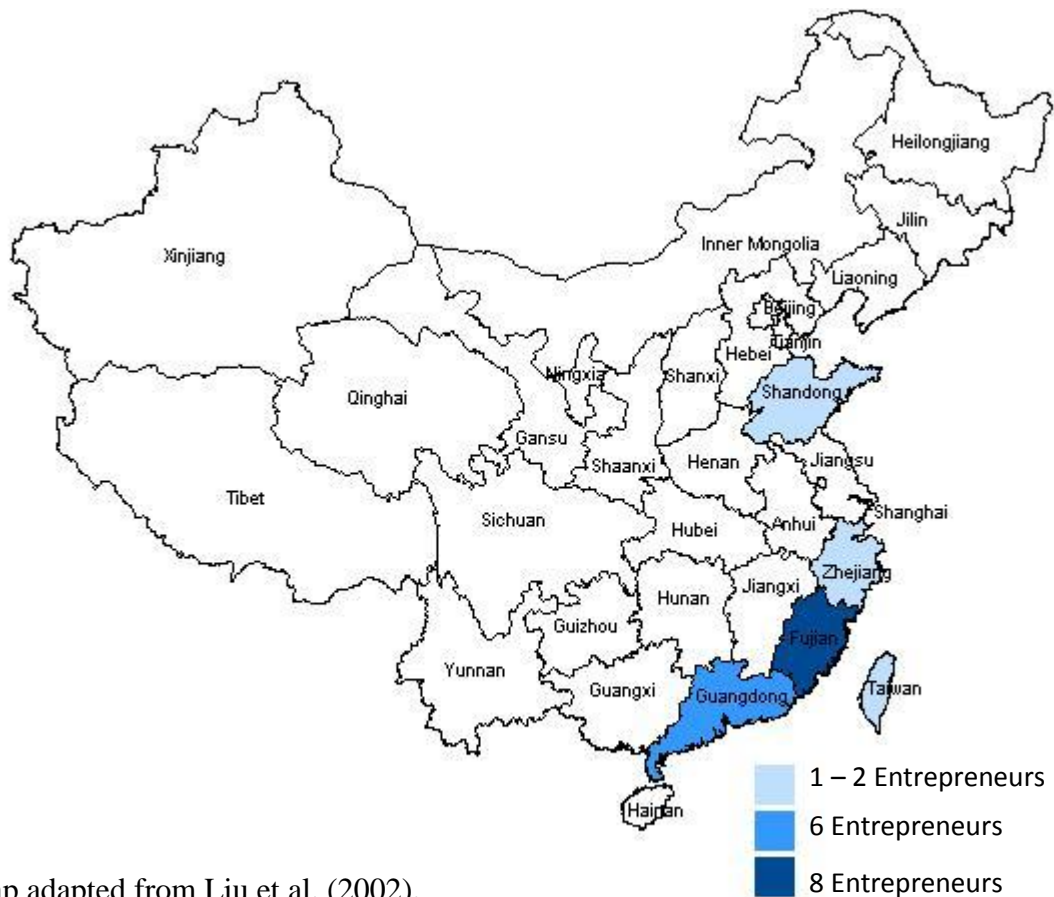
Chinese entrepreneurs. One was owned by an ethnic Korean (although the name of the store was written once in English and once in Chinese characters; however Chinese characters are used in Korean), and another retailer was owned by an ethnic Vietnamese entrepreneur. Another 2 retailers were excluded as they were not independent retailers, and a further store was excluded as it had ceased operations when the researcher attempted to approach the manager. Thus, after excluding the ineligible firms, the final population size was revised to 23, with 18 retailers of traditional furniture and 5 retailers of electrical furniture.

3.2.2 Description of the Sample

Biographic information about the respondent was collected in order to determine if certain biographical characteristics were related to participation in transnational production and success in disintermediation. The biographic data are clustered around 2 broad themes – native region of the Greater China Area, and immigration to Australia. These data have been collected so that this study can explore the contextual factors that constitute and shape the human agency underpinning disintermediation.

The respondents' personal biographies were diverse, and respondents identified themselves as natives of a variety of provinces and regions of the Greater China Area. However, the majority of respondents claimed to be native of either Fujian (n=8) or Guangdong (n=6) provinces in the Peoples Republic of China. These 2 provinces were overrepresented and accounted for 78% of total respondents. There were only 4 respondents who did not claim to be native of either Fujian or Guangdong province, and these respondents are from Zhejiang Province (n=2), Shandong Province (n=1), and Taiwan (n=1). **Figure 1** illustrates the geographic distribution of entrepreneurs by their native region of the Greater China Area.

Figure 1: Entrepreneur’s Native Province within the Greater China Area.



Map adapted from Liu et al. (2002).

The domination of the mainland Chinese provinces of Fujian and Guangdong was replicated in the subpopulation of entrepreneurs in the traditional furniture sub-sector who were almost exclusively from either Guangdong or Fujian provinces (88%; n=12). There are only 2 entrepreneurs retailing traditional furniture claiming to be native of other regions of the Greater China Area (1 from Shandong Province, and 1 from Taiwan).

This contrasts with entrepreneurs in the electrical furniture sub-sector, which had no respondents claiming to be a native of either Guangdong or Fujian province. The entrepreneurs in this subpopulation (n=2) were both native of Zhejiang province.

The fact that the respondents are almost exclusively from Fujian or Guangdong is significant as the Chinese furniture manufacturing industry is concentrated in the provinces of

Fujian and Guangdong. In fact, the Shunde Furniture Wholesale and Distribution Market, which is located in Shunde, Foshan prefecture of Guangdong Province, claims to be the largest furniture wholesale market in China, and also claims to be the largest furniture wholesale market in the world (The People's Government of Lecong Town, 2010; and Shunde Furniture Association, 2010). The fact that many of the respondents claim to be from the regions of China where the furniture manufacturing industry is concentrated is interesting as regionally and same-town derived social networks are significant, as will be revealed in Chapter 4.

Additionally, none of the respondents were involved in the furniture industry in the era of the planned economy as a manager of a furniture SOE. In fact, most of the respondents claimed to have started working in the furniture industry only after economic reforms which allowed for private industries to be established within the Chinese economy. This fact is important as interpersonal relations, especially with state cadres and officials have been demonstrated to be significant for firms in post-communist markets and the extent of their ability to participate in international trade (Thomsen, 2007).

3.3 Interviewing

This study draws on qualitative semi-structured open-ended interviewing with 18 respondents. Qualitative interviewing has been used successfully by GVCs researchers (e.g. Thomsen, 2007; Ponte and Ewert, 2009). Furthermore, interviewing has been used in the immigrant entrepreneur and economic geography literatures to elucidate similar questions concerning the social embeddedness of immigrant entrepreneurs into both local and global economies and social contexts (Collins, 2003; Wong and Ng, 1998; Wong and Ng, 2002). For instance, the Australian Population and Immigration Research Program (Australian Government, 1990) used interviewing with immigrant entrepreneurs to understand their

experiences beyond economic performance, and it attempted to use qualitative interview data to account for the immigrant entrepreneurship experience in terms of the social and personal characteristics of the population that foster success. Proceeding from this, the present study draws on interview data to further develop the extant knowledge of disintermediation through addressing the critiques of GVCs research and extends the literature in the direction of recognising the pertinence of non-economic impacts to chain organisation.

In all cases, interviewing was conducted at the retail store of the respondent's business, and the interviews lasted for between 15 – 60 minutes with the majority of interviews lasting for around 30 minutes. The interviews were shorter than what was expected because most of the respondents stayed on topic and were quite succinct in their responses. Furthermore, the variability in durations is explained by the fact that some respondents merely answered the questions asked without much elaboration, whereas others elaborated on the themes emerging from the interview, and introduced novel content which was had not been hypothesised as being relevant prior to the commencement of the interview. Excluding the single longest interview which lasted for 60 minutes, 17 of the 18 interviews lasted for between 15 – 30 minutes.

The respondents were initially contacted and approached in English; however, in several cases the respondent preferred to be interviewed in Mandarin Chinese. In these cases the researcher ensured that the respondent had adequately comprehended both the participant information sheet (see Appendix B), and the participant consent form (see Appendix C) which was used to obtain their consent, before proceeding with the interview in Mandarin Chinese. Respondents were approached at their retail store during a weekday as it was thought to be a quieter time, compared to weekends, and this was done to ensure minimal disruption to the respondents.

Open-ended semi-structured interviewing was selected as it allows for flexibility in the specificities of the content covered. This is because it allows for respondent feedback to be reincorporated into the interview as it does not follow a rigid set of predetermined content and questions.

3.3.1 Interview Content

The content of the interviews covered four broad areas: personal biography, business operations and history, relations with suppliers, and relations with consumers. The final semi-structured open ended interview protocol is provided in Appendix A. The respondents all declined permission to audio record the interviews which was initially part of the interview protocol, and hence it was decided that interview notes would be made as a substitute, and this was agreed to by all the respondents.

Biographical questions probed the respondents for information about their personal histories, such as their age, native region in the Greater China Area, year of arrival in Australia, and type of visa upon migration to Australia. These questions are useful in determining the characteristics of the individual business people that have driven the disintermediation of the furniture supply chain through their immigrant entrepreneurship. These questions were the asked in the initial phase of the interview as a lead in into the other topics, and seemed to be conducive for the respondent becoming accustomed to the situation of the interview.

As the present study is interested in entrepreneurs of firms that have already achieved disintermediation, the questions on business practices and history are designed to elucidate the experiences and trajectories of the successful firms. Initial questions probed for the nature of the business. For instance, it is important to differentiate between OEM retailers and non-OEM retailers and the nature of their respective businesses. Some questions ask the respondents to trace the history of their businesses from their beginnings to their present

states as retailers in Sydney, and these are useful for understanding how and why particular entrepreneurs have sought out disintermediation for their firms. This information is highly useful in considering the validity of the industrial upgrading model which privileges an upward trajectory of disintermediation in the GVCs literature (Ponte and Ewert, 2009), and for exploring the individual agency that underpins the business operations.

Questions on supplier relations are important in that they help to refine the understanding of intra-chain relations for the outcome of international disintermediation. The entrepreneurs being studied are proprietors of mainly small or medium sized retailers in Sydney, and it is interesting to understand how these types of firms are able to coordinate their organisational and business relations with suppliers and/or subsidiaries in the Greater China Area. The data gathered here will also be comparative between OEM and non-OEM retailers. The questions are broad and ask respondents to comment on their business and non-business relations with the entrepreneurs of the firms that supply their store (in the case of non-OEM retailers), and their relations with the manager of the firms' Chinese operations (in the case of OEM retailers).

Relations with end consumers are a relatively unexplored dimension of GVCs, as it has primarily focused on the relations between production based firms. This study introduces this topic into the literature. This is exploratory as and may offer some insights into an unexplored dimension of the supply chain.

3.4 Ethical Considerations and Reflexivity

There were no significant ethical considerations raised in the planning stages of the research, and the design and protocol of the research was approved by the University of Sydney Human Research Ethics Committee on April 30th 2010. As this study is a census of a population of adult business owners, there were no obvious sources of coercion whether

direct or implied based on the respective social roles of the researcher and the potential respondents. Furthermore, the content of the interviews were not controversial, and there were no obvious ethical concerns arising from the execution of the research or the protocol.

However, an interesting observation did arise through the fieldwork. As the researcher is an ethnic Chinese Australian, a high number of respondents directly indicated that their willingness to participate was motivated by a desire to assist a co-ethnic Chinese. Also, two respondents indicated their willingness to participate had been affected by their recent completion of university degrees in Australia, and they appreciated the researcher's academic interest in their experiences. Although these factors did not obviously influence the content of the interviews, being a student and an ethnic Chinese Australian appears to have given the researcher a rapport with many of the respondents arising from ethnic and cultural affinity. Being identified as an ethnic Chinese had, in fact, made the respondents more lucid in their narratives – and this is reflected through a respondent's frankness about a fact (not used in this study) that she wanted to tell me:

Respondent 4: “Don't write this down or tell anyone else.... But I'll tell you because you are so hard working, and Chinese.”

- **Interview 4**

Furthermore, being an ethnic Chinese was a significant advantage for the researcher in communicating with the respondents. It was interesting that although Mandarin Chinese was often the *lingua franca* of the interviews, Mandarin Chinese is a second language for both the researcher and the majority of respondents (the majority came from either Cantonese or Hokkein speaking regions). The importance of dialectal and regional based groups and the

ability to transcend dialect bound networks will be elaborated in the results and the discussion chapters later on in this thesis.

Thinking back on the conduct of the study, follow up interviews with early stage participants would have been desirable to fully explore issues and ideas that arose from latter stage interviews. However, due to pragmatic considerations, particularly the limited time frame for the completion of the research and the fact that some of the respondents were subsequently unavailable, this was not possible.

4. Results

The results of this study are reported in five sections. The first section presents the results on business operations and disintermediation, including data on the characteristics of the business and the type of disintermediation. The second section presents the findings on the non-economic impacts and non-firm actors on transnational production networks. The results reveal that individual agency and the desires of individuals are highly pertinent for understanding the occurrence of disintermediation through immigrant entrepreneurship. It also reveals the importance of interpersonal relations for achieving and maintaining disintermediation in the population. The third section presents data on the trajectory and directionality of disintermediation. Here, the results of the present study largely support the current literature and its upward trajectory of disintermediation but deviations were found to be possible. The fourth section summarises the findings of the present study and integrates the findings. The overall results suggest that scholars should recognise non-economic and non-firm impacts as significant to the organisation of GVCs, their disintermediation, and the trajectories and direction that disintermediation follows.

4.1 Business Operations and Disintermediation

The Australian business operations of the respondents varied greatly in terms of the number of years they have been trading. The mean number of years of trading in Australia as reported by the respondent was 9.7 years at the time of the interviews. The durations varied greatly (standard deviation = 6) with a range of 2 years to 22 years. Furthermore, the data is characterized by a lack of great precision as many of the respondents did not accurately recall when their operations started, but only had a general idea, and this was particularly common amongst the respondents of firms that have been trading for longer periods of time.

Furthermore, the number of years trading in Australia varied considerably by the type of

disintermediation. OEM retailers had been trading in Australia for an average of 8.1 years, and this was lower than the average number of years trading for non-OEM retailers which was 11.2 years.

In grouping firms as recent entrants to the Australian market (trading up to 5 years) and established retailers (trading more than 5 years), it was observed that 12 of the 18 entrepreneurs were established retailers in Sydney, and 6 of the 18 were recent entrants. Within the subpopulation of recent entrants, there were twice as many OEM retailers (n=4) as opposed to non-OEM retailers (n=2) (see **Table 1**), and OEM retailers are less likely to be an established retailer compared with non-OEM retailers (see **Table 1**).

Table 1: Years Trading by Type of Retailer.

		Years in the Australian market		Total
		less than 5 years	more than 5 years	
Type of disintermediation	OEM retailer	4	5	9
	non-OEM retailer	2	7	9
Total		6	12	18

OEM retailing was found to be a common variety of disintermediation, and it accounted for half of all cases (n=9). These 9 firms are end-to-end OEM retailers – i.e. the OEM supplier of the furniture became the retailer of the furniture in Australia – which means there are no intermediaries between the OEM and the end consumer. Non-OEM factory direct retailing, which constitutes a form of partial disintermediation, is also a common variant of disintermediation amongst the population accounting for an equal number of respondents

(n=9) as OEM retailers. These observations fit in well with the industrial upgrading model as both OEM and non-OEM retailing describe variants of functional upgrading.

One hundred percent of respondents indicated that they source the majority of their products directly from China, whether as an OEM retailer or as a non-OEM retailer. Also, the majority of respondents (n=15) claimed their products are exclusively sourced from China, whilst 3 respondents claimed to source some of their products from suppliers based in other countries (such as Australia and Vietnam). Interestingly, the respondents who claimed to have Australian based suppliers (n=3) all stated that the entrepreneur of the Australian firm was an ethnic Chinese.

Where the results of this study make a significant departure from the traditional GVCs research is that it explores the effect of individual agency. The extant literature explores how firms are able to achieve disintermediation through firm level competencies and economic motivations, yet it has not accounted for the broader reasons that explain why some firms and entrepreneurs have actually sought out disintermediation, and not others. The results of this study find non-economic and non-firm derived reasons as significant to the decision to achieve disintermediation.

The overwhelming majority of respondents stated that preference (either personal or family member) for living in Australia was the primary motivation for migrating to Australia (n=13), and that business reasons were secondary (if it were a reason at all). Only 1 respondent had cited purely business reasons for being the primary motivation, and an additional 4 had cited a combination of both preference (either personal or family member) for living in Australia and business reasons as being equally important in informing the decision to migrate to Australia (see **Table 2**).

Table 2: Primary Reason for Migrating to Australia as Stated by the Respondent.

	Frequency
to live in Australia	13
business reasons	1
to live in Australia and business reasons	4
Total	18

These results are novel as the GVCs literature has yet to consider the significance of human agency in driving transnational disintermediation. The data reveals that disintermediation may be achieved by immigrant entrepreneurs for reasons other than to capture and retain a greater portion of the value generated in a chain. It suggests non economic and chain-external reasons, such as individual agency, are common reasons for disintermediation, as opposed to purely economic motivations such as capturing a greater portion of the value generated by a chain. These topics are elaborated further in the next section.

4.2 Non-economic impacts on chain organisation

Data on the non-economic impacts on the organisation of chains and the experience of disintermediation is still in the infancy stages within GVCs research. The data from the current study contradicts the predominantly top-down economic explanations of disintermediation that has furnished the GVCs literature. The data reveals that non-economic impacts from non-firm actors are significant sources of influence over the organisation of GVCs. These bottom-up sources of influence were often the main motivation for immigrant entrepreneurship and the subsequent disintermediation, and this contradicts what was expected from the existing GVCs literature. The agency of individuals was found to be particularly influential to the decision to become an immigrant entrepreneur.

For OEM retailers, common non-economic reasons for disintermediation were lifestyle preference. Preference for living in Australia, whether arising from the entrepreneur or from a family member, was the most frequently cited motivation for immigrant entrepreneurship with 13 respondents claiming this as the primary reason for immigrating to Australia (see **Table 3**). In fact, 2 respondents (OEM retailers) reported that the decision to immigrate to Australia as an investment migrant was primarily made by their dependents who wished to permanently remain in Australia after they graduated from Australian universities as international students. One respondent told me that:

“My daughter graduated from [an Australian university] and wanted to stay. So I decided to make an investment so she could become a permanent resident. That's how I started this shop.”

– **Respondent 9**

Additionally, 4 respondents cited business reasons as partly motivating their immigration to Australia, and only 1 cited purely business reasons. An interesting comparison is that of the 9 entrepreneurs who arrived on a non-business or investment category visa, all 9 claimed preference for living in Australia as their primary motivation for immigration (see **Table 3**).

Table 3: Primary Reason for Migrating to Australia by Type of Visa.

		Primary reason for migrating to Australia			Total
		preference for living in Australia	business reasons	preference for living in Australia and business reasons	
Type of visa	business or investment	4	1	4	9
	other	9	0	0	9
Total		13	1	4	18

In relation to agency, of the 9 respondents who immigrated on a business or investment category visa, 4 claimed that their initial decision to start their business in Australia was primarily for preference in favour of living in Australia. This contradicts the implied motivation for immigrating to Australia as per their visa, and it demonstrates how human agency and non-economically derived motivations are able to drive immigrant entrepreneurship, which in turn creates the conditions for some firms to achieve disintermediation.

Furthermore, OEM retailers were far more likely to have arrived in Australia with a business or investment visa as opposed to non-OEM retailers. **Table 4** shows that 8 out of 9 OEM-retailers arrived with a business or investment visa, and this contrasts with 1 out of 9 non-OEM retailers who arrived with a business or investment visa. This suggests that those arriving on a business or investment visa were primarily those who owned an existing furniture factory in China, and this was expected since business and investment scheme migration has strict capital and business experience requirements.

Table 4: Type of Visa on Arrival by Type of Retailer.

		Type of visa		Total
		business or investment	non-business or investment	
Type of disintermediation	OEM retailer	8	1	9
	non-OEM retailer	1	8	9
Total		9	9	18

In relation to social networks and interpersonal relations within transnational production networks, there was a high degree of reliance on friendship and kinship networks in maintaining operational control and supply coordination, and this was expected from the

immigrant entrepreneur literature on the Chinese Diaspora. Fifteen out of the 18 respondents claimed to draw on their extended kinship and friendship networks in their business operations both in Australia and in the Greater China Area. The findings of this study add further weight to the claims of the embeddedness approach to understanding economic actors and behaviours as inherently social.

Kin and friends played a variety of roles within the business, and were located both in China and in Australia. Entrepreneurs of both OEM and non-OEM retailers frequently indicated that their suppliers and/or managers were also their friends, and sometimes they were kin. Many stressed the importance of having friends and kin as suppliers as suppliers and managers in their business networks. One respondent said that:

“I got connections. Connections are very important, and so is trust ... [it] is very important. I trust my friends ... [with] my friends I can get the stock first and pay after I sell it. You need connections.”

- **Respondent 6**

This was a recurring theme amongst the interviews. Respondents frequently noted that having a friend as a supplier meant increased “flexibility”. The word “flexibility” frequently appeared in the interviews and was considered by the respondents to be critical for the success of their business. For the respondents, “flexibility” is associated with doing business with friends and family, and the benefits include economic benefits (delayed payment terms, receiving stock and paying after it has been sold, and cheaper prices) and product benefits (feedback of industrial/market knowledge, and willingness to customise products). Another respondent emphasised that success at disintermediation and end consumer retailing for

Chinese OEMs is highly dependent upon the feedback of industrial and market knowledge to the manufacturing node of the business in China. The respondent said:

“The foreigners [meaning non ethnic Chinese] have different tastes from the domestic market [meaning the domestic Chinese furniture market]. I know what foreigners like as I have more than 10 years experience here [in the Sydney retail furniture industry]. I can tell my friends to change the design of the products to suit the foreigners. Australian standards and specifications are different from the domestic market, and it's much easier to communicate and negotiate with friends and other Chinese to make the furniture suit the Australian market.”

- **Respondent 12**

The above quote demonstrates that consumers do influence supply chains, as through disintermediation, OEMs may exhibit a more direct uptake of consumer preference as industrial knowledge in their production processes. However, interpersonal relations with consumers was not a major source of influence as none of the respondents mentioned it to be crucial for their business, although they did mention that appearing friendly was conducive to the success of their business.

Within Australia respondents cited a reliance on kin and friends for the retailing operations of their business. This is demonstrated in three of the interviews in which the respondent was not the “actual” entrepreneur (i.e. who the business is legally registered to), but was a female kin who had assumed managerial control of the business. This is also demonstrative of the reliance on kin within transnational business networks as they were found to provide a trusted source of labour and managerial control. Aside from kin, friends and people introduced by friends were often employed as sales persons and other staff. Some

respondents stated that they hired sales and delivery staff in Sydney based on the introduction and recommendation of friends who were still living in China.

Of the OEM retailers, 100% claimed that maintaining good relations (articulated as *guanxi*) with the other people involved in their business is significant for their operations as Sydney based retailers within global supply chains. In one interview the respondent used the word “connections” 10 times, and stressed the importance of connections for the success of the business. Respondents also placed significant emphasis on friendship relations in their business operations. Seventeen respondents had directly indicated friendship as the way they related to the manager of the firm’s factory in China (in the case of the OEM retailers) and the manager of their supplying firms (in the case of the non-OEM retailers). An interesting observation is that some of the respondents stated that although they initially related to their suppliers through a strictly business relationship, the entrepreneurs of their supplying firms frequently became their friends after doing business for some time.

Regarding consumer relations, all the respondents claimed that maintaining good relations with ethnic Chinese consumers is important as they are more likely to refer friends to the business if they are satisfied with the service and product. However, respondents cited less reliance on *guanxi* with consumers compared with suppliers, and this can be expected as respondents stated that it is easier, pragmatically, and more important, to develop and maintain good *guanxi* with suppliers as opposed to consumers.

4.2.1 Sub-national networks

An observation of the literature is that nationally and ethnically based ties are the most common way that researchers have described the networks of the Chinese Diaspora. Researchers such as Hsu (2005), Thomsen (2007), Wong and Ng (1998), and Wong and Ng (2002) have all approached the extended business networks of the Chinese Diaspora as nationally and ethnically based. For instance, Thomsen (2007) studied the ethnic Chinese

entrepreneurs in the Vietnamese apparel industry, and illustrates that access to GVCs may be sought through co-ethnic ties to ethnic Chinese business networks both within Vietnam and throughout the global Chinese Diaspora. Although ethnicity may have been the way that Chinese Vietnamese networked with other ethnic Chinese business owners, Thomsen (2007) did not consider if these Chinese business networks were based on national and ethnic affinities, or if they were provincially and dialectally bounded business networks.

As was mentioned in the theoretical overview, *guanxi* is the Chinese concept of favouritism and is frequently cited in the literature on Chinese society and business. However, the present study finds evidence in support of a more regionally and provincially embedded system of favouritism and interpersonal relations amongst ethnic Chinese business networks. *Lao xiang* – literally meaning old village (*lao xiang* refers to someone from the same “village”, although it is commonly applied to mean from the same city or even province) – derived relationships were observed to be a more accurate reflection of the networks that the respondents draw in their transnational business practices. For OEM retailers, the factory was almost exclusively based in the entrepreneur’s native province, and in many cases was located within the same city or county division as the entrepreneur’s home town. There were 2 cases in which the retail firm exclusively sourced products from suppliers based in regions outside of the entrepreneur’s native province, and these cases were of the entrepreneur from Shandong province and from Taiwan, neither of which are major furniture manufacturing centres.

The entrepreneur from Shandong province was an interesting case and illustrative of *lao xiang* relations in Chinese business networks. The respondent stated that her business sources furniture from factories in Guangdong province, and that these factories are owned by her friends. When asked to further clarify her relationship with the Guangdong based entrepreneurs, the respondent revealed that the suppliers were actually *lao xiang* from

Shandong who had opened factories in the Pearl River Delta region of Guangdong. Another respondent from Mainland China, an entrepreneur of an OEM retailer, claimed that the retail sales staff hired by the firm in Sydney are *lao xiang* from Quanzhou, in Fujian province, and that the retail sales staff had been recommended by another *lao xiang*, a mutual friend who lives in Quanzhou. These examples are interesting as they demonstrate preliminary evidence supporting *lao xiang* relations as a specific form of *guanxi* which is pertinent for transnational Chinese business networks. It illustrates how *guanxi* may be refined in certain contexts to more accurately illustrate the types of interpersonal relations that ethnic Chinese draw on within Chinese business networks.

4.2.2 The directionality of disintermediation

Non-economic impacts were found to shape transnational production and the trajectory and direction of disintermediation in complex ways. The current literature presupposes the direction of disintermediation as upward, i.e. firms acquiring the functions of other firms that are associated with the greater retention of value within a chain. Thus disintermediation is usually understood as production based firms acquiring non-production based activities that bring their operations closer to the end consumer, such as retailing. The data from this study confirms this to be the typical trajectory of disintermediation as was evidenced by business histories of 17 of the 18 firms in this study which indicate that they moved “up” the value chain. However, one respondent claimed to have taken a non-linear and non-upward route to achieving end-to-end disintermediation, and this will be discussed in further detail in the next chapter.

4.3 Summary of findings

The results demonstrate that the disintermediation of GVCs is primarily driven by production based firms through upward functional upgrading. The findings of this study also

support the general theoretical basis of the embeddedness approach to understanding economic behaviour through the non-economic motivations that may be significant for explaining disintermediation through immigrant entrepreneurship.

This is exemplified through the comparison of visa type with primary reason for immigrating to Australia (see **Table 3**), and this study suggests that the disintermediation of GVCs through end-to-end OEM retailing cannot be adequately explained as a purely economic force. This study shows that non-firm derived and non-economic sources of motivation, such as preference for living in Australia, were the most frequent reason for immigrant entrepreneurship. Furthermore, these non-economic reasons were significant for the entrepreneurs who arrived on a business or investment category visa, and this suggests that economic motivations may be operating in conjunction with others in informing the decision to becoming an immigrant entrepreneur, and in the subsequent disintermediation.

Hence, the results of this study reveal human agency as important for GVCs research. This is because individual agency was the primary source for motivating the respondents to become immigrant entrepreneurs, which in turn created the conditions for the disintermediation of furniture supply chains. Why entrepreneurs have sought to achieve disintermediation cannot be fully accounted for through economic motivations alone, and often disintermediation through immigrant entrepreneurship was merely a means of achieving a personal goal (e.g. to live in Australia).

Furthermore, the high rate of reliance on kinship and friendship networks amongst the population demonstrates the significance of interpersonal relations for transnational Chinese businesses. This study finds that the networks that ethnic Chinese immigrant entrepreneurs draw on may be based on regional, provincial and dialect affinities, as opposed to purely national or ethnic based networks.

5. Discussion

The results of this study have important implications for refining the GVCs paradigm as a way of understanding the transnational systems of production found in the contemporary world-economy. Fundamentally, the results challenge the dominant theoretical assumptions of the disintermediation of GVCs and, more specifically, of immigrant entrepreneurship and the Chinese Diaspora. This study extends the understanding of disintermediation to become more fully inclusive of a broader set of impacts that arise at the nexus of the global and local contexts, which include both economic and non-economic sources, and are influenced by firm and non-firm actors. Primarily, this study reveals many of the limitations to the knowledge of disintermediation found in the GVCs literature.

This first main finding of this study is that disintermediation is significantly influenced by the individual agency of entrepreneurs and other non-firm actors. The second main finding is that the particular sociohistorical and political-economic context of contemporary China and Australia have produced the conditions which have allowed for individuals to actually become immigrant entrepreneurs. These findings have broad implications for the GVCs literature which extend beyond the entrepreneurship of ethnic Chinese.

5.1 Making sense of disintermediation

This study demonstrates that the GVCs literature requires further refinement in order to become more accurate in representing the empirical reality of disintermediation. This is because disintermediation has been understood through the industrial upgrading model of GVCs research as a top-down process. Although industrial upgrading is an extremely useful model for understanding the various strategies that firms are able to take to improve their position within the world economy, further development of this model should include non-

economic impacts as pertinent for supply chain disintermediation. The data of this study lends empirical support to the functional upgrading model of disintermediation as discussed by Gereffi (1999); however, the results extend the approach through addressing the critiques identified by Bair (2005). In particular this study addresses the need to understand the disintermediation of GVCs as processes that are embedded and shaped by larger sociohistorical contexts and individual agency.

In the legacy of Granovetter (1992) and his call to recognise that economic actors and behaviours are inherently social, Bair (2005) argues that the GVCs research should address “how chains are articulated within and through the larger social, cultural and political-economic environments in which they operate. (p. 167-8). However, few empirical studies of GVCs or of the disintermediation of GVCs have actually adopted this. This study does, and the results explicitly explore the existence of GVCs and disintermediation as contextually embedded. This is discussed in more detail later on in the section on the transition to capitalism.

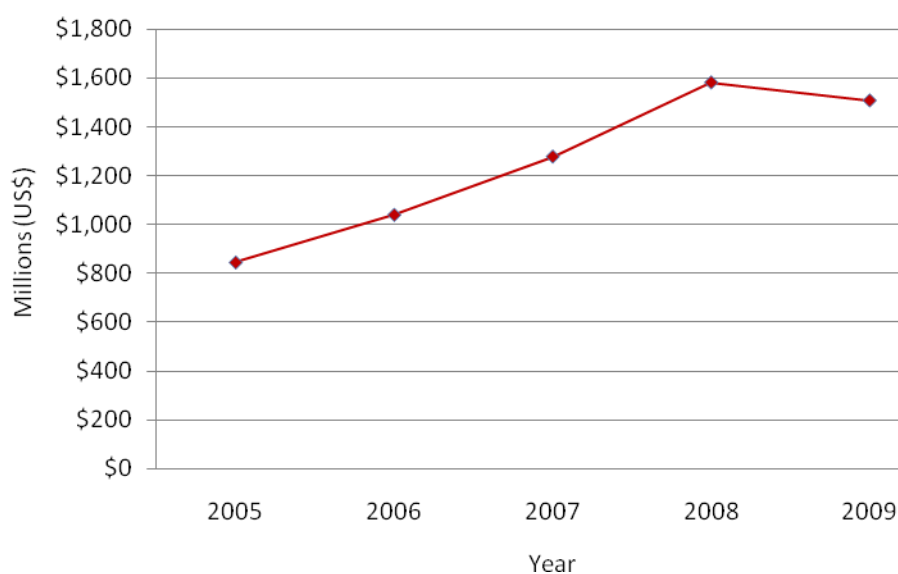
5.1.1 Chain-external and non-firm impacts to supply chain organisation

This study finds that many non-economic factors impact on GVCs, and this requires integration into the mainstream literature. This study confirms that individual agency and personal desires are highly significant for motivating the immigrant entrepreneurship of ethnic Chinese. As the opening quote illustrates, immigrant entrepreneurship through achieving disintermediation was for many of the respondents a means of realising their personal desires. Thus it reveals how individual agency operates within the world-economy, and how agency produces outcomes for transnational production networks. This warrants further enquiry in the GVCs paradigm to deepen the understanding of transnational production as sociogenic, and to explore the full set of social influences to their existence.

Additionally, this study finds that disintermediation arises from numerous, and often contradictory, reasons which span across both economic and non-economic sources. The fact that many respondents arrived in Australia with an investment or business visa but stated that their actual motivations were related to personal preference as opposed to economic incentives illustrates the importance for future GVCs research to consider the full range of possible explanations for explaining supply chain disintermediation, and not just economic.

Furthermore, the proliferation of end-to-end factory retailers of furniture in Sydney should be understood within the patterns of furniture trade between China and Australia. This provides the broad macro-level contextualisation that Bair (2005) has identified as desirable for GVCs research. Using COMTRADE (2010) statistics, **Figure 2** illustrates the value of Chinese furniture imports to Australia for the most recent 5 years. It illustrates the rapid growth of Chinese furniture imports (measured in US\$) and the doubling of the aggregate value of imports from 2005 - 2008.

Figure 2: Value (US\$) of Furniture Imports into Australia from Mainland China (COMTRADE 2010).



Although the available statistics on Chinese furniture imports to Australia present a picture of rapid growth, they mask how this phenomenal growth has actually occurred through the networks of firms and actors of the Chinese Diaspora. There are two possible explanations that can account for the doubling of the value of Chinese furniture imports between 2005 -2008. The first explanation is that in 2008 Australia imported roughly twice the units of Chinese made furniture than in 2005. This explanation understands the increase in value to be related to increasing quantity of Chinese made furniture, but not necessarily increases to the mean per unit cost. The second possible explanation is that it is not quantity per se that is the cause of the growth, but it could be that the mean per unit cost of Chinese furniture imported into Australia is higher in 2008 than in 2005 (coupled with possible increases to quantity). The second explanation fits in well with industrial upgrading and disintermediation as it factors in the hypothesised greater retention of value that Chinese OEMs should benefit from through disintermediation. This study has shown that ethnic Chinese entrepreneurs in the Sydney retail furniture industry are often factory direct retailers (either OEM or non-OEM), and thus, according to the industrial upgrading model (Gereffi, 1999) factory direct retailing should increase the mean per unit FOB (freight on board) cost of Chinese furniture. Although this explanation seems plausible, unfortunately the required statistics on the unit quantities of Chinese furniture imported to Australia does not exist in order to fully explore this line of questioning.

Additionally, part of the way that factory direct supply chains are able to retain greater value for OEMs is through industrial learning. For instance, many of the entrepreneurs interviewed in this study either owned the OEM supplying their Sydney retail store or considered themselves to be friends of the entrepreneur who owned the OEM. This could be conducive to industrial learning, and hence may also be a catalyst for product and process upgrading as identified by Gereffi (1999) in the industrial upgrading literature. For example,

one respondent told me that having operated the store for some years she had developed a good understanding of the Australian furniture market. Hence she said that her firm has become increasingly able to tailor the furniture it manufactures to the specific tastes and requirements of Australian consumers, and is achieving increasing success with its products. This is an example of the product upgrading variant of industrial upgrading which Gereffi (1999) identifies, as producers may have more access to the industrial knowledge required to make more valuable products in disintermediated GVCs. It also demonstrates that consumers do have a role in industrial upgrading as their collective preferences may influence the prospect of product upgrading, and this may be especially pertinent for OEMs in supply chains that have achieved disintermediation, as they have direct access to consumers as a source of industrial learning.

Furthermore, the respondent also said that in the furniture industry “good” aesthetic design sells for a higher price, and having knowledge of local markets enables her OEM supplier to manufacture designs which are suited to local tastes; hence it follows that the per unit cost would rise. The uptake of industrial knowledge and design modifications within GVCs is also observed by Reimer and Leslie (2008) who studied the impact of national design preferences on the furniture supply chain. They associate success in supply chains with the ability of household furniture manufacturers to reflect and channel the design elements that are associated with specific “national imaginings” which increase the value retained by firms (ibid). This suggests that immigrant entrepreneurship may be a key site for Chinese OEMs to gain industrial knowledge, especially in relation to “national imaginings” which allow them to produce more valuable products.

5.1.2 Direction and trajectory of disintermediation

In the context of directionality and trajectories, the literature requires further elaboration to understand the axes of disintermediation as they empirically exist. The GVCs

literature has understood industrial upgrading and disintermediation as a linear and upward directed process which moves firms from lower to higher value retained functions. However, the results of this study suggest that some firms may follow non-linear and non-upward directed paths to disintermediation. In fact, one respondent claimed that the evolution of his business has gone through non-linear and often “downward” directed trajectories in the global furniture value chain. Initially his business started off as a successful furniture retail chain in Hong Kong, then became a non-OEM factory direct retailer, and then after a few years became an OEM retailer by acquiring manufacturing facilities in Guangdong, China. Subsequently, after some years as a Hong Kong based OEM furniture retailer, he became an immigrant entrepreneur in Sydney as he wanted to acquire Australian citizenship, and started an OEM furniture retailer in Greater Sydney. This shows that the emerging research’s focus on understanding systems of transnational production beyond the nodal linear model implied by chain analogies is an important area for future researchers to address, and the results of this study offer the preliminary evidence to support this contention.

5.2 Refining embeddedness, networks and *guanxi*

So far it has been argued that future research should become more sensitive to the wider social and environmental contexts that GVCs exist in and move away from firm- and economic-centric explanations of GVCs organisation. The embeddedness approach is one particular approach of studying transnational production networks that has attempted to account for the larger environments that frame economic actions. This study finds that the embeddedness approach provides interesting insights into how GVCs and firms exist within specific contexts – at the global, transnational, and local levels – and these themes should become more fully developed in the GVCs literature.

In relation to the transnational business networks of the Chinese Diaspora, entrepreneurs may be understood to be concurrently embedded into both the global and local economies as they operate at their nexus to facilitate the functional integration of the furniture supply chains. This section illustrates how the GVCs paradigm can be developed to include the insights gained from the embeddedness approach, and how this would entail the GVCs paradigm being able to more accurately conceptualise the global reach of contemporary transnational production networks through identifying not only the economic institutions and actions that constitute it, but also the wider social environments which enable its existence.

Embeddedness into social networks is consistently mentioned in the literature on ethnic Chinese business in transnational production systems, and in particular these social networks are represented as transnational in that they can be accessed by ethnic Chinese throughout the Diaspora (Wong and Ng, 1998; and Wong and Ng, 2002). However, there has been a tendency to represent ethnic Chinese social networks as nationally based (i.e. they are based on originating from the countries and regions of the Greater China Area), and this is reflected in the work of Thomsen (2007), Wong and Ng, (1998), and Wong and Ng, (2002). The results of this study have provided evidence that suggests regionally and dialect based affinities to be important, as opposed to purely national or ethnic based affinities (which may also be important).

In the population of this study, regional, provincial and dialect based networks are a more accurate way of describing the social networks that ethnic Chinese business people are embedded in and are able to draw on. This is also reflected in DFAT (1995), which suggests that international “dialect links” constitute a basis for social network formation amongst the Chinese Diaspora which enable the lucid networking of ethnic Chinese entrepreneurs both locally and transnationally (p. 32). How these links are able to influence economic actors and

transnational production should be included in GVCs analysis as this study demonstrates their pertinence.

Drawing on this idea, the concept of *guanxi* within transnational ethnic Chinese enterprise requires further refinement to capture the actual way that ethnic Chinese entrepreneurs relate to each other through interpersonal relations. *Lao xiang* were the most common type of business associate (this was true for both business associates who were friends, and those who were strictly business associates), and *lao xiang* were commonly employed by the respondents in their Australian business. Thus, the research on transnational production networks, international trade, and the Chinese Diaspora should, where relevant, demonstrate an awareness of social networks and embeddedness of entrepreneurs, and how this affects transnational production. Furthermore, the research on transnational Chinese business should become more sensitive to the specificities of the networks that Chinese entrepreneurs are included in, as opposed to representing them as broadly encompassing of all “Chinese” (unless this is the case).

5.3 Transition to capitalism

The GVCs research has been argued to be highly decontextualised, and hermetic of the wider sociohistorical and political-economic in the understanding of chains (Bair, 2005; Coe et al., 2008; and Sverrisson, 2004). This is problematic as these contexts are important for understanding chains and their configuration. This study finds that immigrant entrepreneurship was for many respondents a means for them to acquire a visa in order to permanently reside in Australia. The ability of Chinese entrepreneurs to make an investment in return for foreign residency is contingent on the transition of the Chinese market from a communist socialist model to a hybrid capitalist model. This change enabled the respondents to become entrepreneurs in the first instance and to achieve relative success as an OEM

furniture producer in China, and subsequently produced part of the conditions which allowed them to become immigrant entrepreneurs in Australia.

Post 1980s there have been increases to ethnic Chinese participating in investment and business migration schemes. It is widely known that many Hong Kong residents utilised business and investment migration schemes to acquire foreign citizenship prior to Hong Kong's return to Chinese sovereignty. Immigrant entrepreneurship needs to be understood in the context of the transformations of Chinese market and society, and in particular the contemporary reforms which enable and make possible the immigrant entrepreneurship of Chinese to Australia and other nations. In fact, Chinese using investment as a means of acquiring permanent residency in developed nations has recently been observed in other investment migration schemes. A recent article published in the China Daily (Duan, 2010) suggests that some wealthy Chinese are investing in the United States of America as a means of acquiring a "Green Card" permanent residency visa for themselves, or for their children, and this was undertaken mainly for personal reasons such as preference for living in the United States of America. This mirrors the findings of this study which suggest non-economic motivations as integral to understanding the occurrence of immigrant entrepreneurship, transnational Chinese business, and disintermediation. Importantly, when considering these non-economic motivations for immigrant entrepreneurship, we need to keep in mind the changes that have taken place in recent Chinese history are the foundations for the phenomenon being observed, and how those changes in China are influential for the Chinese Diaspora and their business networks warrants further enquiry.

The participation of Chinese entrepreneurs in the Sydney retail furniture industry is possible only through the changes and transitions of the Chinese economy from a centrally planned highly regulated economy to the current hybrid Chinese economy (Tong, 2006). Furthermore, this study finds that the respondents are almost exclusively from provinces of

China that have high concentrations of SEZs, such as Guangdong and Fujian. In fact many respondents were from, or had their OEM supplier based in, cities such as Xiamen and Shenzhen which are both SEZs. This is an interesting observation which requires further study as it suggests that within China regionally based inequalities and differences in regional economic planning may give rise to differential outcomes for Chinese participating in transnational production networks.

5.4 Creating the value in global value chains

A major flaw of the GVCs literature is how value is created, retained, and distributed is dominated by economic explanations that undervalue the significance of non-firm actors and the non-economic elements of transnational production. This is a flaw that is recognised by Bair (2005) who argues that closer attention needs to be directed towards “the larger institutional and structural environments in which commodity chains are embedded ...in order to more fully inform our understanding of the social and developmental dynamics of contemporary capitalism.” (p.154).

The extant research base locates the creation of value within GVCs as the product of firm based competencies (e.g. manufacturing, brand development, marketing, etc.) and the interaction of economic actors (e.g. wholesaling and retailing). This, however, does not adequately account for how the full set of value is created through the wider social context from a broader range of interactions. Thus it is not clear how disintermediation and the immigrant entrepreneurship of Chinese business people are able to create value within GVCs.

This study finds that the interpersonal relations between the respondents and the various other stakeholders that supply their operations can create value within GVCs. For instance, sourcing products from friends meant favourable conditions that bypass intermediaries who would otherwise retain part of the value. The favourable conditions

include delayed payment terms and product customisation. Interpersonal relations may be generative and retentive of value as, in the case of delayed payment terms, they replace and supersede many of the functions of traditional intermediaries such as banks and financiers as friends were seen to provide credit and stock in advance to without interest or set repayment terms. Thus friendship and kinship relations supersede many intermediaries and the value that would be retained to those intermediaries may be retained by firms through the interpersonal relationships that replace these redundant intermediaries.

6. Conclusion

This thesis demonstrates the need for the GVCs research to adopt a more contextually sensitive approach to understanding the systems of transnational production that have come to characterise the contemporary global capitalism. Potential improvements to the literature have been illustrated in light of the findings of this thesis. Although GVCs research is about understanding global level inequalities in the transnational division of production, it has done little to recognise or account for how these organisational models of production produce economic and individual outcomes that arise from particular sociohistorical and political-economic conditions.

Furthermore, as GVCs is a firm- and economic-centric paradigm, there has been a predisposition in the literature to recognise only the significance of firms and economic impacts as informing and constituting the structure of GVCs, and this has, for the large part, cordoned researchers off from elucidating the significance of a fuller set of influences to GVCs.

Additionally, how value is created within a GVC cannot be entirely determined or explained through economic inputs and actors, as the organisation of contemporary GVCs are influenced by non-economic sources and non-firm based transnational networks (such as friendship and kinship). This study finds interpersonal relations between entrepreneurs, as opposed to formal business relations between firms, are a highly common way for immigrant entrepreneurs to relate to other participants in GVCs. Importantly, this study has pointed to the need for researchers to recognise these relationships within transnational production networks as pertinent to chain organisation and disintermediation. Therefore, how value is created, distributed, and retained, and the affect of disintermediation, should emerge as a key

research concern of the GVCs research which spans economic and non-economic motivations of both firm and non-firm actors, as this is an underdeveloped area of the research.

This is important as this type of research would further our understanding of economic development as driven by the agency of individuals as opposed to understanding it as solely driven by firms and purely economic forces. Developing the research in this direction could provide a deeper understanding of the significance of non-firm actors within the changing dynamics of the global capitalism.

Furthermore, the research should acknowledge the other types of non-firm actors that are involved in transnational production – not just entrepreneurs and business people – as the workers that provide the labour for production are also implicated in transnational production, and their experiences have been overlooked.

Although workers do not feature in GVCs research, it is already well known that manufacturing and manual labour is increasingly being sent off shore to the developing world where the costs of paying workers and maintaining production facilities are categorically lower. Hence the inequalities in the distribution of value between chain participants in the developing and developed worlds are not only to be understood in terms of firms, but non-firm actors such as factory workers and farmers who are also participants in transnational production networks, and are economically and socially implicated in GVCs. There should be more work to understand the conditions that are experienced by the workers who contribute to GVCs if we are to truly understand the value distribution of transnational production in the broader sense.

GVCs researchers should not ignore the role of workers' experiences in transnational production, as labour conditions and worker remuneration within GVCs often implicate the global poor, who are often the weakest and most disenfranchised in the world. It is widely known that in some jurisdictions factory workers are subject to conditions that would be

considered intolerable were they to exist in the developed world, but the labour of developing world workers contributes to many of the products available in developed world markets as it is more economical for the transnational production networks to locate the labour inputs in these lax jurisdictions. Hence, researchers of GVCs should not omit the qualitative experience of transnational production as encountered by the individuals who labour within them.

Also, this means that consumers should be studied as actors that participate in GVCs beyond mere transactional cost economics. Although the GVCs paradigm does not account for how consumers are able to influence the organisation of transnational production, many consumers in western markets are becoming increasingly conscious of labour issues for developing world workers, and this is reflected in products such as “Fair Trade” foods and anti-sweatshop apparel. How these “ethical consumer” movements influence the organisation and possible disintermediation of transnational production warrants further enquiry. This seems plausible as end-to-end disintermediation would entail greater accountability for the conditions within the production process, and the future research could explore intermediation and accountability for labour conditions within GVCs.

Moving forward from here, the GVCs research should encompass the social dynamics that arise from the larger environmental contexts that embed the operations existence of transnational production and develop a greater awareness of the experiences of non-firm actors in transnational production. This will make the literature more empirically reflective of the nature of transnational production as experienced by both the firm and non-firm actors. It will also allow researchers to provide better answers to the existing questions, and allow researchers to ask new ones concerning how GVCs operate and evolve as the product of individual agency.

To conclude, this study has demonstrated the inadequacies of GVCs research in understanding the empirical existence of transnational production networks and disintermediation as is driven by Chinese immigrant entrepreneurs. Fundamentally, the extant knowledge does not account for non-firm actors and non-economic motivations within GVCs. Essentially, as this study has demonstrated, there needs to be a greater role for human agency to inform the GVCs research to accurately understand GVCs as sociological phenomena as opposed to purely economic phenomena.

Reference List

- Arrighi, C., and Drangel, J. (1986). The Stratification of the World-Economy. *Review*, 10(1), 9-74.
- Australian Government. (1990). *Expectations and Experiences: A Survey of Business Migrants*, Canberra, ACT: Australian Government Publishing Service.
- Avdasheva, S. (2007). The Russian Furniture Industry: Firms' Upgrading According to the Value-Chain Theory. *Competition and Change*, 11(4), 307-328.
- Bair, J. (2005). Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition and Change*, 9(2), 153-180.
- Bair, J. (2008). Analysing Global Economic Organization: Embedded Networks and Global Chains Compared. *Economy and Society*, 37(3), 339-364.
- Bair, J. (2009). Global Commodity Chains: Genealogy and Review, in J. Bair (Ed.), *Frontiers of Commodity Chain Research* (pp. 1-34). Stanford, CA: Stanford University Press.
- Bian, Y. (1994). Guanxi and the Allocation of Urban Jobs in China, *the China Journal*, 140, 971-999.
- Bian, Y., and Ang, S. (1997). Guanxi Networks and Job Mobility in China and Singapore, *Social Forces*, 75(3), 981-1005.
- Chircu, A. M., and Kauffman, R. J. (1999). Strategies for Internet Middlemen in the Intermediation / Disintermediation / Reintermediation Cycle. *Electronic Markets*, 9(2), 109-117.
- Coe, N.M., Dicken, P., and Hess, M. (2008). Introduction: Global Production Networks – Debates and Challenges. *Journal of Economic Geography*, 8, 267-269.
- Coe, N.M., and Hess, M. (2005). The Internationalization of Retailing: Implications for Supply Network Restructuring in East Asia and Eastern Europe. *Journal of Economic Geography*, 5, 449-473.
- Coe, N.M., Hess, M., Yeung, H.W-C., Dicken, P., and Henderson, J. (2004) Globalizing Regional Development: a Global Production Networks Perspective. *Transactions of the Institute of British Geographers*, 29, 468–484.
- COMTRADE. (2010). Database, Retrieved 5 July, 2010, from <http://comtrade.un.org/db/>
- Collins, J. (2003). Australia: Capitalists Down Under, in R. Kloosterman and J. Rath (Eds.), *Immigrant Entrepreneurs: Venturing Abroad in the Age of Globalisation* (pp.61-78). Oxford, UK: Berg Publishers.

- Daviron, B., and Ponte, S. (2005). *The Coffee Paradox: Global Markets, Commodity Trade and the Elusive Promise of Development*. London, UK: Zed Books.
- DFAT. (1995). *Overseas Chinese Business Networks in Asia*, Canberra, ACT: AGPS Press.
- Duan, Y. (2010). The American Dream of the Chinese Rich, *The China Daily*, retrieved September, 25, 2010, from http://www.chinadaily.com.cn/china/2010-08/06/content_11106939.htm.
- Gereffi, G. (1994). The Organisation of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks, in G. Gereffi and M. Korzeniewicz (Eds.), *Commodity Chains and Global Capitalism* (pp. 95-122), Westport, CT: Greenwood Press.
- Gereffi, G. (1999). International Trade and Industrial Upgrading in the Apparel Commodity Chain. *Journal of International Economics*, 48, 37-70.
- Gereffi, G., Humphrey, J., Kaplinsky, R., and Sturgeon, T. (2001). Introduction: Globalization, value chains, and development, *IDS Bulletin*, 32(3), 1-8.
- Gereffi, G., Korzeniewicz, M., and Korzeniewicz, R. P. (1994). Introduction: Global Commodity Chains, in G. Gereffi and M. Korzeniewicz (Eds.), *Commodity Chains and Global Capitalism* (pp. 1-14), Westport, CT: Greenwood Press.
- Gereffi, G., and Tam, T. (1998). *Industrial Upgrading Through Organisational Chains: Dynamics of Rent, Learning, and Mobility in the Global Economy*, paper presented at the 93rd Annual Meeting of the American Sociological Association, San Francisco, CA, August 21 – 25.
- Granovetter, M. (1992). Economic Institutions as Social Constructions: A Framework for Analysis, *Acta Sociologica*, 35(1), 3-11.
- Hamilton, G. G. (1996). The Theoretical Significance of Asian Business Networks, in G. G. Hamilton (Ed.), *Asian Business Networks* (pp. 283-296), Berlin, DE: Walter de Gruyter & Co.
- Henderson, J., Dicken, P., Hess, M., Coe, N. M., and Yeung, H. W-C. (2002) Global Production Networks and the Analysis of Economic Development. *Review of International Political Economy*, 9, 436–464.
- Hess, M. (2008). Governance, Value Chains and Networks: an Afterword, *Economy and Society*, 37(3), 452-459.
- Hopkins, T., and Wallerstein, I. (1977). Patterns of Development of the Modern World System. *Review*, 1(2), 11-145.
- Hsing, Y.T. (1998). *Making Capitalism in China: the Taiwan Connection*, Oxford, UK: Oxford University Press.

- Hsu, C. (2005). Capitalism Without Contracts Versus Capitalists Without Capitalism: Comparing the Influence of Chinese Guanxi and Russian Blat on Marketization. *Communist and Post-Communist Studies*, 38, 309-327.
- Humphrey, J., and Schmitz, H. (2004). Governance in Global Value Chains, in H. Schmitz (Ed.), *Local Enterprises in the Global Economy: Issues of Governance and Upgrading* (pp. 95-139), Cheltenham, UK: Edward Elgar Publishing.
- Kloosterman, R., and Rath, J. (2003). The Netherlands: A Dutch Treat, in R. Kloosterman and J. Rath (Eds.), *Immigrant Entrepreneurs: Venturing Abroad in the Age of Globalisation* (pp. 123-146), Oxford, UK: Berg Publishers.
- Knutsen, H. M. (2003). Black Entrepreneurs, Local Embeddedness and Regional Economic Development in Northern Namibia, *Journal of Modern African Studies*, 41(4), 555-586.
- Krippner, G., and Alvarez, A. (2007). Embeddedness and the Intellectual Projects of Economic Sociology. *Annual Review of Sociology*, 33, 219-240.
- La Botz, D. (2001). *Made in Indonesia : Indonesian Workers since Suharto*, Cambridge, Massachusetts: South End Press.
- Leslie, D. and Reimer, S. (1999). Spatializing Commodity Chains. *Progress in Human Geography*, 23(3), 401-420.
- Liu, X.A., Zhou, Z.Y., Teng, H.Y., and Guo, Q.F. (2002). Household Animal Raising Behaviour in China's Developed Regions: The Case of Zhejiang Province, *Agribusiness Review*, 10, no page numbers.
- Palpaucer, F., Gibbon, P., and Thomsen, L. (2005). New Challenges for Developing Country Suppliers in Global Clothing Chains: A Comparative European Perspective. *World Development*, 33(3), 409-430.
- The People's Government of Lecong Town. (2010). *Survey of Lecong*, retrieved September, 4, 2010, from <http://www.lecong.gov.cn/data/main.php?id=295-4130053>.
- Ponte, S., and Ewert, J. (2009). Which Way is "Up" in Upgrading? Trajectories of Change in the Value Chain for South African Wine. *World Development*, 37(10), 1637-1650.
- Reimer, S. and Leslie, D. (2008). Design, National Imaginaries, and the Home Furnishings Commodity Chain. *Growth and Change*, 39(1), 144-171.
- Ritchie, B., & Brindley, C. (2000). Disintermediation, Disintegration and Risk in the SME in the Global Supply Chain. *Management Decision*, 38(8), 575-583.
- Schmitz, H. (2004). Globalized Localities: Introduction, in H. Schmitz (Ed.), *Local Enterprises in the Global Economy: Issues of Governance and Upgrading* (pp. 1-17), Cheltenham, UK: Edward Elgar Publishing.

- Shunde Furniture Association (2010). *About Us*, retrieved August, 10, 2010, from <http://www.shundefurniture.com/Aboutus.aspx>.
- Sverrisson, A. (2004). Local and Global Commodity Chains, in A. Sverrisson and C. Pietrobelli (Eds.), *Linking Local and Global Economies: The Ties that Bind*, New York: Routledge.
- Thomsen, L. (2007). Accessing Global Value Chains? The Role of Business-State Relations in the Private Clothing Industry in Vietnam. *Journal of Economic Geography*, 7, 753-776.
- Tong, Z. (2006). The Development of China and World Trade. *Journal of World Trade*, 40(1), 129-136.
- de Vaus, D. (2001). *Research Design in Social Research*. London: Sage.
- Wong, L.L., and Ng, M. (1998). Chinese Immigrant Entrepreneurs in Vancouver: A Case Study of Ethnic Business Development. *Canadian Ethnic Studies*, 30, 64-85.
- Wong, L.L., and Ng, M. (2002). The Emergence of Small Transnational Enterprise in Vancouver: The Case of Chinese Entrepreneur Immigrants. *International Journal of Urban and Regional Research*, 26(3), 508-530.

Appendix A. Interview Protocol

INTERVIEW PROTOCOL (SEMI STRUCTURED)

Theme A – Demographics

Question prompts

Q: Can you tell me about yourself?

(TOPICS)

- Age
- Place of birth
- Residence in China
- Languages
- Current citizenship
- Year of migration to Australia
- What type of visa upon initial arrival – business, investment, family, other?
- Family members in Australia?

Q: Can you tell me what best described your initial intention to move to Australia?

(TOPICS)

- Business
- Family
- Study
- Lifestyle
- Other (explain)

Theme B – Involvement in industry

Question prompts

Q: Can you tell me about your business? How did it start?

(TOPICS)

- Can you tell me about the history of your business – how did it start, what did your business do, how it expanded, how it became transnational, and how you started a store in Australia?
- Were you involved in furniture in China?
 - SOE?
 - How many years were you involved for?

Q: Can you tell me about your business in Australia?

(TOPICS)

- How many years have you been in business here?
- How did your business start off? (what did you do then)
- Factory direct?
- Does your company own the factory?

If Yes: Q Where is the factory?
- Why did you open a furniture retail store in Sydney?
- Did you have a retail store from the beginning (or did you start as an importer, wholesaler, etc.)?
- If non-OEM: how do you source your products (directly or through agents, etc.)?
- Customers – retail or wholesale?
- Staff? Are they Chinese? Your friends, friends' of friends, etc.?

Theme C – Social networks (suppliers)

Question prompts

Q: Can you tell me about your suppliers?

(TOPICS)

- How many suppliers?
- Are they manufacturers or traders?
- Where are they based in China, and where is the entrepreneur from?
- How did you locate your suppliers?
- Chinese suppliers - are they friends or relatives?
- How important is good *guanxi* with your suppliers?
- Do you personally know all of your suppliers?
 1. Is this important for your business?
- Is it easier to negotiate with Chinese suppliers?
- What are the advantages for Chinese suppliers over local suppliers?

Theme D – Social networks (customers)

Question prompts

Q: Can you tell me about your customers?

(TOPICS)

- Are they all retail customers?
 1. What about wholesale customers?
- Are they mainly Chinese?
- Is it important to have good *guanxi* with customers?
- How do they find out about your business?

Appendix B. Participant Information Sheet



Department of Sociology and Social Policy
School of Social and Political Sciences
Faculty of Arts

ABN 15 211 513 464

Salvatore Babones Ph.D.
Senior Lecturer in Sociology and Social Policy

RC Mills Building A-26
The University of Sydney
NSW 2006 AUSTRALIA
Telephone: + 61 2 9351-2650
Facsimile: + 61 2 9036 9380
Email: salvatore.babones@sydney.edu.au
Web: <http://www.sydney.edu.au/>

Immigrant entrepreneurs at the global-local nexus.

PARTICIPANT INFORMATION STATEMENT

(1) What is this study about?

This study is being conducted to investigate how immigrant entrepreneurs in Sydney have integrated into both the local and global economies. This study will consider how immigrant entrepreneurs draw on ethnic, social and cultural relations in their interactions with foreign suppliers. You have been approached to see if you are interested in being part of our research project.

(2) Who is carrying out the study?

The study is being conducted by Frederick Lee, and will form the basis for the degree of Bachelor of Arts with Honours at The University of Sydney under the supervision of Dr. Salvatore Babones, Senior Lecturer in Sociology and Social Policy.

(3) What does the study involve?

Frederick Lee will interview you about your experience of being an immigrant entrepreneur in Australia, and about your business operations. Interviews will be recorded (audio) to ensure accuracy.

(4) How much time will the study take?

Interviews are expected to last for approximately 30mins – 60mins.

(5) Can I withdraw from the study?

Being in this study is completely voluntary - you are not under any obligation to consent and - if you do consent - you can withdraw at any time without affecting your relationship with The University of Sydney and the researchers. You may stop the interview at any time if you do not wish to continue, the audio recording and/or field notes will be erased and the information provided will not be included in the study.

(6) Will anyone else know the results?

All aspects of the study, including results, will be strictly confidential and only the researchers will have access to information on participants. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report.

(7) Will the study benefit me?

There are no benefits to participating in the study.

(8) Can I tell other people about the study?

You may tell other people about the study.

(9) What if I require further information?

When you have read this information, Frederick Lee will discuss it with you further and answer any questions you may have. If you would like to know more at any stage, please feel free to contact:

Frederick Lee – Phone: 04 3490 3162, Email: flee6958@uni.sydney.edu.au

Salvatore Babones Ph.D. – Phone: 02 9036 7663, Email: salvatore.babones@sydney.edu.au

(10) What if I have a complaint or concerns?

Any person with concerns or complaints about the conduct of a research study can contact the Deputy Manager, Human Ethics Administration, University of Sydney on +61 2 8627 8176 (Telephone); +61 2 8627 8177 (Facsimile) or ro.humanethics@sydney.edu.au (Email).

This information sheet is for you to keep

Appendix C. Participant Consent Form



Department of Sociology and Social Policy
School of Social and Political Sciences
Faculty of Arts

ABN 15 211 513 464

Salvatore Babones Ph.D.
Senior Lecturer in Sociology and Social Policy

RC Mills Building A-26
The University of Sydney
NSW 2006 AUSTRALIA
Telephone: + 61 2 9351-2650
Facsimile: + 61 2 9036 9380
Email: salvatore.babones@sydney.edu.au
Web: <http://www.sydney.edu.au/>

PARTICIPANT CONSENT FORM

I,[PRINT NAME], give consent to my participation in the research project

TITLE: Immigrant entrepreneurs at the global-local nexus.

In giving my consent I acknowledge that:

1. The procedures required for the project and the time involved have been explained to me, and any questions I have about the project have been answered to my satisfaction.
2. I have read the Participant Information Statement and have been given the opportunity to discuss the information and my involvement in the project with the researcher/s.
3. I understand that I can withdraw from the study at any time, without affecting my relationship with the researcher(s) or the University of Sydney now or in the future.
4. I understand that my involvement is strictly confidential and no information about me will be used in any way that reveals my identity.
5. I understand that being in this study is completely voluntary – I am not under any obligation to consent.
6. I understand that I can stop the interview at any time if I do not wish to continue, the audio recording will be erased and the information provided will not be included in the study.

7. I consent to: –

- i) Audio-taping YES NO
ii) Receiving Feedback YES NO

If you answered YES to the "Receiving Feedback Question (iii)", please provide your details i.e. mailing address, email address.

Feedback Option

Address: _____

Email: _____

Signed:

Name:

Date: