The Bargaining Power, Value Capture, and Export Performance Of Vietnamese Manufacturers In Global Value Chains.

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Abstract

This study examines the payoff of various initiatives taken by Vietnamese manufacturers to increase their bargaining power relative to global buyers and capture a larger share of the value generated in global value chains. The study focuses on functional upgrade initiatives (i.e., product development, after-sales services, distribution, and promotion) and negotiation process initiatives (i.e., market intelligence and improvement of negotiation skills). A structural equation modelling method is used to analyse the data collected in 2017 from 354 Vietnamese manufacturers inserted in global value chains. The study finds that all initiatives, except after-sales services, significantly strengthen the manufacturers' bargaining power, which, in turn, enhances their export performance.

Keywords: global value chains, emerging economy firms, functional upgrading, negotiation skills, bargaining power, value capture, export performance.

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1. Introduction

To derive economic rents, a firm must not only create value for its customers, but also be able to capture an equitable share of that value relative to its suppliers, distributors, and end users (Teece, 1998; Ghemawat, 1991). Based on the concepts discussed in the seminal work (Brandenburger and Stuart, 1996; Bowman and Ambrosini, 2000; Woodruff, 1997), this paper defines customer value as the price end users are willing to pay at the point of sale, value creation as the activities that increase the amount of customer value, and value capture as the activities that seize a certain amount of the value created[1].

Most researchers agree that manufacturers from developing and emerging economies inserted in global value chains (GVCs) capture a relatively small portion of the value created across the chain (e.g., Mudambi, 2008; Garcia-Castro & Aguilera, 2015). Other business entities in the global value chain, such as suppliers of inputs (e.g., machines, software, components), transportation firms, or retailers, may claim disproportionately high shares of the value creation.

The extant literature identifies several intertwined causes of the weak bargaining position of emerging-economy manufacturers: fierce price competition in commoditised markets with relatively low barriers to entry (Porter, 1980; Maskell & Malmberg, 1999; Kadarusman & Nadvi, 2013), monopolistic buyers (Fitter & Kaplinsky, 2000; Gereffi et al., 2001; The Economist, 2019), and a value chain characterised by little transparency with regard to the real market value of the various inputs (Lamming et al., 2001; Parikh, Patel, & Schwartzman, 2007; Bolwig et al., 2013). Given these challenges, conceptual studies have pointed to various ways in which manufacturers may escape their weak and unattractive position in the GVC. *First*, manufacturers may avoid commoditised and price-sensitive

markets by "moving up the value chain" (Giuliani, Pietrobelli, & Rabellotti, 2005). They can do so by improving or adding new features to existing products (product upgrading), or by adding auxiliary services to a physical product such as a promotion or after-sales services (functional upgrading) (Gereffi, 1999). *Second,* manufacturers can try to establish independent distribution channels (functional upgrading) that go around monopolistic, global buyers (Gibbon & Ponte, 2008), although such a "dual strategy" entails the risk that these buyers will retaliate (Arruñada & Vázquez, 2006; Humphrey & Schmitz, 2004; UNCTAD, 2013). *Third,* manufacturers may increase the level of transparency regarding the real market value of their products by conducting their own market-intelligence activities (Raynolds, 2008). *Fourth,* manufacturers may improve their negotiation skills to obtain more favourable contract' terms and conditions (Barnhizer, 2005; Fisher & Ury, 1981). We label the first two initiatives "functional upgrade initiatives" and the latter two "negotiating process initiatives" for simplicity.

In this study, we focus on understanding how these initiatives of GVC-inserted manufacturers enhance value capture. The antecedent of value capture is "bargaining power," which is defined as the ability of one party to influence the terms and conditions of a contract in its own favour (Argyres & Liebeskind, 1999; Brandenburger & Stuart, 1996; Crook & Combs, 2007; Emerson, 1962; Yay and Gray, 1994). Accordingly, we zoom in the potential positive effects of these initiatives on value capture, mediated by increased bargaining power. Our study is motivated by the dearth of empirical studies addressing this issue.

To fill this gap in the GVC literature, we examine the following research question: *Do the negotiating process initiatives and/or upgrade initiatives of GVC-inserted manufacturers strengthen their bargaining power and, in turn, enhance their export performance*? We aim to answer this question by examining the effects of the negotiating process initiatives (i.e. market intelligence and negotiation skills) as well as functional upgrade initiatives (i.e., after-sales

services, distribution, and promotion) on the bargaining power and export performance of a sample of Vietnamese manufacturers inserted in GVCs. We find that all initiatives, except after-sales services, enhance the manufacturers' export performance, mediated by a strengthening of their bargaining power relative to global buyers.

Our study contributes to the GVC literature in several ways. It offers the first large-scale empirical study to investigate the bargaining power of GVC-inserted emerging-economy firms.[2] Although a significant number of qualitative studies examine how firms from developing and emerging economies move up the value chain, large-N survey studies are in short supply, and none of them analyses both the sources and the effects of bargaining power relative to global buyers. *Second,* our study complements numerous studies on functional upgrading owing to its focus on the bargaining power implications of these upgrade initiatives for the GVC supplier-buyer relationship. This bargaining-power focus differs from the more common and more general approach in which researchers examine whether suppliers' functional-upgrade activities are correlated with better performance. We propose that a bargaining-power focus is relevant because there might be situations in which suppliers engage in high-value-added activities, but monopolistic global buyers appropriate the value created by those suppliers. We examine whether this holds true or whether the functional upgrading of suppliers—in this case, GVC-inserted Vietnamese manufacturers—actually enable them to capture more value, say in terms of price. *Third,* we identify two sources of bargaining power among emerging economy firms: negotiating process initiatives and functional upgrade initiatives. Whereas functional upgrade initiatives are well known from the literature, the negotiating process initiatives of market intelligence and negotiation skills represent new features in the GVC literature. Our claim of gaps in the extant literature is supported by the recent and comprehensive reviews of the GVC literature by De Marchi et al. (2020) and Giuliani et al. (2018).

Given this background, the paper proceeds as follows. In section 2, we review the extant literature and consult previous studies dealing with GVCs, GVC power structures, the distribution of gains throughout GVCs, and the redistribution of those gains through either manufacturers' upgrading or the strengthening of their bargaining positions. In the following section 3, we develop a conceptual model and a set of hypotheses to be tested on the sample of GVC-inserted Vietnamese manufacturers. In section 4, we present our data and method. The results are reported in section 5. In section 6, we discuss the findings and the limitations of our study. Section 7 includes our concluding remarks, highlights managerial implications, and suggests avenues for future research.

2. Literature review

Our study draws on two literature streams: research on GVCs from a development economics perspective and marketing literature that deals with export performance.

2.1. The GVC literature

The basic idea of the GVC is relatively simple—a GVC encompasses all activities carried out in different parts of the world (hence the term *global*) required to make a good or provide a service (Humphrey, 2003; Schmitz, 2006). Many products go through a sequence of value-adding activities in different countries during their journey from upstream (procurement, inbound logistics, production, and outbound logistics) to downstream (marketing, sales, customer servicing) with the aim of creating a "margin" for all firms involved in those value-adding activities.

The firm-oriented stream of the GVC literature focuses on two key issues.[3] The first is GVC governance. Porter's original value-chain concept describes the individual firm as a collection of discrete value-creating and support activities in a domestic (Porter, 1985) and global context (Porter, 1986). However, with the emergence of outsourcing in the 1990s (see,

e.g., Quinn & Hilmer, 1994; Antràs & Helpman, 2008), development economists redefined value chains as international chains of production and distribution (Gereffi, 1994), or as global production networks (Henderson et al., 2002). The aim in this regard was to capture the growing phenomenon of production and distribution chains involving nominally independent firms orchestrated by one "parent" or "lead" firm in control of technologies, distribution channels, and brands (Gereffi, Humphrey & Sturgeon, 2005; Nadvi, 2008; Gereffi & Lee, 2016). The standard example of such a parent firm is the sport shoe retailer, Nike. These analyses are often carried out at the industry level. The second key issue is the circumstances under which GVC governance and the distribution of gains generated by the GVC may change as a result of GVC-inserted manufacturers moving into more lucrative value-adding activities, such as marketing and auxiliary services (Mudambi, 2008).

Across the two focal issues—GVC governance and upgrading processes—relations between lead firms and supplier firms in buyer-driven GVCs are portrayed in two very different ways. Researchers looking at GVCs through the lenses of transaction-cost economics (Williamson, 1975, 1985) and internalisation theory (Buckley & Casson, 1976; Narula & Verbeke, 2015) tend to see lead firms as efficiency-seeking coordinators (or "orchestrators") of GVCs. These researchers discount lead firms' use of coercive power as a determinant of GVC governance and instead view them as facilitators of economic development. Hence, in this perspective, lead firms are seen as architects of cost efficiency and value creation (Ivarsson & Alvstam, 2011).[4]

In contrast, the political-economy tradition portrays lead firms as self-interested economic actors that exploit their powerful position in opportunistic ways to achieve gains at the expense of firms that are kept captive in the GVC (Hobday 1995; Gereffi 1999; Kaplinsky & Morris, 2001). In this perspective, lead firms are oppressive. They do not assist and enable supplier firms to move into high value-adding activities. This stream of political-economy

literature revolves around how the value added and the ultimate margin are distributed among the firms involved in the GVC. Hence, the focus is on value-capture aspects rather than economic efficiency and value creation.

Recent GVC studies, including Dallas, Ponte, and Sturgeon (2019), Kano (2018), and Strange and Humphrey (2019), align the two opposing perspectives and provide a more nuanced and multifaceted view of the relationship between suppliers and lead firms. Our study adopts this view by seeing global buyers in dual roles as facilitators and as obstacles to the efforts of suppliers inserted in GVCs to upgrade their activities.

2.1.1. Moving up the value chain (functional upgrading)

The GVC literature is somewhat inconclusive about whether GVC-inserted manufacturers benefit from exercising a high degree of control over international downstream activities and engaging in equitable relationships with their global buyers. The general agreement among GVC scholars in the political-economy tradition is that the parent or lead firm enforces an uneven distribution of gains among GVC suppliers (Hobday 1995; Gereffi 1999). The lead firm—often a global buyer—gets the "lion's share" as a payoff for its proprietary designs, technologies, brands, or pre-emptive market access. Hence, the discussion revolves around how local supplier firms can break out of their GVC insertion by acquiring these proprietary assets, thereby creating their own "pockets of economic rents" (Kaplinsky, 1998) along the value chain.

However, this may be a risky business. Kadarusman and Nadvi (2013) argue that local producers' opportunities to acquire new capabilities and upgrade their activities are conditioned by the nature of their ties with their lead firms. Global buyers may stop buying from a supplier that demands a higher price and instead buy from other suppliers. The goal, therefore, is to engage in "functional upgrading" in order to move up the value chain (Gereffi, 1999; Schmitz & Knorriga, 2000; Kaplinsky & Morris, 2001; Humphrey, 2004; Giuliani, Pietrobelli, &

Rabellotti, 2005; Mudambi, 2008; Sturgeon & Linden, 2011; Sako & Zylberberg, 2017; Giulani et al. 2018; Golini et al., 2018). Functional upgrading occurs when local suppliers upgrade their status from manufacturing suppliers or OEM subcontractors (i.e., the global buyer supplies them with design and product specifications for the manufacturing process) to own-design manufacturers and, later, to own-brand manufacturers (Humphrey & Schmitz, 2004). The GVC literature offers extensive discussions of the extent to which such functional upgrading takes place, in which industries, and under what circumstances (Kessing & Lall, 1992; Hobday, 1995; Piore & Ruiz Durán, 1998; Ernst, 2001; Taglioni & Winkler, 2014 Gereffi & Lee, 2016; Fernandez-Stark & Gereffi, 2019). Notably, in these studies, functional upgrading is considered desirable for local GVC firms. In other words, to be locked-in as a manufacturing supplier in low-end production is undesirable from a political-economy and development-economics perspective.

In the remainder of our review of GVC literature, we discuss studies that compare the performance of manufacturing suppliers (many of which presumably export to a few global buyers) and independent exporters. There are many industry-specific studies of emerging-economy firms that have managed to move up the value chain to become own-design and, more rarely, own-brand manufacturers. For instance, Hobday (1995) studied the electronics industry in East Asia; Lee and Chen (2000) and Kishimoto (2004) examined the Taiwanese computer industry; Tewari (1999) analysed the Indian knitwear industry (more specifically, the Ludhiana cluster); and Hsing (1999) and Bazan and Navas-Aleman (2004) focused on the Chinese and Brazilian (the Sinos Valley cluster) shoe industries, respectively. Nevertheless, with the exception of Bazan and Navas-Aleman (2004), these GVC researchers do not directly compare the performance of GVC-inserted exporters and independent exporters. Bazan and Navas-Aleman (2004) found that the profitability of Brazilian shoe manufacturers who began to sell their own designs and establish their own marketing channels was similar to the

profitability of those that remained OEM sub-contractors to large US and European buyers. In a study of Chinese firms, Jean (2014) finds that participation in trade shows facilitates functional upgrading. In another study in the Chinese context, Van Assche and Van Biesebroeck (2018) find evidence of improvements in export performance among Chinese firms that handle the sophisticated tasks of market research, financing, storage, and quality control for imported raw materials and components. Choksy et al. (2017) review the literature on functional upgrading among developing country firms and find several empirical studies indicating that developing country suppliers can improve their profit margins without necessarily engaging in functional upgrading in GVCs.

In brief, GVC empirical research is somewhat inconclusive on whether functional upgrading is the only mechanism that can enhance GVC-inserted manufacturers' profitability. In the following sections, we will show that other initiatives are also useful for the manufacturers' export performance apart from functional upgrading.

2.1.2. Improving bargaining power relative to global buyers

As discussed above, functional upgrading appears to be a possible but uncertain way for GVC-inserted manufacturers from emerging economies to retrieve a larger share of the value generated in the value chain. As an alternative to changing or expanding their position in the global value chain, emerging-economy firms can improve their bargaining power relative to suppliers and buyers in that chain (Burch & Lawrence, 2013; Dallas et al., 2019). This bargaining power perspective prompts us to switch the analytical level from the industry and its competitive structure to the relationship between manufacturing suppliers and their buyers or distributors in GVCs.

The literature on the political economy of distribution channels (see, e.g., Stern & Reve, 1980; Gaski, 1984; Butaney & Wortzel, 1988) suggests that global buyers can capture disproportionately more value than their manufacturing suppliers due to their proprietary

access to end users. The market or channel power of global buyers is based on a combination of strong brands, pre-empted distribution channels, and private information about end-users. The lead firm, often a global buyer, gets the "lion's share" as a payoff for its proprietary designs, technologies, brands, or pre-emptive market access (Kessing & Lall, 1992; Piore & Ruiz Durán, 1998; Hobday, 1995; Gereffi, 1999; Ernst, 2001; Pietrobelli & Saliola, 2008).

Drawing from resource dependence theory (Drees & Heugens, 2013; Casciaro & Piskorski, 2005; Hillman et al., 2009; Pfeffer & Salancik, 1988; Xia et al., 2014), one might view the global buyer's proprietary access to end-users as a critical resource that empowers it and harnesses its bargaining position relative to manufacturing suppliers in the GVC. However, emerging economy firms may disrupt the global buyer's proprietary access to market knowledge and end-users by developing their own market intelligence (Parikh, Patel, & Schwartzman, 2007; Raynolds, 2008) and establishing their own distribution channels (Humphrey & Schmitz, 2004). Other research (Peleckis, 2016) argues that improvements in negotiation skills are likely to be useful for emerging economy firms wishing to improve their bargaining position in transactions with global buyers.

2.2. The export performance literature from a GVC perspective

The export performance literature aims to explain the determinants of export success and failure. Such explanations are naturally two-sided. First, the researcher must choose his or her focus from a large number of potential direct and indirect determinants of firms' export performance. Second, the researcher must choose the aspects of export performance that she or he wants to capture. In the following, we discuss the two sides of export performance in relation to our particular focus—the effects of the value-creation and value-capture initiatives undertaken by GVC-inserted manufacturers on export performance.

A wide range of export-performance determinants have been identified in the literature and subjected to empirical testing (see, e.g., Leonidou et al., 2002, for overviews and meta-

analyses for firms in general; and Singh, 2009; Sibanda et al., 2011; Brouthers et al., 2013; and Chen et al., 2016, for emerging-economy firms in particular). In this study, apart from the variables of interested, we include two variables (size and international experience) that are common controls in export performance research due to their potential influence on export performance.

3. Development of hypotheses and research model

In this study, we envisage two mechanisms through which manufacturers inserted in buyer-driven GVCs (Gereffi, 1994) can increase the added value accruing to them through bargaining power. First, a manufacturer can improve its bargaining position without changing its portfolio of product and services. In this scenario, the global buyer initially possesses a critical resource (Hillman, Withers, & Collins, 2009; Drees & Heugens, 2013) in the form of knowledge about end-users and their preferences. The manufacturer manages to break this knowledge monopoly by conducting its own market-intelligence activities. Furthermore, the manufacturer leverages these acquired market insights by improving its negotiation skills. The combination of intimate knowledge about end-users and improved negotiation skills strengthens the manufacturer's bargaining position relative to the global buyer and enables the manufacturer to capture more value in the GVC. Second, the manufacturer can develop valuable capabilities that are difficult to imitate (Barney, 1991; 2012) and which, to some extent, are critical for the global buyer. As such, the manufacturer strengthens its bargaining power relative to the global buyer and, consequently, is able to capture a larger share of the added value in the GVC. Note that the manufacturer can undertake one, several, or all of the initiatives. In the following, we develop hypotheses in relation to each of these mechanisms.

3.1. The effects of bargaining power

Bargaining power, which we define as the ability of one party to influence the terms and conditions of a contract in its own favour (e.g., Argyres & Liebeskind, 1999), enables stronger firms to gain favourable exchange terms at the expense of other firms and, consequently, capture more value (Brandenburger & Stuart , 1996; Crook & Combs, 200; Emerson, 1962;). In the GVC literature, discussions of bargaining power have focused on relations between lead firms from advanced economies and suppliers in developing countries (Dallas et al., 2019). Whereas buyer-supplier bargaining is important in such areas as product specifications, product portfolios, and logistics, it is essential in price-setting situations, as pricing determines the profit that can be extracted from transactions between lead firms and developing-country suppliers. Therefore, a manufacturer's bargaining power relative to that of a lead firm in the form of a global buyer affects the export performance of the former. All else equal, a manufacturer with strong bargaining power can obtain higher prices for its output, which, in turn, lead to higher export revenue and better export profitability. Therefore, we hypothesise that:

H_1: *The greater the bargaining power of GVC-inserted manufacturers relative to global buyers, the better the export performance of those manufacturers.*

3.2. Capturing more value by acquiring market knowledge and negotiation skills

3.2.1. Negotiation skills and bargaining power

Negotiation is a primary means of getting what one wants from others (Fisher & Ury, 1981). In a review of the negotiation literature, Barnhizer (2005) categorises a broad array of potential sources of bargaining power into two groups that are based on the characteristics of the parties, and the characteristics of the situation or transaction. According to Barnhizer (2005), relevant characteristics of the parties often include status-based characteristics, such as size or the ability to marshal organisational power. Situational characteristics are sources of bargaining

power arising from relatively mutable factors specific to the focal bargaining interaction, such as the degree of necessity experienced by the parties, perceptions of the other party's power, and the bargaining skills and expertise that a party brings to the negotiation table. Situational characteristics also include a party's access to information as well as the quality and nature of alternatives to a negotiated outcome available to each of the parties.

Among various factors suggested in the negotiation literature, the skills of a negotiator have been widely recognised as a key determinant of bargaining power (Peleckis, 2016). Fossum (1982) argues that apart from the power inherent in the economic positions of the parties, the attributes and skills of the negotiator (individual characteristics) are a crucial factor influencing bargaining power. Zúñiga-Arias et al. (2007) provide evidence that negotiation skills are a significant determinant of bargaining power in the Costa Rican mango supply chain. Bailer (2010) finds that negotiation skills matter for success in EU negotiations. A skilful negotiator may be able to move the terms and conditions of a contract in the organisation's favour. Good negotiation skills enable an individual to drive his or her counterpart closer to a certain target. Hence, the negotiation skills of a firm's sales team influence the firm's bargaining power. In addition, a sales team with excellent interpersonal skills (one aspect of negotiation skills) can develop breadth in potential contacts for sales. This helps to bring about alternatives and reduces the firm's dependence on its current negotiating partner, thereby improving its bargaining power. Hence:

H_{2a}: *GVC-inserted manufacturers' development of negotiation skills increases their bargaining power relative to global buyers.*

3.2.2. Market intelligence and bargaining power

Another variable related to bargaining success is the information a negotiator possesses (Bailer, 2010). Substantial knowledge acquisition by one partner over time can erode the value of the knowledge possessed by the other partner, thereby redefining the bargaining relationship

between the partners (Inkpen & Beamish, 1997; Theodosiou & Katsikea, 2013; Diamantopoulos et al., 2014). GVC-inserted manufacturers with good knowledge of export markets can reduce global buyers' abilities to dictate export-market prices (Butaney & Wortzel, 1988; Miller et al., 2016) and they can insist on genuine price negotiations. Inspired by Gereffi et al.'s (2005) complexity-codifiability-capability framework, Schmitt and Van Biesebroeck (2017) show that the development of capabilities among GVC-inserted suppliers in the automotive industry may change their relationships with lead manufacturers. In our context, these capabilities relate to insights into supply and demand conditions in export markets (Koopman et al., 2012). By gathering their own export-market intelligence through market-research activities, such as market forecasts, competitor analyses, and order searches, manufacturers may develop a better idea of the true market value of their manufacturing services. This can diminish the information asymmetries regarding global market conditions that usually exist between global buyers and their manufacturing suppliers, thereby strengthening the bargaining position of the latter. Therefore, we hypothesise the following:

H_{2b}: *GVC-inserted manufacturers' market-intelligence initiatives increase their bargaining power relative to global buyers.*

3.3 Capturing more value by developing resources that are critical for the global buyer

Resource dependence theory (Pfeffer & Salancick, 1978) suggests that the possession or control of critical resources constitutes power in inter-organisational relations (Yay and Gray, 1994). Accordingly, we assume that functional upgrading may imply the development of inputs in the form of specialised goods and services that are critical for the global buyer and difficult to obtain from other suppliers. In other words, the GVC-inserted manufacturer changes from being a supplier of commodity goods and standard services that the global buyer can easily obtain elsewhere into a provider of specialised products of higher value to the buyer. If the

global buyer has monopsony market power and is the sole purchaser of a specialised product, its bargaining power is unlikely to be affected (Porter, 1980). However, to the extent that the manufacturer can find other buyers for its specialised products, the power balance tilts to its advantage. In this situation, the global buyer is subject to some resource dependency in relation to the manufacturer and will find it difficult to dictate the terms of trade. Instead, the terms (e.g., price, delivery, and payment terms) become subject to bilateral negotiations between the two parties. The extent of the manufacturer's countervailing power is posited to mitigate the power exercised by the buyer (Emerson, 1962; Handley & Benton, 2012; Miller et al., 2016; Pfeffer & Salancik, 1978). All in all, this means more opportunities for the manufacturer to capture a larger share of the value generated in the GVC, which we translate into better export performance.

It is difficult to predict the types of functional upgrades that may give rise to critical resources from the global buyer's perspective. In other words, the particular upstream and downstream activities required by the global buyer depend on the buyer's lack of certain resources and capabilities. In principle, each of the four functional upgrade initiatives (i.e., product development, promotion, distribution, and after-sales services) may qualify. Therefore, we formulate hypotheses for each of them:

H_{3a}: *GVC-inserted manufacturers' product development initiatives increase their bargaining power relative to global buyers.*

H_{3b}: *GVC-inserted manufacturers' export promotion initiatives increase their bargaining power relative to global buyers.*

H_{3c}: *GVC-inserted manufacturers' distribution initiatives increase their bargaining power relative to global buyers.*

H_{3d}: *GVC-inserted manufacturers' after-sales service initiatives increase their bargaining power relative to global buyers.*

All of our hypotheses are presented in Figure 1. On the upper-left side, we highlight the two initiatives aimed at upgrading manufacturers in relation to their price negotiations with global buyers. On the lower-left side of the figure, we indicate the four types of functional upgrading of manufacturers that may result in non-substitutable goods and services that global buyers find critical for their business.

[Insert Figure 1 about here]

4. Research method and data

4.1. Research design

The population was defined as GVC-inserted manufacturers in emerging economies (i.e., manufacturers exporting at least some portion their output via global buyers). The emerging economy of Vietnam was chosen as the empirical setting for the study. One reason for choosing Vietnam was that the country emerged as a global production base after it joined the WTO in 2007. The low-cost base enables Vietnamese firms to compete on price and, consequently, to export goods to the world market. In recent years, some Vietnamese firms have started building distribution channels in international markets. For example, rather than selling through powerful intermediaries (see, e.g., The Economist, 2019), the coffee producer, Trung Nguyen, successfully established retail coffee chains in the US and Japan as well as direct online sales to consumers in the UK (Trung Nguyen Ltd, 2018).

Primary data was needed for this research, as we found no existing data that could be used as proxies for the concepts used in our study. We developed measures for variables based on our preliminary discussions with export managers and the concepts suggested in the extant literature. We then conducted a cross-sectional survey employing a structured questionnaire to obtain primary data. We evaluated our measurement models with our research sample using

confirmatory factor analysis. After validating measurement models for our variables, we examined our hypotheses using structural equation modelling (SEM). We conducted several tests for non-response bias and common method bias, and we undertook a robustness check. We used the SPSS/AMOS 21.0 software package for our data processing and analysis. More details of and justifications for our research methods are found below.

4.2. Data collection and research sample profile

The survey instrument was initially developed in English and translated into Vietnamese. To ensure linguistic equivalence, the questionnaire was later back-translated into English. The chosen population was exporting firms listed in the export business directory provided by the General Department of Custom of Vietnam (GDC). Vietnamese firms with direct sales to a buyer in a foreign country are required to register with the GDC. As of March 2017, the list consisted of 79,800 firms. We excluded foreign-owned firms and firms with main business in trading, mining, fishery, and agriculture products. We then randomly selected the first 1,500 firms with email addresses. These firms received an email asking whether they would be willing to participate in our study. Each firm was contacted before being sent the questionnaire. This step was primarily undertaken to identify each firm's suitability for participation in the study and to identify a willing and capable key respondent to whom the questionnaire could be sent. The data were collected in 2017 using a structured questionnaire, which was emailed to the companies' respondents who had agreed to participate. This process resulted in 354 usable replies, yielding a response rate of 23.6%. Table 1, which provides basic information about the sample firms and respondents, indicates that they are knowledgeable about their companies' export businesses.

[Insert Table 1 about here]

On average, the firms in our sample had 864 employees and had been exporting for 8.8 years. The largest firm had more than 8,000 employees, while the smallest had 12. The longest period for which a firm had been exporting was 35 years, and the shortest was 3 years.

4.3 Measures

4.3.1 Dependent variable: Export performance

The dependent variable, *export performance (EP)*, was measured using six items adapted from Zou and Stan (1998), Katsikeas et al. (2000), Lages et al. (2009), and Murray et al. (2011). As the unit of analysis, we use the export performance of the company as a whole. Early studies tended to measure export performance in foreign markets as a whole (e.g., Koh & Robicheaux, 1988; Axinn & Thach, 1990). In these studies, managers were asked to assess the "average" or "aggregated" performance for all serviced export markets. More recently, scholars have argued that export performance can only be measured in a meaningful way by taking a specific export market or venture as the unit of analysis (Lages, Lages, & Raquel, 2005; Diamantopoulos & Kakkos, 2007). In our research context, this may make sense in relation to the export performance of independent exporters but not for the export performance of manufacturers inserted in GVCs. While the obvious unit of analysis for independent exporters is the individual export market or venture, it is the global buyer (customer, client) for the GVC-inserted manufacturer. Therefore, we adopt the conventional unit of analysis in our study—the export performance of the company as a whole. All of the items described above were measured using an 11-point scale (0 = "not at all" to 10 = "very high"), as suggested by Wright and Masters (1982).

4.3.2 Mediating variable: Bargaining power

Based on the notion that bargaining power is the ability of one party to influence the terms and conditions of a contract in its own favour through negotiation (Emerson, 1962; Argyres and

Liebeskind, 1999; Coff, 1999), we developed *bargaining power (BP)* as a construct that indicates the extent to which an export manufacturer can influence the terms of contracts with its foreign buyers. We captured BP using five items that reflect the ability of a firm's sale team to influence five key contract terms: sales price, product specifications, quantity, delivery, and payment method. We examined bargaining power in the relation between the firm and its major import customer because bargaining power may differ according to the size and reputation of the foreign buyer (e.g., Walmart from the US versus a small retailer from Thailand).

4.3.3 Independent variables

Given the notion that commercial negotiation is a process for resolving differences of opinion that arise in contract dealings between a buyer and seller (Farrington and Waters, 1994; Fowler, 1998; Ashcroft, 2004; Fells, 2016), we developed *negotiation skills (NS)* as a construct reflecting a firm's ability to resolve differences in contract dealings with its trading partners. Adapting the view of Fisher and Ury (1981), McCall and Warrington (1989), and Fowler (1998) that negotiation skills include persuasion and communication skills, we captured NS using six items reflecting the persuasion, communication, and problem-solving skills of a firm's sales team. *Export market intelligence (MI)* was captured using five items adapted from Morgan et al. (2012) and Zou et al. (2003). *Export product development (Pro)* was operationalised using four items developed by Zou et al. (2003) and Murray et al. (2011). Export *promotion (MC)* was measured using four items adapted from Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012). *Distribution (Dis)* was measured using four items found in Zou et al. (2003), and Morgan et al. (2012). *After-sales service capability (AS)* was measured as a first-order construct using four items adapted from Zou et al. (2003) and Morgan et al. (2012).

4.3.4 Control variables

Two control variables were used to control for the potential effects of other factors on bargaining power between a manufacturing exporter and a foreign buyer. We controlled for the *relative size* and *relative reputation* between an export manufacturer and its major foreign customer. This is because the smaller the size and the lower the reputation of an emerging-economy exporter relative to its foreign buyer, the lower its bargaining power relative to that buyer. These two control variables were measured using an 11-point scale (0 = "much smaller/lower" to 10 = "much bigger/higher"). Two other control variables were used to control for the potential effects of other factors on export performance. First, *firm size (lg.size)* was measured using the number of employees normalised by a logarithm. Second, *exporting experience (lg.ex)* was measured as the number of years the firm had been involved in exports normalised by a logarithm. This is because variables relating to organisational factors, such as firm size and export experience, are likely to affect a firm's export performance and should be included in the controls when conducting empirical research on other predictive variables. A complete list of the measurement items can be found in the Appendix.

4.4 Measurement model

We employed confirmatory factor analysis (CFA) using a maximum likelihood (ML) estimation via AMOS 21 to evaluate the validity of the eight constructs. As suggested by Hair et al. (2005), we refined the measurement model by removing the indicators with factor loadings lower than 0.5 and then re-ran the CFA. Table 2 provides a summary of the results of the final measurement model. The fit indices for the measurement model show a reasonably good fit (χ^2 =3036.398; df = 324; $p < 0.01$; CFI = 0.941, TLI = 0.942, RMSEA = 0.058). According to Hair et al. (2005: p.753), our model, which has 354 observations (> 250) and 28 reflective variables (hence, in the range between 12 and 30), obtains a significant p-value and CFI/TLI of more than 0.92 as well as an RMSEA lower than 0.07. As such, it meets the

recommended thresholds for adequate fit. The items loaded significantly on their own construct ($p < .001$) with a range from 0.604 to 0.777. All of the constructs' composite reliability (ranging from .618 to .797) exceeded the usual benchmark of 0.60 (Hair et al., 2005). Convergent validity was considered satisfactory, as the values of the average variance extracted (AVE) of all constructs exceeded the 0.5 threshold recommended by Hair et al. (2005). Moreover, all reflective variables fulfil Fornell and Larcker's (1981) criterion because the square root of each AVE is greater than the correlations between construct pairs. For example, the square roots of the AVEs for the two constructs negotiation skills and market intelligence are 0.730 and 0.722, respectively (see Table 2), which are greater than the correlation of 0.654 between them (see Table 4). The internal consistency of the multi-item scales was also satisfactory, as the Cronbach's alpha coefficients exceeded the 0.6 cut-off recommended by Hair et al. (2005). Discriminant validity was evident, as the correlations among the constructs were less than the square root of their AVEs (Fornell & Larcker, 1981).

[Insert Table 2 here]

4.5 Common method bias

To check for common method biases that may lead to measurement error and, hence, threaten the validity of conclusions about the relationships among measures, we followed the procedure described by Podsakoff et al. (2003). The severity of common method bias was assessed using two tests. First, we conducted a Harman's one-factor test by including all items in a principal components factor analysis (Podsakoff et al., 2003). We used SPSS 21.0 to run the factor analysis using principal axis factoring on all measurement items. Evidence of common method bias exists when a single factor emerges from the analysis, or when one general factor accounts for the majority of the covariance in the interdependent and dependent variables. In the principal components factor analysis, eight components emerged rather than a single factor.

Second, we used AMOS 21 to conduct a test for the effects of a single unmeasured latent method factor (Podsakoff et al., 2003). In this test, an additional construct, called common method bias (CMB), was added to the model. Items are allowed to load on their theoretical constructs (eight existing constructs) and on CMB. All of the statistical coefficients for the indicators of CMB were insignificant. The fit indices for the model with CMB suggest an unacceptable fit ($\chi2 = 3756.4$; df = 326; $p < 0.01$; CFI = 0.769, TLI = 0.764, RMSEA = 0.98). Meanwhile, as reported above, the fit indices for the measurement model show a reasonably good fit ($\chi^2 = 3036.398$; df = 324; $p < 0.01$; CFI = 0.941, TLI = 0.942, RMSEA = 0.058). Moreover, the chi-square difference between the model with CMB and the model without CMB was statistically significant ($\Delta\chi2 = 714$; $\Delta df = 2$; $p < 0.01$). The results indicate that our hypothesised measurement model fit the data significantly better than the CMB model, meaning that common variance is not detected in our research as indicated in Podsakoff at al., (2003) and Bryant and Satorra (2012). All in all, these two tests suggest that common method bias is not an issue in this study. Descriptive statistics and the correlation matrix for the variables are presented in Tables 3 and 4, respectively.

[Insert Tables 3 and 4 about here]

5. Results

The results of path analysis using SEM are reported in Table 5. The overall fit indices suggest a good fit for the measurement model ($\chi2 = 3792.975$; DF = 427, $p < .001$; CFI = 0.934, TLI = 0.945, RMSEA = 0.058). The indices have acceptable thresholds, as suggested by Hair et al. (2005, p. 753) for a model having more than 250 observations and between 12 and 30 reflective variables, as was the case in our model.

[Insert Table 5 about here]

As can be seen from Table 5, our findings support all hypotheses except H3d (*after-sales services increase bargaining power)*. In particular, the results show that bargaining power has a statistically significant and positive effect on export performance (β = 1.149, p < 0.01).

Among the determinants of bargaining power, involvement in export promotion (β = 0.415, p < 0.001), export distribution (β = 0.373; p < 0.001), and export product development (β = 0.295, p < 0.001) are the three biggest contributors. Negotiation skills (β = 0.236, p < 0.001) and market intelligence (β = 0.085, p= 0.003) contribute to bargaining power but at a lower magnitude than functional upgrading in product development, distribution, and promotion. In contrast to our hypothesis H3d, the empirical results indicate that the association between functional upgrading in after-export sales service and bargaining power is insignificant (β = 0.048, p = 0.120).

Subsequently, we examined the mediating effect of bargaining power. Following the procedure suggested by Zhao, Lynch, and Chen (2010), which was based on Baron and Kenny (1986)[5] and Preacher and Hayes (2008),[6] we use bootstrapping[7] (with 5,000 resamples and 95% confidence intervals) of the direct and indirect effects in AMOS 21. The bootstrapping procedure provided associated p-values for each path.

We conducted a path analysis of the alternative model in which negotiation skills, marketing intelligence, export product development, export promotion, distribution, and after-sales services are assumed to have direct paths to export performance apart from their indirect effects on export performance via bargaining power. The alternative model also has acceptable fit indices (χ2 = 3734.577; DF = 421, p < .001; CFI = 0.913, TLI = 0.924, RMSEA = 0.07) but they are not as good as the baseline model. Table 6 reports the results of direct, indirect, and total effects. We then calculate the strength of the mediating effect by computing the variance accounted for (VAF) as the ratio between the indirect and total effects. Principally, the VAF complements the assessment of mediation through the bootstrapping procedure in which VAFs

greater than 80% indicate full mediation; VAFs between 20% and 80% show partial mediation; and VAFs less than 20% demonstrate no mediation, as per Hair et al. (2014, p. 225) and Nitzl, Roldan, and Cepeda (2016, p. 1858). The VAF computation results are displayed in Table 6.

[Insert Table 6 about here]

As a robustness check, we conducted SEM using a sub-sample of 200 firms randomly picked from the whole sample. The path analysis results of the robustness check, which are reported in Table 7, are consistent with the results of the baseline model reported in Table 5. The fit indices for the robustness check model suggest an acceptable fit ($\chi2 = 3788.795$; DF = 425, $p < .001$; CFI = 0.943, TLI = 0.954, RMSEA = 0.058). The chi-squared difference between the baseline model and the robustness check model is statistically insignificant ($\Delta\chi2= 4.819$; $\Delta df = 2$; $p > 0.05$); indicating that the differences between the two models are insignificant and that both models are equally good. Taken together, this suggests that our findings are robust.

[Insert Table 7 about here]

6. Discussion

Our empirical study of Vietnamese manufacturing exporters suggests that the share of the value generated in the value chain acquired by GVC-inserted manufacturers can be increased by improving value-capture initiatives (i.e., conducting market-intelligence activities and enhancing negotiation skills) and by performing more added-value activities (i.e., product development, promotion, distribution). These initiatives lead to improved export performance via increased bargaining power. Three of the four auxiliary services to manufacturing (functional upgrading in terms of product development, promotion, and distribution) have an indirect, positive effect on export performance through the reinforcement of the manufacturers'

bargaining power relative to global buyers. The exception is after-sales services, which has an insignificant effect on bargaining power. International buyers and distributors are closer to end-users and have superior market knowledge regarding the extent to which a service is needed. International buyers and distributors may be in a better position to offer after-sales services to end-users. Consequently, they may prefer to do it themselves rather than rely on the services provided by Vietnamese exporters. This may explain why engagement in after-sales services is not helpful for Vietnamese exporters wishing to improve their bargaining power relative to their international buyers.

We view these results with caution, as they ignore the cost side (Narula, 2004; Xia et al. 2014). Product upgrades, engagement in auxiliary marketing services, the acquisition of market intelligence, and the development of negotiation skills all require investments. These investments tend to be sunk costs (Baumol et al., 1982). We have made the implicit assumption that these investments pay off in terms of better export performance. In other words, the net present value (NPV) of investments in upgrades is positive. In turn, the positive NPV of such investments rests on the assumption that managers of GVC-inserted manufacturing firms are well-informed and capable investors and/or a belief in a strong market-selection mechanism through which incapable investors are driven out of the market. The fierce price competition characterising the studied industries supports this belief. On the other hand, echoing the conclusion in Bazan and Navas-Aleman's study (2004) of Brazilian shoe exporters, the investments required in marketing, design, and branding are high and erode the payoff.

Our disregard of the cost factor in the equation is a consequence of measuring performance in terms of revenue instead of in terms of the overall financial performance of the sample firms. Hence, a follow-up study should check the robustness of our study by reusing our independent variables—initiatives focused on negotiation skills, market intelligence, and

functional upgrades—but making overall firm profitability the dependent variable instead of export performance.

We also ignore potential transaction costs (Williamson, 1975) and hold-up problems (Williamson, 1985) that may strain the relationship between suppliers and lead firms. Our study does not resolve the question of whether the suppliers' upgrading investments reduce or increase their dependence on global buyers. To some extent, the investments are specific to the relationship with the global buyer and, as such, the suppliers might not escape their captive position in the GVC (Vásquez-Casielles et al., 2017). Therefore, we cannot assume that functional upgrading automatically replaces suppliers' captive GVC insertion with an arm's length type of relationship.

Another limitation relates to our measurement method, which relies on respondents' self-ratings of their activities. We suggest that additional measurement methods be explored, such as surveys of key customers of an exporting firm about the firm's bargaining power and negotiation skills, or quasi-experiments (Bagozzi & Yi, 2012). Furthermore, our study is based on a cross-sectional dataset that limits us with respect to causal inference (Bagozzi et al. 2012). We recommend that future research undertake a longitudinal study of the sample (e.g., over five years), as such a study could more adequately capture the dynamic nature of the variables and the underlying relationships.

We also suggest that researchers look at the different influences of controllable versus uncontrollable factors. On a basic level, we can categorise potential export performance determinants into "controllable" and "uncontrollable" factors. This categorisation reflects whether the individual determinant is subject to managerial discretion in the foreseeable future. In our research, we focus on controllable factors that are decisive for the success of GVC-inserted manufacturers rather than more independent producers. We do not pay attention to several of the export-performance determinants found in the literature. For example, we would

not expect "management attitudes and perceptions" to significantly affect the export performance of the focal firms (for a review of the effects of these determinants, see Katsikeas, & Nigel, 1998; Chen et al., 2016). However, future research could study such behavioural factors to see whether controllable and uncontrollable factors have different effects.

7. Conclusions and recommendations for managers and policymakers

In an attempt to improve our understanding of the impact on value-creation and value-capture initiatives, this study has examined export product development, export promotion, export distribution, after-sales services, negotiation skills, and market intelligence as predictors of bargaining power. Drawing from a sample of 354 GVC-inserted manufacturers from Vietnam, we find that some value-creation initiatives (i.e., export product development, export promotion, export distribution) and two value-capture initiatives (i.e., negotiation skills and market intelligence) strengthen the bargaining power of these firms and, in turn, enhance their export performance.

Our study contributes to the literature by addressing the shortage of empirical studies examining the performance effects of both value-creation and value-capture initiatives launched by GVC-inserted manufacturers in emerging economies. Our operationalisation of bargaining power and, in particular, its antecedents (i.e., market intelligence and negotiation skills) is a novel feature in the literature on the distributive aspects of GVCs.

In addition to complementing previous research, our study gives rise to some cautious recommendations for managers of GVC-inserted firms from emerging economies and policymakers in these countries. The need for caution arises from the limitations of our study discussed in the previous section, especially the fact that we do not capture how the costs associated with the various upgrading initiatives affect the overall performance of GVC-inserted manufacturers. Nevertheless, functional upgrading as well as improved negotiation

and intelligence skills seem to have positive outcomes and should, therefore, be encouraged by governments in emerging economies. The empirical evidence provided in our study may assist managers and owners of GVC-inserted manufacturing firms in determining which value-creation and value-capture initiatives are economically recommendable. We advise that market-intelligence activities and the development of negotiation skills should be added to the palette of value-creation initiatives of emerging-economy firms.

In conclusion, the main message of our study is that GVC-inserted manufacturing firms seem to benefit from taking on further marketing responsibilities, increasing transparency through their own market intelligence, and enhancing their negotiation skills.

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APPENDIX: Measurement items

Firm size (number of employees); firm's international experience (number of years the firm had been involved in exports); number of export markets; number of frequent foreign buyers (uses a scale from 0 = much smaller to 10 = much bigger to compare the size of the manufacturing firm to that of its major buyer); firm reputation (uses a scale from 0 = much lower to 10 = much higher to compare the reputation of the manufacturing firm to that of its major buyer).

Bargaining power (BP)
Uses a scale from 0 = not at all to 10 = very high to rate the influence of the firm's export sales team on trading terms when dealing with the major foreign buyer in the period 2014 to 2016.

BP1	Power to decide a contract price	Developed from Argyres and Liebeskind (1999)
BP2	Power to decide product specifications	
BP3	Power to choose a payment method	
BP4	Power to decide on delivery terms	
BP5[a]	Power to decide on quantity terms	

Negotiation skills (NS)
Uses a scale from 0 = not at all to 10 = very high to rate the negotiation skills of the firm's export sales team when negotiating with the major foreign buyer in the period 2014 to 2016.

NS1	Effective negotiation plan.	Developed from McCall and Warrington (1989), Fisher and Ury (1981), Fowler (1998), and Ashcroft (2004)
NS2	Effective verbal communication.	
NS3	The ability to persuade trading partners to agree with our suggestion.	
NS4	The ability to seek a variety of solutions to problems.	
NS5[a]	The ability to maintain a good working relationship with others involved in the negotiation.	
NS6[a]	The ability to act decisively during a negotiation.	

Market intelligence (MI)
Uses a scale from 0 = not at all to 10 = very high to rate the export sales team's knowledge of export markets in the period 2014 to 2016.

MI1	We are aware of changes in the regulations of export markets.	Adapted from Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012)
MI2	We are aware of changes in export customers' preferences.	
MI3	We are aware of the prices and cost structures of products similar to ours in export markets.	
MI4	We are aware of changes in distribution channels.	
MI5	We are aware of changes in demand and tastes in export markets.	

Product development (Prod)
Uses a scale from 0 = not at all to 10 = very high to rate the firm's export product-

development activities in the period 2014 to 2016.

Prod1	We have modified products to fit the tastes of customers in export markets.	Adapted from Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012)
Prod2	We have developed new products for export markets.	
Prod3	We have developed new services for export markets.	
Prod4	We have product-development systems for export markets.	

Promotion (Promo)
Uses a scale from 0 = not at all to 10 = very high to rate the firm's promotion activities in export markets in the period from 2014 to 2016.

Promo1	We have paid to advertise our products in export markets.	Adapted from Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012)
Promo2	We have participated in trade fairs in export markets.	
Promo3	We have developed a specific marketing-communication program for a specific export market.	
Promo4	We have conducted promotion programs for export markets.	

Distribution (Dis)
Uses a scale from 0 = not at all to 10 = very high to rate the firm's distribution activities in export markets in the period from 2014 to 2016.

Dis1	We have sold directly to end users in export markets.	Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012)
Dis2	We have shortened the export distribution channel.	
Dis3	We have worked closely with distributors in export markets.	
Dis4	We have worked closely with retailers in export markets.	

After-sales service (AS)
Uses a scale from 0 = not at all to 10 = very high to rate the firm's after-sales services in export markets in the period from 2014 to 2016.

AS1	Providing spare parts in export markets	Zou et al. (2003), Murray et al. (2011), and Morgan et al. (2012)
AS2	Providing guarantee service in export markets	
AS3	Providing customer support in export markets	
AS4[a]	Accepting unwanted product returns from export markets	

Export performances (EP)
Uses a scale from 0 = not at all) to 10 = very high to rate the firm's export performance in 2016.

EP1	Growth in export profit	Adapted from Murray et al. (2011), Katsikeas et al. (2000), Zou et al. (1998), and Lages et al. (2009)
EP2	Growth in export revenue	
EP3	Growth in export sales volume	
EP4	Growth in the number of new export markets	
EP5	Growth in the number of new export customers	
EP6	Growth in sales volume to existing customers	

FIGURE

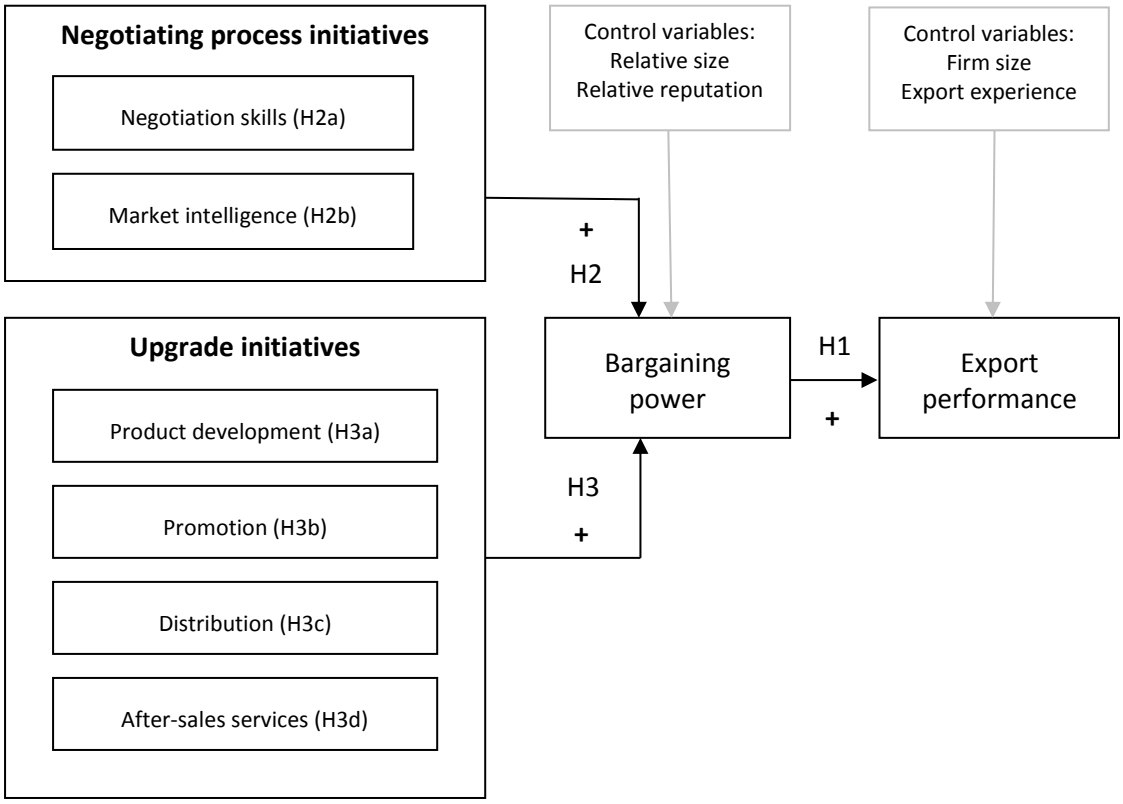

Figure 1: Research model

TABLES

Table 1: Basic information about sample firms and respondents

	Category	Percentage (100 %)
Respondent's position	Director	24.4
	Vice-Director	12.0
	Export Manager	36.8
	Deputy Exp Manager	20.2
	Missing	6.6
Respondent's experience	≤ 5 years	26.9
	< 5 ≤ 10 years	34.7
	< 10 ≤ 15 years	22.3
	< 15 ≤ 20 years	9.9
	> 20 years	4.1
	Missing	2.1
Firm's export experience	≤ 5 years	22
	< 5 ≤ 10 years	45
	> 10 years	33
	Missing	2.5
Firm's total capital (billion VND)	≤ 10 billion	52.1
	< 10 ≤ 50 billion	28.1
	> 50 billion	19
	Missing	.8
Firm's number of employees	≤ 50	24
	< 50 ≤ 300	38
	> 300	38
	Missing	5
Sector	Textile garments	40
	Furniture	16
	Footwear	14
	Processed Food	13
	Beverages	9
	Electronics	2.1
	Bicycles	3
Number of export markets	1	7
	< 1 ≤ 5	57
	>5	36
Number of foreign customers	1	0
	< 1 ≤ 5	68
	>5	32

Table 2: CFA results for all constructs

		Factor loading	Composite reliability	Average variance extracted (AVE)	Square root of AVE
Product development (Prod)	Prod1	.601	.618	.506	0.711
	Prod2	.826			
	Prod3	.690			
Distribution (Dis)	Dis1	.697	.779	.502	0.708
	Dis2	.710			
	Dis3	.681			
	Dis4	.747			
After-sales service (AS)	AS1	.662	.751	.560	0.748
	AS2	.836			
	AS3	.736			
Market intelligence (MI)	MI1	.638	.695	.529	0.727
	MI2	.656			
	MI3	.681			
Export performance (EP)	EP1	.667	.683	.512	0.716
	EP2	.759			
	EP4	.719			
Negotiation skills (NS)	NS1	.709	.797	.533	0.730
	NS2	.724			
	NS3	.777			
	NS4	.708			
Promotion (Promo)	Promo1	.752	.647	.518	0.720
	Promo2	.692			
	Promo4	.714			
Bargaining power (BP)	BP1	.685	.779	.511	0.715
	BP2	.773			
	BP3	.631			
	BP4	.666			

(χ^2 = 3036.398; DF = 324, p < .001; CFI = 0.941, TLI = 0.942, RMSEA = 0.058)

Table 3: Descriptive statistics

	Min	Max	Mean	S.D.
Relative reputation	.00	7.00	2.6526	1.92279
Relative size	.00	9.00	2.8829	2.27296
Market	1.00	6.00	3.2000	1.01489
Staff number	12.00	8000.00	2102.8400	2806.16831
Export years	1.00	30.00	8.6667	6.04092
Negotiation skills	4.11	10.00	7.4017	1.38534
Market intelligence	3.00	8.60	6.4050	1.44895
Bargaining power	2.50	9.25	6.8063	1.60776
Product development	.00	9.50	5.9875	2.25174
Promotion	1.00	9.67	5.7333	2.10169
Distribution	1.00	9.50	5.9375	1.96911
After-sales services	.25	9.50	6.2313	2.13366
Export performance	.78	9.89	6.1000	2.10725

Table 4: Correlation matrix

		1	2	3	4	5	6	7	8	9	10	11	12	13
1	NS	1												
2	MI	.654**	1											
3	BP	.666**	.706**	1										
4	Prod	.387*	.674**	.639**	1									
5	MC	.536**	.610**	.627**	.673**	1								
6	DS	.557**	.679**	.584**	.655**	.706**	1							
7	AS	.673**	.703**	.702**	.502**	.604**	.626**	1						
8	EP	.685**	.682**	.631**	.571**	.657**	.694**	.701**	1					
9	lgsize	0.088	0.186	0.051	0.194	-0.004	0.149	0.064	0.014	1				
10	lgIex	0.148	0.308	0.101	0.224	0.152	0.094	0.007	0.204	0.24	1			
11	relreputation	0.043	0.11	0.086	0.185	0.055	0.207	0.121	0.049	.833**	0.052	1		
12	relsize	0.004	0.149	0.111	0.192	0.109	0.239	0.107	0.099	.771**	0.109	.949**	1	
13	Market	0.139	-0.076	-0.018	0.02	0.142	-0.103	-0.032	-0.065	-0.07	0.136	0.018	0.002	1

Table 5: Path analysis results of the baseline model

Hypothesis				Coefficient	S.E.	P	Results
H1	Bargaining	=>	Export performance	1.149	.097	***	Accepted
H2a	Negotiation skills	=>	Bargaining power	.236	.033	***	Accepted
H2b	Market intelligence	=>	Bargaining power	.085	.029	.003	Accepted
H3a	Product development	=>	Bargaining power	.295	.036	***	Accepted
H3b	Promotion	=>	Bargaining power	.415	.044	***	Accepted
H3c	Distribution	=>	Bargaining power	.373	.045	***	Accepted
H3d	After-sales services	=>	Bargaining power	.048	.031	.120	Rejected
	Relative size	=>	Bargaining power	.027	.008	.001	
	Relative reputation	=>	Bargaining power	.031	.007	***	
	Size	=>	Export performance	.004	.005	.407	
	Inter-experience	=>	Export performance	.000	.000	.210	

*** = $p < .001$ (χ^2 = 3792.975; DF = 427, p < .001; CFI = 0.934, TLI = 0.945, RMSEA = 0.058)

Table 6: Direct, indirect, and total effect coefficients

Path	**Indirect effect**	**Direct effect**	**Total effects**	**VAF**	**Results**
NS→BG→EP	.136	.062	.198	69%	Partial mediation
MI→BG→EP	.119	.026	.145	82%	Partial mediation
AS→BP→EP	.012	.170	.182	7%	No mediation
DIS→BP→EP	.414	.061	.475	87%	Partial mediation
Prod→BP→EP	.611	.082	.693	88%	Partial mediation
Prom→BP→EP	.254	.083	.337	75%	Partial mediation

Table 7: Path analysis results of the robustness check model

Hypothesis				Coeff	S.E.	p	Results
H1	Bargaining	=>	Export performance	1.172	.121	***	Accepted
H2a	Negotiation skills	=>	Bargaining power	.232	.036	***	Accepted
H2b	Market intelligence	=>	Bargaining power	.047	.038	.020	Accepted
H3a	Product development	=>	Bargaining power	.301	.046	***	Accepted
H3b	Promotion	=>	Bargaining power	.431	.052	***	Accepted
H3c	Distribution	=>	Bargaining power	.344	.049	***	Accepted
H3d	After-sales services	=>	Bargaining power	.050	.035	.156	Rejected
	Relative size	=>	Bargaining power	.007	.010	.482	
	Relative reputation	=>	Bargaining power	.018	.008	.025	
	Size	=>	Export performance	.001	.005	.870	
	Inter-experience	=>	Export performance	.000	.000	.207	

*** = $p < .001$ (χ^2 = 3788.795; DF = 425, p < .001; CFI = 0.943, TLI = 0.954, RMSEA = 0.058)

Endnotes

[1] According to Woodruff (1997, p. 141), customer value is a customer's perceived preference for, and evaluation of, those product attributes, performances attributes, and consequences arising from use that facilitates achieving the customer's goals and purposes in use situations. Bowman and Ambrosini (2000) specify customer value as the value customers realise when bringing the purchased product into use. Hence, our definition of value aligns with Bowman and Ambrosini's (2000) term, "exchange value" which they distinguish from the "use value" - the value customers realise as they bring the purchased product into use.

[2] In their econometric, large-scale study of Thai manufacturers inserted in buyer-led GVCs, Pietrobelli and Saliola (2008) study the "power relations" (defined as the degree of buyer-specificity) between MNCs' buyers and local suppliers, the associated upgrading of suppliers, and the performance effects of those upgrades in terms of productivity gains. Although this is an interesting and seminal study of power relations, it does not address the issue of value capture and bargaining power as such.

[3] For a recent overview of the GVC literature, see De Marchi et al. (2020).

[4] For a more detailed discussion of efficiency and value creation, see Priem (2007), Steiner (2017), Priem et al. (2018), and Soundararajan et al. (2019).

[5] Baron and Kenny (1986) suggest that three criteria must be met to support a mediated relationship: (i) the independent variable must be related to the mediating variable, (ii) the independent variable must be related to the dependent variable, and (iii) the mediating variable must be related to the dependent variable with the independent variable controlled for in the model.

[6] Preacher and Hayes (2008) suggest the use of resampling strategies to estimate indirect effects via "direct and total effects."

[7] Bootstrapping is a statistical inference that is based on repeated sampling with replacement from an initially given sample of raw data (Efron & Tibshiriani, 1993).