**Paper no. 12**

**The role of intermediaries in promoting knowledge flows within global value chains**

**Context / Research Question**

In a global economy where trade has become increasingly integrated but production increasingly disintegrated (Feenstra, 1998), global value chains are a way in which global production systems are coordinated/controlled without direct ownership (Gereffi, Humphrey and Sturgeon, 2005). This growth in outsourcing provides opportunities for developing economy firms and clusters to process their upgrade, through transforming inputs into outputs more efficiently, product upgrade, through moving into more sophisticated product lines, or functionally upgrade, through acquiring new functions in the value chain (eg Humphrey and Schmitz, 2000; Pietrobelli and Rabellotti, 2006).

How firms learn, when knowledge is more distributed, complex and broader in scope, plays a crucial part in their success (Archibugi and Lundvall, 2001). Firms and clusters need to be able to adjust their core competences, assimilate new technologies and develop their managerial and organizational capabilities. This requires a specialized division of labour and the role of intermediaries has gained increasing prominence. Their access to, and their use or none-use, of specialized knowledge is an important determinant of potential upgrading within GVCs. In the light of this, this study will address the question of how intermediaries within global value chains promote extra-cluster knowledge flows, facilitating upgrading within developing economies.

**Intermediaries and Knowledge Flows**

Howells surveys the literature on intermediaries and describes it as burgeoning but surprisingly disparate. He defines an innovation intermediary as “an organization or body that acts as an agent or broker in any aspect of the innovation process between two or more parties” (2006: 720). Intermediaries can be private organizations, NGOs, individuals, professional bodies, research councils, advisory bodies or trade unions. For example, in her study of a Chilean wine cluster Giuliani identifies the role of oenologists (‘flying winemakers’) as an example of an innovation intermediary (2003), while Artola and Parrilli point to similar roles played by ‘national entrepreneurs’ and international organizations in a Nicaraguan diary cluster (2006).

The study will examine the roles intermediaries play through use of the categories of scanning, mediating and engaging. Scanning involves researching and passing on information about existing markets, potential new markets and potential collaborators while mediating involves brokering new transactions between parties or acting as a go-between for already collaborating bodies. Engaging implies a more active involvement in the process of upgrading, for example through finding advice, funding and support for upgrading initiatives.
Brown and Duguid’s (2001) provide an explanation of how learning takes place both inside and outside the firm, the first through communities of practice, the second through Granovetter’s concept of embeddedness. These are linked, however, since the communication channels that allow knowledge to flow within organizations are also linked to the organization’s environment. As learning is essentially a “social practice” tying in the knowledge of the intermediaries to the cluster and the cluster to the individual organization is essential. Important questions arise, therefore, related to the division of labour within the GVC; for example what is the strategic position of the intermediary within the GVC and through what mechanisms does knowledge transfer takes place.

Methodology
The research will consist of a case study of agricultural clusters in Peru, a country whose diverse eco-systems allows production of a variety of agricultural products with marked regional differences and varying export success. The research will investigate the ways in which intermediaries scan for new markets, mediate between collaborators and engage with SMEs promoting different types of upgrading. The case study will draw on a survey of producers within a cluster in Peru and in-depth interviews with a number of firms from the cluster. Secondary sources, eg industry publications, will also be used.

Gereffi et al’s (2005) identification of five different governance patterns within global value chains, that is market, modular, relational, captive and hierarchical, provides a theoretical framework with the potential to effectively analyse the role of intermediaries. It allows consideration of how knowledge flow can vary according to the type of GVC within which the intermediary is operating, and according to factors such as the complexity of the knowledge involved and the extent to which it can be codified. Gomez, for example, notes how within natural resource based value chains less knowledge flow is assumed to take place and how “intermediaries in these chains…are less likely to engage in the actual process of upgrading” (2006).

In attempting to locate the strategic position of the intermediary within the GVC social network analysis also has a potential use. It presents the challenge, however, of defining the boundaries of the network, always a problematic issue in innovation studies as so much important activity is boundary spanning.

Preliminary Results
Exploratory research was conducted in Peru in July and August 2006. The work of intermediaries was identified as a result of interviews with the head of CITE (a SMEs innovation agency) in Lima and regional office representatives in Piura, northern Peru; interviews with local firms in Piura and attendance at a mango producer’s conference in Piura. The mango cluster in northern Peru, for example, supports financially the work of the US National Mango Board, which both mediates with the US market as well as engaging with local producers encouraging process upgrading. Cepicafe, for example, from Piura, benefits from its connection with NGOs in both France and Germany which has helped it identify and develop new markets, thereby encouraging product upgrading.
Developing the study
An extended period of research is planned in Peru from December 2007 until August 2008 in order to build on the work done so far.

References


