Quality Standards, Conventions and the Governance of Global Value Chains

Introduction

Convention theory and global value chain analysis provide key elements for understanding changes in the global economy and the role of developing countries in it. Yet, few efforts of cross-fertilization between these two traditions have been attempted beyond general comparisons of the two literatures.\(^1\) This article reflects on work the authors have carried out on the global value chains for clothing and coffee to further our understanding of value chain governance. It does so through a discussion of standards as elements of governance – focusing in particular on quality standards and related ‘quality conventions’. The aim is to use some of the insights emerging in convention theory, especially its cognitive and normative aspects, in order to advance the broader theoretical discussion of (private and public) forms of governance in the global economy.

Quality standards communicate information about the attributes of a product. These attributes can be classified depending on the ease with which they can be measured. Search attributes are those that can be verified at the time of the transaction (the colour of a coffee bean, for example). Experience attributes can be assessed only after the transaction has taken place (the taste of brewed coffee). Credence attributes cannot be objectively verified and are based on trust (whether coffee is organic) (Tirole 1988). This classification, however, is not without problems. It assumes that the ‘evaluators’ of attributes have identical capacity to assess them. In reality, these

\(^1\) See, for example, Ponte and Gibbon (2005).
capacities vary dramatically between individuals, and across time, countries and cultures. Convention theory helps to unpack the cognitive and normative dimensions of these variations. Whatever the classification of attributes we adopt, it is also useful to point out that they can pertain to the product itself (e.g. coffee appearance, taste, cleanliness, absence of taints) or to production and process methods. These methods may include aspects related to authenticity of origin (geographic indication), safety (pesticide residues, levels of toxins) and environmental and socio-economic conditions (organic, fair trade, shade-grown coffees).

The evolution of the role of quality standards in shaping access to global value chains (and thus international trade) should be understood in relation to changing features of consumption in industrialized economies. Consumption is increasingly characterized by food and/or user safety awareness, the parallel processes of globalization and localization of consumer tastes, and social and environmental concerns. This, together with market saturation for goods with ‘commodity’ traits, has stimulated product proliferation and differentiation. It has been also accompanied by an increased importance for issues of quality control and management, traceability, and certification. In the world of ‘mass consumption’ of relatively homogeneous commodities, quality standards facilitated the emergence of economies of scale and the creation of futures markets (Daviron 2002). In the current situation, quality standards are proliferating and becoming more specific. They also tend to focus (sometimes exclusively) on production and process methods rather than on the product itself (Giovannucci and Reardon 2000).
In this situation, consumer protection is not uniquely a matter of food or user safety, but also of supplying reliable information that facilitates consumer choices (Valceschini and Nicholas 1995, 18). Therefore, the management of quality may be also seen as a question of competition and/or cooperation between the actors in the same value chain, each one having only partial access to – and control of – information on the product and its related production and process methods. Key actors’ choices relating to solving quality information problems will then help determine the form of coordination in a specific segment of a chain. As quality content becomes more complex (pertaining to experience and/or credence attributes rather than search attributes, and/or referring to production and process methods rather than the product), one would expect that firms move towards ‘hands-on’ forms of coordination – closer to vertical integration. Yet, this is not necessarily the case. If economic actors are able to embed complex information about quality in standards, labels, certification, and codification procedures, they may still be able to operate with more ‘hands-off’ forms of coordination – closer to arm’s length relations.

In this article, it is argued that forms of coordination should be distinguished from overall modes of governance of global value chains (GVCs). A GVC may be characterized by different forms of coordination in various segments, yet a single and relatively coherent mode of overall governance. Governance in GVCs is the process of organizing activities with the purpose of achieving a certain functional division of labour along the chain – resulting in specific allocations of resources and distributions of gains. Governance is about defining the terms of chain membership, incorporating/excluding other actors accordingly, and allocating to them value-adding
activities that lead agents do not wish to perform. ‘Rules and conditions of participation’ are the key operational mechanisms of governance. These may translate in different forms of coordination that vary both along and between value chains. Marginalisation/exclusion and upgrading/participation are the axes along which resulting (re)distributional processes take place.

The original distinction made by Gereffi (1994) between ‘buyer-driven’ and ‘producer-driven’ forms of governance remains a key one for understanding current changes in the global economy. This classification is helpful even though ‘producer-driven’ chains may be in the process of becoming less important. The historical dynamics of the rise of the ‘buyer-driven’ mode of governance in the context of changing regulatory environments have been specified elsewhere (Gibbon and Ponte in press). This article focuses on how ‘lead firms’ in ‘buyer-driven’ chains define and manage ‘quality’, how they shape the rules and conditions of participation, and thus how they determine the functional division of labour and entry barriers along the chain. Furthermore, it explores how ‘functional leadership’ of GVCs does not depend only on economic attributes (levels of concentration, market share), but also on the diffusion of dominant normative paradigms that provide legitimacy for the mechanisms used to exert ‘leadership’. In other words, the effectiveness of definitions of quality and tools for managing quality will depend on their symmetry with broader narratives about quality circulating within society more generally.

An update on governance debates in global value chain analysis
The key elements of GVC analysis and its early literature have been treated extensively elsewhere (see, among others, Raikes, Jensen and Ponte 2000). In this section, we focus on empirical and theoretical developments in the GVC literature that have taken place since the turn of the century, with a particular focus on discussions of governance. In general terms, GVC analysis focuses on ‘vertical’ relationships between buyers and suppliers and the movement of a good or service from producer to consumer. This entails an analysis centred on flows of material resources, finance, knowledge and information between buyers and suppliers. Thus, processes of coordination and competition among actors operating in the same function or segment of a particular market are given less attention. Recent developments in GVC analysis have focused on two areas: (1) empirical observation and theoretical discussion of (different and changing) aspects of chain coordination and governance (Gereffi 2003a; Gereffi, Humphrey and Sturgeon forthcoming; Humphrey and Schmitz 2003; Sturgeon 2001; 2002); and (2) conceptual and policy-related analyses of paths of upgrading, with particular reference to developing country farms and firms (Gibbon 2001; Gereffi 2003b; Humphrey 2003a; Kaplinsky and Morris 2002; Vargas 2001).

The stimulus for further discussions on governance issues in GVCs beyond the original buyer-driven and producer-driven typologies (as in Gereffi 1994) came from work by Sturgeon (2001; 2002) on the electronics industry. In the early GVC literature, out-sourcing of manufacturing functions was often interpreted as an instance of externalization of low-profit and non-core functions upstream considered peculiar to many buyer-driven chains – although increasingly relevant in some
producer-driven chains as well. Sturgeon questioned this interpretation. He argued that the functions externalized by brand-name electronics firms to contract manufacturers are not necessarily low profit and do not entail a ‘captive’ position for suppliers. Sturgeon argued that globalised contract manufacturers have become prominent in electronic products, and they are also emerging in the auto parts industry, food processing and pharmaceuticals. In the agricultural sector, they seem to be emerging in the cocoa-chocolate complex, where branded chocolate manufacturers are increasingly out-sourcing the supply of intermediate chocolate products (see Fold 2001). What should be noted here, though, is that in both the cases of the electronics industry and cocoa, the functions out-sourced by lead firms were ‘low profit’ at the time this happened. They became more profitable as a result of subsequent technological changes that created opportunities for scale economies.  

A related observation about the producer-driven vs. buyer-driven dichotomy that was raised in the late 1990s was that some value chains may exhibit the tendency to move from one category to the other. In certain producer-driven chains such as automobiles, computer, and consumer electronics, producers are increasingly out-sourcing component manufacture; sometimes, they even out-source supply-chain logistics and final assembly, while keeping control of promotion and marketing of the brand names on which market access is based – a trait of buyer-driven chains. This may be linked to the fact that the state is withdrawing from demand management functions, and thus that lead firms in ‘producer-driven’ chains need to become more focused on it. Others have observed that, across different ‘buyer-driven’ chains, different types of buyers (retailers, branded marketers, industrial processors, international traders) may be the
lead actors, and that the level of ‘drivenness’ tends to be higher in chains led by retailers, branded marketers and industrial processors (apparel, footwear, bananas, other fresh fruit and vegetables coffee, cocoa) than in those led by international traders (cotton, fish, cashew nuts) (see Fold 2001; 2002; Gibbon 2001; Ponte 2002b).

These debates have led to efforts to redefine governance in GVCs generally in terms of how certain firms set, measure and enforce the ‘parameters under which others in the chain operate’ (Humphrey and Schmitz 2002a). In other words, governance is now seen by some GVC analysts as the process of exercising control through the specification of what product needs to be delivered, in what quantity and when, how it should be produced, and at what price (ibid., 6-7). When a group of firms in a particular functional position (or positions) is able to shape who does what along the chain (and at what price, using what standards, to which specifications, and delivering at what time), they are said to be in a ‘lead firm’ position. This approach focuses on ‘inter-firm relationships and institutional mechanisms through which non-market coordination of activities in the chain is achieved’ (ibid.).

On this basis, Gereffi, Humphrey and Sturgeon (forthcoming) have gone on to formulate an analytic framework that yields governance classifications that go beyond (and seem to replace) the original distinction between ‘buyer-driven’ and ‘producer-driven’ chains. They develop a matrix with three independent variables that can each take two values (high and low). These variables are: (1) the complexity of the information and knowledge required to sustain a particular transaction; (2) the ability to codify and transmit efficiently this information between the parties; and (3) the capabilities of the supply base in relation to the requirements of the transaction (ibid.,
6). The matrix yields eight combinations, three of which are ruled out ‘in practice’. This leaves five possible categories of governance (Gereffi, Humphrey and Sturgeon forthcoming, 5):

1) Market: spot or repeated market-type inter-firm links characterised by low informational complexity, ease of codification of information, and high supplier capabilities; both parties’ costs of switching to new partners are low.

2) Modular: inter-firm links involving somewhat more specialised suppliers who finance part of production on the part of the customer, but whose technology is sufficiently generic to allow its use by a broad customer base; characterised by high informational complexity, ease of codification and high supplier capabilities.

3) Relational: inter-firm links involving multiple inter-dependencies, often underwritten by close social ties; characterised by high informational complexity, low ability to codify information and high supplier capabilities.

4) Captive: inter-firm linkages involving one-way dependency of suppliers, high levels of supplier monitoring and high costs of switching for suppliers; characterised by high informational complexity and ease of codification but low supplier capabilities.

5) Hierarchy: classical vertical integration; characterised by high informational complexity, difficulty of codification and low capabilities amongst independent suppliers.
Although this framework captures some important elements of the forms of coordination between actors in different functional positions in a GVC, it overlooks the fact that ‘market’, ‘modular’ and ‘relational’ forms of coordination may exist at different links in the same value chain. These categories do not characterise the governance of the overall chain. It is thus necessary to distinguish ‘immediate’ forms of coordination from the overall mode of governance. Convention theory can support and help develop this distinction.

**Quality in Convention Theory**

Placing quality issues at the heart of an understanding of how global value chains work is a radical departure from mainstream epistemologies in economic analysis of the global economy (see Levy 2002 for an overview). Even recent versions of transaction cost economics still assume that economic agents have an ‘objective’ idea of quality, which entails pre-determined preferences that do not change in relation to the behaviour of others. If we accept that economic agents (especially consumers) make quality decisions also on the basis of imitation and/or the achievement of ‘distinction’, then we need a more adequate conceptualization of quality that relates to inter-subjective cognitive and normative aspects.\(^9\) The possibility of this intellectual endeavour is provided by ‘convention theory’.\(^{10}\)

In this theory, conventions are defined as a broad group of mutual expectations that include – but are not limited to – institutions (see also Lewis 1969). While institutions are collective and intentional objects that are set up for the purpose of implementing an intention, conventions may also arise from a shared set of regularities that are unintentional. To use Salais’ (2002, 1) wording, ‘people do not (necessarily) need
institutions to know how to act’. For Convention Theory, rules are not decided prior to action, but emerge in the process of actions aimed at solving problems of coordination. Conventions are then mechanisms of clarification that are themselves open to challenge (Wilkinson 1997, 318; see also Raikes, Jensen and Ponte 2000). They are both guides for action and collective systems to legitimize those actions – which can also be submitted to testing and discussion. Thus, we can see a convention as a system of reciprocal expectations about the behaviour of others (Salais 1989). More precisely, ‘[c]onventions are shared templates for interpreting situations and planning courses of action in mutually comprehensive ways that involve social accountability, that is, they provide a basis for judging the appropriateness of action by self and others’ (Biggart and Beamish 2003, 444).

Boltanski and Thévenot (1991) link purely economic conventions to broader normative systems, via a claim that all action is justified in relation to common sets of principles. The authors develop six historically-based ‘worlds’ (also known as ‘cités’) of ‘legitimate common welfare’ that draw on particular paradigms of moral philosophy (inspirational, domestic, opinion, civic, market and industrial worlds). Each of these worlds is organized around different forms of justification and counter-justification. To these correspond different norms of qualification, of people (e.g., employees) and objects, and different conventions for organizing the activities of firms. In more recent work, developed further typologies have been developed, such as the ‘green world’ (Latour 1998; Thévenot, Moody and Lafaye 2000), the ‘information world’ (Thévenot 1997) and the ‘network world’ (also known as
‘project-oriented’ or ‘connectionist’) (Boltanski and Chiapello 1999; see also Thévenot 2002).

Convention theory does not place a hierarchical value to these ‘worlds’, nor does it portray (any of) them as historical inevitabilities. Conventions are neither permanent nor are they linked directly to specific social interests. Furthermore, at any particular time and locality, there may be multiple justifications of action operating at the same time. Finally, although there is an internal coherence in each world, different worlds can also overlap. Rather than criticizing the classification of ‘worlds’, later in this article we will use their underlying dynamics and highlight their normative aspects to unpack the role of quality in the governance of GVCs. The consequences of Boltanski and Thévenot’s heuristic framework for the concept of quality are far-reaching: first, it suggests that there is no ‘universal’ understanding of quality; and second, that quality is cognitively evaluated in different ways depending on what ‘world’ is used to justify evaluation and action – and hence on which broader normative order is invoked.

These lines of thinking have been developed further mainly in two directions: (1) Salais and Storper (1992), in relation to industrial systems, have developed a typology of ‘worlds of production’ as combinations of technologies and markets, product qualities, and practices of resource management (see also Murdoch and Miele 1999; and Murdoch, Marsden and Banks 2000); 11 (2) Eymard-Duvernay (1989), in relation to markets, has developed a typology linking quality conventions to different forms of coordination that arise in relation to various types of information asymmetry.
Eymard-Duvernay (1989; but see also Sylvander 1995; Thévenot 1995) argues that price is the main management form of a particular market only if there is no uncertainty about quality. If this is the case, differences in price directly express known differences in quality. This characterizes what convention theory calls ‘market’ coordination. When, for different reasons, price alone cannot evaluate quality, actors set up conventions linked to three other ‘forms of coordination’. In domestic coordination, uncertainty about quality is solved through trust (long-term relationships between actors, or use of private brands or geographical indications which signal the reputation of products). In this case, the definition of quality is established interpersonally, and the identity of a product is guaranteed or institutionalized ‘in the repetition of history’ (ibid.) by its region or country of origin or brand-name. In industrial coordination, uncertainty about quality is solved through the actions of an external party who determines common norms or standards and enforces them via instrument-based testing, inspection and certification. More recently, an additional category has been added, civic coordination, where there is collective commitment to welfare, and the identity of a product is related to its impact upon society or the environment. As in other varieties of convention theory, it is acknowledged that different forms of coordination may exist side by side at the same time, even for the same product, sometimes (as according to Allaire and Boyer 1995), in a state of tension where one is trying to either resist or encroach on other forms.

Thévenot (1995) highlights some of the major historical changes in the forms of economic organization and conventions of quality that have taken place in the 20th century. He argues that the dominant form in the post-war era was a compromise
between industrial and market coordination – with a tendential predominance of industrial norms of productivity, economies of scale and technical progress. This configuration is said to have tilted to the side of market coordination, and its underlying norm of competitiveness, as a result of the processes of market liberalization and deregulation of the 1980s. Thévenot also claims that, at the same time, market coordination co-exists with domestic forms of coordination such as geographic indication and branding – as well as with the underlying ‘civic’ content of environmental and socio-economic standards and labels. Meanwhile, industrial norms are seen as being increasingly applied to the management of quality control. Allaire and Boyer (1995) and Valeschini and Nicholas (1995) argue, on a parallel track, that explicit reference to quality as such has emerged only in relation to contemporary inter-firm competitive strategies.

The most explicit link between conventions of industrial organization and quality on the one hand, and over-arching normative systems on the other, is found in the work of Boltanski and Chiapello (1999, 2002). According to these authors, the evolution of capitalism in the last century or so can be understood in terms of a succession of different, albeit overlapping, ‘value systems’. In this perspective, the end of the 19th century was characterised by the so-called ‘1st spirit of capitalism’, which was something akin to a ‘domestic world’ based on the entrepreneurial bourgeois. The ‘2nd spirit of capitalism’, which is seen to have lasted from the 1940s to the 1970s, was based on ‘industrial’ and meritocratic values, economies of scale (productivity), and the ideal of a large and integrated firm focusing on capturing market share. The ‘3rd spirit’, said to have emerged in the 1980s, is based on a ‘networking’ norm and
on competition intended in terms of capturing benefits from innovation and flexibility.

Convention theory may be criticized for its speculative character, its multiplication of typologies and its historical periodisations. Its classification of ‘worlds’ is not dissimilar from the forms of public authority delineated by Weber (1978). Its contemporary focus on networks and flexibility obscures the fact that being big (if not in terms of employees, at least in terms of market share) is still important (cf. Harrison 1994) and that volume, economies of scale and low prices are still key aspects of competitiveness. Convention theory has also been taken to task for its exclusive micro-focus and lack of explicit discussion of power relations. Yet, at the same time, its ‘worlds’ seem to operate in a Durkheimian way as normative orders embodying implicit but powerful constraints on behaviour (cf. Durkheim 1950). In other words, despite its limitations, convention theory provides an innovative way of looking at issues of economic coordination, which encompasses cognitive/normative, and not only material, preoccupations. It can be thus used to re-conceptualise governance in GVCs through the analysis of how in buyer-driven (as opposed to producer-driven) chains, there is a shift from direct control and rule-setting to more indirect mechanisms of governance. These mechanisms combine specific networking norms and a heightened explicit role for ‘quality’ within a general framework of ‘control at a distance’ (Latour 1987; Rose and Miller 1991; Murdoch, Marsden and Banks 2000; Lockie 2002) and the increased importance of auditing technologies and methods (Hughes 2001; Power 1997, Strathern 2000; Shore and Wright 2001).
Convention theory suggests that actors participate in the formulation of conventions, since they arise from an aggregation of micro-actions. However, a political economy reading of conventions indicates that some actors are more influential than others, and that many actors express preferences within limited parameters of choice. Therefore, conventions are also constraints on action. This issue is particularly relevant in relation to the role of consumers – whose power in the contemporary global economy is often romanticized in marketing and management manuals, and sometimes in analyses of agro-food networks as well. Although convention theory does look at the role of consumers in the arbitration of quality, this is usually only in relation to niche markets and local/regional foods where the distance (geographic and virtual) between producers and consumers is ‘short’.

The role of consumers as actors shaping ideas of quality is perhaps better unpacked through the ‘economy of qualities’ approach of Callon, Méadel and Rabehariosa (2002). According to this formulation, one of the main concerns of lead firms (retailers, branded manufacturers) is to prompt consumers to question their preferences and, indirectly, their identities. Thus, they try to steer ‘spontaneous’ and gradual processes of qualification and re-qualification of products to their advantage. They do so, *inter alia*, by setting up forms of organization promoting collaboration between suppliers and consumers in the qualification of products. In this way, competition can be thought of turning ‘around the attachment of consumers to products whose qualities have progressively been defined with their active participation’ (ibid., 212; see also DuPuis 2000). In other words, it is based on the ‘formatting of socio-technical devices [such as advertising, shelf positioning,
presentation of products, focus groups, evaluation forms, point of sale data] which, distributing and redistributing the material bases of cognition, format the bases of calculation and preferences’ (ibid., 213). These processes of explicit and implicit collaboration between economic agents are said to apply to material products and service provision alike, but to be functioning more strongly in the services sector, where the mechanisms of ‘singularization’ and (re)qualification can be operated on a more continuous basis.

For the purposes of our discussion, the ‘economy of qualities’ approach suggests that consumers are active agents, along with others, in formulating how the qualification of products should occur – and therefore in the governance of a value chain. At the same time, it suggests that consumer preferences can be manipulated by other agents to the advantage of the latter. Wilkinson (2002, 340), for example, showed how ‘functional foods’ have been developed ‘in a climate of constant opposition from consumer associations, [which means that] leading agro-food players are committed to imposing strategies that fly in the face of a “demand-oriented food system”’. The apparent paradox is the development and marketing of products that are unwanted by consumers but that are based on marketing strategies depending on consumer dialogue.

These observations have resonance with the reflexive approach taken in convention theory in relation to the qualification and evaluation of quality attributes of products. Convention theory can thus help GVC analysis (as well as other approaches) ‘move beyond a productionist focus to investigate how actors materially and ideologically
engage in particular norms, rules, and quality constructions across production, distribution, and consumption arenas’ (Raynolds 2002, 409).¹⁵

Conventions and the governance of global value chains

In this section, we use original empirical material from recent studies of the global value chains for clothing and coffee to reflect upon historical changes in the composition of quality conventions. We also use convention theory to understand some of the key elements of governance in contemporary GVCs.¹⁶ First, we carry out a brief synthesis of the empirical material. Given the space limitations, we can only touch upon the main aspects of quality definition and management (more detail is available in Gibbon and Ponte in press). Second, we critically analyze the four categories of convention that have been used mainly to refer to different forms of market coordination in the literature to date. These categories, as seen above, are those of market, industrial, civic and domestic. Third, we analyze conventions that relate to corporate organization and inter-firm relations. In this case, we do not employ Boltanski and Thévenot’s (1991) complex and proliferating list of ‘worlds’ (Boltanski and Chiappello 1999), but rather examine some of the underlying dynamics of these ‘worlds’. Finally, we use the discussion of quality conventions and related corporate strategies to return to the issue of governance.

Empirical evidence from the global value chains for clothing and coffee

In clothing, as well as other value chains for labour-intensive manufactures, capacity to reach what is considered a ‘basic level of quality’ is an entry barrier in the strong sense for suppliers. That is, at any given time it is a non-adjustable requirement for
participating in virtually any segment of the global chain for new clothing – regardless of end-market and current supply/demand balance. While the content of some aspects of ‘basic quality’, such as faults in make, have not changed for half a century or more, there is a trend for quality to be defined in terms of an increasing range of physical parameters, such as colour fastness, and for certain existing parameters, such as shrinkage, to be defined in more exacting ways. However, a more profound change has occurred in quality management. Here clothing buyers are shifting emphasis from direct monitoring to ‘control of control’, while suppliers are undertaking a parallel shift emphasizing prevention of defects, rather than post-hoc rejection/repair of defective products.

At the same time as basic quality becomes increasingly universal, clothing buyers are placing much more emphasis on suppliers’ ability to internalize less tangible properties of quality – such as ‘handle’ and ‘compatibility of vision’ between suppliers and buyers. The latter subsumes compatibility of suppliers’ products with the conventions buyers’ use for displaying product and designing their stores. Buyers refer to their specific ways of carrying out these activities as their ‘handwriting’. Achieving these dimensions of quality is considered the responsibility of suppliers alone. Suppliers are supposed to familiarize themselves with clients’ preferred handle and handwriting in ways that are specified mainly in intuitive terms, and which ideally include non-contractual interactions such as ‘hanging out in our stores’, or ‘soaking in our way of doing things’. Buyers’ management of this aspect of quality is also largely intuitive. But at the same time ‘willingness to learn’, such as active efforts on suppliers’ part to visit buyers’ stores at their own expense, is taken as an
operational indicator. Thus buyers combine an increasingly hands-off approach over the more material aspects of product quality with demands for suppliers to internalise their ‘culture’ in ways that are simultaneously more diffuse and more demanding (Gibbon 2000; 2002a; 2002b).

Coffee, like other agro-food products, is more prone to quality variance (due to the vagaries of the weather) than clothing. Although there are some minimal regulatory requirements for coffee to be ‘fit for trade’ (and these have been increased recently in a partial attempt to address low international prices), the focus of economic agents is mainly on additional quality characteristics of a particular batch or delivery. In the commercial coffee market, roasters have maintained a dominant position – among other things – through effective management of asymmetry of information on quality. Essentially, roasters buy coffee with complete quality information from international traders. Once coffee is blended and roasted, it is sold to consumers under a brand name. That means that roasters use brand reputation as a proxy for variance in quality. This does not mean that a higher price necessarily buys a better coffee. Packaging, shelf placing and advertisement also play a large role in establishing consumers’ ideas of quality. The important point here is that roasters have complete information on quality when they buy coffee, and they release next to no information to their clients.

The major threat to commercial roasters’ dominance of the coffee value chain comes from changing ideas (and conventions) of quality that are emerging in a fast growing segment of the coffee value chain – the ‘specialty’ industry. Not only do consumers require more information on (and higher levels of) ‘intrinsic’ coffee quality (product
attributes), they also include environmental and socio-economic aspects in their consideration of quality (attributes on production and process methods). Roasters are then under pressure to ‘solve’ the measurement of complex quality content that tends to entail more direct control of operations and more exacting and expensive quality checks. As certification and auditing systems are developed, however, roasters can take a more ‘hands-off’ approach to quality management. Like in clothing, we observe a shift in focus from direct control to ‘control of control’. Furthermore, as these certification systems gain wider acceptability, commercial roasters can include them in their quality management system. In a sense, the distinction between the specialty and commercial coffee markets becomes more blurred (Daviron and Ponte forthcoming; Giovannucci and Ponte forthcoming; Ponte 2002c).

Changes and overlaps in quality conventions

A cross-cutting theme arising from quality issues in the value chains for clothing and coffee has been the emergence of new, divergent and sometimes contested notions of quality – as the ‘quality’ of process and production methods has become as – and in many cases more – important than product characteristics. This reflects increasing competition around product differentiation, preoccupation with product safety, attention to reducing the costs that follow from perceived poor quality and the emergence of environmental and socio-economic concerns. These processes have been associated with a proliferation of quality management and quality certification and monitoring systems (such as HACCP and ISO 9000 and 14000 certifications), with environmental and social labels and certification, and with codes of conduct.
As noted earlier, against the background of a claim that the current period is witnessing a return to the dominance of a market convention, Thévenot (1995) suggests that domestic and civic conventions can be (still) observed in certain sectors, and that industrial norms are now increasingly applied to the management of quality control rather than product quality as such (see also Freidberg 2003; Raynolds 2002; 2004; Renard 2003). Our analysis of the global value chains for clothing and coffee suggests that purely market-related quality conventions are actually far from dominant. Industrial norms are indeed being applied to the management of quality control. But they are neither the only ones applied, nor have they lost all relevance for product quality itself. Furthermore, the purported resilience of domestic conventions is problematic in at least two respects: (1) domestic conventions, with their reference both to localistic and brand-based justifications, include remarkably different mechanisms of quality negotiation and arbitration; and (2) the nature of these mechanisms have shifted over time, thus the category has little explanatory power. The following discussion opens with this last point.

Domestic conventions (as presented in convention theory) embed very different systems of quality management and power dynamics – the identity of a product can be guaranteed or institutionalized in the ‘repetition of history’ by its region or country of origin, or its brand-name, or simply through repeated interactions between actors. Perhaps, a better approach would be to differentiate ‘strictly domestic’ conventions (which in the French literature mostly refer to regional geographic appellations or origins, and repeated social interaction in localised markets) from ‘proprietary’ conventions, where quality attributes are ‘owned’ by brand manufacturers or
processors. If in the past many brands were based on ‘household (sur)names’, and thus on a ‘familial’ kind of trust, most successful contemporary brands refer to different identities drawing on ideas of personal fulfilment, differentiation, ‘connectedness’ or sophistication.

The case of specialty coffee, for example, suggests that shifts within ‘domestic’ forms may be as important as between these and other forms. Information on quality in the commercial coffee market at the retail level is normally embedded in brands (proprietary). In the specialty coffee sector, much more information on quality is passed on to the consumer, but largely in relation to coffee origin – thus on the basis of narratives of place (domestic trust). At the same time there is a specific attempt to encode information about ambiances of consumption in the language of quality (‘quality’ of consumption environments/experiences and of individual consumers). These narratives tend to be replicated in a standardized manner for mass consumption (Starbucks), thus recalling industrial quality conventions. Origin-based ‘trust’ narratives also tend to be replaced by ‘certified’ quality systems (the coffee standards on ‘intrinsic quality’ being developed by the Specialty Coffee Association of America, for example) that partially de-link quality from place. In any event, ‘strictly domestic’ conventions are under threat in relation to the protection of geographic appellations. The preservation of unique appellations has been part of high-level struggles at the WTO level, with ‘traditional’ producers of wine and spirits (chiefly, France and Italy) pitched against ‘new world’ producers (Australia, Chile, USA, Argentina and South Africa). The latter argue that some geographic denominations, including those for some cheeses and meat preparations, have lost their ‘relation with
locality’ and have become simply generalized ways of producing a specific food or beverage.

Overlaps between conventions also arise along value chains. For example, in the commercial coffee value chain, ‘relational’ contracting between roasters and importers, and between importers and exporters, usually takes place in an environment of fairly accurate information on coffee quality (industrial convention). In producing countries, on the contrary, most transactions take place with only limited information on quality communicated. When differences in quality are not so important (Robusta coffee), a market convention dominates in the exchange between local producers, traders and exporters. When quality differences are more important (Mild Arabica coffee), lack of certainty on quality is resolved through repeated interactions (domestic convention).

At first sight, the value chains examined in the previous section also provide evidence that ‘civic content’ is becoming more important in the negotiation of quality content in GVCs (as is argued by Thévenot 1995, among others). In practice though, this trend is often counteracted by others. Raynolds (2002), for example, explains how fair trade coffee embodies not only civic norms (paying a fair price, helping small farmers’ organizations), but also a more direct, but still virtual, contact between consumer and producer (invoking a domestic convention). At the same time, labelling and certification are organized in terms of an industrial convention, and relationships with some mainstream marketers who carry fair trade coffee are based on a market convention (see also Freidberg 2003; Raynolds 2004).
The same trend may be observed in the case of clothing, where ostensibly ‘civic’ requirements on suppliers, such as absence of child labour in-house and amongst sub-contractors, and absence of dangerous foreign objects (especially needles) from product, are incorporated in the form of multi-purpose rules within industrially-certified quality assurance systems. Child labour is controlled for via requirements on suppliers to maintain comprehensive payroll records and records of all transactions with sub-contractors, which at the same time are used to allow precise attribution of product defects to specific employees and individual sub-contractors. Checks for the presence of such multi-purpose rules are part of supplier questionnaires used by ‘buyers’ such as Tommy Hilfiger and Gap (Gibbon 2002a, 54).

The setting of strict and ‘objective’ quality standards in many initiatives that promise ‘sustainability’ (Daviron and Ponte forthcoming; Giovannucci and Ponte forthcoming) can also be interpreted as an attempted incorporation of ‘industrial’ conventions, which in the process subordinate engagement with domestic and civic norms to other ends. In other words, lead firms may attempt to fold the ‘threats to leadership’ arising from the increasing importance of ‘civic’ conventions into the operational environment of the ‘market-industrial’ convention (codification of such parameters into broader systems of standards, certification and labelling).

If a broad historical interpretation can be attempted at all using convention theory categories – considering the overlaps and complexity of quality conventions within and between value chains – we would argue that while industrial conventions are indeed being applied to new quality arenas, notably the process of managing quality, this is not at the expense of its presence in product markets. In these markets,
industrial conventions are increasingly embedding traits that according to convention theory are ‘domestic’ (branding), but that could be better viewed as ‘proprietary’ (without implying that a new category or a new classification is essential). At the same time, civic conventions may tend to shorten the ‘distance’ between geographically distant actors, allowing virtual repeated interactions, the building of trust, and the generation of new configurations of proximity. Thus, there is a blurring of the boundaries between domestic and civic conventions. But, contrary to Murdoch, Marsden and Banks (2000), there is no necessary relation between the ‘length’ of a chain/network and the degree of power relations.

We would also argue that, as knowledge of quality becomes embedded in ‘technical’ instruments such as standards, modules and codes of conduct, there is less need for repeated interactions and the building of the ‘personalized’ relationships that are the ‘third leg’ of domestic conventions (the other two being branding and geographical origin); in a sense, we can say that trust becomes institutionalized in the label or code of conduct, rather than by reference to a specific firm. When measurement and transmission of information is not possible (or too costly) on the basis of standardization, ‘osmotic’ processes get prescribed for the transfer of information about quality – such as inviting clothing suppliers to understand retailers’ ways of doing things by ‘coming back to see us again’. Although this is another instance of repeated interaction, it does not embody trust as normally understood. Thus, it can be seen as another expression of the subsuming of quality (in this case through intuitive and indirect processes) within a market convention – rather than being an example of a domestic convention per se. Finally, we would argue that, as brands, standardization
and certifications become globally known and/or accepted, and as complex manufacturing processes become modularized and more widely understood (see Sturgeon 2001; 2002), the boundaries between market and industrial conventions become increasingly blurred.

In sum, what is taking place in the clothing and coffee GVCs is a reconsolidation of a compromise between ‘industrial’ and ‘market’ quality conventions – rather than an outright dominance of market conventions as argued by Thévenot. This becomes clearer when one considers the underlying bifurcation of quality experiences in these value chains. On the one hand, increasingly complex quality ‘content’ is codified in equally complex standards (e.g. certified specialty coffees or exclusive lingerie in entirely new fabrics). On the other hand, in some branches of the clothing and coffee sectors, quality content is ‘vulgarized’ or becoming so.19 This is happening against a weakening of ‘domestic’ conventions based on trust and repeated social interactions. Domestic conventions based on geography of origin, and civic conventions that cater to specialty and ‘ethical’ markets could be considered forms of resistance against this trend. In a sense, there may be more continuity in the ‘market-industrial’ compromise than previously thought – as features of domestic and civic conventions are absorbed into industrial conventions, and as the differences between industrial and market conventions may be decreasing with improved prospects for standardization within a large number of differentiated product lines.

Conventions on ‘legitimate’ forms of corporate organization and inter-firm relations

Thus far, we have drawn on empirical material to reflect on the categories of quality conventions and historical changes in the constellations that they present. In this
section, we move from product and production process-related quality conventions to conventions that relate to firm organization, ‘legitimate’ corporate strategies and inter-firm coordination. In much of convention theory there is no clear distinction between the two types. We argue (along with Miele and Murdoch 1999) that there is no automatic link between quality conventions and specific forms of intra- and inter-firm coordination (as in Eymard-Duvernay 1989). Rather, while forms of coordination are indeed subject to conventions, these may correspond to narratives and derive from norms that have arisen in contexts completely different from those relating to the quality of products and quality management processes.

The literature on shareholder value and corporate financialisation also supports this understanding of the legitimation of specific forms of corporate organization (and restructuring) and inter-firm relations. Corporate financialisation has emerged globally in the last two decades, but more forcefully in the US and UK than in continental Europe and Japan. The term refers to the generalization of ownership of corporate equity in most Northern countries but especially the US and UK, the resulting increased power in national financial markets of investment funds applying performance-related investment criteria, and the increasing dependence of corporate credit-worthiness on equity prices. These phenomena have been accompanied by the emergence of a doctrine of maximizing shareholder value. This entails restructuring operations, externalizing non-core activities and re-engineering supply chains to match a set of financial market indicators, most importantly a given ratio of post-tax return on capital employed. If these indicators are met, then share price performance is said to benefit and with it corporate credit ratings. This set of changes is said to
have facilitated a shift at firm level from competitive strategies formed predominantly on basis of maximizing market share, to strategies (also) aimed at maximizing financial performance (see, among others, Froud et al. 2000; Grahl 2001; O’Sullivan 2003). We could describe this set of performance indicators as embodying a ‘financialist’ convention for corporate performance.

These observations have direct relevance to the discussion of governance in the GVCs considered here. In both the coffee and clothing value chains, lead firms that are ‘financialised’ (those that are quoted on stock exchanges) have been under pressure to externalise inventory management to reduce stock-holding. This is done to contain the size of circulating capital, and the costs of administering it, within ‘optimal’ parameters set by financial analysts. Large inventories and high ratios of circulating capital are normally interpreted by ‘markets’ as indicators of inefficiency; in the clothing chain it is also generally accepted that they may lead to losses resulting from having to mark-down a product that goes out of fashion. In both cases, however, outsourcing inventory may also be damaging for the firms undertaking it. For example, when the futures market for coffee is ‘carrying’ (as it has been in recent years), positions further in the future are valued more than nearby contracts. In this situation, if the costs of stock-holding (warehousing, finance, and insurance) are lower than the spread between positions, the holder of stocks can make a profit just by holding inventory. In clothing, outsourcing inventory management leaves retailers vulnerable to ‘stock outs’, or sales opportunities that are lost by virtue of shortages of product that suddenly becomes ‘hot’ – unless accompanied by special supply-chain management techniques such as model stock replenishment programmes. The fact
that ‘financialised’ roasters and clothing retailers keep out-sourcing inventory management indicates their captivity to the (currently dominant) logic of financial markets, which prioritises market capitalisation over other indicators of performance.

Financialist logics are less dominant in public companies in non-Anglo Saxon countries and in private companies in Anglo-Saxon countries. In these contexts, outsourcing-based ‘network’ types of inter-firm coordination are often also present but do not necessarily imply the same divisions of labour along the value-chain as those described here. Palpacuer, Gibbon and Thomsen (forthcoming) identify different forms of coordination characteristic of clothing value-chains led by large British, French and Scandinavian retailers respectively. While the ‘British’ chain largely follows the financialist logic described, outsourcing by French and Scandinavian retailers does not encompass inventory management. In the French case, this is associated with a more dispersed supply-base as well as greater informality and social embeddedness. In the Scandinavian case, it is associated with a relatively concentrated supply base, but one managed according to market principles.

It is clear that quite different kinds of conventions are relevant in relation to quality and its management on the one hand and to the management of inter-firm relations on the other. However, conceptualising the latter in terms of conventions rather than in terms of the intrinsic properties of transactions, information or firms themselves allows a reintroduction of historical and cognitive/normative dynamics which otherwise appear in danger of disappearance from thinking about the global economy.

*Conventions and governance*
In relation to quality conventions, we have learned that control over the qualification of specific products is a key source of power for ‘lead firms’. Sometimes, it may also be a terrain for counter-actions by other actors that attempt to challenge the status quo. It is worth adding here that the tendency to outsource – which, as seen above, is greatest where financialist logics are most prevalent – may exist in tension not only with profit opportunities arising from holding inventory, but also with retention of control over product qualification. The outsourcing of the inventory management function in food retail chains, for example, is typically associated with outsourcing others such as shelf-placing and new product development, which entail ‘secondary’ aspects of qualification. At the same time, third party certification and influence on the content of standards are key tactics for ‘lead firms’ to transfer the costs of quality control to suppliers and to achieve ‘control at a distance’.

In relation to conventions concerning corporate organization, we have highlighted how the degree to which lead firms in global value chains aim at, as well as actually achieve, the externalization of an increasing number of functions (in other words, how they define the functional division of labour along the chain) depends on: (1) how sensitive these firms are to pressures arising from ‘maximizing shareholder value’ and broader concepts of how a firm should be organized to ‘deliver’ in financial markets; and (2) broader cultural assumptions and regulative frameworks bearing upon appropriate forms of inter-firm relation. Also relevant is the degree of internal coherence of reference values within firms, for example between financial and technical functions, and what set of strategies besides pure outsourcing ones may be available to meet a given set of (financialist) expectations. Only within this broad
context will factors such as those considered primary by Gereffi, Humphrey and Sturgeon (forthcoming) come into play, namely how feasible it is for lead firms to externalize functions – both technically and organizationally – and whether there will be an internally competitive market of competent suppliers available to absorb these functions.

Returning to the relation between the basic concepts of convention theory and GVC analysis, drawing a series of parallels between the two frameworks can allow further light to be shed on the dynamics of GVC governance. In Figure 1, parallels are drawn in relation to the four quality conventions highlighted earlier. Note that market and industrial conventions are put here in the same box, since the difference between the two is becoming less discernible – as discussed above. This framework does not entail blind acceptance of these labels, nor their water-tight division. In both the convention theory and the GVC columns there is considerable overlap between categories, but also significant differences. The first column indicates the type of quality convention. The second lists the ‘organizing principle’ attached to such conventions. The third indicates the quality-related mechanisms for exercising ‘drivenness’. The fourth lists the type of lead firms that have been empirically observed (rather than pre-determinately expected) to be linked to a certain quality convention in the last two decades. The fifth column attempts a link between conventions, specific forms of governance and different degrees of chain ‘drivenness’. Finally, the sixth column lists examples of specific value chains that fall in each category of quality convention.
Two major differences arise between the approach taken by Gereffi, Humphrey and Sturgeon (see above) and the one taken here. First, their analysis of power relations suggests that, as we move from hierarchy to market forms of coordination, the degree of power exercised by the dominant actor in the value chain decreases. We argue that, as one moves from ‘hands-on’ to ‘hands-off’ coordination, the way power is exercised changes, not its magnitude or who exercises it. The fact that clothing retailers or coffee roasters exercise ‘hands-off’ forms of coordination does not mean that they are less powerful in their value chains. Their degree of power corresponds to the level of ‘drivenness’ of the value chain, not to the forms of coordination found within it – as Gereffi, Humphrey and Sturgeon would have it. Second, our focus on the mechanisms of transmission of information on quality (and related discussion on normative values of corporate organization) helps to go beyond immediate forms of coordination to understand how a global value chain is governed as a whole. Our approach, rather than focusing on pre-defined sets of independent variables yielding a dependent outcome (one kind of coordination or another), is based on understanding different degrees of power and historical processes towards empirically observed increases in buyer-drivenness.

Figure 1 suggests that a high level of drivenness occurs in GVCs that are characterized by the dominance of industrial-market quality conventions and – in GVC terms – by buyer-driven governance. Lead firms in this box are branded manufacturers such as Nestlé (with a tendency towards the side of industrial conventions), retailers such as Gap or Tesco, and discounters such as Wal-Mart (with a tendency towards the side of market conventions).
Figure 1: Linkages between key categories of convention theory and global value chain analysis

<table>
<thead>
<tr>
<th>(1) Convention theory: 'quality convention'</th>
<th>(2) Convention theory: 'organizing principle'</th>
<th>(3) Global value chain analysis: quality-related mechanisms for exercising 'drivenness'</th>
<th>(4) Type of 'lead firms'</th>
<th>(5) Mode of governance [and degree of drivenness]</th>
<th>(6) Examples of specific global value chains</th>
</tr>
</thead>
<tbody>
<tr>
<td>industrial productivity</td>
<td>competitive-ness</td>
<td>influence on setting 'content' of quality and standardization or codification; codification of production techniques and (branded) products into a few broad standards; alternatively, ability to convey 'mindset and operational culture'; ability to capture rents through management of information asymmetry on quality; minimising cost of matching 'civic' quality content through external certification processes (or formulation of internal codes of conduct) and moving these costs upstream;</td>
<td>Branded manufacturers</td>
<td>Buyer-driven [High]</td>
<td>commercial coffee clothing</td>
</tr>
<tr>
<td>civic welfare</td>
<td></td>
<td>capacity to match 'civil society’ demands in terms of minimum socio-economic and environmental standards; 'packaging' these achievements in terms of differentiated product and service offering;</td>
<td>Marketers of 'ethical’ products; Civil society groups; Certifiers, auditors</td>
<td>Moving towards buyer-driven [Medium]</td>
<td>fair trade, organic and other 'sustainable’ coffee</td>
</tr>
<tr>
<td>domestic loyalty</td>
<td></td>
<td>capacity to develop trust through repeated interactions and/or geographic indication; extract rents from the ‘uniqueness’ of products or production/trade relations</td>
<td>Producer groups under appellation systems; International traders; Niche/specialty marketers</td>
<td>Producer-driven, but often not driven at all [Low]</td>
<td>specialty coffee; haute couture clothing</td>
</tr>
</tbody>
</table>
The actual forms of coordination between lead firms and first-tier suppliers (and their hands-on or -off character) vary depending on: (1) the mechanisms for transmitting knowledge and information about quality; and (2) the (‘conventionalised’) strategic values guiding lead firms. Firms with a ‘financialist-network’ set of values tend to be more ‘hands-off’ with their immediate suppliers, outsource ‘non-core’ functions, focus on short-term returns, play with the possibility of switching between suppliers, prefer to nominate ‘preferred’ suppliers, and fine-tune economies of scale and scope. Firms that are not exposed to the same extent to the dictates of financial markets may have more ‘hands-on’ forms of coordination with their immediate suppliers, or alternatively more market-based ones where there is no investment in deeper relations with preferred suppliers (see above).

In GVCs that are characterised by ‘civic’ conventions, marketers of ‘ethical’ products and civil society groups play an important role in defining the division of labour along the chain – at least until mainstream buyers come into the picture and ‘civic’ content becomes embedded in standards, certifications and codes of conduct. Certifiers and auditors also play a key role in negotiating the demands of buyers in relation to the possibility of standardisation on the production side. In this sense, they are also active (but indirect) participants in the formulation of the division of labour along the chain. However, as we have argued above, the process of certification and codification itself facilitates the emergence of industrial-market conventions and of economies of scale. In this respect, these value chains have tended to become more ‘buyer-driven’ in the last decade. In GVCs where quality is embedded in ‘domestic’ conventions, there is a low level of ‘drivenness’. In other words, little functional
division of labour is exercised beyond immediate suppliers and buyers. These value chains are: (1) local – or related to a narrative of place (local, regional and gourmet foods and beverages; Paris, Milan or London haute couture; products that have geographic indication systems); and/or (2) they require repeated interaction and the building of personal trust (reputation).

Finally, we would like to return briefly to the role of consumers in the governance of GVCs. An economy of qualities (cf. Callon, Méadel and Rabehariosa 2002) reading of the empirical material presented here suggests that ‘lead firms’ are by no means in complete control of the governance of consumption. Broad quality conventions relate to fundamental social-structural trends, while even modifications in their mix and hierarchy are shaped largely independently of the wishes of ‘lead firms’. The latter may occur, for example via the rise of new social movements (organic, fair trade – see Raynolds 2002; 2004), or through the institutionalisation of new bodies of expertise concerning ‘good taste’, developed for example by lifestyle journalists and gurus, fashion scouts, ‘property make-over consultants’ and celebrity cooks.\textsuperscript{21} In the global value chains analyzed here, ‘lead firms’ attempt to ‘ride’ changes in consumption and its governance via the (re)qualification of products in proprietary forms (brands, patented products and processes).

**Governance in global value chains: conclusions and a future research agenda**

This article has utilized some of the key concepts of convention theory to further our understanding of governance in global value chains, while in the process suggesting some rectifications of convention theory. It has shown that the historical trend from hierarchical to tendentially looser forms of coordination between lead firms (or
‘buyers’) and their suppliers, and the related movement towards a ‘network world’, do not necessarily mean that global value chains are becoming less ‘driven’ than in the past, but that they are driven in different ways. In many cases, particularly in Anglo-Saxon business environments, this results in relatively loose forms of coordination but high levels of drivenness (or, theoretically, vice versa).

Forms of coordination, however, should be kept distinct from modes of governance. A global value chain may be characterized by different forms of coordination in various segments, yet a relatively coherent mode of governance. A general observation is that, historically, global value chains are becoming increasingly ‘buyer-driven’. The distinction between buyer-driven and producer-driven chains then remains a useful device for the analysis of governance, both as a typological instrument and as a historical category – irrespectively of what the forms of coordination are between individual segments of a value chain.

In order to understand how ‘buyer-driven’ governance arises, what forms it takes and how it changes, we need to clarify how ‘lead’ firms achieve flexibility and externalize functions (to the extent that they wish to) and, at the same time, how they keep control over (‘drive’) the value chain. Their degree of success in doing so seems to depend on how well they have been able to transfer relatively intangible information to their suppliers, and/or to standardize, codify, and/or obtain credible external certification for increasingly complex quality content of goods and services.

Convention theory suggests that quality issues are central in understanding the way ‘lead’ firms shape the functional division of labour and entry barriers along a value chain. Furthermore, it suggests that the legitimacy of the content of quality and tools
for managing quality will depend on a set of shared values and on legitimised procedures (or socio-technical instruments, à la Callon) for measuring quality performance – that is, on the quality convention (or combination of conventions) they refer to.

In this article, rather than attempting to resolve convention theory’s inconsistencies and inadequacies, we have used some of its fruitful basic concepts to highlight the cognitive/normative aspects of governance in global value chains through a ‘quality’ reading of empirical material on two global value chains. The analysis undertaken here does not provide all the answers to the key question of governance in global value chains. However, it underlines that quality issues (in addition to volume, economies of scale and prices) are central in understanding the way ‘lead’ firms shape the functional division of labour and entry barriers along a value chain. Against this background, further work is needed on clarifying the historical dynamics of GVCs in relation to mechanisms of legitimation and justification of ‘leadership’, ways of measuring ‘success’, and the (changing) composition of the quality conventions found within value chains. In addition to this, the role of consumers needs to be more clearly incorporated in discussions of value chain governance.

Notes

1 Comparisons between the two traditions are drawn in Wilkinson (1997) and (Raikes, Jensen and Ponte 2000). Attempts at using convention theory to enrich other approaches have been carried out in relation to global value chains (Daviron and Gibbon 2002; Daviron and Ponte forthcoming) and agro-food networks (Barham
2002; Busch 2000; Busch and Tanaka 1996; Freidberg 2003; Murdoch and Miele 1999; Murdoch, Marsden and Banks 2000; Raynolds 2002; 2004; Renard 2003). An assessment of convention theory applications in agro-food studies can be found in Daviron and Ponte (forthcoming) and Gibbon and Ponte (in press).

2 Benoit Daviron, personal communication.

3 See Nadvi and Wältring (2002) for other kinds of classifications of standards.

4 Functional leadership refers to the position of dominance of a particular group of firms in a specific functional position (or positions) in the chain. It is thus different from leadership of a particular firm over competitors within a specific function.

5 Originally, the literature referred to the term ‘commodity chain’. Recently, this term has been abandoned and was substituted by the ‘value chain’ concept. The latter is thought to better capture a wider variety of products, some of which lack ‘commodity’ features. As a result, the Global Commodity Chain (GCC) approach is now known as ‘Global Value Chain’ (GVC) analysis. The concept of ‘value chain’ has been known in the literatures on industrial organization, business studies and management for a while. Porter’s (1985; 1990) concept of value chain emphasises the inter-connected and sequential nature of economic activity, in which each link adds value in the process. His notion of value chain, however, is designed primarily as a heuristic tool to allow individual firms to understand which ‘in-house’ and external ‘steps’ their activities depend upon, and how they can improve their competitiveness by coordinating these steps more effectively. By contrast, the political economy use of ‘GVC’ takes its point of departure not in the activities surrounding a specific firm, but in the full range of activities that are required to bring a specific product from its
conception to its end use and beyond. The concept of ‘global value chain’ refers to configuration of activities that are divided among firms and that have a global geographical scale.


Related discussions have taken place on the links between forms of governance and upgrading (Gibbon forthcoming; Humphrey and Schmitz 2002a), the relationship between global value chains and industrial clusters (Humphrey and Schmitz 2002b; Nadvi and Halder 2002; Palpacuer and Parisotto 2003), and learning processes and supply relations within GVCs (Schmitz and Knorriga 1999; Humphrey 2003b). A more explicit effort has also been made to link issues of governance and upgrading with overall regulatory structures (Gibbon forthcoming; Kessler 1999; Gereffi, Spener and Bair 2002; Ponte 2002a; 2002b), with processes of globalisation and international inequality (Talbot 2002; Kaplinsky 2000), and with corporate concentration (Vorley 2003). Finally, there is an emergent literature analyzing the links between value chains, standards and ethical trade issues (Ponte 2002c; Barrientos. Dolan and Tallontire 2003; Messner 2002; Nadvi and Wältring 2002; Quadros 2002; Vorley et al. 2002). In terms of sector coverage, the early literature
was mainly concerned with manufacturing and high-technology; these have now been accompanied by case studies on agro-food commodities, services, transport and logistics.

8 We owe this observation to Florence Palpacuer.

9 Inter-subjective and cognitive elements are also key preoccupations of evolutionary political economy (Fullbrook 2002; Hodgson 2002; Nielsen 2001). Salais and Storper’s work (Salais and Storper 1992; Storper and Salais 1997), in particular, provides a conceptual bridge between analyses focused on tacit and codified knowledge (drawing on Polanyi 1966) and convention theory through the analysis of ‘worlds of production’ (see applications in Murdoch and Miele 1999; Murdoch, Marsden and Banks 2000).

10 In some of the literature on conventions, a distinction is made between ‘convention economics’ and ‘convention theory’ as such. The distinction is also sometimes portrayed in terms of a ‘strategic approach’ versus an ‘interpretive approach’ to conventions (Batifoulier 2001). The former is said to be inspired by an ‘instrumental’ view of conventions as coordinative actions that are motivated by personal interest and are based on the expectation of reciprocity. This has led to contributions engaging critically with game theory and that see convention as the result of strategic interaction. The latter is said to be inspired by a ‘normative’ view of convention as a custom which validity is approved within a group and is guaranteed by general reprobation. Convention in these terms is distinct from the rule of law on the basis of the different nature of sanction: rather than needing a juridical system of coercion, non-conformity entails the risk of something akin to a ‘social boycott’. This approach
to conventions sees them as ‘models of evaluation’ that allow the interpretation of rules (Batifoulier and Larquier 2001). In this article, we refer to ‘convention theory’ as the ‘interpretive approach’ to conventions. Therefore, we draw mostly from the interpretive literature and speak to its main preoccupations. Selected examples of the ‘strategic approach’ to conventions (or ‘convention economics) can be found in edited collections by Batifouier (2001; 3rd part), Orlean (2004), and Favereau and Lazega (2002).

In Salais and Storper (1992), the four ‘world of production’ are the result of the combination of two dimensions that can take two values: the first dimension is related to the available supply of technology, information and skills at the production level, and whether these are restricted to a community of specialists or not (yielding specialized or standardized products respectively); the second dimension is related to whether demand is anonymous and uniform or not (yielding demand for generic or dedicated products respectively). The four possible combinations lead to a classification of ‘worlds of production’ as follows: (1) Industrial World (production of standardized-generic products); (2) Network Market World (standardized-dedicated); (3) Marshallian Market World (specialized-dedicated); and (4) World of Innovation (specialized-generic) (slightly different labels are used in Storper and Salais 1997). In this paper, we draw implicit inspiration from Salais and Storper’s work when we separate the discussion of quality conventions from conventions on corporate organization and inter-firm relations. However, we do not use their ‘world of production’ categories, which features are too product-centered and pre-determined
by a series of given factors that are only loosely linked to historical and regulative processes.

12 ‘Spirit of capitalism’ is defined as ‘the ideology that justifies people’s commitment to capitalism, and which renders this commitment attractive’ (Boltanski and Chiapello 2002).

13 Callon and collaborators actually refers to lead firms as ‘suppliers’, because their reference point is consumers. To avoid confusion, we have corrected this in the exposition above.

14 On the limitations of the ‘economy of qualities’ approach, of global value chains analysis and the possible overlaps between the two, see Thompson (2003, 208).

15 One of the critiques of GVC analysis has been that it stops normally at the retail level, thus is largely silent on issues of consumption and after-use disposal/recycling. Some insights can be drawn from the literatures on consumption and on production-consumption links in agro-food studies. Much of the latter was a reaction to the perceived ‘productionist’ bias of commodity systems analysis (as in Friedland 1984 and related contributions). Even the literatures on ‘systems of provision’ (Fine, Heasman and Wright 1996; Fine 2002), food retail (Marsden and Wrigley 1995), and the construction of quality in food networks (Arce and Marsden 1993; Murdoch, Marsden and Banks 2000) have been taken to task for not investing enough ‘agency’ in consumers (Goodman 2002). Yet, attempts that portray to overcome this limitation (Lockie and Kitto 2000; Lockie 2002) seem to arrive at similar conclusions of those highlighted by Callon, Méadel and Rabehariosa (2002), namely that through the application of technologies of knowledge such as market research, survey data and
point of sale information, the consumer is made ‘knowable and governable’, thus subject to manipulation (Lockie 2002).

16 Due to space limitations, we only cover the case studies of clothing and coffee here. Other empirical GVC work on quality issues can be found in relation to citrus, cocoa, cotton and fresh vegetables (see Fold and Larsen forthcoming; Humphrey and Dolan 2001).

17 A further step may be taking place in the direction of ‘control of control of control’: the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance has recently published a ‘code of good practice for setting social and environmental standards’ (see www.isealalliance.org).

18 In an unpublished paper from 1998 recently referred to by Murdoch, Marsden and Banks (2000), Thévenot distinguishes domestic and ‘public’ conventions. The latter is said to be encompassing brands, trademarks and packaging. Since this does not appear to be referred to by him earlier or subsequently, the status of this distinction is not clear.

19 This is becoming the case for at least part of the commercial coffee market, against a background of a collapse of quality control in several coffee producing countries (Ponte 2002c). It has been the case for a long period for so-called ‘commodity’ clothing items, such as men’s socks and boxer shorts, to which it is difficult to attach ideas of personal differentiation, allure or fulfilment.

20 A conceptual critique of the moral and functional claims of ‘shareholder ideology’, see Engelen (2002).
On the role of interior designers and high-street flower bouquet designers in relation to quality in the cut flower industry, see Hughes (2001).

References


