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# Value Chain Evolution: Existing Theories, Vision, and Future Trend

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**Abstract**

This article describes the theories, concepts and views of prominent scientists on the concept of the value chain. In particular, the concept of the value chain and its tasks, theories related to its components, management methods and various criteria for their coordination have been considered in the literature. The article provides information on the interaction of the value chain, the emergence of dynamic relationships between different activities in the structure of the value chain. This article consists of a comprehensive review of research on the value chain, identifying existing problems and shortcomings, and offering new directions for future research.

**Keywords** Value, price, value chain, value formation, Global value chain, optimization, supply chain.

## Introduction

In today's highly competitive market economy, enterprises are faced with constant difficulties in managing the complex relationship between price, value and customer satisfaction. Although it remains a clear sign of price - turnover, the real advantage in competition lies in understanding how value elements inside the value chain form and come true. In this part of the dissertation, an attempt is made to analyze the importance of the value chain, the interaction between enterprises and their final impact on the creation of a unique value for consumers.

Value is defined as the unit received by the buyer for the profit received in exchange for the price paid for the product.[1] Theoretical foundations and practical aspects aimed at illuminating the dynamic impact of the value chain in order to shape the value of a product or service provide valuable insights for businesses seeking sustainable success.

Value formation is a dynamic process that is influenced by personal experiences and from established norms to marketing strategies and economic factors. The formation of value is not always a smooth process. Market imperfections such as monopolies or oligopolies, information asymmetry and external influences can disrupt the formation of prices and lead to market

[1] Anderson James C., Jain Dipak C., Chintagunta Pradeep K., "Customer Value Assessment in Business Markets: A State of Practice Study," Journal of Business-to-Business Marketing, 1 (1993): 3–30. A comprehensive conceptual discussion of value and its relationship with price and quality is found in Zeithaml Valarie A., "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence," Journal of Marketing, 52 (July 1988): 2–22.

disruption or inefficiency. In such cases, prices may not accurately reflect the forces of basic supply and demand, which may lead to incomplete formation results.

To understand the complex relationship between price and value, it is important to turn to different disciplines. For economists, this process is seen as the formation of market dynamics that affect the distribution of demand, supply and resources, while for marketers this process is understood as the adoption of pricing strategies, brand positioning and consumer decisions. For consumers, this process creates a purchasing choice that affects their satisfaction and well - being.

Value theory is a central concept that aims to explain how to determine the price of goods and services in economics. Various economic theories offer particular perspectives on the subject, with classical, neoclassical, Marxist and other theories being particularly prominent examples. We turn to scientists who have contributed to the creation of theories of value and value, as well as concepts, the main thinkers of traditional schools and their works.

A value chain is a systematic approach to understanding the series of activities that a company undertakes to design, manufacture, sell, deliver and support its product or service.[2]

The value chain is traditionally divided into primary and supportive activities. Primary activities include basic processes directly related to the production, sale, delivery and support of a product or service. Support activities, on the other hand, provide the necessary infrastructure and resources to ensure the continuous operation of primary activities. These include procurement, technology development, human resource management and infrastructure within the scope of activity improvement. Together, these activities provide a comprehensive framework that covers the entire spectrum of the company's activities.

The concept of value chain is important for organizations in various fields. As one of its main functions, cost recognition involves identifying areas where companies can minimize costs without compromising the quality of their products through in-depth analysis of each activity.

The evolution of the value chain concept will not be a mistake if we say that it combines economic theories, industrial practice and the prospects of modern management. Looking at the history of the formation of value and the formation of a value chain, scientific research was carried out by the American economist scientist Michael Porter. Michael Porter, in his work" Competitive Strategy", introduced the concept of a value chain, emphasizing the importance of analyzing the internal activities of a company as a chain of value creation processes.

The interaction of the value chain refers to the dynamic relationships and connections between the different activities within the value chain. This content includes incoming logistics, operations, outgoing logistics, marketing, sales and service. Understanding these interactions is critical to optimizing processes, reducing costs, and improving overall performance.

[2] Porter, M. E. (1985). "Competitive Advantage: Creating and Sustaining Superior Performance." THE FREE PRESS, A division of Simon & Schuster Inc., 1998, 34-35 pages.

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**1.1 Application by author**

| № | Direction | Content | Author and used literature |
|---|---|---|---|
| **1.** | İnbound logistics | Coordination with providers of raw materials and services necessary for production and service activities, discussion of the terms of cooperation and effective management of incoming flow of materials (continuity). | M.Porter (1985). "The Competitive Advantage: Creating and Sustaining Superior Performance." |
| **2.** | Operations | Cooperation between different stages of the production process, ensuring the creation of systemic and high-quality goods. | N.Slack, A.Brandon-Jones, R.Jonston (2013). "Operations Management." |
| **3.** | Outbound logistics | Integration with delivery partners, transportation optimization and efficient order fulfillment. | J.Koyl, J.Langli, B.Gibson, R.Novak, E.Bardi (2012). "Supply Chain Management: A Logistics Perspective." |
| **4.** | Marketing and sales | Coordination between Marketing efforts and sales strategies, adapting ads to customer needs. | F.Kotler, G.Armstrong, L.Xarris, va N.Pirsi (2013). "Principles of Marketing" |
| **5.** | Service | Continuous integration of after-sales services such as customer support and maintenance to increase overall customer satisfaction. | V.Zeithaml, M.Bitner, va D.Gremler (2006). "Services Marketing: Integrating Customer Focus across the Firm" |

The evolution of the concept of the value chain was formed as a dynamic and multifaceted study, formed by various scientific research and economic views, management theories and strategic foundations. This comprehensive study explores the development of the value chain concept, its main stages, and the evolution of scientific perspectives.

**Classical value theory** is often associated with the names of Adam Smith and David Ricardo, who emphasize the importance of the role of labor in determining the value of goods. According to this theory, the amount of labor required for the production of goods is the main factor affecting its value. This concept is known as the labor theory of value.

Adam Smith, in his "An Inquiry into the Nature and Causes of the Wealth of Nations", argued that the value of a good is determined by the amount of socially necessary labor time spent on its production.[3] The theoretical foundations of the value chain can be traced back to classical economic views, in particular Adam Smith's concept of division of Labor. This idea laid the groundwork for an understanding of how specific activities contribute to the overall production process, emphasizing the effectiveness obtained as a result of specialization.

David Ricardo expanded on Adam Smith's ideas by proposing the concepts of diminishing income Law and comparative advantage. These concepts further shaped classical economic thought and influenced later value theories.[4]

**Proponents of the neoclassical theory of value,** such as Alfred Marshall, Leon Walras, and Carl Menger, focused on the use and demand of labor in determining value. According to neoclassical theory, value depends on subjective and individual preferences. The concept of marginal benefit introduced by Alfred Marshall argues that the value of a good is determined

[3] A. Smith 1776, "An Inquiry into the Nature and Causes of the Wealth of Nations," London, Printed for Straha and Cadell In the strand,MDCCLXXVI, page 35-55 pages.
[4] D. Ricardo (1817), "Principles of Political Economy and Taxation", London George Bell and Sons, 1908, 5 page.

by the marginal (additional) benefit it provides. This theory emphasizes the interaction of consumer preferences, supply and demand when determining prices.[5]

Representatives of neoclassical economics made additional contributions to the concept of the value chain, emphasizing the need for efficient allocation of resources in the production process. In addition, in value chain analysis, management theories such as (Resource-Based View) and (Transaction Cost Economics) have brought insights that highlight issues of internal capabilities and transaction costs.[6]

**The neoclassical theory of value** was further developed by representatives of the Marginalist and Austrian School. Ludwig von Mises, a prominent figure in the Austrian School, in his work "Human Action: A Treatise on Economics", evaluates value as the main and final result of this human-made action. [7]

In contrast to classical and neoclassical theories, Karl Marx provided a special perspective on value within his "**Labor Theory Of Value**". According to Marx, the value of a good is determined by the socially necessary working time embodied in its production. At the same time, Marx also introduced the concept of consumer value and exchange value. Marx's theory of value is closely related to his analysis of class struggle and labor exploitation of capitalism. The labor theory of value was a key element in Karl Marx's economy, and he mentioned that it influenced the debate about the nature of capitalist societies.[8]

**Keynesian economics** challenged classical assumptions about the self-adjustment of markets and emphasized the role of state intervention.[9] Post-Keynesian economists have focused on John Maynard Keynes' research on macroeconomic aspects of value, particularly employment and aggregate demand.

Torstein Veblen's views are associated with institutional economics, introducing the concept of consumption, which is considered the basis of value generation, and giving Economic Analysis a broader understanding of value by incorporating social institutions and habits in the formation of behavior into economic social and cultural factors.[10]

Towards the practical application of vertical integration by industrial magnates in the late 19th century, John Davison Rockefeller exemplified the benefits of managing multiple stages of production within a single enterprise. This early economic concept formed the basis for the emergence of the concept of a value chain.

**Modern views:** the well-known management theorist Peter Druker in his comprehensive scientific study did not give feedback on the concept of a value chain. However, his contributions to management theory have had a major impact on how organizations approach their activities and strategies. In particular, Druker's insights into effective management,

[5]A. Marshall (1890), "Principles of Economics," London: Macmillan and Co. 8th ed. 1920, 234-239 page.
[6]Jay B. Barney (1991), "The Resource-Based View of the Firm," Journal of Management, 1991, Vol. 17,No 1, 99-120 pages.
[7]L. Von Mises (1949), "Human Action: A Treatise on Economics,". LUDWIG VON MISES INSTITUTE AUBURN, ALABAMA, 1998, 96 page
[8]K. Marx (1867), "Capital, Volume I," Progress Publishers, Moscow, 1969, 27-30 pages.
[9]Кейнс Дж. М. Общая теория занятости, процента и денег // Антология экономической классики: в 2 т. / [сост. И.А. Столяров] – М.: Эконов, 1992. – Т. 2. – С. 137-432.
[10]T. Veblen (1899), "The Theory of the Leisure Class" Transaction Publishers, 1912, 235-251 pages.

innovation, and the evolving nature of society and organizations remain influential in a variety of business areas.

Based on Wallerstein's theory of world systems, as noted in his influential work "The modern world system" (1974), he conceptualizes the global economy as a complex system with nuclear, semi-peripheral and peripheral regions. The theory emphasizes the interdependence and hierarchy between these regions within the global capitalist system. Wallerstein's insights into the structure of the global economy and its impact on different regions contribute to an understanding of the broader economic importance in which value chains operate. His work highlights the unequal power relations and dependencies that exist in the global economic system.[11]

Gary Gereffy was a prominent researcher in the field of global value chains, and his contributions have significantly shaped concepts of how products are produced, delivered, and consumed in the context of global capitalism. Highlights of his fundamental research as well as influential works include:

1. Global commodity chains: Gary Gereffy (1994) extensively studied the concept of global commodity chains (Global Commodity Chains) and researched how manufacturing processes are organized globally. His research focuses on the interdependence of participants in these chains and their impact on global trade dynamics.[12]

2. Renewal in Global value chains: a study by Gary Gereffy (1999) explores the concept of economic renewal in global value chains. It explores how firms and countries can influence the value chain by acquiring new skills, technologies and opportunities that lead to increased competitiveness.[13]

3. Global Value Chain Management: Gary Gereffy (2005) has contributed to the understanding of management structures in global value chains, among other scientists. His research focuses on how leading firms exercise control and coordination over scattered manufacturing activities.[14]

4. Region and network analysis: Gary Gereffy's research (2018) concerns regional and network analysis within global value chains. He applied his research in various fields and provided insights into the specific dynamics of different networks.[15]

5. Social and economic impacts: Gary Gereffy's research in this direction (2014) addresses the broader social and economic impacts of global value chains, including issues related to labor, income distribution, and technological development.[16] Scholars such as Dirk Messner,

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[11]Wallerstein, Immanuel. *World-Systems Analysis: An Introduction*. Duke University Press, 2004. *JSTOR*, 23-41 pages.

[12] G. Gereffi & M. Korzeniewicz (Eds.), Commodity Chains and Global Capitalism, Praeger, Westport, Connecticut, London, 1994. 95-122 pages.

[13]Gereffi, G. (1999). "International trade and industrial upgrading in the apparel commodity chain." Journal of International Economics, 48(1), 37-70.

[14]Gereffi, G., Humphrey, J., & Sturgeon, T. (2005). "The governance of global value chains." Review of International Political Economy, 12(1), 78-104.

[15]Gereffi, G. (2018). "Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism." Cambridge Journal of Regions, Economy, and Society, 11(1), 19-32.

[16]Gereffi, G. (2014). "Global value chains in a post-Washington Consensus world." Review of International Political Economy, 21(1), 9-37.

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Gary Gereffy have contributed to research related to global value chains and international business. Gereffi and the Messners ' collaborative work focuses on the dynamics of global production and delivery networks. They studied the interaction of different participants in the supply chain, the impact of global forces on networks, and the impact on economic development and competitiveness.

Rafael Kaplinsky and Mike Morris are notable researchers in the field of modern global value chains whose research focuses on understanding complexities and dynamics in the global value chain. Their works focus mainly on issues of globalization, industrialization, competition and poverty.

Rafael Kaplinsky, in his work "Global Value Chains, 'Innovation Networks' and Development" (2000), explores the implications of globalization and emphasizes the importance of value chain analysis in ensuring fair distribution of profit.[17] "Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis?" (2004) analyzes the continuation of competitive policies to the intersection of global value chains, as well as the impact of competitive policies within specific commodity chains.[18]

In the article "Engaging with Global Value Chains: A Review of Policy Options for Developing Countries" (2012), M.Morris, S.Staritz, J.Barnes stressed the importance of political decisions in developing countries to form a chain of global values.[19]

Both Kaplinsky and Morris share common themes in their works. They recognize the need to understand the connections within value chains and the broad socio-economic impact of globalization. Their research together helps to understand how value chains work, how policies affect them, and the potential consequences of development, poverty reduction, and economic growth.[20]

M.V.Through his research, Meyer has made significant contributions to the understanding of value chains, with a particular focus on the strategic and operational aspects of these chains. M.V.Meyer's research often explores the strategic implications of value chains for organizations. In general, M.V.Meyer's research on value chains covers a wide range of topics related to organizational strategies, operations management, and enterprise customization to a dynamic global market.

J.Shank's research interests often focus on areas related to Operations Management, Supply Chain Management, and organizational strategy. Scientists in these fields typically explore topics related to value chains, such as process optimization, coordination among supply chain partners, and overall efficiency enhancement. While no specific details of Shank's work on value chains are fully provided here, his research can provide insight into effective strategies for managing and improving the various elements of the value creation process.

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[17] Kaplinsky, R. (2000). "Global Value Chains, 'Innovation Networks' and Development." Enterprise and Innovation Management Studies, 1(3), 1-24 pages.

[18] Kaplinsky, R. (2004). "Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis?" The Journal of Development Studies, 37(2), 117-146 pages.

[19] Morris, M., Staritz, C., & Barnes, J. (2012). "Engaging with Global Value Chains: A Review of Policy Options for Developing Countries." International Journal of Technological Learning, Innovation and Development, 5(1-2), 53-76 pages.

[20] Kaplinsky, Raphael & Morris, Mike. (2001). A Handbook for Value Chain Research. 3-133 pages.

V.Govindarajan, widely known as" VG". His research often explores how organizations can manage complexities, adapt to change, and develop innovation. While" VG " work is not focused on specific value chains, its strategic concepts can provide valuable perspectives on how companies are positioned in global business ecosystems. He argued that understanding how organizations create innovation and strategy could indirectly shed light on their relationships with value chains.[21]

In conclusion, this article examined the theories, concepts of famous scientists on the value chain. In particular, the concept of the value chain and its tasks, theories related to its components, management methods and representatives of the Economic School who contributed to the formation of the value chain as an economic term were introduced to the data on the theory and concepts. The factors that need to be taken into account, such as the size, location, scope of attraction of the types of activities in which the formation of the value chain is applied, have not been fully researched. In particular, from a managerial point of view, the effectiveness of the functioning of value chains, their geographical scope, as well as the level of coordination have not been studied. This in turn suggests that there is demand in making the value chain appear to be clearly systematized. It is concluded that the theory and concepts considered above should be distinguished according to the degree of influence and be differentiated in terms of areas and scope of application.

[21] Shank, J. K., and Govindarajan, V. 1992. Strategic cost management and the value chain. Journal of Cost Management, (Winter): 5-21.