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Matching global service standards—the role of intermediaries in economic upgrading of support-service firms in global production networks

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Abstract

Economic upgrading of local firms in developing countries is a central theme in research on global value chains/production networks. Within this literature, few studies have concentrated on upgrading in non-tradable services. Even when serving international business clients these tend to be understood as locally rendered, peripheral activities that offer limited upgrading opportunities. Using the facilities management sector in Mumbai as a case in point, this article argues that such a view overlooks how: (1) more sophisticated demands from advanced international business service firms lead to enhanced standards and economic upgrading in low-end, non-tradable services, and (2) the emergence of global support-service providers acting as intermediaries in global production networks (GPNs) has contributed to enhanced operational standards in low-end support services. At the conceptual level, this article aims to elucidate the capital and labor dimensions of economic upgrading. This allows for a better understanding of the variations in economic upgrading across sectors and the ripple effects of economic upgrading in places where GPNs are grounded.

Keywords: Economic upgrading, service intermediaries, facilities management, global production networks, India

JEL classifications: O, economic development, innovation, technological change, and growth; O19, international linkages to development, role of international organizations

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1. Introduction

Economic upgrading of local firms in developing countries, which are integrated into global value chain (GVCs)/global production networks (GPNs),¹ has been extensively discussed with respect to a range of industrial sectors and clusters (Humphrey and Schmitz, 2002; Coe and Hess, 2010; Pavlinek and Zenka, 2010; Blažek, 2016). In services, the study of economic upgrading has largely focused on (high skill levels) tradable services,

1 In this paper the terms global value chains (GVCs) and global production networks (GPNs) are used interchangeably. For a detailed discussion on distinctions and commonalities, see e.g., Lee and Gereffi (2015) and Mayer and Phillips (2017).

such as advanced business service firms (e.g., financial consultancy and legal services), the Information and Communication Technology-Information Technology Enabled Services (ICT-ITES) sector (Dossani and Kenney, 2009; Fernandez-Stark et al., 2011; Kleibert, 2015) or logistics (Coe, 2014), for which economic upgrading commonly involves a shift to more knowledge intensive activities utilizing high-skilled labor. These services are part of the glue that hold constituent parts of the value chain together (see Low, 2017) and can be conceived as enablers that GPNs need to function effectively (Coe and Yeung, 2015). A similar intermediary role in GPNs can be assigned for the providers of non-tradable services [e.g., security, facilities management (FM) and transport services], necessary for the everyday functioning of firms in GPNs. As common in the case with non-tradable services, where production and consumption coincide in time and space (Daniels, 1993; Ghani, 2010; Lambregts et al., 2016), support-service activities tend to be understood as locally rendered, peripheral service inputs to corporate clients that offer limited upgrading opportunities. In addition, these services are considered to be ‘technologically lagging’ (Baumol, 1967; Autor, 2015). The central contention of this article is that such a view overlooks how: (1) more sophisticated demands from advanced international client-firms lead to enhanced standards and economic upgrading in low-end, non-tradable services and (2) the growing prominence of global support service providers [e.g., *Group4Securicor* and *Securitas AB* in security services, *CB Richard Ellis* (CBRE), *ISS* and *Sodexo* in FM], acting as intermediaries or strategic partners of lead firms in GPNs, has contributed to enhanced operational standards in low-end support services. As argued by Coe and Yeung (2015, 51): ‘the undertheorization of intermediaries that global production networks need to function effectively represents a missing link in the existing knowledge base’. As part of the GPN 2.0 agenda (Coe and Yeung, 2015, 2019), the study of intermediaries (see also Phelps and Wood, 2018; Faulconbridge, 2019) adds to an understanding of the intersections of GPNs with territorial regional economies (the horizontal dimension) and the development impacts therein. With the growing number of functions that intermediaries undertake in GPNs, their role in eliciting economic upgrading among local vendors becomes subject for closer investigation. This article examines how intermediaries play a critical role as facilitators of economic upgrading by means of the devolution of advanced standards to local vendors of non-core activities. Examining the impact of GPNs on non-tradable services offers a way to examine the horizontal, territorial, effects of integration in GPNs and how economic upgrading is achieved in these activities. This responds to critical calls for a more refined understanding of the regional economic development outcomes of integration in GPNs (see Section 2.1).

At the conceptual level, to address the limits of the prevalent economic upgrading approach (see Coe and Yeung, 2015; Blažek, 2016; Werner, 2016), this article will elaborate on the capital and labor dimensions of economic upgrading (Barrientos et al., 2011; Hoque et al., 2016). While various researchers have empirically investigated economic upgrading, leading to a refined typology of economic upgrading (see Section 2.1 for an overview), how each domain of economic upgrading (i.e., product, process, functional and intersectoral upgrading) contains a capital and a labor dimension requires further exploration. Between economic sectors there is variation with which economic upgrading mainly requires investments in capital or in labor. For example, in services, upgrading is closely linked to ensuring an adequate supply of skills (see UNCTAD, 2004), and a substantial amount of operating capital expenses are incurred on employees. Similarly, enhanced operational standards can mostly be associated with altering the labor dimension of upgrading. Investments in labor translate into higher levels of human capital in a region, which is not

straightforward in case of capital upgrading (see Section 2.1). Furthermore, the four domains of economic upgrading contain different levels of capital and labor investments. This article argues that the examination of both dimensions of upgrading allows for a deeper understanding of how economic upgrading plays out in different sectors.

The account of FM service providers, working for international ICT-ITES client firms in Mumbai (India) has been chosen to study economic upgrading in non-tradable services. The rise of the ICT-ITES sector in Mumbai since the mid-1990s has led to more sophisticated demand for support-services (see [Krishna and Pieterse, 2008](#); [Kumar, 2016](#)). The ICT-ITES sector covers all operations which exploit information technology for service delivery at a distance including software development, application management, back-office operations, call centers, transcription, web services, etc. This includes both the back-offices of international business service firms (e.g., *Accenture*, *Concentrix*) and third-party service providers (e.g., *IBM*, *Capgemini*, *HP Enterprise Services*). The international ICT-ITES firms' operational protocols require uniform support-service standards across their offices worldwide and its quality and reliability are essential for the day-to-day functioning and productivity of ICT-ITES firms (see [Beerepoot and Kumar, 2015](#)). In Mumbai, global support service providers such as CBRE and *Jones Lang LaSalle* (JLL) offer an integrated support-service solution to international client firms. As argued by [Boussebaa and Faulconbridge \(2019, 75\)](#): 'global professional service firms generally work to universalize their methods and standards, as a means of facilitating frictionless international business activity and reducing "transaction costs" given that MNE clients require "seamless" cross-national professional work'. Intermediaries play a critical role in the diffusion of global standards that guide inter-firm relations in GPNs and compliance of which is essential for economic upgrading of local firms. The power of intermediaries in a GPN is derived from their ability to decide on which particular local firms become integrated in a GPN and their terms of integration. The client-following strategy of global FM companies coupled with their strategy to hire national or local vendors to deliver low-end support services provides a fertile ground to study how the national or local players engage in upgrading to match the existing global standards. Economic upgrading will thus be examined for both the primary global support service providers (intermediaries) and the local sub-vendors. The central argument of this article is that support services need to figure far more prominently in economic upgrading analyses and that, conversely, such analyses can contribute to a better understanding of how a developing country's non-tradable service industry is transformed through their interactions with GPNs.

Section 2 discusses economic upgrading in service GPNs with a particular focus on the capital and labor dimensions of upgrading. Section 3 outlines the research methodology. Section 4 concentrates on how non-tradable support services are linked to GPNs. Section 5 provides an empirical account of how both dimensions of economic upgrading matter for support-service firms and the role of ICT-ITES client firms in determining and facilitating the upgrading process. The final section provides the concluding remarks along with pointers for further study.

2. Economic upgrading in GPNs

Centered around notions of value, power and embeddedness, the initial GPN framework (GPN 1.0) sought to understand the intra-, inter- and extra-firm networks involved in any economic activity and how these are structured both organizationally and geographically

(see [Coe and Yeung, 2015, 2019](#)). Value and power are related to different types of embeddedness, referring to how GPN actors and production network activities are (heterogeneously) embedded within particular territories ([Fuller and Phelps, 2018, 141](#)). A predominant focus on sequential chain activities and lead-firm strategies was (and is) a central characteristic of many GPN studies [see e.g., [Werner \(2016\)](#); [Yeung \(2016\)](#); and [McGrath \(2018\)](#) for a critical review], with strategic coupling as key concept to analyze in which ways regional and national economies intersect with GPNs. To advance this research tradition and to evolve from a descriptive to an explanatory analysis ([Neilson et al., 2018](#)), the GPN 2.0 framework was developed as [Coe and Yeung \(2015, 21\)](#) state: ‘a more dynamic approach towards greater analytical precision and explanatory power in the theory of global production networks’. Central to this analysis is how lead firms have the capacity to coordinate and control directly its production network including its strategic partners, different types of suppliers and customers ([Coe and Yeung, 2015](#)). These network relations further include extra-firm actors (e.g., state, international organizations and labor groups) and intermediaries which link multiple actors in GPNs. This allows for a richer representation of the myriad and multi-scalar relations enabling production ([McGrath, 2018](#)). For inter-firm governance of network relations, distinctive types of actor strategies include intrafirm coordination, interfirm control, interfirm partnership and extrafirm bargaining (see [Coe and Yeung, 2015](#)), which reflect different levels of engagement with GPNs (see Section 4).

[Dallas et al. \(2019, 667\)](#) define network/chain governance as: ‘the actions, institutions and norms that shape the conditions for inclusion, exclusion and mode of participation in a value chain, which in turn determine the terms and location of value addition, distribution and capture’. The multipolarity of governance in GPNs, with a diverse array of actors shaping chain relations (see [Kumar and Beerepoot, 2019](#); [Raj-Reichert, 2020](#)) has expounded that power is embedded in various functional positions (see [Ponte and Sturgeon, 2014](#)) and different forms of power (and power relationships) are utilized.² Of the different stakeholders in the governance of GPNs, the particular interest for this article is the role of intermediaries and the type of network relations they are engaged in GPNs. As stated by [Faulconbridge \(2019\)](#), intermediaries are active institutional agents that influence the organization and strategies of the TNCs that make up GPNs. Intermediaries in GPNs include both firms (e.g., business support services) and extra-firm actors (industry associations or standard setting agencies). There is an overlap in the role and function of strategic partners and intermediary-firms (see also [Coe and Yeung, 2015](#)) particularly in cases of strong interdependence between them and lead-firms. Principal intermediaries as identified by [Coe and Yeung \(2015\)](#) include financial intermediaries, logistics providers and standards intermediaries (see also [Ouma, 2010](#); [Coe, 2014](#); [Faulconbridge, 2019](#); [Raj-Reichert, 2020](#)). This list is far from complete as a growing number of professional service firms (e.g., law firms and business consultancy) offer services to clients across countries (see e.g., [Phelps and Wood, 2018](#); [Boussebaa and Faulconbridge, 2019](#)). The rising number of intra- and extra-firm relations that they broker and mediate ([Coe and Yeung, 2015](#)), the hybridity of intermediaries (see [Raj-Reichert, 2020](#)) and their dual role in the setting and implementation of standards ([Faulconbridge, 2019](#)) has led to their greater prominence in the GPN 2.0 framework. The relational power of intermediaries in a

2 See [Dallas et al. \(2019\)](#) and [Boussebaa and Faulconbridge \(2019\)](#) for refined typologies of power relations in GPNs/GVCs. For a detailed discussion on relational power, see [Raj-Reichert \(2020\)](#).

GPN is derived from their ability to perform these multiple roles to different actors in the network. Intermediaries play an important role in the harmonization of standards and protocols across stakeholders in a GPN (i.e., the formation and diffusion of standards, see [Botzem and Dobusch, 2012](#)) and across locations where production is carried out. They oversee the compliance with standards among suppliers and the implementation of quality management and control systems for this ([Ouma, 2010](#)). As such, intermediaries are critical in the strategic coupling of local firms with GPNs by means of selecting qualified suppliers, guaranteeing their compliance with global standards (see [Nadvi, 2008](#)), and taking away the burden of lead firms by managing them. So far, the conceptual understanding of intermediaries largely focuses on these functional roles in GPNs (see [Coe and Yeung, 2015](#)), thereby not sufficiently addressing the outcomes of their actions, such as (re)shaping the economic landscape (see [Phelps and Wood, 2018](#)) and defining the terms for regional economic upgrading. These should form the basis for regional development trajectories as a result of engagement in GPNs.

Generic local suppliers offering low-value products (e.g., cleaning, transport and catering) to lead-firms in GPNs act as takers of industrial standards set by the lead firm and intermediary. Their bargaining power is commonly weak as lead firms face low switching cost. Reconfiguration of power relations between them and the lead firm or intermediary depends on their ability to engage in co-creation of value activity and through forging of strong interdependencies ([Kano, 2018](#)). Given the predominant focus on sequential chain activities, other generic goods and service delivery remains a blind spot in GPN research. The lateral links to other goods and service providers that are affected through engagement with GPNs, though elusive to include all, should be considered for the aggregate effect of GPNs on a region.

2.1. Economic upgrading: entangling the capital and labor dimension

Intermediaries play an important functional role in enabling the effective realization of value activity ([Coe and Yeung, 2015](#)) and, hence, economic upgrading. By deciding on the terms for integration in a GPN, service intermediaries have become active agents for economic upgrading. The particular means to do so is through the imposition of standards on suppliers utilizing different expressions of power. The generic understanding of economic upgrading is that it refers to ‘...ways in which firms can enhance their competitiveness through investments in productivity, specialization, and knowledge-intensity’ ([Gereffi, 1999](#); [Pipkin and Fuentes, 2017](#), 536). It suggests firms moving from low-value activities to relatively high-value activities in the GVCs or production networks ([Barrientos et al., 2011](#)). Distinct types of economic upgrading (see [Humphrey and Schmitz, 2002](#)) include product upgrading, process upgrading, functional upgrading and intersectoral upgrading. While product upgrading refers to the creation of more valuable and higher quality products, process upgrading deals with the adoption of improved production (technical know-how) and managerial practices. In the case of functional upgrading, a firm attains the capability to perform a higher value-added task by increasing the overall skill content of its activities. Intersectoral upgrading represents the trajectory of upgrading, where the supplier firm diversify and enter a completely new sector or business domain in the value chain. Various authors have criticized this description of upgrading as an unambiguous, unidirectional, shift toward higher value-added products and increasing value capture (see e.g., [Ponte and Ewert, 2009](#); [Glückler and Panitz, 2016](#); [Coe and Yeung, 2015, 2019](#)). As argued by [Werner \(2016\)](#), the upgrading concept diverted attention away from the unequal

rewards of chain participation while downplaying the zero-sum creation of high-value nodes. Furthermore, [Coe and Yeung \(2015\)](#) argue how many studies focus on the means of upgrading (the well-known typology) rather than the ends of upgrading, namely whether firms succeed in additional value capture. Therefore, the existing terminology should only be used only as partial guides to arrive at a more complex and fine-tuned picture of upgrading ([Ponte and Ewert, 2009](#)).

These limits of the generic upgrading typology has stimulated the development of a more refined typology of upgrading (see e.g., [Smith et al., 2014](#); [Glückler and Panitz, 2016](#)) or, as in the case of GPN 2.0, taking a more dynamic approach that emphasizes upgrading- or value capture trajectories ([Coe and Yeung, 2019](#)). Rather than expanding the list of go-betweens and complementary forms in upgrading [see [Blázek \(2016\)](#) for a critical review], this article argues how, notwithstanding the valid criticism above, a more detailed focus on the capital and labor dimension of upgrading (see [Barrientos et al., 2011](#); [Hoque et al., 2016](#)) offers a deeper understanding of what the four principal forms of upgrading exactly involve. The capital dimension refers to the investments made in securing new machinery and advanced technology ([Barrientos et al., 2011](#)) or other material assets that are necessary for achieving economic upgrading. The labor dimension (following [Becker, 2009](#)) refers to skills development and investments in human resources through which increased productivity or more advanced product delivery is achieved.³ Seeing economic upgrading through the lens of its capital and labor dimension allows for a deeper understanding of the local magnitude of economic upgrading as it gives an impression of how the local knowledge and skills base is altered. The adoption of (global) standards is an intangible form of upgrading which can largely be linked to investments in the labor dimension of economic upgrading.

For developmental change in a specific place (see [Kelly, 2013](#)), it is important to understand whether economic upgrading largely relies on the adoption of (external) technology (e.g., automation) or also on local investments in knowledge and skills, meaning it requires a greater entangling of the capital and labor dimension of upgrading. These may go hand-in-hand for firms seeking to achieve economic upgrading as any product or functional upgrading would require investments in both physical capital and in intellectual capital (knowledge and skills of the workers). However, automation can also lead to routinization and deskilling of labor ([Machacek and Hess, 2019](#)) meaning that capital upgrading can lead to labor downgrading. The variation with which the capital and labor dimensions matter in different sectors or business domains informs us about the local magnitude of upgrading. Upgrading in services (see Section 2.2) requires limited material assets relative to investments in knowledge-based assets. The local outcomes of upgrading, and in particular the distributional effects of its gains (e.g., whether more advanced employment opportunities are created and who has access to them), varies with which both dimensions matter in particular sectors. By largely seeing upgrading as value capture, utilizing a firm-based perspective (see [Coe and Yeung, 2015, 2019](#)), the current GPN 2.0 framework is insufficiently able to provide a more fine-grained understanding of the local outcomes (and beneficiaries) of economic upgrading or to provide even broader claims on local economic development (for a critical review see [McGrath, 2018](#); [Bryson and Vanchan, 2020](#)).

3 This is distinctive from social upgrading which is focused on improvements in the rights and entitlements of workers.

2.2. Upgrading through international service delivery networks

Services have long been regarded as non-tradable because many services require personal interaction and are difficult to be transported or provided across distances (Lambregts et al., 2016; Khatiwadam and Flaminiano, 2019). However, technological change has digitalized commerce, and made services tangible, transportable and tradable (Ghani, 2010). Business-related services—ICT, finance and insurance, scientific and technical services, management and administrative support—have become particularly tradable (Asian Development Bank, 2012). One key element of trade in services is the creation of opportunities to upgrade and add high-quality value in upstream and downstream segments of value chains (Low, 2017). In developing countries, as part of the ripple effect of GPNs, standards in local non-tradable service delivery can be enhanced through the presence of more sophisticated demand whereas the provision of good quality non-tradable services enhances a location's attractiveness for footloose activities (see Bosker and Garretsen, 2010).

Although the categorization of upgrading received from manufacturing analyses does not always transfer unproblematically to other industries (Coe, 2014), the four main types of economic upgrading can be linked to the following outcomes in the services sector. Product upgrading would include a greater standardization and commodification of services (Blind and Thumm, 2004; Brody, 2006). Process upgrading is associated with a greater use of (information and communication) technology in services (Fernandez-Stark et al., 2011; Graz and Niang, 2012). Functional upgrading involves the shift toward higher value-added service activities requiring better-skilled personnel (Dossani and Kenney, 2009; Ghani, 2010). Finally, intersectoral upgrading refers to the emergence of large specialist suppliers that can offer services across the globe (Goswami et al., 2012; Graz and Niang, 2012). Particular about upgrading in services (unlike manufacturing) is that the capital dimension cannot as much be associated with tangible investments but rather intangible assets such as brand recognition, certifications and compliance audits. The labor dimension of upgrading in services includes investments that make labor more efficient or productive. Table 1 provides a detailed overview of how economic upgrading is prevalent in services and how each type of upgrading contains a capital and labor dimension. Product and process upgrading are considered to be lower level forms of economic upgrading which require incremental improvements in the existing managerial practices and the tweaking of service products in such a way that it commands a higher price in the market. Functional and intersectoral upgrading are regarded as higher order upgrading strategies that involve substantial investments in procuring new competencies and geographical expansion.

The capital dimension of product and process upgrading involves intangible investments in streamlining the quality of service production and getting accreditation from established international certifying agencies. For functional and intersectoral upgrading capital investments are crucial for business expansion in new service domains. Further capital investments include those in reputation and brand image. The labor dimension of both product and process upgrading includes training the existing workforce to offer standardized services and similar operational protocols across locations (Brody, 2006; Fernandez-Stark et al., 2011; Graz and Niang, 2012). The labor dimension of functional and intersectoral upgrading includes hiring and training domain specific managers and workers who fit into the firm's diversification strategy. Central to these higher order upgrading efforts is the

Table 1. Types of economic upgrading in service industries

Type of upgrading (see Humphrey and Schmitz, 2002; Barrientos et al., 2011)	Capital and labor dimensions of upgrading in service firms (see e.g., Benner, 2006; Dossani and Kenney, 2009; Fernandez-Stark et al., 2011; Milberg and Winkler, 2011; Anwar and Graham, 2019)
<i>Lower order economic upgrading trajectories</i>	
Process upgrading	<p>Capital dimension: Introduction of new or better technology (e.g., customer relationship management tools), investments in meeting operational standards prescribed by certifying agencies (e.g., ISO certification), inviting accreditation agencies for inspection and securing certifications, investments in periodical audits</p> <p>Labor dimension: Enhancement of workplace management, formulation of individual/group-level performance indicators, designing performance management system, hiring of better qualified (and certified) personnel for domain specific service tasks, continuous skill improvements</p>
Product upgrading	<p>Capital dimension: Investments in market research and product development, investments in recruitment and training for offering higher value-added services</p> <p>Labor dimension: Investments in developing expertise and knowledge of the workforce, transnational mobility of knowledge workers, training and development to improve the quality of service delivery</p>
<i>Higher order economic upgrading trajectories</i>	
Functional upgrading	<p>Capital dimension: Investment in new technology (e.g., software for inventory management), investment in providing diverse services (in new domains) for different clients, investments in brand image building, strengthening business networks with lead-firms and investments in ubiquitous presence</p> <p>Labor dimension: Recruiting higher educated or better trained individuals, investments in upgrading skill levels through domain-specific training, leadership development, career management and succession planning</p>
Inter-sectoral upgrading	<p>Capital dimension: Formation of large service conglomerates (service supermarkets), geographic market diversification, creating brand image, developing expertise in new service domains, mergers and acquisitions to enter new value chains</p> <p>Labor dimension: Higher managerial bandwidth for coordination of service delivery, capacity to handle operations in multiple domains and locations, hiring of domain experts to support diversification, creation of managerial and governance structure (command and control chain) to manage subsidiaries across different locations</p>

ambition to emerge as ‘service supermarkets’ (Miozzo and Soete, 2001) that can offer a wide range of services across a range of locations.

The empirical study below will address the knowledge gaps identified in the first part of the article regarding how intermediaries play a critical role in enabling economic

upgrading by means of the devolution of more advanced operational standards to local generic service provision, which is commonly thought to have limited scope for economic upgrading. The upgrading of local service providers is analyzed through its capital and labor dimension to examine how the compliance with more advanced standards can be linked to investments in both dimensions of upgrading. Finally, it will focus on how local suppliers move from having power exercised over them through standards, to having the power to upgrade their activities.

3. Methodology

This article is part of a larger research project which compared FM, security services and transport services and how these activities are transformed through their engagement with GPNs/GVCs (see [Kumar, 2016](#)). A qualitative approach was considered to be best suited for the examination of firm specific developmental outcomes, which takes into consideration the local context and peculiarities of the firms as well as the region. Furthermore, a qualitative research approach would be best equipped to capture a detailed and nuanced understanding of local firm's upgrading trajectory and the experiences of power relations from the participants' perspective. Empirical fieldwork for this project was conducted during different fieldwork periods between November 2012 and September 2014. The data collection for the overall project involved interviewing 90 resource persons from FM, security and transport services. In addition, a survey was conducted among 423 support workers from various segments of support-service industry (housekeeping, security and employee transport). This exercise gave us a comprehensive understanding of the evolution and current status of the support-service sector catering to international ICT-ITES firms in Mumbai and the scope for economic and social upgrading across these three activities. In all three services, a fairly similar organizational structure is in place with major intermediary firms delegating the work to local sub-vendors (see [Kumar, 2016](#)). For this article, we specifically rely on the 31 semi-structured interviews with resource persons involved in FM (housekeeping, property rental solutions and building management services). Additional interviews were conducted with ground-level service personnel (housekeeping and building management service personnel) serving the ICT-ITES firms. The profiles of the respondents are summarized in [Table 2](#).

Seven interviews were conducted with managers or supervisors of local FM firms catering to non-ICT-ITES firms. This exercise helped in understanding the business context of local firms serving non-ICT-ITES clients and in a general understanding of both domains. On average the interviews took between 20 and 40 min and were mostly recorded and transcribed. In some cases where recording was not permitted, notes were made during the interaction and written out soon after the meeting.

The questions to the ICT-ITES firm managers focused on the eligibility criteria and the quality requirements demanded from the support-service providers or service vendors. The ways of intervening in the operations of the service providers and assistance given or demands made in upgrading the service standards were also discussed. Questions for service-provider firms focused on the steps undertaken to upgrade their service operations, with specific reference to ICT-ITES firms' quality standards. The discussion with housekeeping personnel provided an opportunity to verify the top management's responses regarding the standards of service delivery. With the local service providers serving entities other than ICT-ITES firms, the modes of their business operations and upgrading abilities

Table 2. Overview of resource persons interviewed

Overall data collected	Number of respondents
Interviews from resource persons in security (42), facilities management (31) and cab-services (17)	90
Survey among workers in security guard (300), housekeeping/maintenance (64) and cab-services (59)	423
Profile of resource person from Facilities Management sector	Number of resource persons (N=31)
Managers from clients or primary support-service provider (global FM firms)	7
Mid-level managers or supervisors from primary support-service provider or sub-vendors (local FM firms/sub-vendors)	6
Ground-level housekeeping service personnel	11
Managers of small cleaning/housekeeping/BMS service providers catering to local non-ICT-ITES firms	7

were discussed. The interviews were analyzed to find the underlying patterns, which involved organizing the interview transcripts into first-order codes (using informant centric terms and codes), creating second-order categories (researcher centric concepts or themes), and thereby identifying the major and sub-themes (Gioia et al., 2013; Neuman, 2014). To illustrate, first order (*in vivo*) coding of interviews had ‘improved recruitment quality’, ‘improved training’ ‘audit/labor compliance’, ‘new offices’, ‘new services’ as codes. These lower level *in vivo* codes were suitably assigned to second-order categories like ‘upgrading process’, ‘upgrading functions’, ‘upgrading product’ and ‘expanding geographical outreach’. The umbrella themes identified for these categories were ‘standardization’ and ‘client/intermediary as facilitator’. The findings were discussed with knowledgeable resource persons in the FM industry. For instance, FM managers of key ICT-ITES firms were approached multiple times to discuss and reflect on the findings. Some resource persons held different position in the FM sector with 12–14 years of industry experience and could reflect on the evolution of the FM sector in Mumbai. Interviews were held with resource persons till saturation in getting new insights from answers was reached. Other than primary field data, a set of secondary data involving annual balance sheets of key firms, and FM industry segment reports were collated and analyzed. The data on market insights, demand projections, geographical outreach of the service firms provided additional inputs for analyzing the cases and to triangulate the findings from the interviews. It also led to a better understanding of the larger global context within which the support-service industries are positioned.

4. Integration of support services in GPNs: value and power

The emergence and expansion of the ICT-ITES sector in Mumbai since the 1990s, enabled by the greater opportunities for offshore relocation of services, has been well documented in literature (e.g., Dossani and Kenney, 2009; Sharma, 2010). As an industry that is globally connected, export oriented, relatively well paying and adheres to international standards, it triggers transformations in the economy that surrounds it (Lambregts et al., 2016). The newly built office towers and business parks, often well-guarded and surrounded by restaurants and shops

Table 3. Functional role and value activity of actors in support service delivery in Mumbai

GPN Actor	Actor strategy	Role	Value activity in support services	Examples
Lead (client) firm (e.g., Bank of America, Accenture, Concentrix)	Centrally hire intermediaries that oversee harmonization of service delivery across geographical locations (risk minimization)	Setting and control of standards for support service delivery	Cost efficiency (reduction transaction cost) and maintaining a lean organization by outsourcing non-core service activities (optimizing cost-capability ratio)	International advanced business service firms, back-offices, BPOs
International service intermediary/ strategic partner (e.g., CBRE, JLL, G4S, Securitas, ISS)	Inter-firm partnership with lead-firm, client following internationalization strategy	Setting, implementation and monitoring of service standards	Service supermarkets offering recognizable company policies, long-term comprehensive contracts with lead firms (market imperative)	Large global service firms aiming for ubiquitous presence to provide a complete package of support services
Local, national, generic suppliers (housekeeping, transport, security)	Arm's length relations with service intermediary, bidding for service contracts set by intermediaries, upgrading of standards to meet client' requirements	Adoption of standards set by lead firm and intermediaries	More stable, reliable, contracting (market imperative), maintaining a diverse client base	Local and national firms offering a single service

Source: Adapted after [Coe and Yeung \(2015\)](#).

catering to the office workers are the visible manifestation of how the sector spills over into the non-tradable services sector. Often cited optimistic accounts by industry stakeholders estimate that every ICT-ITES job creates about three jobs elsewhere in the local economy ([NASSCOM, 2010](#)). The FM industry (together with security and transport services) is among the main beneficiaries of the local, non-tradable service jobs that are created through the integration of locations in GPNs. In much of Mumbai these services are traditionally offered by small and medium-sized firms which, given the ease of entry for new businesses, mostly compete on price and employ workers with low to medium levels of education (see [Kumar, 2016](#)). The bulk of the local demand for FM comes from residential complexes, small offices, restaurants, shops and warehouses. The strong price-based competition and lack of sophisticated local demand led that before the arrival of more demanding international clients, who are willing to pay a premium price, there was limited incentive for upgrading (*ibid.*).

[Table 3](#) describes the two levels of operation that exist in FM (see [Barrett and Baldry, 2009](#)), their relation with the lead firm based on their role and function in a GPN and their value proposition. First, the strategic level of high-value added services includes property

portfolio management (lease agreement, rental, brokerage, etc.), facility planning and office-space management. Second, the operational level of low-value added services involves day-to-day activities such as hard services (building management services like air conditioning, electrical supply, plumbing, etc.) and soft services (housekeeping, pest management, gardening, façade cleaning, pantry services, canteen, courier). Most ICT-ITES firms in Mumbai employ only a few full-time facilities managers who oversee the work delegated to global facilities- and property-management firms (e.g., *CBRE*, *JLL*), which are assigned multiple roles in a GPN. They act as service provider of high-value added services, create the standards for low-value services (across countries and office-premises), manage local vendors for this and oversee the compliance with performance and labor standards.

Prior to the economic liberalization of the Indian economy in 1991, the FM sector in India was highly fragmented and local firms were shielded from international competition. The liberalization of Indian economy paved the way for both the international ICT-ITES firms and other global support-service providers to enter the Indian market. For instance, *CBRE* started its Indian operations in 1994, *JLL* in 1998, *Knight Frank* in 1995 and *Securitas* in 1996. At present, most global firms in the area of property and rental solutions (e.g., *Cushman and Wakefield*, *Knight Frank*, *Savills*, *Colliers*) and different aspects of FM (e.g., *Tenon FM*, *G4S*, *Terminix*, *Sodexo*, *ServiceMaster*, *ISS Facility Services*) have business operations in India. These firms typically follow their premier clients to new locations whereas the rise of the ICT-ITES sector led that global support service providers made their entry into the Indian market. This client-following strategy guarantees the ICT-ITES firms that standardized FM services are provided across office-premises worldwide. As intermediaries for support service delivery the global FM and property-management firms secure the all-inclusive FM service contracts and outsource the housekeeping and building management services to local support service-providers or sub-vendors ([Chidanamarri, 2013](#)). For the lead-firm outsourcing non-core service activities is part of optimizing their cost–capability ratio. For intermediaries, the value activity (and market imperative) lies in securing comprehensive service contracts and becoming strategic partners for setting and implementing service standards. This fits in [Miroudot and Cadestin \(2017\)](#) description of how in certain services activities value creation entails solving customer problems (e.g., professional services, consultancy services, engineering services and R&D services). This involves experts and professionals whose primary activities are: ‘problem-finding and acquisition’, ‘problem solving’, ‘execution, control and evaluation’ and ‘support’ (*ibid.*). Highlighting the need for partnerships with service intermediaries for FM, the FM manager of an ICT-ITES firm noted:

Facilities Management is a major operational cost head for us. It is in our best interest to gain control over facilities management systems and processes. For that we closely involve ourselves in collaborative ideation and design of FM service delivery. It helps us to together achieve enhanced efficiency, service ownership and cost rationalisation for overhead expenses. (*interview August 2014*)

Competitive cost pressures are a key concern for ICT-ITES firms (see [Dossani and Kenney, 2009](#)), and the main motivation to relocate activities to India in the first place. In the domain of operational cost, the global FM and property-management firms have the advantage of offering a one-stop service shop for global corporate clients. Critical for this is the effective utilization of complementary assets (see [Sako and Zylberberg, 2019](#)) which in many cases is achieved through an aggressive strategy of mergers and acquisitions to add related service activities to the business portfolio (see [Gulati and Silvestri, 2013](#); [G4S, 2019](#)) and streamlining interfirm cooperation across business units and departments. A

representative from a global FM firm stressed their efforts toward complementary asset building for enhanced value creation:

We had three independent business units or service areas and it was a challenge to bring all the business units to work in unison and achieve common goals. This required us to restructure our internal managerial processes to promote collaboration among the business units. (*interview September, 2014*)

Adding additional business functions strengthens the bargaining position of intermediaries toward corporate clients whereas it equally enhances their relational power toward local generic service vendors.

Local support-service vendors commonly are Mumbai-based small-to-medium size firms (commonly employing between 10 and 100 employees) with a fairly flat organizational structure that are assigned a single task (e.g., housekeeping or security). Engagement with GPNs enabled some of them to expand and have pan-India operations with several thousands of employees, leading to an increasing segmentation within the domestic FM sector. The enhanced value for them to engage with international clients is the market imperative that contracts generally have a longer duration and payment is more prompt. As stressed by a local sub-vendor:

MNCs, unlike the local clients have the ability and willingness to pay a premium price for availing high-quality services. This gives us scope to innovate and improve on our services and there is sufficient budget allocated for it. You can't think of having similar kind of the budget allocation by the small local clients. (*interview September 2014*)

For them upgrading resonates with [Ponte and Ewert's \(2009\)](#) observation how upgrading broadly involves 'reaching a better deal' for firms. They simultaneously cater to international (ICT-ITES) and local (small offices, restaurants) clients in Mumbai. Both client segments have an entirely different set of service quality expectations (and budget) which requires the vendors to be flexible in catering to the needs of two distinct client segments.

Whereas service intermediaries engage in strategic partnerships with lead firms (see [Table 3](#)), the power asymmetry between them and local service providers is critical for the means through which global service standards are imposed on (and adopted by) the latter. Between intermediaries and local service providers, coercive and more relational expressions of power (see [Dallas et al., 2019](#)) both play a role in eliciting upgrading. Together they translate into three principal mechanisms through which local support service providers adhere to the more sophisticated standards required for participation in GPNs. First, as part of direct managerial knowledge transfer, the global intermediaries give advice related with the organizational structure, reporting relationship and intra-firm collaboration. Some managers of local vendors were trained by the global intermediaries to be capable in managing multiple sites. As noted by the manager of a global FM firm:

Some of our local vendors had a complex reporting relationship which created hassles for us in terms of coordination. . . ., later we suggested them to make suitable changes in their organization structure and reporting relationships so that they could provide us with a single point of contact for each site. (*interview September, 2014*)

The local vendors integrate and leverage the knowledge gained through interactions with the global firms and use it to enhance service delivery standards. For example, with the assistance from global FM firms some local vendors have launched technology-based service solutions such as a digital FM system or dashboards for on-site tracking of support worker's performance, benchmarking and improving the service delivery. A manager working with global FM firm highlighted the role of their technology enabled platforms:

We have pushed the local vendors to adopt data driven information sharing related to on-site tracking of performance, monitoring work progress and for raising service or replacement requests. Our technical team has helped them in designing such reporting dashboards and have even trained their personnel on using it. (*interview, March 2013*)

The second relational mechanism includes the informal transmission of knowledge as the global intermediary and ICT-ITES clients have periodical meetings with the service vendors and provide continuous feedback on their performance and potential areas of improvements. The feedback along with reported incidences provides the vendor with loopholes and potential areas for improvements. A manager with a global FM firm noted:

One of our cab-vendor's cabs were consistently reporting late for dropping-off the employees in the IT parks. Our ITMS (Integrated Transport Management Systems) is designed to automatically note and flag such instances. After one month, we raised this concern with the cab vendor along with objective details on late entries and conveyed that if the situation does not improve, we might have to consider alternatives. This feedback was enough to streamline the performance of the cab vendor. (*interview September, 2014*)

The third, more coercive, mechanism involves penalty provision. The power asymmetry between global intermediaries and local vendors is evident from the fact that the global FM firm or their ICT-ITES clients have the power to impose monetary penalties on the local support vendors in case they deviate or fall short in delivering as per pre-agreed standards. The power asymmetry between the local vendors and global clients was evident in the discussion with a local vendor's manager:

In our service agreement, there are clauses for monetary penalties in case we fall short in terms of delivering the standard services. The larger idea is not to penalise us for trivial failures but to assure that we realise that not meeting the standards of service delivery could have monetary implications for us. (*interview, July 2014*)

While the power asymmetry between the local and global firms is evident, some local vendors have to a certain extent been able to reshape this relationship. From a largely transaction-based relationship, they managed to become collaborative co-creators of value-added services. This has reshaped the power relations, where partnership has taken over the erstwhile coercive power relations. Acknowledging the need for collaboration with local FM vendors, a manager with global FM firm noted:

The ultimate liability of vendor failure lies with us and they are the ones who know the local context of operations better than us. So, we welcome them on board to collectively think the ways we could help our clients to achieve a better and cost-efficient workspace. This could only happen when you treat them (local vendors) as partners for delivering the solutions and not mere a service provider (*interview, August 2014*)

The closer collaboration of local vendors with global FM firms fits well in a strategy of reciprocal or joint value creation, where the service provider becomes a 'co-creator of value' and in the process gain a better profit margin and improve their power position within the value chain.

5. Economic upgrading in FM services: the capital and labor dimension

The previous section showed that value capture for facilities intermediaries lies in securing comprehensive service contracts whereas for sub-vendors this involves more stable

contracting. Between the two, increasing interdependencies have been created which led to a reconfiguration of the power relations between the local and global firms. This section examines the capital and labor dimension of economic upgrading processes which are central to the transformation of the FM sector in Mumbai. Though it may appear that ground-level activities in FM (e.g., housekeeping and maintenance) provide limited scope for economic upgrading, the enhanced standards required by advanced international clients' have a bearing on all four forms of economic upgrading. From an industry that is largely locally oriented and follows local standards for service delivery (see Kumar, 2016), GPN-linked transactions entails quality control systems (audits) and global benchmarks that exceed the prevailing standards in the domestic economy (Shepherd and Stone, 2013).

5.1. Process and product upgrading

Process upgrading in FM resolves around compliance with advanced standards (and audits) and adoption of more advanced technology (see Table 4). Of central importance to local FM firms is meeting the sophisticated (global) standards of the ICT-ITES clients, which are set in consultation with the service intermediary. For global facilities intermediaries, integrated FM (see Atkin and Brooks, 2009) involves providing a cohesive solution to a wide range of support-service needs of the ICT-ITES clients. Since they only coordinate the delivery of the ground-level support services, it requires them to manage the multiple service vendors effectively by means of formulating common standards for service delivery. For sub-vendors this involves compliance with performance standards that can be found in detailed Service Level Agreements (SLA), which are often benchmarked against higher international standards (see Table 4). As mentioned by the supervisor of a global FM firm:

As the service quality could vary among the local suppliers, we had to create a comprehensive reference points for managing their performance and maintain expected quality standards across locations. (*interview July 2014*)

For this, European standard EN 15221 and International Organization for Standardization (ISO) 41001 provide frameworks for consistent delivery of FM services, along with criteria for measuring the service provider's effectiveness and efficiency. A key capital dimension of process upgrading involves seeking certifications from third-party agencies, which could be expensive both in terms of initially meeting the agency's requirements and later, paying them for audits or the renewal of certifications. For FM domains that lack common industry-wide standards, the ICT-ITES clients and global FM firms have devised their own standards of operation and performance benchmarks. It involves having standard operating procedures (SOPs) and performance audit mechanisms for each domain of FM, which give a clear set of operational instructions to sub-vendors. This puts service intermediaries, as Boussebaa and Faulconbridge (2019, 77) note: 'in the privileged position of shaping but also opining on the enforceability of Western professional standards'. To meet these standards, the local service providers bear the primary responsibility of training workers in accordance with the clients' requirements. Periodical audits by the resource persons in global FM and ICT-ITES firms and third-party audits conducted by independent auditors should guarantee the compliance with more advanced standards. Even though placing a robust audit and legal compliance system is expensive and time consuming; both the ICT-ITES firms and their vendors consider it essential to maintain professionalism in the business conduct. In order to handle the auditory requirements, some of

Table 4. Process and product upgrading by global and local support-service providers

Upgrading in global and local FM firms	Capital and labor dimensions of upgrading
<i>Process Upgrading</i>	
<p>1) Upgrading compliances and audit processes</p> <p>Global FM firms:</p> <p>Monthly audit for mandatory deposits, adherence to labor standards (e.g., ESIC, provident fund, minimum wages, working hours), ISO certifications</p> <p>Local sub-vendors:</p> <ul style="list-style-type: none"> - Quarterly audits for service-quality assurance (independently or jointly done by service-vendors and client firms) - Random surprise audits by clients, global FM firms or government agencies <p>2) Upgrading technology parameters</p> <p>Global FM firms:</p> <ul style="list-style-type: none"> - Adoption of computer-aided FM services - Providing technology inputs or solutions to promote collaboration and interactions among employees - Integrating access control, HVAC and CCTV into a common inter-connected network <p>Local sub-vendors:</p> <ul style="list-style-type: none"> - Increasing efficiency and worker's safety through automation and modern equipment (e.g., using robotic arms for façade cleaning, mop machines and mechanized dusters) - Ability to manage and maintain smart buildings (e.g., fire safety, access control, CCTV, baggage scanners) 	<p>Capital dimension:</p> <ul style="list-style-type: none"> - Investments in obtaining/renewing third-party certifications - Costs associated with soliciting services of external or third-party auditors <p>Labor dimension:</p> <ul style="list-style-type: none"> - Local labor law experts as consultant to advice on legal aspects of labor compliances - Positive impact on workers lawful wages and work conditions <p>Capital dimension:</p> <ul style="list-style-type: none"> - Investments in machineries and designing software - Investments in R&D to understand client's requirements <p>Labor dimension:</p> <ul style="list-style-type: none"> - Upgrading knowledge and skills of support workers - Hiring of external experts for training workers on new technology
<i>Product upgrading</i>	
<p>Global FM firms:</p> <ul style="list-style-type: none"> - Workplace wellness programs to boost productivity and reduce absenteeism - Collaboration with other departments of client (HR/IT/Operations) for projects on health, safety and workplace productivity - Delivering advisory services for cost-effective solutions (e.g., on number of visitors and meeting rooms, active occupancy rate of workspaces) <p>Local sub-vendors:</p> <ul style="list-style-type: none"> - Emergency renovations and maintenance of critical infrastructure - Flexible workforce strength (scaling up or reducing the workforce) - Additional services such as catering, landscaping, providing secretaries and office boys, façade cleaning, pest control, plumbers and electricians 	<p>Capital dimension:</p> <ul style="list-style-type: none"> - Investments in procuring/leasing machineries, designing proprietary software - Investment in advanced technology <p>Labor dimension:</p> <ul style="list-style-type: none"> - Hiring workers on skill-requirement basis - Provision of cross-training in multiple technical or knowledge-based activities

Source: Primary field data (2013–2014).

the local vendors have even hired specialist managers to take care of the auditory and compliance requirements of the ICT-ITES clients. Highlighting the importance of the audits, a representative of the local supplier firms stressed:

The audit reports play a crucial role in renewing our service contracts. The third-party audits are to establish the transparency and merit of the internal audit systems. Any laxity in matching standards can result in suspension of business contract. (*interview July 2014*)

The labor dimension of compliance with enhanced process standards requires the sub-vendors to distinguish themselves by showing their ability to provide an educated, skilled and well-trained workforce.

Whereas entry-level service jobs would typically be a source of employment for low-educated, recent migrants from rural India (see [Beerepoot and Kumar, 2015](#)), the standards for recruitment have increased in this domain of the FM sector. For instance, the ICT-ITES firms insist on providing candidates that have had at least secondary or higher secondary schooling, with functional knowledge of the English language. To highlight the enhanced recruitment standards, one of the local support-service providers noted:

The IT clients and their main partner (here service intermediary) send us the parameters of the service personnel required; we identify the best of our recruits and send them for final round of selection tests or interviews by client's facilities managers. (*interview August, 2014*)

Continuous training and development programs either conducted by the FM firms or the ICT-ITES clients lead to enhancement of the skills content of the job. As noted by one worker: 'Both the client and our parent firm provide us with basic and refresher trainings related to use of chemicals and machinery, cleaning techniques, safety, communication and soft skills, personal finance, grooming, fire-fighting' (interview May 2014). The survey data corroborated this, where all the 64 workers surveyed reported being periodically trained both by the ICT-ITES clients and service-provider firms.

The second form of process upgrading undertaken by both the global and local facilities service providers is the adoption of technology for optimizing and streamlining service operations (see [Table 4](#)). Global FM firms have introduced a computer-assisted FM (CAFM) system that streamlines the management of rental and lease agreements, space management, asset management, seat optimization, and sub-vendor service management. For them, process upgrading further includes the development of proprietary software tools to effectively handle the coordination of multiple sub-vendors and to track their payment and performance parameters. A manager working with a global FM firm stressed: 'We keep on innovating ways to better serve our clients and streamline our processes. . .we recently developed a new software that will provide real-time insights on the service operations across the geographical location of the client' (interview September 2014). In contrast to global FM firms, technological upgrading for local sub-vendors involves primarily procuring relevant machinery and safety equipment for the service workers. The requirements of ICT-ITES client firms have served as an impetus for the local sub-vendors to adopt more advanced technologies, even if it is an expensive proposition. The ICT-ITES firms encourage the use of more advanced cleaning equipment and are willing to shoulder the additional cost incurred.

For global FM firm's product upgrading involves offering innovative and new knowledge-based consultancy or solutions to the support service requirements of the ICT-ITES firms (as part of a portfolio approach, see [Section 5.2](#)). Furthermore, it includes

standardization of services across locations. As a representative of an international bank puts it:

Go to our Bangkok office or New Delhi office and you won't find much difference. You will get the same security checks and protocols in all our locations. We have standardized the whole system and therefore prefer to have a single global partner. (*interview March 2013*)

For the sub-vendors, service-product upgrading involves offering new ancillary services such as plumbing, electrical and heating ventilation and air conditioning (HVAC) maintenance, etc. In general, they remain delegated to a single or a few complementary tasks as such their upgrading doesn't encroach on the intermediaries' core competencies.

5.2. Functional and inter-sectoral upgrading

Between the lead ICT-ITES firm and global FM partners, the boundaries between outsourcing and collaboration are increasingly blurred. The primary reason for collaboration between both is to achieve increased efficiency and cost optimization by having a long-term business relationship. In Mumbai, a similar strategy of collaborative co-creation of value-added services could be observed in the relationship with local FM firms, which are increasingly engaged through longer-term service contracts. Having stable contracting with the local sub-vendor firms serves two purposes—first, the risk of vendor failure is reduced whereas the accountability and ownership of results delivered by the local firms is increased. Second, it equips the ICT-ITES clients and global FM firms with the ability to control and coordinate the quality standards, safety and reliability of services. For the local firms, the costs associated with economic upgrading is a primary concern and as a step beyond arm's length relations, the development costs as well as technical/managerial solutions is shared by the global FM and ICT-ITES firms. Such engagement allows both the client and vendors to access solutions and resources that could not have been possible if they worked independently. From the global FM firm's perspective, economic upgrading of local support service providers, enabling them to cater multiple needs across Indian cities is more desirable. With a similar set of primary service providers catering to multiple locations, the negotiation, coordination and payment for support-services becomes easier. A manager from a global FM firm stressed the value of having centralized negotiation with the local vendors:

While our strategy is to diversify our vendor failure risk by empanelling a number of suitable local service provider, what we ideally look for is to have a local player, who are large enough to cater multiple offices at multiple locations in India and yet provide a single quote for all the services rendered by them. (*interview September 2014*)

Table 5 provides an overview of functional and inter-sectoral upgrading among the global and local FM firms. In case of functional and intersectoral upgrading, there is increasing differentiation in the upgrading trajectories of global FM firms and local sub-vendors. Functional and inter-sectoral upgrading for global FM firms involves venturing into new service domains (integrated FM), which could range from event management, employee transport management and minor real-estate renovations. These new functions are in addition to the core services provided in the domain of property and rental solutions to ICT-ITES clients.

The higher order economic upgrading of local vendors is mostly limited to adding related support services and geographical expansion. Further, the local FM firm's upgrading is constrained by the presence and dominance of global FM firms in high-end,

Table 5. Functional and inter-sectoral upgrading undertaken by global FM firms and local sub-vendors

Upgrading in global and local FM firms	Capital and labor dimensions of upgrading
<p><i>Functional upgrading:</i></p> <p>Global FM firms:</p> <ul style="list-style-type: none"> - Assigning a single contact (a manager or team) accountable for vendor management, project management, advisory services, transactional services and real-estate lease contracts - Workplace planning (number of work desks, computer systems, etc.) - Transition from single service provider firm to Integrated FM provision - Conducting studies to measure and establish links between productivity, people and work-space - Studying the energy consumption, establish benchmarks and advise to reduce operational costs (as part of strategic real estate goals for client firms) <p>Local sub-vendors:</p> <ul style="list-style-type: none"> - Small-project management, event management - Technical maintenance - Providing advisory functions on optimum space utilization, energy conservation 	<p>Capital dimension:</p> <ul style="list-style-type: none"> - Investments for establishing new offices in different locations - Adding new service offerings for clients - Studies to establish internal quality benchmarks and cost optimization <p>Labor dimension:</p> <ul style="list-style-type: none"> - Skills upgrading for both workers and managers who could make high-level discretionary judgment - Hiring of workers and vendors who can deal with new functions added in the service portfolio - Managing multiple vendors by acquiring sufficient managerial bandwidth to coordinate integrated service delivery
<p><i>Inter-sectoral upgrading:</i></p> <p>Global FM firms:</p> <ul style="list-style-type: none"> - Housekeeping firms providing security and transport services as a part of their integrated FM solutions - Global FM firms providing project consultancy <p>Local sub-vendors:</p> <ul style="list-style-type: none"> - Expansion of service activities to all major cities of India for capturing new client base 	<p>Capital dimension:</p> <ul style="list-style-type: none"> - Mergers and acquisitions or setting up greenfield offices in new markets - Capital investments for geographical expansion in existing or new service domains <p>Labor dimension:</p> <ul style="list-style-type: none"> - Hiring of domain experts, creating job opportunities in new locations or business segments - Sufficient managerial bandwidth to support firm's expansion or venturing into new service domains

Source: Primary field data (2013–2014).

knowledge driven support services. Functional and intersectoral upgrading also involves brand recognition and network capital (Shaw et al., 2008). The existing reputation or brand value of service firms is an outcome of long-term efforts in improving performance and building networks of high-value clients. Acknowledging the limitations of venturing into high-profit margin segments of property and rental solutions, a manager with an Indian FM firm admitted:

We are a relatively new player in this segment and both in terms of financial and non-financial resources, we definitely can't replace the dominance of the global facilities-management firms. We have made significant in-roads, but it's still a long way to reach closer to their level. (*interview September 2014*)

Despite this, some local service vendors see an opportunity for expanding their business operations. A representative of a prominent Indian support-service provider reflected on the benefits of their engagement with the global firms:

Earlier we were more focussed on delivering housekeeping and other regular building maintenance services. It was only after interacting with the IT clients that we realised that there was market a for us where we could also focus on providing strategies or solutions to ensure utility savings, reducing maintenance costs, optimisation of office space and reduce carbon footprints. (*interview, August 2014*)

Global FM firms have a longer history of working toward the creation of brand value, market reputation and business network and therefore have a competitive advantage in terms of having non-financial capital. In contrast, the large Indian firms are relatively new in the market and are yet to go global and create a brand value as well as business network of their own. Therefore, the capital dimension of economic upgrading not only includes material assets but also other intangible assets like brand-name and reputation (e.g. the ability to become trusted partner of MNEs) which possess value to a firm. For labor, functional and inter-sectoral upgrading presents challenges that are very similar to high-end ICT-ITES firms where higher order upgrading requires experienced and well-trained managerial cadre (Wadhwa et al., 2008). In general, service firms recognize the significant role of employees (labor) in shaping the corporate reputation and therefore focus on training them to 'live the brand' value created or envisioned by the firm (Balmer and Greyser, 2006). Therefore, for upgrading both global and local service firms rely on improving their human capital through extensive training and human resource development.

6. Conclusion

This article aimed at understanding the economic upgrading processes among both the global and local FM service providers acting as service intermediary and as generic suppliers for ICT-ITES client-firms in Mumbai. The contribution of the article lies in the following three domains; (i) a greater understanding of how local non-tradable services are transformed through engagement with GPNs, (ii) the importance of global FM firms as intermediaries in GPNs setting more advanced service standards, (iii) the necessity for entangling the capital and labor dimension of economic upgrading to understand how more advanced standards can be linked to the different domains of economic upgrading. The demand of ICT-ITES firms for high-quality services has prompted support service providers to upgrade their process standards related to training, technology, compliance and audits. Additional upgrading is also evident in opening of new service locations and diversifying into related value-added services. The rise of global FM firms operating as service intermediaries shows the significance of these assets in a sector where the scope for economic upgrading is regarded to be limited. The ICT-ITES firms play a key role in facilitating the upgrading process through higher quality service requirements and their openness to adopting innovative and better (but more expensive) support-service products. They further facilitate the upgrading process by imparting operational standards and putting in place a strong vigilance and audit system. The more sophisticated demand from the internationally oriented, tradable, services sector leads to enhanced standards in the local non-tradable services sector, which are the most immediate local beneficiaries of strategic coupling with GPNs. The ambition of the current GPN 2.0 framework to seek

causality between value capture in GPNs and territorial economic development (see [Coe and Yeung, 2015](#)) requires closer examination of the myriad of local firms in a region that directly or indirectly is engaged in a GPN.

At sectoral level, this article highlights how FM transitions from focusing on low-end services to offering a comprehensive service package that allows the global FM firms to engage in value capture by acquiring additional (more profitable) service functions and offer a portfolio of related products. These intermediary firms constitute an increasingly important role in the organization of GPNs and in some cases (e.g., *G4S* and *ISS*) they have become among the largest private employers in the world. Their role as enablers of GPNs warrants more scholarly attention. Global FM providers commonly feature on lists of ‘largest employers you have never heard of’ (e.g., [Phillips, 2018](#)) and remain under-researched with regard to their multiple roles as ‘agents of economic globalization’ ([Boussebaa and Faulconbridge, 2019](#)). The knowledge and experience gained from adherence with international service standards has led to the professionalization of erstwhile fragmented support-service industry, but for the local sub-vendors, upgrading largely remains restricted to lower order product and process upgrading. While the local vendors invest in equipment, standards certification and some diversification of service provision, they lack sufficient financial, network and human capital to successfully venture into the activities of the global FM firms. Working for international clients still offers them greater opportunities for value capture, albeit mainly through more stable contracting.

When examining the four domains of economic upgrading this article highlighted the capital and labor dimension of each domain. In services, upgrading largely resolves around the labor dimension (e.g., recruitment, training and hiring specialized consultants for compliance with more advanced standards) while the capital dimension (e.g., budget allocation, accreditation cost, product development) deals with augmenting the employees’ productivity and geographical expansion. A closer investigation of both dimensions allows for a greater understanding of the relative cost of upgrading efforts in different sectors and provides input for strategic decision-making on whether or not to engage in upgrading efforts. Although the capital and labor dimension of economic upgrading are in many ways intertwined, there is variation with which both dimensions are related in different sectors or matter beyond the first-tier of suppliers. Further exploration of both dimensions allows for a greater understanding of how upgrading leads to local value capture. Herewith, this article comes to the point of what are the broader regional economic development outcomes of integration in a GPN. As a much debated topic in recent GPN literature [see [Coe and Yeung \(2019\)](#) for an overview], the translation of firm-level upgrading and value capture into regional development remains problematic (see [McGrath, 2018](#); [Grabs and Ponte, 2019](#); [Murphy, 2019](#)). Studying the transformation of local non-tradable services offers one solution for studying the local gains of GPN integration. How more advanced standards spillover into the domestic economy and whether it provides an incentive for more sophisticated local demand is a way to examine the territorial outcomes of GPNs. The ambition of the GPN 2.0 framework to provide a broad analytical framework for regional economic development requires more attention for these place-specific impacts on the local economic sphere.

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