

RESILIENCE OF GVC SUPPLIERS IN POLITICALLY UNSTABLE REGIONS: THE ROLES OF GOVERNANCE AND TRUST

AUTHORS

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EXECUTIVE SUMMARY

Supplier firms in the Global South face compounded risks from political instability that challenge their ability to maintain participation in global value chains (GVCs). While resilience is increasingly acknowledged as a critical capability, it remains unclear how suppliers develop resilience when conventional GVC governance strategies, often grounded in institutional stability, prove insufficient. This gap is especially pronounced in knowledge-intensive service sectors like software development, where codification, coordination, and inter-firm trust are central but often disrupted by political instability. This study examines the resilience of GVC suppliers operating in politically unstable regions of South Asia, particularly India and Pakistan. It focuses on the role of governance mechanisms—such as codification, managing complexity, and supplier capabilities, on supplier resilience. It also investigates how trust moderates these relationships. Drawing on Transaction Cost Economics (TCE) and the Dynamic Capabilities View (DCV), we argue that these governance mechanisms function not only as efficiency enablers but also as dynamic governance adaptations that suppliers actively mobilize to survive and adapt. A quantitative analysis using partial least squares structural equation modeling (PLS-SEM) was conducted on survey data collected from 100 software firms. The results show that task codification and management of task complexity enhance supplier resilience. It further reveals that trust negatively affects the links between task codification and resilience, challenging the conventional assumption that trust uniformly strengthens GVC relationships. The core theoretical contribution of this study lies in extending TCE and DCV by showing how resilience is enabled through external governance adaptation and by rethinking trust as a conditional, context-dependent mechanism rather than a universal good.



KEYWORDS

- Global value chains
- Governance
- Political instability
- Resilience
- Codification
- Managing task complexity
- Trust
- GVC suppliers

RESEARCH RELEVANCE

- Governance mechanisms as drivers of resilience: Task codification and managing task complexity significantly strengthen supplier resilience in politically unstable regions, demonstrating that governance mechanisms operate as dynamic adaptations rather than static structures.
- Trust's "dark side" in unstable contexts: Trust negatively moderates the relationship between task codification and resilience, challenging the assumption that trust is always beneficial in GVC relationships and revealing its potential to undermine adaptive responses during disruptions.
- Dynamic interplay of efficiency and adaptability: By integrating transaction cost economics (TCE) and dynamic capabilities view (DCV), the study shows how governance mechanisms balance efficiency-oriented coordination with adaptive capabilities, enabling suppliers to cope with institutional volatility.
- Context-sensitive resilience formation: Findings highlight that in politically unstable environments, external governance mechanisms play a more decisive role in resilience than suppliers' internal capabilities alone.
- Reframing trust and governance in GVCs: The study advances GVC theory by demonstrating that governance and trust function conditionally and contextually—requiring recalibration when instability heightens uncertainty and risk.

BIBLIOGRAPHIC INFORMATION

Choksy, U. S., Kurt, Y., Gölgeci, I., Khan, Z., Shamim, S., & Jawad, M. (2025). Resilience of GVC Suppliers in Politically Unstable Regions: The Roles of Governance and Trust. *International Business Review*, 34(6), Article 102465. Advance online publication. <https://doi.org/10.1016/j.ibusrev.2025.102465>

"In politically unstable regions, supplier resilience emerges not from trust alone but from dynamically adapted governance mechanisms that balance efficiency with adaptability amid uncertainty"

