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RESEARCH

Alexander Hoffmann

Value Capture in Disintegrated Value Chains

The Hierarchy Strategy



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With a Foreword by Prof. Dr. Joachim Henkel

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Foreword

Among the numerous questions that occupy management practitioners and scholars, one question is arguably central: What is it that makes a firm profitable? Researchers have identified a broad range of factors, in particular a firm's resources and its market environment. Related to a firm's environment, the concept of "industry architecture" proved helpful in further understanding the differential profitability of firms. However, this concept has an important gap: it does not account for the position that a firm occupies in the various value chains that it is part of. Yet, a firm might supply the same input for the same final product as a tier-one or a tier-two supplier. Surely, this position should affect its profitability.

This is where Alexander Hoffmann's dissertation makes an important contribution. The author shows, using sophisticated game-theoretical models, how a firm's position in the value chain – everything else equal – should affect the share of the overall industry profit that it can capture. Using powerful and well-researched case studies Alexander Hoffmann then demonstrates empirically that a firm may indeed find itself on various levels of the value chain even though its own contribution remains unchanged.

This dissertation is the result of intense and dedicated research, requiring analytical skills as well as creativity and commitment. It was a pleasure to be part of this endeavor as Alexander Hoffmann's dissertation advisor. The concepts and results developed in this work provide important insights to research and practice, and I recommend it to scholars and practitioners alike.

Joachim Henkel

Munich, July 21, 2015

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Alexander Hoffmann

Munich, January 2015

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List of Abbreviations

BSH	Bosch Siemens Hausgeräte GmbH
E.G.O.	E.G.O. Blanc und Fischer & Co. GmbH
HC	Hierarchical Core
HSV	Hierarchical Shapley value
L1	Top-level or level one of a hierarchical bargaining structure
L2	Level two of a hierarchical bargaining structure
LTE	Long Term Evolution
NVA	Non-value-appropriating
OEM	Original equipment manufacturer
OV	Owen value
SV	Shapley value