



ACADEMIC SOLUTIONS

Abstract

The literature on the phenomenon of economic sustainability of the global value chains (GVCs) primarily emphasizes on the internal factors like the GVCs governance and upgrading. Simultaneously, the external factors like the local governance and the institutions got little attention from the researchers and academicians. It is, therefore, this study explores the role of external factors in the economic sustainability of the GVCs using the agency theory– a lens that assumes the industry, being the source of public revenue, as the principal; and the government institutions, being the custodian of public revenue and interest, as the agents. A qualitative research design using transcendental phenomenological analysis is adopted to explore the proposed phenomena. Face-to-face in-depth interviews of 34 participants (23 export managers and 11 civil servants) are conducted using an interview guide. NVivo software facilitates data management, bracketing, horizontalization, coding, thematic analysis, and cluster analysis. The results indicate four broad areas of the external factors that influence the economic sustainability of GVCs that include: 1) the governance and institutions system in Pakistan, 2) the behaviour of the government employees, 3) coordination between the institutions and the industry, and 4) policymaking and implementation. The arguments concerning these four areas were discussed in light of the existing literature on the economic sustainability of GVCs.

This study concludes that the local governance and the institutions play a significant role in the sustainability of the global value chains. They become ineffective and inadequate, if not updated and upgraded with the changing socio-economic and political realities. Being the social organizations, the institutions inherit the social values and norms like honesty, materialism, a quest for power, etc. The political government plays a vital role in setting the direction of the society and the institutions. The institutional reforms brought in for political purposes may reap benefits in the short-term but cast adverse effects in the long-term.

Secondly, government employees' behavior plays a more significant role in institutional and business performance than the institutional system itself. The behavioral problems result in poor public service and raise moral problems like financial corruption, bribery, nepotism, etc. Thirdly, the business suffers when the public institutions do not coordinate well with them. That is why the industry associations are established to bargain with the institutions and reduce the dependency of the business on them. The weak coordination between the government institutions and the industry results in low policy development and its implementation, which eventually reduces its competitiveness. Fourthly, Pakistan's governance and the institutional system is rigid, which has not evolved with the market changes. Therefore, the study concludes that the governance and institutions in Pakistan weakly support global value chains' sustainability.

This study generates pragmatic insights into external factors like the local governance and institutions in the economic sustainability of GVCs. It is hoped that these findings are significant not only for the policymakers but also for the GVC framework, policy researchers, and practitioners. It suggests the government review the prevailing governance and institutional

system and reconfigures it to update and upgrade itself with the market dynamics. The areas of institutional reforms must focus on recruitment and selection, performance management, monitoring, evaluation, and compensation management. The institutions must be non-political, highly specialized, and focus on the environmental changes and the industry needs. This research would be a great addition to the literature on the economic sustainability of GVCs in general and the use of agency theory to look at external factors in particular, as a limited amount of studies have appeared so far.

Keywords: Economic sustainability, global value chain (GVC), governance, institution, apparel industry, Pakistan, transcendental phenomenology

Chapter 1: Introduction

1.1 Background of the Study

The increasing integration offered by globalization has offered substantial economic growth and sustainability for developed and developing economies, primarily through globally coordinated manufacturing practices (Kaplinsky & Morris, 2000). These structures of globally integrated and coordinated manufacturing or service provision practices can be referred to as global value chains (Gereffi, Humphrey, & Sturgeon, 2005) in contemporary literature. Global value chains (GVC) have geared up the growth of industrial capabilities in the developing countries at one hand, whereas on the other hand, they have affected the transnational corporations to disintegrate and redefine their core competencies (Gereffi, 2013; Gereffi & Fernandez-Stark, 2011; Gereffi et al., 2005). The current wave of globally integrated manufacturing practices started back in the 1960s as the international companies started slicing up their supply chains in search of competitiveness (Gereffi, 2013). The formula for this 'new international division of labour' is to outsource the labour-intensive activities to the third world, where labour rates are far lesser than in the first world (Fröbel, Heinrichs, & Kreye, 1980; Gereffi, 2013). This wave of globalization has brought the nations, industries, and labour into competition in the international market (Gereffi, 2018). Though started in the 1960s, this quest for competitiveness became a discourse in the early 1990s (Raikes, Friis Jensen, & Ponte, 2000). This framework was initially referred to as global commodity chain (GCC) (Gereffi, 2019). However, the global commodity chain framework later faced evolutions and is currently prevalent with certain philosophical 'up-gradations' as global value chains.

As their name refers, the global value chains are globally spread integrated systems of manufacturing or services, therefore, are challenging to be governed or managed. The published research on global value chains primarily addresses governance concepts (Gereffi et

al., 2005; Humphrey & Schmitz, 2004) and upgrading (Humphrey & Schmitz, 2000) strategies of its actors. The concept of governance in the global value chain framework refers to setting the GVC actors' norms with greater bargaining power than others (Gereffi et al., 2005; Humphrey & Schmitz, 2004). On the other hand, up-grading in GVC generally refers to their actors' integration strategies, usually the suppliers, to increase their share in the output (Humphrey & Schmitz, 2000).

The literature on the governance of global value chains widely endorses the seminal work of Gereffi (2005). He has explained five governance models primarily differentiated based on the global value chain actors' bargaining power. The premise established by Gereffi (2005) is reliable and partly endorses the latent philosophy of Porter (1991) five forces model as well. According to Gereffi (2005), governance is a function implicit in the GVC framework. Farfan (2005) initially proposed that governance in GVC is significantly affected by the environment, especially the external governance structure and the institutions that may raise challenges of economic sustainability to them or oppose or support them in meeting such challenges. This study builds on Farfan's (2005) theory and explores how governance and institutions affect the global value chains' economic sustainability. This research takes an interpretive-constructivist worldview and adopts the phenomenological research design to explore the phenomena highlighted in the research questions (Creswell & Creswell, 2017). The details of the worldview and the methodology are explained in chapter 3. The premise of this thesis has been explained in detail in the following sub-section 1.2.

1.2 The Case of Motivation

This research gets motivation from the incidence of disqualification of a country by the GVC governing foreign firm. As it happened in December 2013, a US-based buyer blacklisted Pakistan for apparel sourcing, blaming the national government unable to improve the

implementation of the International Labor Organization's (ILO) Fundamental Human Rights Conventions through labour policy (Fox, 2013; Kenneally, 2014; Reporter, 2014). Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) – the respective industry association – declared the Trade Development Authority of Pakistan (TDAP; Ministry of Commerce, Govt. of Pakistan) officials as prime responsible for losing the US buyer of US\$ 150 – 200 million approximate annual worth (Barrie, 2014; Rana, 2013). Such straight forward declaration of the officials representing national governing agency or agencies for such an incidence raised specific questions: Why did the US-based buyer blacklist Pakistan? What were the reasons for blacklisting a country instead of just a firm? How are the GVCs governed? What is the common practice in the GVC framework to tackle anything going wrong? Why has the industry representative association flatly nominated the government institution and its members responsible for this incidence? What is the role of local institutions and governance system in the economic sustainability of GVCs? How do they affect the economic sustainability of GVC? A literature survey was conducted to understand the logic behind the happening and to find satisfying answers to the questions raised in response.

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This survey comprised of the research publications by leading GVC researchers through using advanced searching options on famous research databases including JSTOR, ELSEVIER, ISI Web of Knowledge, etc. besides Google Scholars and Google search engines; as well as the online accessible reports published by global governance institutions like the United Nations, the World Bank, the Asian Development Bank, the World Trade Organization, etc. It also included news reports and articles and any other online source that could add value to finding answers to the above questions. This survey revealed that the published literature on GVC primarily comprises anecdotal studies that confer the philosophical assumptions of governance and up-gradation as established by Gereffi et al. (2005) and Humphrey and Schmitz (2000), respectively (Frederick, 2014; Keane, 2008; Khattak, 2013). A few authors like Keane

(2008), and Fernandez-Stark, Frederick, and Gereffi (2011) have highlighted the absence of an established theory of global value chains. Several prominent GVC thought leaders like Gereffi (2014); Frederick (2014); Khattak (2013); Lee, Gereffi, and Beauvais (2012); Gereffi and Fernandez-Stark (2011); Lund-Thomsen and Nadvi (2010; 2009); Farfan (2005); Fernandez-Stark et al. (2011); Jespersen and Johannes (2009); Nadvi and Halder (2005); and institutions like UNCTAD (2013) besides a few others had discussed the importance of institutions in relevance to GVCs. During this survey, however, no such study could be found that discusses institutions and institutional agents' role in sustaining GVC.

Exploring the background of the incidence revealed exciting information. This incidence of blacklisting the country had the background related to another incidence in another country in the same region, i.e. the collapse of Rana Plaza on 24th April 2013 in Bangladesh (Reinecke & Donaghey, 2015). This shocking incident raised many questions from different interest groups, like more than 400 factory workers working in the apparel manufacturing complex lost their lives (Greenhouse, 2013). The advocates of human rights, consumer rights, and labour rights questioned the reputation of the global brands for sourcing from the factories operating in the unfortunate building and many others of the same kind (Chalmers, 2013; Siddiqui & Uddin, 2016). The prompt reaction of global apparel brands to this situation was natural and expected. However, their corrective measures and actions can be observed on different scales, i.e. ranging from revising their codes of conduct to warning the state governments of their sourcing hubs to improve the overall working conditions in their respective countries (Greenhouse, 2013; Jacobs & Singhal, 2017; Sinkovics, Hoque, & Sinkovics, 2016). One such global apparel buyer warned the state governments of Pakistan and Bangladesh to improve ILO's Charters of Basic Human Rights through the national labour policy (Campaign, 2013; RadioFreeEurope, 2013). The brand reviewed the responses and actions of the respective

governments after a quarter. Since the respective governments could not satisfy the brand, the countries were blacklisted for further apparel sourcing (Siddiqui & Uddin, 2016).

In the case mentioned above, the respective brand used to annually source apparel worth US\$ 150 – 200 from Pakistan (Barrie, 2014; Rana, 2013). Though this much trade volume may not be considered highly significant in the national scenario, it has an immense significance at the microscale, e.g. local economy and society where the manufacturing activity was taking place. In this case, the labor agency had no direct conflict with the principal brand, but since the state government could not satisfy the principal, the system could not sustain, therefore, collapsed. The switching of sourcing from one production unit to another production unit, whether within the same country or another country, is a routine matter for the principal firm in a GVC. However, sacking orders from a country while blacklisting it puts a question mark on the reputation of that country in the global market. The local association representing the apparel industry in Pakistan reacted to this declaration and wrote a letter to one of the respective government institutions to save the reputation of the Pakistani apparel industry in the global market. After receiving no response from that institution despite the follow-up, the respective industry association representatives organized a press conference to raise their voice at a public forum. In the same press conference, they flatly declared the government institution responsible for the loss of a significant buyer and the reputation of the industry and the country. The government institution still did not respond to it.

In concurrence with a previous case of the same nature, Nike-Saga Contract Breach, which happened in 2006 in Pakistan as well (Ali & Rizwan, 2013), raised the motivation to conduct this research. Though both cases explain the story of a global brand sacking the production contract and blacklisting a country, the previous case's aftermaths were different from the current case. In that case, the government of that time seriously followed up with the buyer (Xue & Chan, 2013). The dialogue prolonged and became a serious concern among the

stakeholders until the Prime Minister of the state in-person met the respective corporate head in Bangkok to guarantee the local industry's necessary support to fulfill their requirements. The bargain concluded on a positive note and the brand shifted its production back to the country after almost a year.

Both cases shed light on the government's role in conserving the country's business reputation in the global market and acting as a guarantor on behalf of the local industry before the international buyers. Involvement of government in global business or vice versa is not a new phenomenon (Asghar, 2014; Haufler, 2013; Kaplinsky & Morris, 2000; Sklair, 2002b). The literature on international business provides rich evidence of the same, and certain theories, e.g. race to the bottom, have also received significant appreciations and criticism in this regard. However, the literature on the global value chains is short in theorizing or even establishing this phenomenon. As already discussed earlier in the same chapter, authors like Gereffi (2014); Frederick (2014); Khattak (2013); Lee et al. (2012); Gereffi and Fernandez-Stark (2011); Lund-Thomsen and Nadvi (2009); Lund-Thomsen and Nadvi (2010); Fernandez-Stark et al. (2011); Jespersen and Johannes (2009); Nadvi and Halder (2005); and institutions like UNCTAD (2013) besides a few others have discussed the importance of institutions in relevance to GVCs. However, on the other hand, the published research on GVC is short in discussing how the institutions play their role in the development, operations, and/or extinction of the global value chains, especially in developing countries.

1.3 Research Gap

The existing research studies contributing to the GVC framework primarily extend the seminal work of Humphrey et al. (2000) and Gereffi et al. (2005) as they provide anecdotal evidence to the concepts of governance and upgrading (Frederick, 2014; Khattak, 2013; Keane, 2008). Authors like Gereffi (2014); Frederick (2014); Khattak (2013); Lee, Gereffi, & Beauvais

(2012); Fernandez-Stark, Bamber, & Gereffi (2011); Gereffi & Fernandez-Stark (2011); Lund-Thomsen & Nadvi (2010, 2009); Jespersen & Johannes (2009); Nadvi & Halder (2005); and Farfan (2005) besides a few others have discussed the importance in institutions in relevance to GVCs. However, none of them has discussed the role of the institution and institutional agents in sustaining GVCs.

The study of Gereffi (2014) explains the patterns of the existence of GVCs in post-Washington consensus. This study, however, emphasizes the role of institutions as they influence the strategies of GVCs. In her Ph.D. dissertation, Khattak (2013) has also highlighted the importance of changing role of institutions in the contemporary GVC strategies that reflect their dynamism in adhering to the environmental changes. On the other hand, Aguilera, Desender, Bednar, and Lee (2015), contribute to corporate governance literature by highlighting the importance of environmental factors, including legal institutions and governments that affect corporate executives' decision-making. Melting down the ideas of Khattak (2013), Gereffi (2014), and Aguilera et al. (2015) in lieu to frame the identified gap between theory and practice, this research attempts to provide insight into the phenomena of challenges of economic sustainability of global value chains in the governance and institutional framework in Pakistan, through constructivist-interpretivist stance.

1.4 The Rationale of the Study

This phenomenological research aims to explore the 'meaning' of economic sustainability of global value chains to the government employees in Pakistan and how this meaning reflects through their institutional policies that contribute to the phenomenon. At this stage, global value chains' economic sustainability will be generally defined as their continuity of outsourcing to the manufacturers located in a specific country or area. For an operational definition, a global value chain's economic sustainability is said to be compromised if the buyer

shifts its orders to some other location. In such cases, hypothetically, all the value chain actors have to bear the cost of shifting the orders; primarily, the manufacturer and the employed labour are the most affected stakeholders. As discussed in the case of this research's motivation, it constitutes that government officials are the prime responsibility for the economic sustainability of a global value chain, as industry representatives have declared. This research aims to explore the meaning of economic sustainability of global value chains as the government officials perceive and develop a ground for understanding how their perception reflects through their routine work and decision-making that may affect the phenomenon under study.

1.5 Research Objectives

This study explores the phenomenon representing the governance and institutions playing a role in the economic sustainability of the global value chains in a developing country linked to them as a production base. This study explores the phenomenon in which the governance and institutional setup work in conjunction with the industry in Pakistan. This study gathers the lived experience of the government institutional representatives and the industry representatives to explain the phenomenon of the economic sustainability of the global value chains as they operated in the Pakistani governance and institutional system. This study aims to explain the phenomenon with the perspective of two leading actors of the phenomenon and compare their thoughts and experiences about reality for an in-depth explanation and understanding through the transcendental phenomenological analysis. Philosophically, this study aims to abduct the real-world phenomenon into the body of knowledge for further theoretical exploration, explanation, discussion, and criticism. Empirically, this study aims at providing an in-depth explanation of the phenomena that may raise the points for pondering upon by the policymakers and practitioners related to the phenomenon. This study puts the

phenomena on agency theory's praxis for the theoretical explanation, therefore, rooting itself with the existing theory vis-à-vis generating the grounds for comparative analysis.

1.6 Research Questions

1.6.1 Primary Research Questions

- i. What is the meaning of sustainability of the global value chain for the (govt. and business) institutional agents in Pakistan?
- ii. How do institutional agents make decisions regarding the sustainability of GVC, and why?

1.6.2 Sub-Questions

- i. How does the efficiency of institutional agents affect the sustainability of GVC?
- ii. What is the meaning of alignment of interest b/w institutional agents representing different (govt. and business) agencies?
- iii. What are the means of risk-sharing among the (govt. and business) institutional agents?
- iv. What is meant by successfully continuing the existing job for the institutional agents?
- v. What type of information asymmetry exist b/w institution and institutional agents? How does this information asymmetry contribute to the job security for institutional agents?
- vi. What is the nature of the contract between the institutional agents and their principals? How does such contract type drive the agents for achieving organizational goals?
- vii. What types of moral hazards (if any) take place at the agents' end? What types of moral hazards (if any) take place at the institutional/principal end?
- viii. What is the state of trust between the agent and the principal? How does this trust reflect through the job performance of the agent?

1.7 Significance of the Research

This study is significant because it brings in new insights into the existing body of scientific knowledge on global value chains, as highlighted in studies of Gereffi (2014) and Keane

(2008). This study is a source of encouragement for the GVC researchers to think over the relevant complex issues to probe with the blind-spots for understanding the dynamic transitions in global trade structures and strategies at one hand. On the other hand, it undertakes the transcendental phenomenological analysis to explore and understand the phenomena, which leads the GVC researchers to think out of the siloed approaches of governance and up-gradation.

1.7.1 Theoretical Significance/Contributions

This study contributes to the existing knowledge of global value chains by bringing insights from the constructivist-interpretive perspective, following the transcendental phenomenological research design. According to Frederick (2014), the published research on the global value chain primarily follows the interpretive philosophy; therefore, the nomenclature of the research exhibits application of a variety of qualitative methods, majorly case study, case analysis, empirical analysis, etc. (Creswell & Creswell, 2017). This study approached the phenomena with the constructivist-interpretivist worldview and adopted the transcendental phenomenological research design (Creswell, 2014; Moustakas, 1994; Adu, 2015).

This study's direct contribution is by focusing upon the area of high significance, which has scantily been addressed by the global value chain researchers yet. The analysis and conclusions add to the classic discourse of governance and up-grading within global value chains initiated by Gereffi, Humphrey, & Sturgeon (2005). This study takes the macro or universal view of the global value chains, intending to add an essential dimension of decision making within global value chain actors under or over the influence of external actors that eventually affect the sustainability/existence of the whole GVC. This study's conclusions add to an important dimension of decision-making by the business and the government to ensure common interests.

The application of agency theory at the micro-level of analysis is helpful to explore the role of inter-agent relationship to ensure the sustainability/existence of a global value chain, which is becoming a topic of interest among global value chain researchers in the contemporary era (Frederick, 2014; Gereffi, 2014, 2018; Keane, 2008). Therefore, the knowledge generated through this research may be of interest to scholars in the fields of strategic management, international business management, decision-making in global business, governance, global value chains, globalization, development, political economy, economic geography, and global management.

1.7.2 Policy considerations

This study presents the macro/universal view of the management and governance of global value chains. This study explores government institutions' role as the agents working for the business and the role they play in sustaining the global value chain. The conclusions drawn from this research help the policymakers understand the very nature of the bargains and affairs taking place in the preview of the global value chains. These conclusions are helpful not only for the policymakers working for business and government but also for those performing this role for global governance institutions.

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1.8 Operational Definitions

The operational definitions of the important entities and concepts as referred to in this study are given below:

1.8.1 Economic Sustainability

The economic sustainability of the global value chains has been approached from the production houses or their relevant economies or countries. A global value chain has been considered economically sustained if it continues with its business course with the given configuration of the production linkages for value addition in their final product or service.

1.8.2 Global Value Chains

Global value chains have been referred to as the globally distributed setups organized and operated by a business organization to produce a value-added product or deliver a service, whereas to reap the advantage of the competing nations.

1.8.3 Governance

Governance has been referred to as an overarching setup of policies, rules and procedures; merely by the government institutions; that affect the direction for a specific business or industry.

1.8.4 Institutions

The institution has been referred to as an organizational setup, owned by the government, conserving, or promoting some specific value for the country or its economy. Specifically, the institutions referred to by this study are the government organizations either governing, facilitating, or promoting the Pakistani business.

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1.8.5 Institutional Agents

The individuals employed by the government organizations either for policymaking or implementation, strategic or operational decision making, or performing routine procedures as per institutional rules have been referred to as the institutional agents in this study.

1.8.6 Industry Representatives

An individual associated with a business or manufacturing concern, either the owner himself or his employee, having the authority of taking decision-related to his business organization has been referred to as an industry representative by this study.

1.9 Structure of the thesis

This thesis is transcendental phenomenological research exploring the phenomena of the challenges in the face of the global value chains' economic sustainability, especially in the context of governance and institutional setup in Pakistan. This study comprises six chapters with the following structure:

Chapter One introduces the research study, which includes the background, the case of motivation, and the gap in the literature. This chapter provides a brief look into the logic applied in designing this research and an overview of the philosophical and theoretical underpinnings of the published literature in the study area. The chapter also includes the research objectives, research questions, sub-questions, and significance of the study, followed by the study's operation definitions and structure.

Chapter Two provides an in-depth review of the literature published in this study's thematic area in a systematic order. It provides the macro view of the body of knowledge, vis-à-vis highlighting the important themes relevant to this study. These themes have been critically discussed, therefore, the arguments, counterarguments and synthesis of the argumentation have been presented in a logical and neutral tone to lead the discussion from the macro-level to the analysis level of the research. The highlighted themes have eventually been molten to design the conceptual framework to highlight the interactive setup of the concepts and entities in a preview of this research. The intention is to provide an overview of the literature logically and develop the logic behind the significance, philosophical stance, and operational decisions taken during this research.

Chapter Three discusses the research methodology. It starts by providing the philosophical worldview that guides this research. The linkage between the philosophical worldview, the research design, and the methodological decisions have also been discussed to establish their

logical connection with each other. The transcendental phenomenological analysis method and its implementation have been explained in detail. All discussion and methodological decision making has been substantiated with valid references from the relevant published literature. This chapter also discusses the decisions related to the research methods, the participants, data collection, data analysis, and the ethical issues related to this study.

Chapter Four comprises the interpretation of the transcendental phenomenological analysis of the primary qualitative data. The cluster analysis diagrams produced by the NVivo 12 Plus software package have been incorporated, and their detailed interpretation of the imaginative variations and the synthesis of the meanings (Moustakas, 1994; Adu, 2015) provided.

Chapter Five comprises the discussion and results. The discussion incorporates the findings from the transcendental phenomenological analysis of primary qualitative data with the relevant published literature's key concepts.

Chapter Six discusses the philosophical contributions, policy considerations, and practical implications of this study.

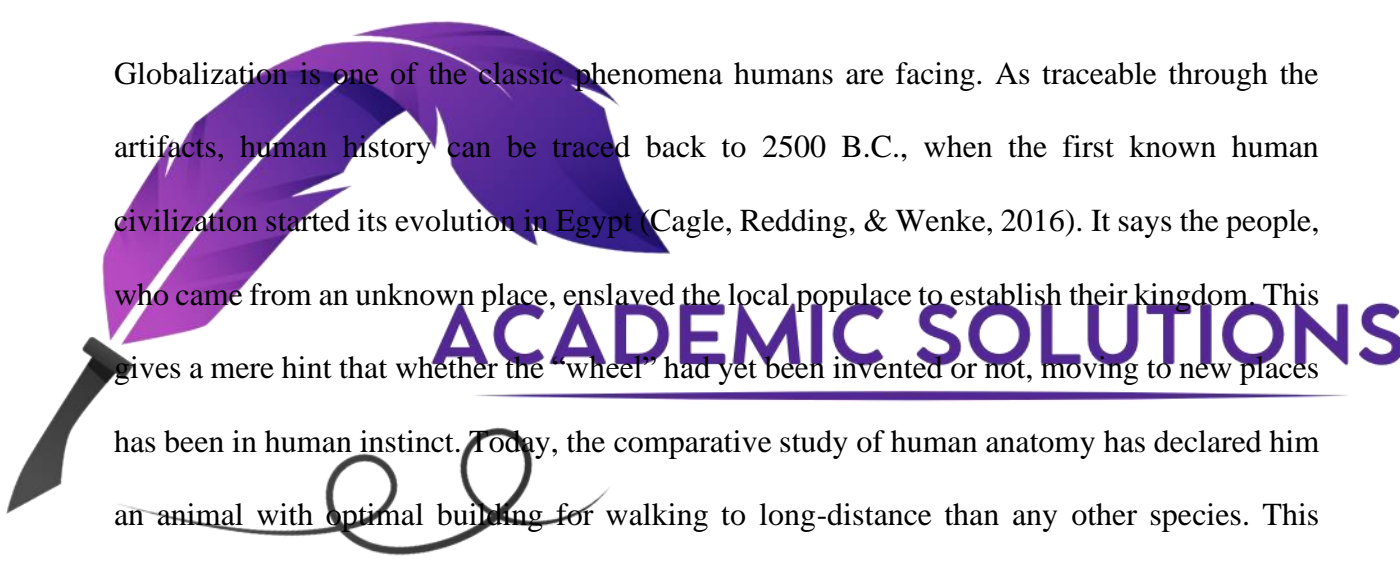


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Chapter 2: Literature Review

This chapter provides a critical review of the research published in the area of global value chains. This chapter's research work covers the conceptual areas of globalization, sustainability, and global value chain (GVC) systems in the general context of developed and developing countries. It converges it to the specific context of apparel value chains and the phenomenon of contract termination of labour agencies. Two cases referring to the phenomenon have also been discussed to synthesize the literature and reality to highlight the research gap and establish a theoretical framework for this research as the conclusive note.

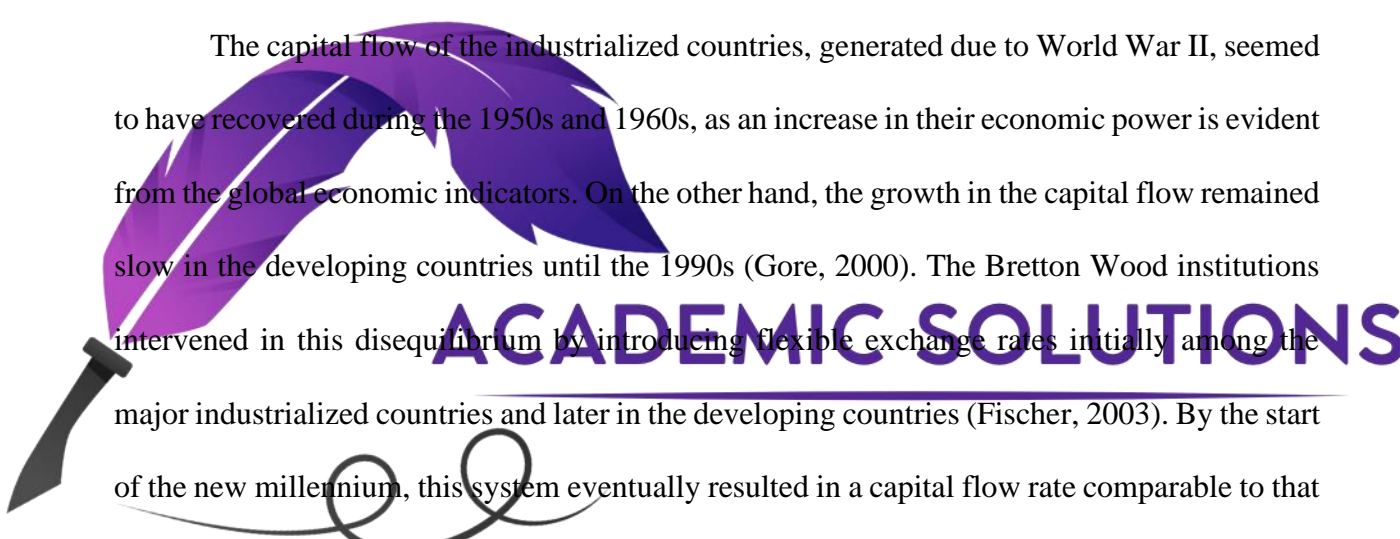
2.1 Globalization



Globalization is one of the classic phenomena humans are facing. As traceable through the artifacts, human history can be traced back to 2500 B.C., when the first known human civilization started its evolution in Egypt (Cagle, Redding, & Wenke, 2016). It says the people, who came from an unknown place, enslaved the local populace to establish their kingdom. This gives a mere hint that whether the “wheel” had yet been invented or not, moving to new places has been in human instinct. Today, the comparative study of human anatomy has declared him an animal with optimal building for walking to long-distance than any other species. This anatomic characteristic had enabled the human to travel far across the distances for exploration and trade (Cooley, 2017). Both statements from history and modern anatomy add to the argument that traveling to places is human nature. However, as it makes life easy, technology has helped the human travel farther, faster, and safer besides enabling him to carry more load along (Fatima, 2017). The initial evidence of technological support to human traveling names the animals, wheel, and boat, which brought ease in trading, migration, and invasion (Marks, 2015).

2.1.1 Globalization and Economics

Economic globalization, as defined by Sturgeon (2013), "... is a dynamic, long-term historical process that ebbs and flows, waxes and wanes, and changes its character and extent over time, all with profound effects on countries in the trading system...". According to Fischer (2003), the increasing interdependence of countries on each other results from the continuous process of economic globalization. Though a few incidences, e.g., two World Wars and the Great Depression, have seriously affected this process; however, the Post-World War II global reforms, especially the Bretton Woods system, have resulted in setting the pace for economic globalization at an increasing rate (Kirshner, 2015).



The capital flow of the industrialized countries, generated due to World War II, seemed to have recovered during the 1950s and 1960s, as an increase in their economic power is evident from the global economic indicators. On the other hand, the growth in the capital flow remained slow in the developing countries until the 1990s (Gore, 2000). The Bretton Wood institutions intervened in this disequilibrium by introducing flexible exchange rates initially among the major industrialized countries and later in the developing countries (Fischer, 2003). By the start of the new millennium, this system eventually resulted in a capital flow rate comparable to that during 1913 (before WW-I). Fischer (2003) also argues that the modern system is less globalized than pre-WW-I if compared based on migration and labour flows. He is also of the view that more recently, the migration rate from developing to developed countries has eventually increased, besides the increased propensity of consuming foreign products, telephonic communication, and in-person visits (Fischer, 2003).

Rodrik (2007) has argued that globalization is a fad managed by the world's elite capitalists. It has augmented the disparities between the developed and developing countries globally, therefore increasing the polarization, i.e., poverty has increased; development in developed countries has also increased. He further emphasizes the need for the increased efforts

by the developed countries' leadership to make globalization rules conducive for the development of developing nations. From these arguments, it can be inferred that over time, changed norms and innovation in technology, the parameters of measuring globalization need to be updated. Besides, the transfer of capital and development coincide with the themes of trade and technology (Bank & Development Research Center of the State Council, 2020) which eventually are the primary factors of the GVC framework. The recent events affecting economic globalization include the global financial crisis of 2008 (Kim, Li, & Lee, 2020) and the ongoing Covid-19 pandemic, as they have affected the whole world (Shaukat, Asghar, & Naveed; Wang & Sun, 2020).

2.1.2 Globalization and Politics

Political forces have also played a historically vital role in accelerating the process of globalization (Gritsch, 2005). During the previous (almost) two centuries, Imperialism and colonization provide strong evidence in establishing the logical relationship between politics and globalization. The imperialist elites implemented a three-step strategy of establishing their control over distant territories by sending missionaries, followed by traders, and then the army (Ferro, 2005). However, it is also clear from human history that the rule has always been established and sustained by implementing the strategies that comprise an intelligent mix of power and politics.

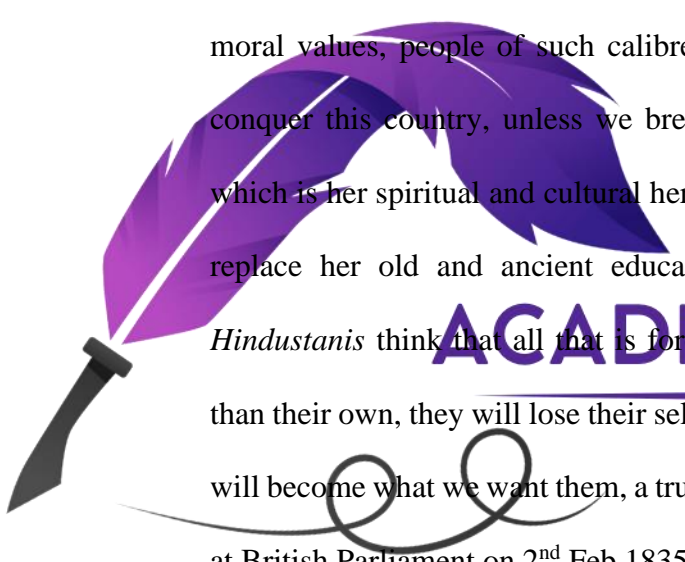
Though it can be argued that the multinational companies, like the East India Company, set for colonization for the sake of wealth and resources, however, this is evident from history that power and politics played a significant role in colonization. Since the prevailing ruling system was kingdoms instead of nation-states, there was no public participation in the state affairs as the emperors were not elected (Furnivall, 2014). Although the shift of the governance system from kingdoms to nation-states has significantly changed, the importance of alliances among the influential and powerful is still high. According to Sklair (2002b), the transnational

capitalist class comprising the decision-makers from the corporate, the state, the technical, and the consumerist fractions operates harmonization with each other to shape new realities and influence the global politics for their agendas. He believes that wealth, control over resources, and power are primary notions behind global politics. The influence of transnational elites over national politics has increased to the extent that they have gained a prominent place, superseded the national political hierarchies and have no direct linkages with the public (Etzioni-Halevy, 2002). Modern global politics revolves around the security (or military power) and economy, where the economy is the defining factor among all as it ensures resources for the other two (Wallerstein, 1984). The recent global political agendas include the power struggles, control over strategic resources (land, sea, air, and space), sustainability and competitiveness (either by force or by mutual consent), i.e., armed conflicts over oil resources, and trade agreements like TRIPS (Athreya, Piscitello, & Shadlen, 2020, Fevrier, 2020).

2.1.3 Globalization and Culture

Globalization is a complex phenomenon that cannot be merely understood through a superficial discussion of economics and politics. Other facets of globalization are not less influential in shaping the debate over it (Fischer, 2003). In this regard, culture has been a critical sub-theme of discussions over globalization for almost the last two centuries as the wave of imperialism begins rising. The famous historic decision of barging away the Christian missionaries by Japanese ruler, Toyotomi Hideyoshi, in 1587; that sustained for 250 years during the Edo period (1603-1868); for conserving their culture and national unity can be quoted as an example in this regard (Jansen, 2002). In the same era, many kingdoms allowed missionaries, followed by traders and army, to enter their land (Ozaki, 2012). The rest of the story is well known, but it is worth mentioning that imperialism affected the world in many aspects, with culture being discussed as the most affected facet. The foreign rulers affected the local cultures through power and politics. That was when the sub-continent (Hindustan) earned the top position as an

economy with an approximate contribution of 25% to the global GDP (Broadberry & Gupta, 2010; Maddison, 2007). Lord Macaulay traveled through its widths and breadths, and upon his return, he talked high about this land and its culture, which was a prosperous region, also generally referred to as “*sonay ki chirya*” (golden sparrow) in the scripts of the seventeenth century. The excerpts from his famous speech, as referred by Keviv (2011) and Mitra (2017), are narrated below:



“I have traveled across the length and breadth of *Hindustan* [currently Pakistan, India, and Bangladesh], and I have not seen one person who is a beggar, who is a thief. Such wealth I have seen in this country, such high moral values, people of such calibre, that I do not think we would ever conquer this country, unless we break the very backbone of this nation, which is her spiritual and cultural heritage and therefore, I propose that we replace her old and ancient education system, her culture, for if the *Hindustanis* think that all that is foreign and English is good and greater than their own, they will lose their self-esteem, their native culture and they will become what we want them, a truly dominated nation” (Lord Macaulay at British Parliament on 2nd Feb 1835).

The strategy he devised primarily was based on deploying power and political resources to bring about cultural change to establish the value of English culture higher in the locals' eyes. Later, his strategy proved to be right as the sub-continent locals still feel inferior to foreigners, especially English, even after seven decades of their independence from them.

In the recent few decades, the rapid innovations in information and communication technology have again brought the globalization discourse culture. The culture has primarily been at the core of debates on the topic of “global village.” Though strongly opposed, it is the

reality that global cultures are converging rapidly (Dicken, 2007). Besides the popularity of junk food, the rise of hipsters and transnationals is a widespread phenomenon arising from this cultural convergence (Taylor, 2014). Social media is playing an active role in this regard. Any unusual thing happening at a place becomes “viral” across the globe in a few hours, and people start sharing their opinions for and against it within no time (McRobbie, 2018). This cultural convergence is also affecting the business operating globally, as their corporate reputation is at stake provided any malpractice or violation from their declared code of conduct gets reported on social media.

2.1.4 Globalization and Technology

Though, the literature on globalization declares trade as the primary concern for which humans traveled to the far reach areas. However, it also establishes that technology has played a vital role in accelerating its pace (Fischer, 2003; Sturgeon, 2013). For example, the steam engine's invention boosted globalization through human movement across the globe through land and sea. It enabled humans to frequently move at longer distances with the convenience of time, security, safety, and comfort either through ships in the sea or train on the land.

It further states that technological advancement, especially information and computing technology, has given the second most significant boost to globalization. It merely started with the telephone and the radio, but later, the internet's invention changed the whole scenario. Internet-based services like World Wide Web (www), email, and chatting acted as seedlings for the modern smart communication services which use combinations of text, audio, video, Geo-Positioning Services (GPS), gestures, biometrics, virtual reality, augmented reality, etc. have changed the way human used to live two-three decades before (Ernest, Wilson, & Wilson, 2004; Kaňovská, 2018). Such advancements have transformed the lives of individuals, societies, as well as organizations.

2.1.5 Globalization of Trade, Production, and Services

The phenomenon of globalization, especially in the post-WWII era, has affected the traditional ways of trade, production, and services. The rapid advancement in technology, especially information and communication technology, has changed how people exchange value with each other. For example, the incorporation of computerized telecommunication technology in the conventional cotton market in Texas Plains and Southwestern Oklahoma region proved to be the game-changer as it transformed conventional marketing into electronic marketing. This system, named TELCOT, enabled the local farmers to access more buyers, enabled the merchant-shippers to manage interior assembly rapidly, and enabled them to take advantage through pricing efficiency (Reynolds, 1982).

The increased coordination between the market actors powered by technology ended up in affected market mechanisms and helped in the transformation of the traditional mechanisms for trade, production, and services. According to Kaplinsky and Morris (2000),

various activities that could add value to a product or service at different steps converged to form coordination despite the location differences. This evolution resulted in the formation of networks of process specialists coordinating with each other to produce some specific product package. In this regard, Porter and Millar (1985) seminal work categorized the activities into two types: the processes that transform inputs into outputs and the support services; therefore, they broadened the focus from mere process management. They referred to these categorized inter-firm and intra-firm activities as a value system. The GVC framework, although it started its evolution in the 1960s, has changed the global realities with the intervention of modern manufacturing and information technology (Gereffi, 2018).

2.1.5.1 Evolution of Global Value Chain Framework

A global discourse over market liberalization, deregulation, and their results sprout out due to the implementation of economic reforms in developing countries in the 1980s (Raikes et al.,

2000). The debates over “getting the right price” and “appropriate incentive” started converging by the 1990s and were replaced by new themes of “role of globalization in economic restructuring” and “issues of institution-building and good governance.” The focus of the discussion then shifted to the commodity-focused parallel approaches, namely (French) *filière* and Global Commodity Chains (GCC), which although explains the same dilemma, despite the difference in their geographical, linguistic, political, and theoretical backgrounds (Raikes et al., 2000).

The newly evolved mechanisms were initially identified under different nomenclatures, e.g., Global Commodity Chain (GCC) and *filière* (in France), which have been critically discussed by prolific writers like Gereffi (2005), Kaplinsky and Morris (2000), and Raikes et al. (2000). The competitiveness of nations (Fagerberg, Srholec, & Knell, 2007; Porter, 1990) is not merely beneficial for the respective nations. Instead, most global brands are now dealing in products that are not possible to produce unless many competitive nations add their part of the value to it. Many competitive nations now contribute by adding value to the products being researched, developed, produced, and marketed by global business organizations for consumers around the globe.



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A new trend in globalization emerged in the last quarter of the 20th century that has affected the role of the state, corporate governance practices, cross-border capital flows, and economic development patterns (Chang, 2003; Gereffi, 2014). This transformation continued when a more segregated typology of governance structures emerged at the beginning of the new century. In this regard, states and corporates cooperated and contended at the same time either for their sustainability or profit maximization. Indeed, newly implemented regional trade and economic cooperation agreements, like the World Trade Organization (WTO) and Union of European Countries, started making differences, either intended or unintended. Thus, the reign of competitiveness has begun. This emerging global economic, geographical

paraphernalia triggered new capitalist strategies and catalyzed the changes in governance structures and corporate strategies at one hand. On the other hand, it raises the sustainability challenges for both corporate and the states, resulting in the emergence of new governance structures that facilitated cooperation and competition, adding to the global value chains' significance.

Global value chains (GVC) are the interconnected production systems that usually comprise producers from developing countries and marketers from developed countries (van Dijk & Trienekens, 2012). Gereffi et al. (2005), in their seminal work in GVC literature, has discussed the five generally found governance structures based on the bargaining power of GVC actors. According to him, the GVC actor with the highest bargaining power, either buyer, producer, or some other intermediary firm, sets the rules and norms within that structure. In either case, the general requirement for survival in the post-WTO implementation era increased the emphasis on marketing the best quality product at the lowest possible rate. This intent resulted in the increased significance of the developing countries, as they offered cheap labour rates and individual other facilities to the investors in their quest to attract foreign direct investments (FDI) as an economic booster.

From the perspective of the developing countries, the buying firms (usually from developed countries) can be explained with the bees' metaphor. Like bees, they act as a vehicle for cross-pollination, bringing-in new knowledge and resources, especially investment, to the producing country. However, as the bees collect the nectar from several gardens but prepare honey only within their comb, the buyers accumulate all the gains from GVCs in their home country (Dahles, 2005). However, the role of culture exchanges resulting in the improved quality of life is still questionable. One can refer to the example of introducing the American lifestyle in the shape of fast-food chains like McDonald's, KFC, Pizza Hut, etc., in developing countries (Ger, 1999) like Pakistan. These food chains are an enabler of generating new trends

of fast food in the local culture; the evidence is the mushroom growth of local food chains replicating the international food chain models and catering to the different market segments. Do the Pakistani people have developed the habit of eating American-style fast-food confers the actual rise in their lifestyle? Is it still a question? The argument regarding the movement of globalization from transference to transformation phase of development and addressing anti-global forces' fears with 'the help of the world' is direly a 'political wish' (Giddens, 2003; Martinelli, 2003). It is like a recipe whose missing ingredients are not available at all. The literature suggests that the developed economies try to overcome their competitive disadvantage through linkage, leverage of resources, and learning (Mathews, 2002, 2006).

On the other hand, the developing economies take advantage of (i) ownership, (ii) location, and (iii) internalization of knowledge (Dunning, 2000, 2006). Therefore, if the developed economies allow any pilferage in their 'strategy of knowledge hoarding,' they tend to lose their competitive advantage. However, there are several examples from the practice that the developed economies had shared their knowledge to developing countries to earn the gains from the cost of research and innovation through commercialization. However, such knowledge sharing is limited to the recipient developing country's role in the value-added in the final product of the donor developed country.

Neither the developing economies nor the developed economies can operate in isolation in the modern era. The exchange of goods and services has become a necessity for development and growth. The developed countries need cheaper products in their markets and draw advantage from their capital and knowledge resources. On the other hand, the developing countries need capital and processes to circulate that capital for economic activities like production and job creation (Porter, 1998). It is evident from the practice that the parties at both sides of such long-term economic contracts may not necessarily be the governments only. However, the governments of the developing economies are at one side of the equation almost

all the time, whereas, on the other side, there may either be a government of a developed country or a large-scale business organization (Sklair, 1999).

The developed economies usually have the advantage in bargaining between the two for long term economic contracts. The developing countries on the weaker side of the equation usually offer certain advantages to the developing countries, especially their businesses, in their quest to channel the more inward flow of foreign direct investment (FDI) (Alfaro, Chanda, Kalemli-Ozcan, & Sayek, 2004). These advantages include tax rebates, investment security, ownership rights, copyrights, etc. In this effort, the developing countries enter the dilemma of “race to the bottom,” as they offer the lowest wage rates regardless of their local labour and environmental standards to survive (Appelbaum & Robinson, 2005; Khattak, 2013).

2.1.6 Effects of Globalization

Although globalization's discourse is full of highly relevant arguments for and against it, the phenomena of globalization are taking on the world like an avalanche. It affects economics, politics, technology, trade, services, and even the lifestyle of a common man living in any distant part of the world (Giddens, 2003). Though not older than a few decades, Internet technology has been declared a fundamental human right by the United Nations as proposed by Mark Zuckerberg in 2016 (Velocci, 2016). The effects of globalization can be witnessed in every walk of life. It is now ubiquitous for an incidence taking place at one place to go viral through social media across the globe (Hanna, Rohm, & Crittenden, 2011). The current issues addressed in globalization include culture, nationalism, sustainability, capitalism, and technology (Axmedov, 2020; Mardonov, Khodjamkulov, Botirova, & Shermatova, 2020; Rodrik, 2020).

2.2 Sustainability

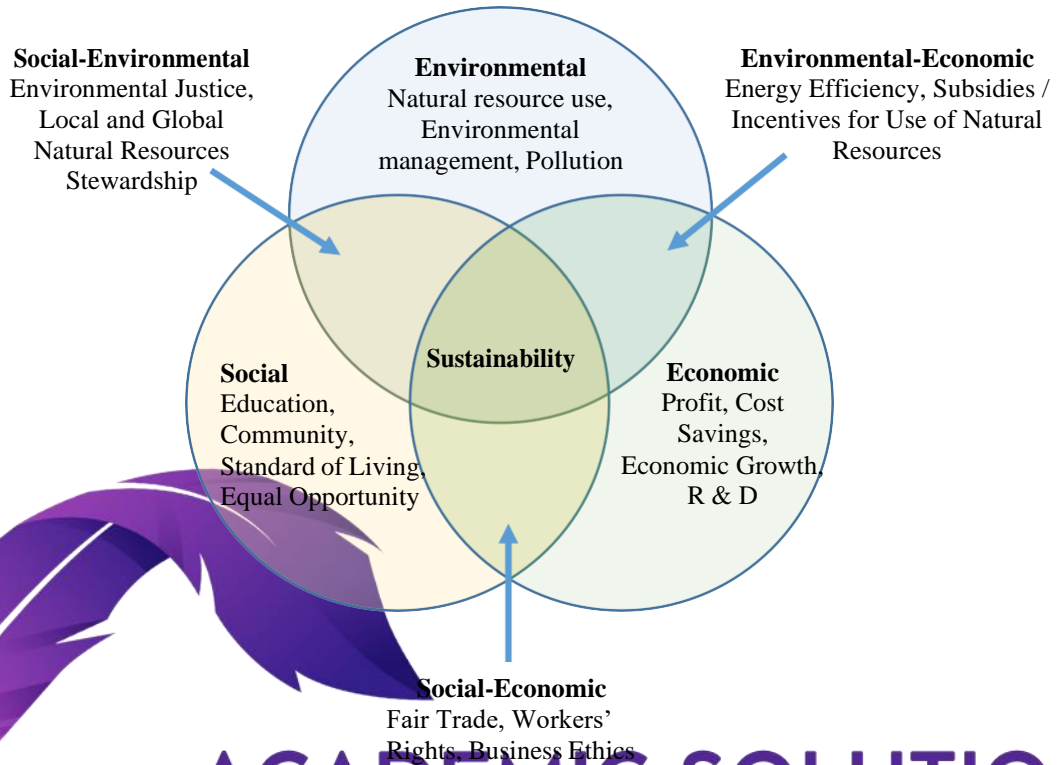
Sustainability is the concept that refers to protecting the economy, society, and environment, thereby protecting the human race, which may go to extinction in the absence of any of these factors (Goodland & Ledec, 1987; Wackernagel & Rees, 1998). This concept emerged in the 1970-80s when the thinkers started addressing businesses' challenges in their quest for continuous operations. The inception of the term sustainability roots in the developmental sciences. Sustainable development had been defined in their report by Brundtland, Khalid, Agnelli, and Al-Athel (1987) as:

“...development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

In business and management literature, the population of interest for addressing this concept was the large scale, international and multinational, corporations, and their strategies to sustain their business operations for a longer tenure in a preview of changing global political, economic, and social environment (Collins, Collins, & Porras, 2005). Later, with the growing concerns over conservation of the natural environment raised by the activists and groups, the role of business in environment depletion at the cost of economic benefits turned the thinkers' focus. These movements resulted in an essential dimension of the environment in the equation of sustainability (Keller, Parameswaran, & Jacob, 2011).

This equation now states that the sustainability of a system can only be ensured if all of its three factors – economy, society, and environment – equate; otherwise, it will decline. The equation's environmental dimension addresses the themes pertinent to the usage of natural resources, management of the environment, and pollution. The issues falling in the domains of profit, cost savings, economic growth, and research & development are addressed

economically. Whereas the social dimension of the sustainability equation comprises education, community, the standard of living, and equal opportunity (Passet, 1979).



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Figure 1: Three Spheres of Sustainability

Source: Passet (1979)

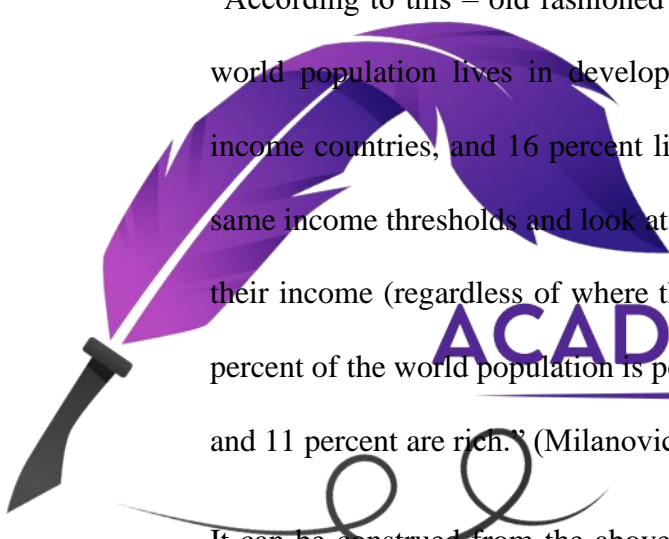
This equation also propagates three latent concepts that emerged from the overlap of its three primary dimensions, i.e., social-environmental, environmental-economic, and social-economic. The social-environmental dimension addresses the issues related to environmental justice and stewardship of local and global natural resources. The environmental, economic dimension incorporates energy efficiency, subsidies, or incentives for using the natural resources. The social-economic dimension comprises the themes that include fair trade, workers' rights, and business ethics (Larsen, 2016; O'Connor, 2006).

The discourse on sustainability has persistently been calling for a more robust model, but it still lacks the consensus among the practitioners and the scholars due to subjectivity that

results in a lack of direction (Buttel, 1997; Christen & Schmidt, 2012; Larsen, 2016). However, this study primarily focuses on the economic sustainability of the global value chains by probing the challenges it faces in developing countries like Pakistan.

2.2.1 Challenges of Sustainability to Developing Countries

The dilemma of under-developed versus developing countries is complex. Different scholars from various knowledge disciplines have tried to explain it, but a comprehensive explanation is hard to find. Milanovic and Yitzhaki (2001) have argued over it in the following words in their report on globalization:



“According to this – old fashioned – three worlds partition, 76 percent of the world population lives in developing countries, 8 percent lives in middle-income countries, and 16 percent lives in rich countries. Now, if we keep the same income thresholds and look at the true distribution of people according to their income (regardless of where they live), we find a very similar result: 78 percent of the world population is poor, 11 percent belongs to the middle class, and 11 percent are rich.” (Milanovic and Yitzhaki, 2001)

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It can be construed from the above that societies' Marxian view somehow applies to economies in the modern days. The developing countries are underdeveloped due to multiple factors, including weak governance systems, underdeveloped capital structure, poverty, illiteracy, corruption, and injustice. In their cases, the locus of problems, usually contributing to each other, is internal rather than external. On the other hand, they were in the reign of globalization have to push themselves for development to avoid bankruptcy. Though unique for each developing country, their problems and issues form a loop that is not easy to break (Lundvall, 2010; Novak, 2010). This is perhaps why poverty exists on the planet earth, despite all research, development, governance, and humanitarian efforts.

The developing countries face the dilemma of under-develop. From the strategic point of view, they feel deserted to come out of it since it requires many resources, especially capital; on the other hand, resources including the capital can only be accumulated as a product of development (Frank, 2018; Patrick, 1966). This “chicken or egg first?” situation is not avoidable through simple strategies; instead, it requires to implement of a comprehensive, holistic long term economic growth strategy, as it is evident from examples of countries like Malaysia and Korea who have successfully got out of this deadlock of under-development (Ansari, 2002; Kojima, 2000).

Another contemporary view of under-developed countries' dilemma is that their sustainability, economies, societies, and environment complement each other, usually raising alarms over their overall situation. Viewing this situation with a tilt towards the classic economic development paradigm, it can be stated that intervention to ensure a nation-state's sustainability, the safe start can surely be the economic interventions (Cavanagh & Mander, 2004). Though there is no simple recipe for sustaining an economy, developing countries usually have to struggle to cope with their underdevelopment problem. In this regard, the common strategies include facilitating FDI inflows and getting linked with the global value chains as a production base (Gereffi et al., 2005). The following sections discuss the concepts and practices related to sustainability both in the context of developing and developed economies and synthesize the differences and their outcomes.

2.2.2 Global Value Chains and Sustainability

The relationship between sustainability and global value chains has been an area of interest for many researchers. They have probed this relation from both points of view, i.e., what is global value chains' role in global sustainability? Moreover, how do global value chains sustain themselves? The evidence of the role of GVCs in global sustainability can be declared as classic discourse. It can be stated that this discourse is as old as the terms GVC, and sustainability

became a fad in academic literature. The role of GVCs in global sustainability has been discussed under the proceeding sub-heading (Ruggie, 2004).

Global value chains (GVCs), as the term denotes, are the business structures that spread beyond geographical boundaries. Therefore, these business structures strive for competitiveness within their product or service domain; therefore, they do not constrain themselves due to geographical boundaries either for sourcing or marketing. GVCs, therefore, incorporates a highly sophisticated governance system to ensure their survival, for which they need to ensure the survival of the actors or firms working for them (Kaplinsky, 2004). GVCs seek the best value worldwide that can enhance their competitiveness for the product or service they offer in the market. Therefore, they always look forward to better, faster, and/or cheaper products or services to enhance the value they offer to their customers (Coe, Dicken, & Hess, 2008; Luo, 2007).

Many of the GVCs are governed by the brands that originated in the first world countries, who possess the cutting-edge knowledge of product, technology, or market within their field of business and gives them a competitive edge in the market. Such firms that govern a GVC have been referred to as the lead firms in the literature (Gereffi, 1995, 2005). The lead firms are usually strong in research and development (R&D) as well as the ability to integrate forward and backward, therefore, hold a pivotal role in delivering their products or services (Porter, 2008; Teece, Pisano, & Shuen, 1997). GVC lead firms primarily outsource their labour-intensive operations to specialized firms located worldwide (Gereffi & Fernandez-Stark, 2011). Besides, they fully focus on their governance system and the strategic alignment of all the factors involved in the production of their products or services, which include managing relationship with the native governments to receive the best leverages in finance, the security of assets, as well as tax rates (Serfati, 2008). Since the GVCs hire the globally located producers or service provider firms, they leverage their factors of production factors on rent

through their governance system. Serfati (2008), and Hall, Thoma, and Torrasi (2007) declare that such symbiotic relation between the lead firms and vendors calls for an end to the “fiction of the neoclassical approach of the producer-owner-of-capital” regime.

2.2.3 Economic Sustainability of Global Value Chains

Sustainability is a broad concept that has been differently defined by researchers. Passet (1979) has defined sustainability at the intersection of the economy, society, and environment. Hawkes (2001) adds the culture as the fourth pillar to Passet’s sustainability model. This study follows the former definition. This definition can be approached from three dimensions or disciplines, i.e., economics, sociology, and environment. This study approaches the concept of sustainability from the economics’ side; however, it does not negate or undermine the importance of the remaining two sub-concepts.

This study refers to economic sustainability as the practices supporting long-term economic growth without any negative impact on the social or environmental aspects. The global value chains' economic sustainability has been viewed for the production houses of their relevant economies or countries as they operate in connection to their respective global value chains (Porter & Kramer, 2019; Seuring & Müller, 2008). Therefore, from the production houses operating in the developing country and producing for their global buyers, economic sustainability is primarily dependent upon the production contract's continuation. Because there is no question for the production houses to sustaining in the long-term or even short-term without having production orders in hand hence, a global value chain can only be considered economically sustained if it continues with its course of business with the given configuration of the production linkages for value addition in their final product or service (Henderson, Dicken, Hess, Coe, & Yeung, 2002). If the decision-makers in the value chain shift from one production unit to another unit, or the country; the global value chain becomes unsustainable with

the point of view of the abandoned production unit or the country (Azapagic & Perdan, 2000; Humphrey & Memedovic, 2003).

The discontinuation of production orders from a specific brand to a specific production house operating in a country is perceived as havoc by that brand and the country (Crisis, 2017), as the production orders serve as the oxygen for that economy, production unit, the local vendors, the employees, the workers, and their families and dependents. The effects of discontinuing the production contraction start with the production unit and trickle down to the local vendors, the employees, the workers, their families, and dependents, raising the government's challenges to rescue the adverse economic effects of sudden unemployment on the local society. The effects of the discontinuation of the production contract start affecting the economy and eventually affect society and the environment (Uzzi, 1996).

2.3 Governance

Governance is a concept that refers to make laws, policies, and rules to administer something or some ordinary happening. This a broad concept has been discussed in different thematic areas of knowledge, including management, development, politics, leadership, accountability, performance, democracy, policy, ethics, and public policy. In the relevant published literature, the governance has been referred to as the institutions, often referred to as the governing bodies, and the policies together (Bevir, 2012). The scope of the governance varies from the cosmopolitan to a small-scale organization.

“Governance is multi-dimensional and important means to achieve the development goals. Progress towards the goals is underpinned by democratic governance. Robust and well-capacitated institutions are required in both public and private sectors to be responsive to people and communities' real

needs. Such institutions situate democratic governance and human rights as a lynchpin of sustainable development.” (UHCHR, 2013).

Generally, poor governance and the burdensome government regulations and policies eventually drag the business organizations towards informality, resulting in their exclusion from the capital and export markets. In the presence of weak institutional setup, this situation detains the development of the culture of innovation, efficiency, and economies of scale in an economy (IFC, 2001). The dilemma of developing countries is the desynchronization of government policies and the industry. The government policies distort instead of complementing the market forces as they counteract instead of reinforcing the market's allocative effects. This dilemma is backed up by the information gap with the policymakers and the industrial policy's openness to corruption and rent-seeking (Rodrik, 2007). This study refers to governance as a system comprising government institutions and the set of policies, rules, and procedures set for the development of local business in the local and international markets.

2.3.1 Global Value Chains and Governance

The global value chains must instill a robust governance system to ensure their business success vis-à-vis, eliminating the adverse effects of the global spread of their business activities. The themes being highly focused on GVC literature include governance and up-gradation (Moore, 2013). In this regard, the seminal work of Humphrey and Schmitz (2000) and Gereffi et al. (2005) can be referred to as an example. Several other authors have discussed the concept of governance based on their empirical work on the textile and apparel industry.

The logo for 'ACADEMIC SOLUTIONS' features a stylized purple quill pen nib on the left, with a large, flowing purple leaf-like shape extending from it. The text 'ACADEMIC SOLUTIONS' is written in a bold, purple, sans-serif font to the right of the quill. A horizontal purple line is positioned below the text.

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Table 1

Industries studied for "governance" along with the respective authors

Sr. No.	Industry	Authors
1.	Textile and Apparel	Bair and Gereffi (2002) Dicken and Hassler (2000) Nadvi et al. (2004) Gereffi and Frederick (2010)
2.	Automobile Industry	Sturgeon, Biesebroeck, and Gereffi (2008) Humphrey and Schmitz (2004)
3.	Electronics	Sturgeon and Kawakami (2011)
4.	Footwear and Leather	Bazan and Navas-Alemán (2004) Gereffi and Korzeniewicz (1989)
5.	Furniture	Kaplinsky and Morris (2000)
6.	Manufacturing	Gibbon, Bair, and Ponte (2008)
7.	Chocolate and Cocoa	Fitter and Kaplinsky (2001) Oxfam (2010) Fold and Ponte (2008)
8.	Fish (as a commodity)	Wilkinson (2006) Ponte (2008), Ponte (2012) Imaka and Ssekiboobo (2011)

Source: Moore (2013)

Themes other than governance, focused by GVC researchers include:

Table 2:

Themes other than "governance" in GVC literature along with the respective authors

Sr. No.	Theme	Authors
1.	Standards, Certification, Voluntary Codes of Conduct, Corporate Social Responsibility	Ponte and Gibbon (2005) Ponte (2008) Ponte (2012) Locke, Qin, and Brause (2007)
2.	Poverty and Gender Issues	Barrientos, Dolan, and Tallontire (2003) Staritz and Reis (2013) (Humphrey and Schmitz (2000); Patel-Campillo (2012))

Source: Moore (2013)

Distinctive definitions of global value chains are available in the literature. Humphrey (2000: 9) has defined it as a concept that explains the inter-firm relations arranged in the sequence where each firm, usually distantly located, contributes to the overall value produced by the chain through its specialized function, e.g., design, production, and marketing. Likewise, Porter (1990) has referred to the same term to explain the company strategy towards managing

the relationship with other firms. The term governance usually refers to setting the business rules and norms within a specific value chain (Gereffi, 1999; Humphrey & Schmitz, 2000). According to Gereffi et al. (2005), the governance of the value chains depends on the complexity of transactions, the ability to codify transactions, and the capability in the supply base. Building upon these three pillars, they have identified five distinct types of global value chain governance systems – hierarchy, captive, relational, modular, and market (see figure 2).

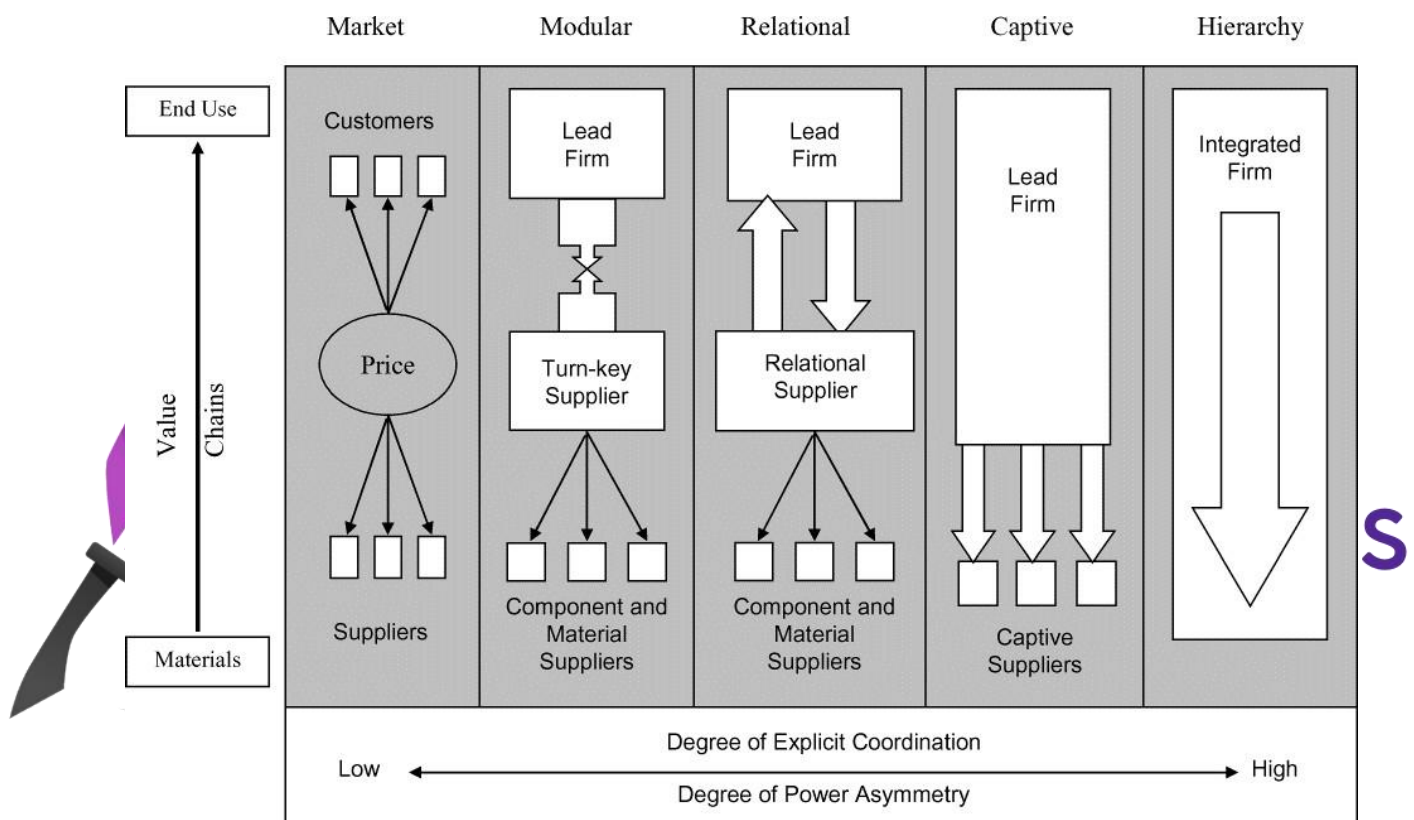


Figure 2: Five types of GVC governance

Source: Gereffi et al. (2005)

The term governance has been referred to in several ways in the published literature; therefore, it is imperative to explicitly define it in the discussion context (Humphrey & Schmitz, 2000). Jessop (1998) has explained it as a system that involves any mode of coordination of inter-dependent activities, either through the hierarchy, network, or non-market relationships. Humphrey and Schmitz (2000, pp. 4) believe that Jessop’s definition allows the

inclusion of corporate governance as well, that is how it retains the essence of governance. In this regard, the differentiation in the co-ordination of economic activities presented by Humphrey and Schmitz (2000) themselves and Jessop (1998), and Williamson (1979) is interesting and insightful (see Table 3):

Table 3:

Types of coordination of economic activities

Jessop (1998)	Williamson (1979)	Humphrey and Schmitz (2000)
Anarchy of exchange	Market	Arm's-length market relations
Self-organizing hierarchy	Network	Network
Organizational hierarchy	Vertical integration	Quasi-hierarchy
		Hierarchy

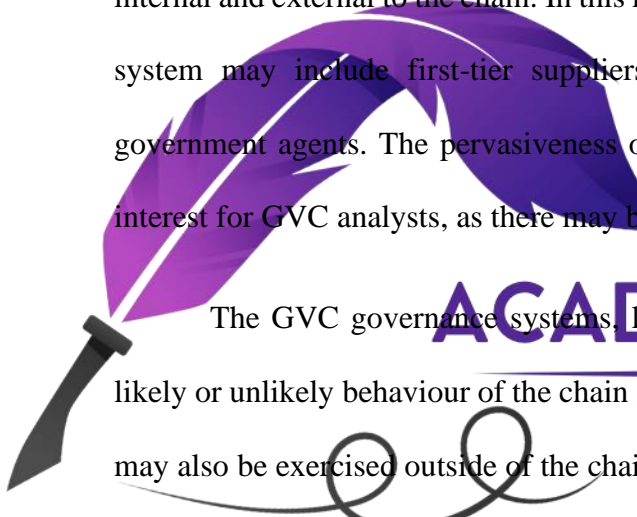
Source: Humphrey and Schmitz (2000)

Governance at one hand refers to the smooth functioning of administration; on the other hand, it provides the guidelines to review the conduct of those in power (Rose & Miller, 1992).

This leads to the understanding that the concept of governance does not deliver complete meaning unless discussed with the concepts of power and revision of conduct of those in charge. This construes that governance does not describe who makes the decisions, but also hold the decision-makers accountable before the affectees of their decisions. This is how the government is associated with “regime of rule-making and rule-keeping”, enforcement of rules, legitimacy of the power of rule-makers, and limits and scope of such power (Kaplinsky & Morris, 2000).

Kaplinsky and Morris (2000) have distinguished governance based on types of rules. For example, some rules prevail across industries like various ISO standards including ISO9000 and ISO14000. This is evident from the work of Lund-Thomsen and Coe (2013), Jamali, Lund-Thomsen, and Jeppesen (2017), Lund-Thomsen (2013), Harford, Schonlau, and

Stanfield (2012), and a few others that multiple standards may co-exist in an industry, as the principals of the GVC may demand compliance with not only local labour laws and policies, and third-party standards implementation and monitoring, but they also demand the compliance of their code of conduct by the labour agency. Besides, there may be demand for compliance with the rules set by supranational bodies like European Union, or pressure from NGOs, consumer right groups, or environment conservation activist groups (Kaplinsky & Morris, 2000; Panzer, 2015). These evidence from the literature support the argument of Kaplinsky and Morris (2000) that the GVC governance is not merely structured by the rules made and implemented by any firm within the chain, instead, it may be a system constituted by actors internal and external to the chain. In this regard, the parties involved in setting up a governance system may include first-tier suppliers, buying agents of lead firms, small firms, and government agents. The pervasiveness of the rules across the chain may be another case of interest for GVC analysts, as there may be one or more firms who define them.



The GVC governance systems, like civil governance, may include the sanctions for likely or unlikely behaviour of the chain linkages (Kaplinsky & Morris, 2000). Such sanctions may also be exercised outside of the chain, as the government bureaucracies or NGOs may be actively monitoring the compliance with the laws. The legitimacy of power in the hands of the governors is dependent upon some factors as shown in Table 4:

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Table 4:

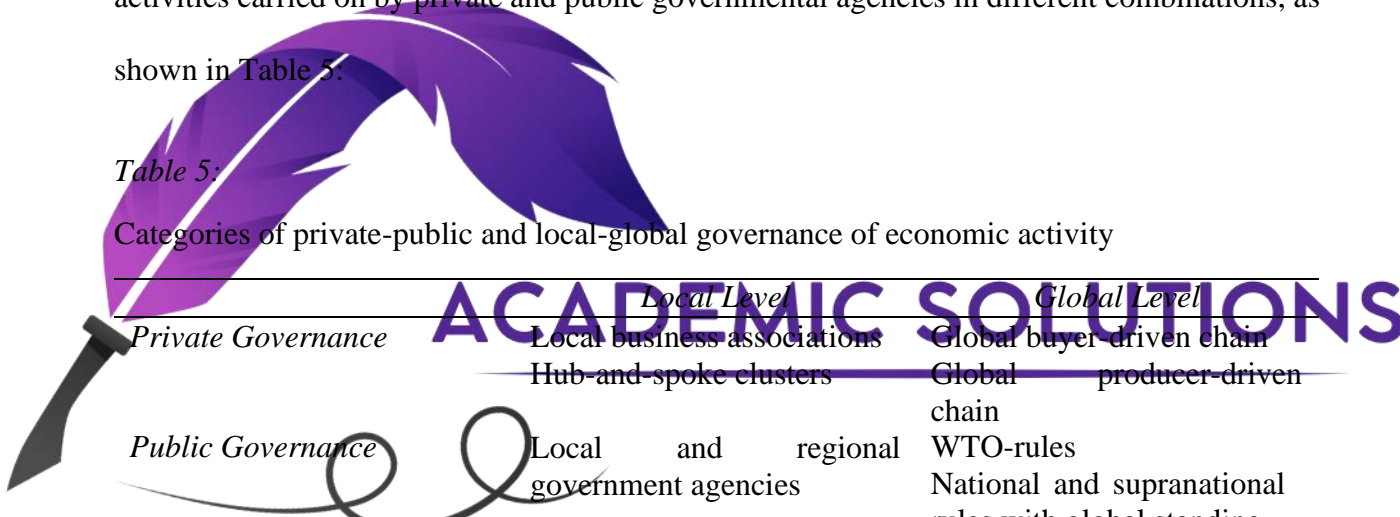
Assessing trust relations in the global value chain

	Low trust chains	High trust chains	Data sources
Length of the trading relationship	Short-term	Long-term	Sales function in suppliers, purchasing function in buyers
Ordering procedure	Open bidding for orders, with prices, negotiated and agreed before order commissioned	Bidding may not take place or likely winner is known in advance. Prices settled after contract awarded	Sales function in suppliers, purchasing function in buyers
Contractual relationship	The supplier only starts production on receipt of the written order.	Supplier more flexible about instructions and will start production without a written order.	Sales function in suppliers, purchasing function in buyers
Inspection	Inspection on delivery.	Little or no inspection on delivery for most parts.	Sales function in suppliers, purchasing function in buyers
Degree of dependence	The supplier has many customers, and the customer has multiple sources.	Few customers for supplier and single- or dual-sourcing by customer.	Sales function in suppliers, purchasing function in buyers
Technical assistance	Expertise rarely pooled, and assistance only when paid for.	Extensive unilateral or bilateral technology transfer over time.	Production control, quality and product development functions in both supplying and purchasing firms
Communication	Infrequent and through formal channels. Narrowly focused on purchasing department.	Multi-channeled, including, engineers, personnel department and top management; frequent and often informal.	Production control, quality and product development functions in both supplying and purchasing firms
Price determination	Adversarial, with hiding of information.	Non-adversarial with "open books".	Sales function in suppliers, purchasing function in buyers
Credit extended	Punitive or no credit extended	Easy access to letters of credit, longer payback period, easy terms.	Nature of letters of credit, finance section in suppliers and buyers
Outsourcing payment terms	Long delays in paying agents and informal economy producers	Payment on receipt of finished goods	Outsourcing agents, outsourcing firms, informal economy producers

Source: Adapted from Humphrey, Kaplinsky, and Saraph (1998)

Humphrey and Schmitz (2000) have also segregated the governance of value chain from the “public governance” that is a system organized through governmental agencies. However, they have emphasized on considering the public-private governance together for a mature analytical discussion. On the other hand, Esser, Hillebrand, Messner, and Meyer-Stamer (2013), and Messner (2013) are of the view that governance is not just limited to networks of public-private organizations, instead, they include business associations and technology leaders as well. Humphrey and Schmitz (2000) have, therefore, tried to address the question about the action scope of such local policy networks by the global value chains being governed by external lead firms. They have also provided an insight into the governance activities carried on by private and public governmental agencies in different combinations, as shown in Table 5.

Table 5:
Categories of private-public and local-global governance of economic activity



	<i>Local Level</i>	<i>Global Level</i>
<i>Private Governance</i>	Local business associations Hub-and-spoke clusters	Global buyer-driven chain Global producer-driven chain
<i>Public Governance</i>	Local and regional government agencies	WTO-rules National and supranational rules with global standing
<i>Public-Private Governance</i>	Local and regional policy networks	International standards International NGO campaigns

Source: Humphrey and Schmitz (2000)

Successful regions have systems of governance which embrace enabling and facilitating institutions both within the local state and civil society, as well as bridging the permeable boundaries between them (Hudson, 1998).

According to Humphrey and Schmitz (2000), the role of local government in flourishing the global value chains cannot be ignored as per lessons learned from several cases

including those of Europe, Santa Catarina (Brazil), Los Angeles, Bangkok, and several others. In all these cases, the local government has played a vital role in upgrading its local industrial cluster to sustain and maximize their value while participating in the global value chains. Knorringa (1999), Nadvi (1999), Rabellotti and Schmitz (1999), and have studied the role of private governance in up-grading of industrial clusters in India, Pakistan, Mexico, and Brazil, respectively. Their studies give a common conclusion that the firms' improvement and co-operation have a direct relationship with each other (Humphrey & Schmitz, 2000).

“Links with the wider world are frequently acknowledged, but they are weakly theorized” (Humphrey & Schmitz, 2000).

Table 6:

Governance and upgrading: clusters vs. value chains

	Clusters	Value Chains
Governance within the locality	Strong local governance characterized by close inter-firm co-operation and active private and public institutions. Risks attenuated by local mechanisms for risk-sharing.	Not discussed. Local inter-firm co-operation and government policy largely ignored.
Relations with the external world	External relations not theorized, or assumed (by default) to be based on arm's length market transactions.	Strong governance within the chain. International trade increasingly managed through inter-firm networks based on quasi-hierarchical relations. Risks attenuated by a relationship within the chain.
Upgrading	Emphasis on incremental upgrading (learning by doing) and the spread of innovations through interactions within the cluster. For discontinuous upgrading, local innovation centres play an important role.	Incremental upgrading made possible through learning by doing and the allocation of new tasks by the chain's lead firm. Discontinuous upgrading made possible by 'organizational succession' allowing entry into more complex value chains.
Key competitive challenge	Promoting collective efficiency through interactions within the cluster.	Gaining access to chains and developing linkages with major customers.

Source: Humphrey and Schmitz (2000)

Table 7:

Determinants of governance in global value chains

Chain Governance	Determinants
Arm's length market relations	Buyer and supplier do not need to collaborate in product definition. Either the product is standard, or the supplier defines it without reference to particular customers. Risks to the buyer are low, either because requirements are easy to meet, or because the supplier has a clear capability to meet them. The buyer's knowledge of this capability may arise from the reputation of a cluster, or the reputation of a particular manufacturer.
Network	Co-operation between more or less 'equals'. Supplier and buyer jointly define the product and combine complementary competencies. This is more common when both buyer and supplier are innovators, close to the technology or market frontiers. The risk to the buyer is minimized by the supplier's high level of competence. High and generalized competence favours networks and reciprocal interdependence.
Quasi-hierarchy	A high degree of control of the buyer over the supplier, the buyer defines the product. The buyer would incur losses from the suppliers' performance failures, and there are some doubts about the competence of the supplier. Where high supplier competence is not generalized, buyers invest in specific suppliers and seek to tie them to their chain.
Hierarchy	Buyer takes direct ownership of developing country operations. The buyer carries out product definition, which may involve proprietary technology. The risks of poor performance by independent suppliers increase if the buyer uses quality has a brand attribute. The factors favour direct control over the production process.

Source: Humphrey and Schmitz (2000)

The contemporary concept of GVC governance as discussed by Panzer (2015) in their research thesis gives a view of hybrid quasi-hierarchical cum networked system of co-operation and coordination among the firms ranging from multinational corporates to local manufacturing firms, and International Governing Organizations (IGOs) to local government institutions. They have argued that since the global value chains are globally expanded business networked systems, therefore, they exist beyond the jurisdiction scope of a nation-state. Therefore, a shift to horizontal governance forms can be observed from the solely state-based vertical governance (Panzer, 2015). Such emerging governance forms are among the

contemporary areas of interest of not only academia but also the policymakers (Abbott & Snidal, 2009; Boström & Karlsson, 2013; Panzer, 2015; Verbruggen, 2013).

Business and management researchers, who are not specifically focusing on GVC, like Aguilera et al. (2015) have also criticized the conventional governance and corporate governance theory and practice. Panzer (2015) have argued the scope of conventional governance theories in the reign of global business structures.

2.3.2 The Changing Landscape of Global Value Chains Governance

There was a time when the forceful government interventions were considered the only way to break the poverty cycle in a country. The governments believed that such interventions must address the agendas of import substitution, planning and state ownership. However, trade liberalization benefited through increased export activities, financial interests, and skilled workers (Rodrik, 2007). The ideas of Porter (1990) encouraged the decision-makers at the global, national, and organizational level to reap the benefits of competitiveness through developing the global structures for production and trade. GVC literature itself explains its

conceptual evolution. The concept starting from the Global Commodity Chains (GCC) and French Filière, later acted as a philosophical foundation to Global Production Networks (GPN), and the latest Global Value Chains (GVC). The next level of literary rigour segregated the global value chains into five distinct types based on governance mechanism they comply with to operate. Though no sixth type of governance has been distinctly explained in the literature yet, neither the thinkers have stopped exploring the governance of the GVCs. Prominent authors like Kaplinsky and Morris (2000), Ponte (2009), Gibbon et al. (2008), and Ebner and Beck (2008), besides Gereffi et al. (2005) have been persistently exploring the governance systems within global value chains.

Kaplinsky and Morris (2000), and Ebner and Beck (2008) believe that governance is not a merely intrinsic mechanism of a global value chain, rather it may be actively or passively interlinked with the institutions of the market. These institutions of the market may include the international governing organizations (World Bank, United Nations, International Chamber of Commerce, etc.); national governing organizations (government institutions especially those related to tariff and taxation, trade promotion, financial institutions, law enforcement agencies, labour departments, etc.) either from the country of origin of a GVC or the host country; and non-governmental organizations (NGOs including those working for the conservation of certain interest groups, e.g. labour or consumers). Though All these institutions affect the GVC differently, but with a similarity that all of them affect the sustainability of GVCs. The relevant literature highlights certain anecdotes when either of these external players have played a prominent positive or negative role in sustaining GVCs, for example, the Dutch cut flower agro-industry (Patel-Campillo, 2011), and the Tourism from Holland to Turkey (Erkuş-Öztürk & Terhorst, 2016).



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Though this is true that GVCs face a lot of pressure from different dimensions, and they have to comply with multiple laws and rules since their spheres of operations are extended across the boundaries of multiple nation-states, but this is how the GVCs is about. Therefore, on basis of the logic mentioned in the last three paragraphs, it can be argued that GVCs sustainability is vulnerable to the effects which may be raised from governance sphere with a locus outside its structural boundaries. It can be further argued that the conflict between the internal and external spheres of GVC governance may negatively affect the GVC's economic sustainability or vice versa. Therefore, it becomes merely important to study how such conflicts may arise and what effects they deliver to the system. Likewise, "how such cases are dealt or maybe dealt" also becomes an important point to ponder, as GVCs are the unique intertwined structures of internal and external governance systems.

2.3.3 The Governance in Pakistan

Governance has been a complex reality in Pakistan since its independence in 1947. The country has survived through the severe shortage of top tier bureaucrats. The newly independent country established an outclass civil services system despite scarce resources (Braibanti, 1966; Khan, 2016; Niaz, 2010). According to Husain (2018), the civil services system in Pakistan worked effectively until the reforms made by the civil elected government of Mr Zulfiqar Ali Bhutto in 1973. One of the rhetoric of the leader about the bureaucratic system in Pakistan became very famous:

“No institution in the country has so lowered the quality of our national life as what is call *naukarshahi* (rule of civil servants). It has created a class of *brahmins* or mandarins unrivalled in its snobbery and arrogance, insulated from the life of the people and incapable of identifying itself with them.”

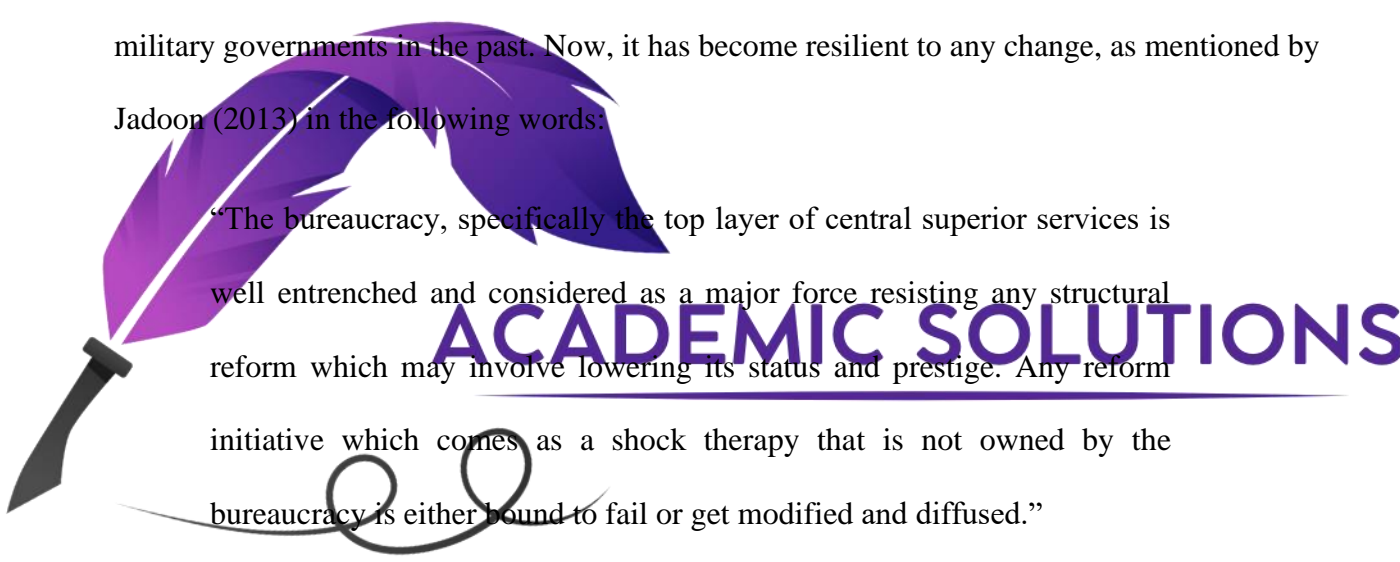
(Zulfiqar Ali Bhutto)

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These reforms eventually shifted the national bureaucracy from apolitical to political within the next few years. The history revealed that his reforms transformed the bureaucrats' loyalty from their country to the political leaders (Niaz, 2014). Besides, these reforms shrank the difference between the salaries of the top tier officer, i.e., grade 22, and the lowest grade government employee, i.e. grade 1, from 285 times to mere 10 times (Husain, 2018). The top tier bureaucrats were now prone to be laid off without any justification. The elected government could give out of turn promotions to the officers. The talented youth in the country lost the attraction in the civil services, resulting in its deterioration. The new military government of General Zia UL Haq, despite rolling back these reforms, decided to reap their benefits. This resulted into the turning point in the history of civil services and the process of institutional

decay as they promoted incompetence, politicization, and corruption in the governance system of the state (Shafqat, 1999).

Another contentious issue that has remained unresolved relates to the role of technocrats or the specialists that include engineers, doctors, lawyers, accountants, agricultural experts, economists, scientists, and others as they have persistently been treated as second class citizens in the government hierarchy. They have persistently been dominated by the generalized based on the logic that they may mislead the system taking the negative advantage of their technical specialization (Ahmad & Salam, 2016; Kennedy, 1982). The civil services in Pakistan has accepted the positive and negative changes brought into through reforms by the civil and military governments in the past. Now, it has become resilient to any change, as mentioned by Jadoon (2013) in the following words:



“The bureaucracy, specifically the top layer of central superior services is well entrenched and considered as a major force resisting any structural reform which may involve lowering its status and prestige. Any reform initiative which comes as a shock therapy that is not owned by the bureaucracy is either bound to fail or get modified and diffused.”

2.4 Institutions

The institutions are the organizations which conserve or promote certain values in a society. Institutions play a vital role in socio-political stability (Farfan, 2005). The institutional setup is poor in developing countries, especially those having ample resources (Sachs & Warner, 1997). Other researchers like Leamer and Schott (1999), however, have associated the ample resources with income inequality and sociopolitical instability. The strong institutions can give a turnaround to economies by supporting the firms in developing their competencies as well as providing them with a conducive policy framework for growth (Schienstock, Kautonen, &

Koski, 2004). The institutions responsible for making industrial policy in the developing economies are less informed with market dynamics, thus, they develop the policies which are open to corruption and rent-seeking. The institutions are faced by the challenge of positioning themselves at the right place in the continuum between full autonomy and full embeddedness (Rodrik, 2007). Sabel (2004) argues that in a principal-agent model of governance, the institutions must be learning-oriented and experimentalist in nature. This is worth to mention here that in his research praxis the principal is the government, and the industry is the agent. This research studies the principal-agent relationship in converse logic, i.e. stating the industry being the taxpayer in a democratic state has been considered the principal and the government institutions being the custodians of public and business security has been considered as the agent.

Rodrik (2007) argues that the recently increased focus on the institutional reforms and the governance reforms for the sake of economic efficiencies simply become ineffective if not connected with the deep roots in the local socio-economic context. Under the new framework

called “second-generation reforms”, the simple policy changes are ineffective unless they are grounded strongly in institutional reforms. This study explores the institutional role in trade development as stated by the government employees and the industry representatives. However, it explores how the current assortment of governance, and the institutions affect the economic sustainability of global value chains in Pakistan.

2.4.1 Role of Institutional Agents

Rodrik, Subramanian, and Trebbi (2004) argue over the importance of institutions in economic development. According to them, the quality of institutions compared to trade is more effective in changing the economic landscape of a country. All socio-economic organizations, at the baseline, comprise of the human beings gathered for a shared purpose. This is the purpose of their setup that defines their organization type. Therefore, whether it is a global value chain or

market institution, the interaction is always between human beings or agents representing different organizational setups (thus, purposes) or making decisions on their behalf (Amin, 1999). In case of interaction between a global value chain and a government or market institution, the institutional agents may include the corporate executives, globalizing bureaucrats, politicians, professionals, or consumerist elites (Sklair, 1997). Tracking down to the micro-level, these are the agents who make or break the rules, define the socio-economic realities, and set the future direction.

In Pakistan, the institutional framework comprises the institutions constituted by the federal, provincial, or local governments. The federal and provincial institutions recruit their officers through the competitive exam conducted under the Central Superior Services (CSS) and Provincial Management Services (PMS). The federal civil servants are trained at specialized institutions, including the Civil Services of Pakistan (CSP) Academy and the Administrative Staff College (Husain, 2018). (A list of Pakistani Institutions has been appended in Annexure 1.) The civil services in Pakistan faced high limitations in terms of human and administrative resources. Pakistani bureaucracy sustained itself and the national administration adequately while it also went through several reforms until Zulfikar Ali Bhutto's government in 1972 (Noman, 1998). The proceeding government carried forward with the restructured system that oriented civil servants with politics, therefore changing their role in the public's facilitation. This study approaches the phenomena by placing it on agency theory's praxis as this theory provides a natural fit to the reality in focus.

2.4.2 Agency theory

The theory that explains agency relationships and their solutions are known as the agency theory (Panda & Leepsa, 2017; Ross, 1973). The agency relationships can be stated as an agreement between two parties stating one party – the agent – acting or making decisions on behalf of the other – the principal (Jensen & Meckling, 1976; Luhman & Cuniffe, 2012;

Shapiro, 2005). The authors like Jensen (1983); Moe (1984); and Eisenhardt (1989) in their writings have declared the work of Arrow (1971); Spence and Zeckhauser (1971); and Ross (1973) as the seminal work of the agency theory (Kivistö, 2007). Jensen and Meckling (1976) highlighted the core problem in writing a contract between the principal and the agent. Their argument is based on the logic that the goals of the principal and the agent are diverse, which raises two challenges: how to align their goals; and ensuring the agents' performance as per expectations of the principal (Luhman & Cuniffe, 2012).

The literature on agency theory highlights two main approaches for applying this theory in research: the positivist and the interpretative. The agency theory literature shows more positivist work than empirical studies. The result of Jensen (1983), Jensen and Meckling (1976), Fama (1980), Fama and Jensen (1983), Moe (1984), Eisenhardt (1989), Douma and Schreuder (2002), and Kim and Mahoney (2005) contribute to the positivist stream of the agency theory. Whereas the work of Ross (1973), Shavell (1979), and Holmström (1979) are the proponents of the interpretative stream of the agency theory. Kivistö (2007) has mentioned Eisenhardt's (1989) argument that the two streams despite the difference in their focus and approach, do not contradict the basic assumptions and interests of the agency theory. The authors contributing to the agency theory's interpretative stream are more inclined to study the conflicts in real-life situations. They have significant contributions in the literature of organizational and management studies (Eisenhardt, 1989).

On the other hand, the authors contributing to the positivist stream focus on the mathematical calculation of the agency contract's optimization for either of the parties, especially the intra-organizational relationships. Their significant contributions are in the literature of organizational economics (Barney & Hesterly, 1996). This study has followed the interpretative agency theory guidelines to analyze the relationship between the industry – the

principal – and the government institutions – the agent, in the context of challenges to the global value chains' economic sustainability.

Ross (1973) and Arrow (1971) have declared the agency relationship as a classic general phenomenon in which one party depends on the action or the other party's decision. The principals appoint the agents to increase their gain by sparing themselves from the low-profile tasks, getting specialized services, or increasing the interaction with the client or the public (Petersen, 1993). The agency relationship, depending on the bargaining power of the parties, can either be reciprocal (the doctor-patient relationship), coercive (the master-slave relationship), or contractual (traditional agency relationship) by nature (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; Lassar & Kerr, 1996; Moe, 1984; Worsham, Eisner, & Rinquist, 1997). The agency relationships can also be classified based on several parties at either end. For example, there can be one principal and one agent, multiple principals and one agent, or one principal and multiple agents (Mason & Slack, 2003; Waterman & Meier, 1998).

This study considers the industry-government relationship to be reciprocal. It incorporates a design that guides one to explore one industry's experiences – the readymade garments, also known as the apparel manufacturing industry – and one government institution – the Trade Development Authority of Pakistan – as discussed in the previous sections.

The literature classifies the agency relationships based on the levels of human cooperation ranging from individuals, groups, or organizations (Smith & Bertozzi, 1998). The agency theory has been used to explore and examine the intra-organizational relationships, i.e., the employer-employee or the shareholder-manager relationship; as well as the inter-organizational relationships, the industry-government, or the government-university relationship (Braun, 1993; Broadbent, Dietrich, & Loughlin, 1996; Ferris, 1991; Ferris & Graddy, 1998; Kivistö, 2007; Lassar & Kerr, 1996). This study explores the phenomena of the relationship between the organizations – the industry and the government institution. However,

the unit of analysis is the respective individuals working in the responsible positions in either type of organization.

The assumptions of the agency theory include the bounded rationality with transaction cost economics (Barney & Ouchi, 1986; Charreaux, 2002; Eisenhardt, 1989), self-interest (Hendry, 2005), risk preference (Arrow, 1971; Bergen, Dutta, & Walker, 1992), types of agents (based on behaviour) (Petersen, 1993), and influence of environmental factors on outcomes (Arrow, 1971; Bergen et al., 1992; Harris & Raviv, 1978; Shavell, 1979). The literature suggests the two most important assumptions to be: (a) informational asymmetries and (b) goal conflicts (Bergen et al., 1992; Eisenhardt, 1989; Moe, 1984; Waterman & Meier, 1998). The problems in the agency relationship include the adverse selection (Bergen et al., 1992), moral hazards (Barney & Ouchi, 1986; Milgrom & Roberts, 1992; Petersen, 1993), agency costs (Jensen & Meckling, 1976; Lassar & Kerr, 1996; McLendon, 2003). This study does not contradict any assumptions of the agency theory mentioned in the relevant literature. However, the researcher has attempted to remain neutral by not sticking with any presumptions through the research process.



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Chapter 3: Research Methodology

This chapter provides an overview of the research methodology used to investigate the problem in focus and logic of selection of transcendental phenomenology to address the research questions posed in this study. This chapter starts with the philosophical stance of the researcher taken towards the research problem in focus. The methodological choices available to address the research questions in principle have been elaborated, which eventually builds the logic of selecting the phenomenology. The transcendental phenomenology, as the most appropriate method of addressing the research problem, has also been discussed. A brief discussion on the phenomenology and its variants provides a deeper view of the pertinent technical details, which is followed by the technicalities of the transcendental phenomenology as the research method as well as its step-by-step implementation to perform qualitative data analysis to derive the meaningful and justifiable answers to the research questions. The details related to the qualitative data requirements, collection process, transcription and data processing, analysis, and interpretation have also been included in this chapter.

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3.1 Research Approach

According to Creswell (2014), the research approaches are “the plans and procedures for research that span the steps from broad assumptions to detailed data collection methods, analysis, and interpretation.” All these steps require the researcher to make informed decisions, as a slight deviation may shift the research out of logical track while studying the topic. The research is guided by the researcher's philosophical stance towards the research problem, which leads the research design or the procedures of inquiry, research methods, or the ways for data collection, analysis, and interpretation (Creswell, 2014).

3.2 Philosophical Worldview

The philosophical assumptions are the essential components of any research. In this regard, the literature provides a very confusing preview of the terminologies as they have been used alternatively or at times contrastingly by different writers (Crotty, 1998). This study or any of its parts does not intend to contribute to the classic discourse of inconsistent terminologies in the literature related to research methodologies. Instead, it refers to the ideas of Crotty (1998) here for simplicity and clarity. According to him, the first element in this regard is the study of ‘being’ or ontology which refers to the existence and structure of the reality (Crotty, 1998). This study approaches the phenomena of challenges faced by the economic sustainability of the global value chains in the preview of the given system of local institutions and the local governance systems they constitute. This phenomenon involves many actors out of which the government institutions and the production houses are linked to the global value chains while operating within those institutes' jurisdiction. This constitutes the phenomena that take shape in the participants' minds who themselves contribute to the construction of that socio-economic reality, therefore, referring to the constructivist ontology (Creswell, 2014).

The second important assumption is the approach towards looking at the world and making sense of it (Crotty, 1998), which also refers to the ‘kind’ or ‘nature of the knowledge’ or epistemology (Richards, 2003). According to Crotty (1998), it is the “stance informing the methodology and thus providing a context for the process and grounding its logic and criteria.” This study approaches the phenomenon to know the lived experience of the global value chain actors and the institutional representatives from their perspective; therefore, it construes the meanings from their interpretations of the phenomena. This research, thus, approaches the research problem with the constructivist-interpretivist philosophical worldview (Creswell, 2014; Crotty, 1998).

The constructivist-interpretivist paradigm was initially mentioned in Wilhelm Dilthey, Edmund Husserl, Max Weber, and a few other authors in the 19th century. They emphasized the significant need for meaning making to enhance knowledge in the field of human sciences (Given, 2008). The world view of constructivism-interpretivism opposes the philosophical stance of objectivism-positivism (Bryman, 2008; Creswell, 2014; Crotty, 1998), as “they disallow the existence of an external objective reality independent of an individual from which knowledge may be collected or gained” (Given, 2008).

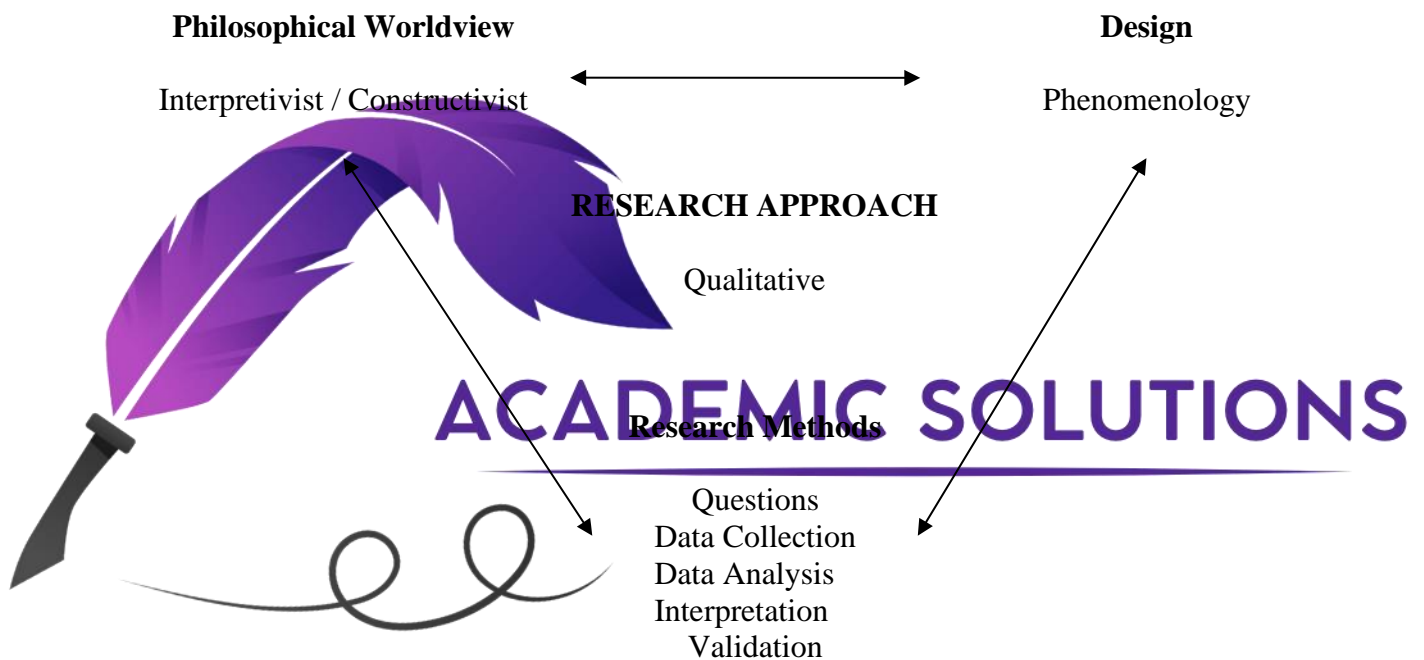


Figure 3: Framework for Research – The Interconnection of Worldviews, Design, and Research Methods

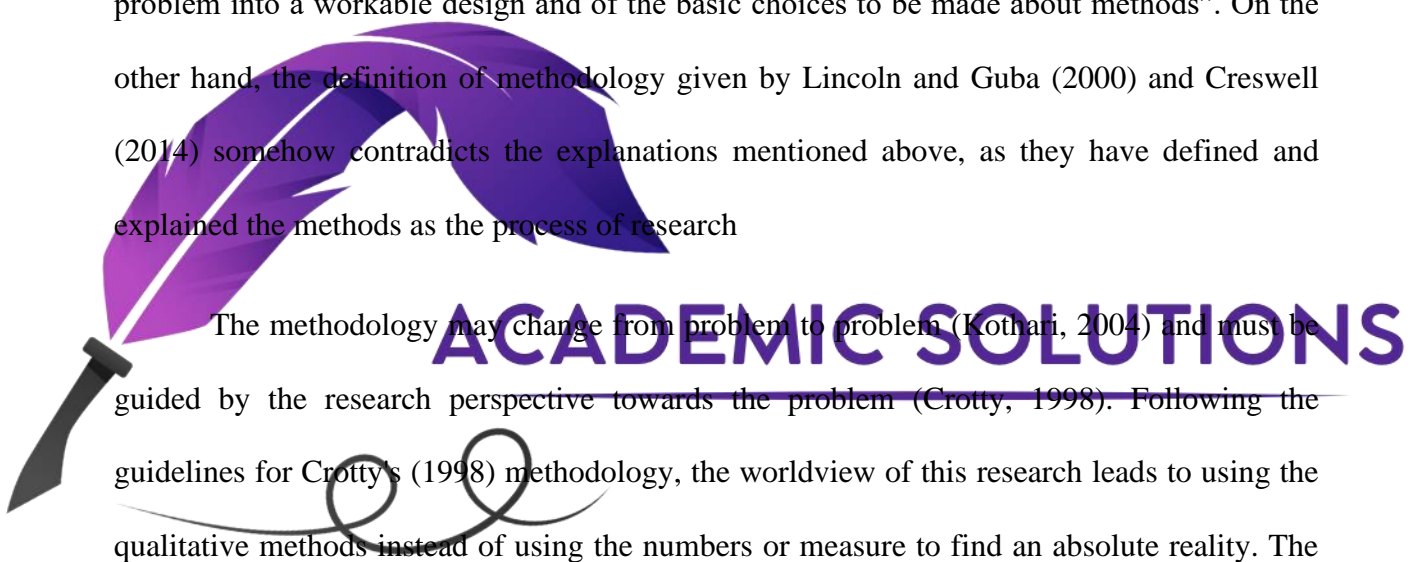
Source: *Research Design*, 4eds. by Creswell (2014; pp 5)

This world view guides that everyone who has experienced the phenomena constructs his meaning of the happenings in the light of his previous knowledge and experiences (Given, 2008). Therefore, this paradigm emphasizes understanding the ‘verstehen’ or the lived experience from their point of view, which is a more appropriate approach in the domain of human sciences (Beuving & Vries, 2015; Mayring, 2004; Moran, 2002). Therefore, the

constructivist-interpretivist world view of this research deals with multiple realities from the lived experience of the actors of the phenomena and their interpretations (Cassell & Symon, 2004; Mayring, 2004; Moran, 2002).

3.3 Methodology

The methodology is the third essential element of research, according to Crotty (1998), as he explains it as the “strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes.” According to Porta and Keating (2008), the methodology is the way of “turning a research problem into a workable design and of the basic choices to be made about methods”. On the other hand, the definition of methodology given by Lincoln and Guba (2000) and Creswell (2014) somehow contradicts the explanations mentioned above, as they have defined and explained the methods as the process of research



The methodology may change from problem to problem (Kothari, 2004) and must be guided by the research perspective towards the problem (Crotty, 1998). Following the guidelines for Crotty's (1998) methodology, the worldview of this research leads to using the qualitative methods instead of using the numbers or measure to find an absolute reality. The methodological choice also looks appropriate considering the literature published in this research's thematic knowledge areas, which is pre-dominated by the interpretivist philosophy, therefore, the qualitative methodologies (Frederick, 2014; Khattak, 2013).

The qualitative methodology opposes the idea of absolute reality, therefore, guides to building the conclusions over the analysis of the data other than mere numbers or figures. The qualitative data includes descriptions, explanations, narratives, talks, interviews, expressions, models, artwork, voice, music, artifacts, and many more. The well-known methods for analyzing qualitative data include phenomenological or heuristic analysis, hermeneutics

(Moustakas, 1994), event analysis, metaphorical analysis, discourse analysis, content analysis, and narrative analysis, a few others (Ratcliff, 1995). The qualitative methods include action research, phenomenology, content analysis, and a lot more (Creswell, 2014; Crotty, 1998; Given, 2008; Saunders, Lewis, & Thornhill, 2009).

3.3.1 Qualitative Research and Technology

The increasing usage of technology in qualitative research has made the processes more structured, rigorous, easy, objective, and transparent (Felice & Janesick, 2015). The technology has significantly influenced the functions of primary data acquisition (e.g., audiovisual recording), data organization (e.g., listing, pre-process compilation), data processing (e.g., transcription), and data analysis. Figure 6 exhibits a few of such famous software packages offering a variety of features for ease in performing qualitative research operations, as mentioned by Felice and Janesick (2015) in their study:



Figure 4: Overall Tech Tools for Qualitative Interviews and Analysis

Source: Felice and Janesick (2015) pp: 1591

Using different technologies in combination in a single process, such as using Microsoft Excel and QSRI NVivo together for phenomenological reduction, can also be considered a common practice (Felice & Janesick, 2015). This study, therefore, has also used different

technologies at various steps. For example, the Android Smart Phone was used as the voice recording device during the interviews; transcription was done using VLC Media Player, Microsoft Word, SpeechNotes.co (an online speech-to-text service), and partially the Microsoft Windows Voice Recognition Service, etc. All such details have been explained in the following appropriate sections explaining different steps and processes.

3.4 Research Design – Phenomenology

Qualitative research plays a vital role in expanding the knowledge in the disciplines of humanities, social sciences, and health sciences, including organizational studies, information sciences, and behavioural studies. The famous theoretical frameworks guiding qualitative methodologies include interpretivist-constructivist, feminist epistemology, etc. The qualitative methodologies include phenomenology, discourse analysis, etc. whereas the range of methods includes in-person interviews, observations, diaries, etc. (Given, 2008). The problem is the focus of this research approaches the phenomena in a way where it views two major types of stakeholders; the representatives of government institutions (the agents) and the representatives of the apparel industry (the principals) as they are linked with global value chains as a production base. This research is a phenomenological study as it refers to how we as human make sense of the world around us (Saunders et al., 2009). The challenge for the researcher is to enter the social world of this research subjects for *verstehen* (Hennink, Hutter, & Bailey, 2014) – understanding the world of bearers of the phenomena from their point of view (Creswell, 2007, 2014; Saunders et al., 2009). Therefore, this research aims at describing the phenomenon from the point of view or “*verstehen*” of those who have experienced it (Beuving & Vries, 2015; Goodyear, Jewiss, Usinger, & Barela, 2014; Jonker & Pennink, 2010; Moran, 2002; Porta & Keating, 2008). This research strategy is being considered as highly appropriate for researching the complex and unique problems in many areas of social sciences including

organizational behaviour, marketing, and human resource management; as they are functions of a particular set of circumstances and individuals coming together at a specific time (Creswell, 2007; Saunders et al., 2009).

This study collects the affectees' point of view of the phenomena of the unsustainability of the global value chain linkages. It compares the responses from the industry representatives and government institution representatives. Mills, Durepos, and Wiebe (2009) argue that the comparison is virtually unavoidable in all types of qualitative research such as phenomenology, case study comparisons, ethnographic studies, etc. They further explain the comparison as the “evaluation of the similarities, differences, and associations between entities which are based on variant lines including statements from an interview, individual, symbol, case studies, social groups, etc.” Ebbinghaus (2005) argues that one of the most critical problems in qualitative research is selecting cases or sampling on logical grounds. This study focuses on the issue, which incorporates the research design in which the participants have naturally been classified.

Therefore, this study compares the meaning of the phenomena as described by the participants from both groups: the government and the industry.

The nature of the research questions and the phenomenon under study, called for an in-depth exploration of experiences of those who lived through the phenomenon. Therefore, a qualitative exploratory research design was a natural selection, especially because the phenomenon was previously unexplored. The methodology's possible choices were the transcendental phenomenological analysis, Husserl's phenomenology, case study, or grounded theory. The transcendental phenomenological analysis is suitable for exploring a phenomenon; whereas Husserl's phenomenology describes the phenomenon, the case study explores the phenomenon, and the grounded theory research guides through an iterative process of theory building based on the primary data. Since the research questions in the preview of this study

are broad and exploratory in nature, therefore, the transcendental phenomenological research design is a natural selection for this interpretivist-constructivist study.

3.5 Transcendental Phenomenological Approach

The published literature on qualitative research explaining the phenomenology shows its variant approaches having distinct purposes and methods. However, the experts on phenomenology agree on its two major approaches, namely: the transcendental phenomenology and the hermeneutic phenomenology (Creswell, 2007; Given, 2008; Moran, 2002). Both approaches have different goals as the earlier focus on attaining objectivity, whereas the latter focus on achieving subjectivity. The transcendental phenomenological approach guides the researchers to create an “*epoche*” to suspend all their biases, collect the participants’ experiences, examine, and describe them. The hermeneutic phenomenological approach guides the researchers to be aware of all their prejudices, make a conscious effort to bracket their biases, examine the participants’ subjective experiences, and interpret them (Given, 2008; Kafle, 2013; Moran, 2002).

The transcendental phenomenological approach focuses on studying rich textual and structural descriptions arising from the participants’ lived experiences, perceptions, and voices to reach the essence of the study (Cordes, 2014; Creswell, 2014; Moustakas, 1994). This approach guides the researcher for horizontalization of data for phenomenological reduction, therefore, ensure the non-redundancy of the data. Through this mechanism, the researcher reaches the textual and structural descriptions. Moustakas (1994), Creswell (2014), and Adu (2015) explain the textual descriptions as the ‘*what*’ part, whereas the structural descriptions as the ‘*how*’ part of the phenomena experienced by the participants. These descriptions, together, give the basis for reaching the essence of experience, which is the conclusive part of a research study.

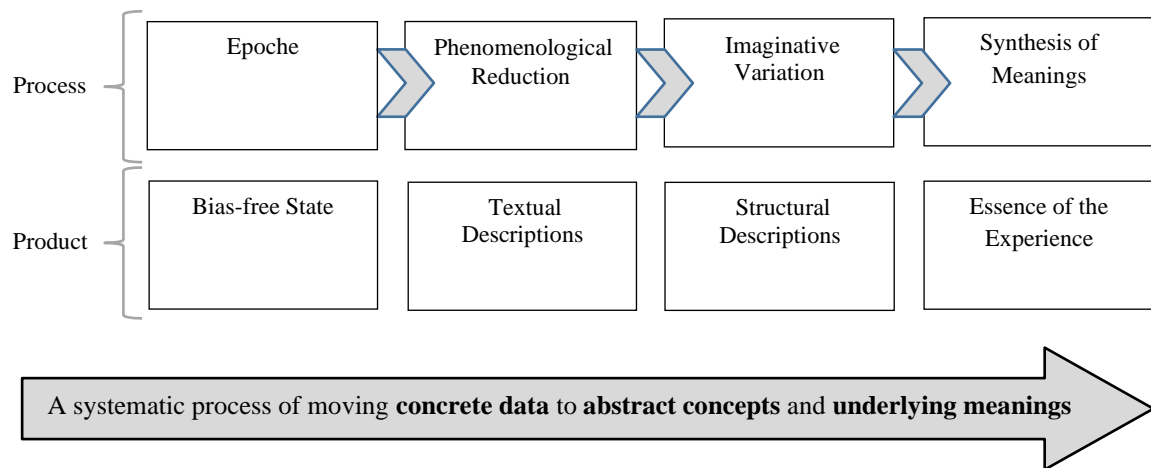


Figure 5: Transcendental Phenomenological Analysis Process
 Source: Adu (2015) pp: 15

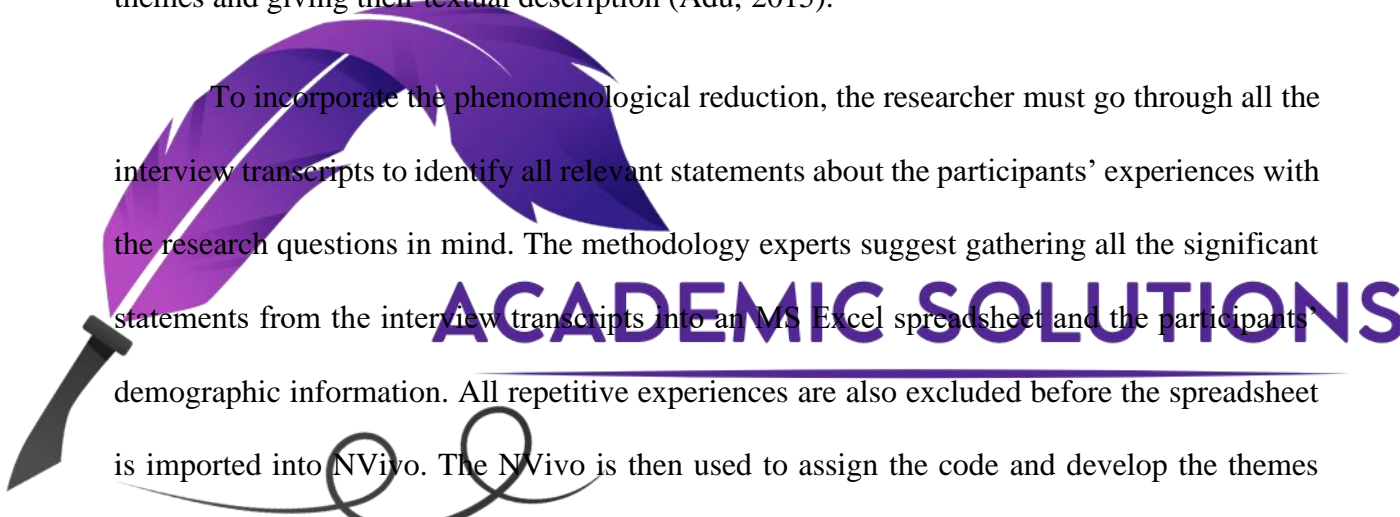
3.5.1 The *Epoche*

Firstly, the researcher has to suspend all the biases, beliefs or preconceptions the researcher may have. Moustakas (1994, pp. 84) has named to establish the “*epoche*” and has described it as a mechanism to stay away from or abstain (Adu, 2015). By establishing the *epoche*, the researcher welcomes the free flow of ideas in and out of his consciousness with no or minimum resistance, accommodates any meaning to the phenomenon as explained by the participants; therefore, engages himself in a “reflective-mediation” (Moustakas, 1994, pp. 88). This process involves the researcher reflecting on his background, biases, presumptions, and beliefs related to the phenomenon and generates a list of them as they may later affect the data analysis process. Then, the researcher consciously puts them aside to attain a preconception-free state of mind in which he is willing to accept and evaluate any idea that comes in or out of the consciousness (Adu, 2015).

3.5.2 Phenomenological Reduction

The core meanings of participants’ experiences are attained in the second stage, termed phenomenological reduction. This step is essential as it prevents the researcher's preconceived

ideas to influence the meaning-making process (Moustakas, 1994), also known as bracketing (Adu, 2015). Gearing (2004) has explained the bracketing as a scientific process in which research temporarily holds his biases to witness and describe the crux of the phenomena in focus. Compliance with this process is of utmost help for the researcher to ensure the description of phenomena per participants' *verstehen* (Moran, 2002). According to Gearing (2004), bracketing is an essential process of Husserl's phenomenology. This process helps compile exemplary experiences and group them into core meanings or themes. These themes are then helpful in describing the core experiences based on these themes (Moustakas, 1994). Therefore, the phenomenological reduction results in the presentation of experiences by identifying the themes and giving their textual description (Adu, 2015).



To incorporate the phenomenological reduction, the researcher must go through all the interview transcripts to identify all relevant statements about the participants' experiences with the research questions in mind. The methodology experts suggest gathering all the significant statements from the interview transcripts into an MS Excel spreadsheet and the participants' demographic information. All repetitive experiences are also excluded before the spreadsheet is imported into NVivo. The NVivo is then used to assign the code and develop the themes based on their characteristics and relevance with the research questions (Adu, 2015; Moustakas, 1994). These themes are then described in the next step.

3.5.3 Imaginative Variations

The third important step in incorporating the transcendental phenomenology approach is to examine all possible meanings and explanations of the participants' experiences while keeping in view the research question, context, participants' demographics, the sequence of happenings, and causal relationships as the co-relationship among the themes. Technically, in this step, the textual descriptions are developed into structural descriptions. NVivo cluster analysis tree can

be a beneficial tool for the research to imagine and describe all possible meanings of participants' experience (Moustakas, 1994).

3.5.4 Essence of Experiences

This is a step in which the essence of participants' experiences is generated by developing the underlying meaning of participants' experiences. The textual explanations and structural descriptions are combined for this purpose (Adu, 2015). A logical rule is defined to describe the core of the participants' experiences (Moerer-Urdahl & Creswell, 2008; Moustakas, 1994).

3.6 Research Methods

According to (Crotty, 1998), the fourth element known as 'methods' comprises the "techniques or procedures used to gather and analyze data related to some research question or hypothesis."

Since this research applies the transcendental phenomenological approach for answering the research questions in focus, the research methods in this research have also been used to comply with the research methodology.

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3.6.1 Role of the researcher

The research questions in constructivist research are broad and general, allowing the participants to construct the meanings of a situation they would have construed through interactions and discussions with other people (Creswell, 2007). However, the researcher composed the list of his preconceptions in compliance with the step 1 or the *epoche* (see figure 7) as guided by Moustakas (1994). The development of the *epoche* is critical in implementing the transcendental phenomenological approach (Adu, 2015).

3.6.2 The instrument for data collection

According to Creswell (2007), the phenomenological research requires a mere description of the participants' experience of the phenomena; therefore, open-ended questions must be asked

from them. He guides that “the constructivist researchers often address the processes of interaction among individuals besides focusing on the specific contexts in which people live and work to understand the historical and cultural settings of the participants.”

The interpretations of constructivist researchers are also influenced by their own personal, cultural, and historical experiences; hence, “interprets” or makes sense of the meaning others have about the world (Creswell, 2007). According to Moustakas (1994), as referred by Creswell (2014), “the constructivist worldview manifests in phenomenological studies in which individuals describe their experiences”.

This research incorporates the interview guideline to help the researcher gather the participants’ experiences in their natural thought flow and ask them questions to probe more details where required. Therefore, the researcher changed the interview sequence during the interview process while keeping a check on the interview guidelines to ensure that none of its essential areas could be left behind.

3.6.3 Participants

This study describes the phenomenon by analyzing the views of government and industry representatives.

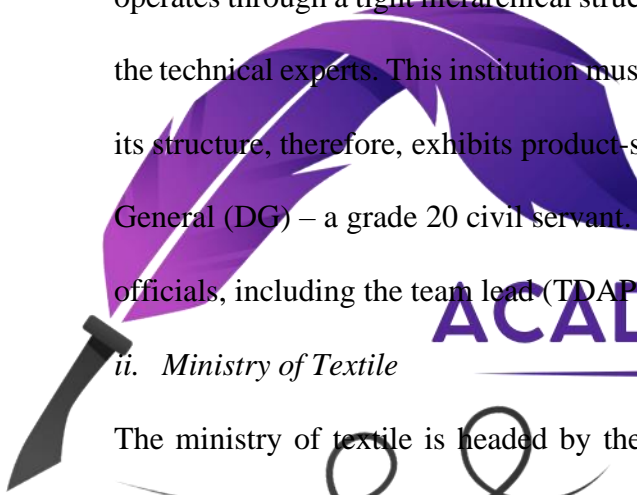
3.6.3.1 The government institutions

The government agencies directly relevant to the phenomenon include the institutions working under the umbrella of the Ministry of Commerce (MinCom), Ministry of Textile (MinTex), and Ministry of Overseas Pakistanis and Human Resource Development (MOPHRD). All the three ministries are federal, therefore, operate from Islamabad, Pakistan.

i. Ministry of Commerce

The ministry of commerce is headed by the federal minister and operates through eleven institutions for trade development and insurance corporations (MinCom., 2015). Only one of

these institutions, the Trade Development Authority of Pakistan, is directly related to global apparel trade (MinCom., 2015). This ministry has a passive tendency towards policy development; instead, it has an active role in trade agreements and strategic trade management through managing the relationship with regional trade governing bodies like the European Union, WTO, etc., as well as facilitation of Pakistani traders to enhance their exports (TDAP, 2015). This ministry, especially the Trade Development Authority of Pakistan (TDAP), has the highest relevance with the motivational case. This research will, therefore, incorporate the views of TDAP officials working on the apparel trade. This institution has the head office in Karachi and sub-offices in almost all the major industrial cities (TDAP, 2015). This institution operates through a tight hierarchical structure incorporating primarily the civil servants besides the technical experts. This institution must deal with exports of every Made in Pakistan product; its structure, therefore, exhibits product-specific hierarchical teams usually led by the Director General (DG) – a grade 20 civil servant. Such a team's approximate size ranges from 10 to 15 officials, including the team lead (TDAP, 2015).



ii. Ministry of Textile

The ministry of textile is headed by the Prime Minister of the State himself. This ministry operates through eleven institutions for industrial infrastructure development, labour training, standards, research, and development, besides the National Textile University (MinTex, 2015). None of the institutions operated under the umbrella of this ministry directly involves global textile or apparel trade; instead, this ministry focuses on streamlining the issues pertinent to value addition in Pakistan's textile sector, besides policymaking. This ministry and its institutions do not have any direct relevance to this research.

iii. Ministry of Overseas Pakistanis and Human Resource Development

The Ministry of Overseas Pakistanis and Human Resource Development (MOP) is headed by the federal minister and operates through six institutions for overseas employment

management, the welfare of workers employed within the country, and managing relations with industry and abroad Pakistanis (MOP, 2015). This ministry and its institutions do not have any direct relevance to this research.

3.6.3.2 The industry

The industry representatives will be approached through industry associations. Specific registered associations representing different textile industry segments are operating in local and national scope within Pakistan. Out of these, this research finds Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) and Pakistan Hosiery Manufacturers Association (PHMA) the most relevant to its query.

i. Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA)

PRGMEA has its central office in Karachi, zonal offices in Karachi (South) and Lahore (North), and a sub-office in Sialkot (PRGMEA, 2015). This association represents 552

members, i.e., 285 and 267 in North and South zones (PRGMEA, 2015). The primary cause for incorporating this association was to streamline the issues related to quotas in the past. After

implementing the WTO agreement, this association is primarily involved in negotiating with the government, especially for taxes and rebates (PRGMEA, 2015). This research will incorporate 6 – 8 interviews of the PRGMEA representatives in the qualitative analysis.

ii. Pakistan Hosiery Manufacturers Association (PHMA)

PHMA is representing hosiery and knitwear manufacturers in Pakistan since 1960 (PHMA, 2015). The primary motive for incorporation and current activities of this association does not primarily differ from that of PRGMEA. The central office of PHMA is in Karachi, besides it also operates through its offices in Lahore, Faisalabad, and Sialkot (PHMA, 2015). This association represents 997 members across the country. PHMA has high relevance with this research design (PHMA, 2015). This research, therefore, incorporates the views of 6 – 8 interviews of PHMA representatives.

3.6.4 Sampling and Selection of Participants

The researcher ensured to significantly recruit the participants from TDAP, PRGMEA, and PHMA with a minimum of three participants from each group (Creswell, 2007, 2014). However, Creswell (2007) guides to recruit a minimum of one participant for a phenomenological study. He also refers to Polkinghorne (1989), who suggests recruiting 5 to 25 participants for the phenomenological analysis. The researcher, however, began the data collection process intending to recruit a minimum of five participants from each group and to keep on recruiting till maxima of 25 or the achievement of the saturation point as guided by (Creswell (2007), 2014)); Saunders et al. (2009); Hennink et al. (2014); and Polkinghorne (1989). They have defined the saturation point as the stage where the repetition of information becomes evident. This research gathered 11 participants from the Trade Development Authority of Pakistan and 23 participants from the apparel industry. All interviews were conducted within the proximity of the Lahore district.

3.6.5 Data Collection

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3.6.5.1 Interview protocol

As guided by Creswell (2014), the interview protocol was followed during this study, which included the initial telephonic contact with the participant to introduce the research and the researcher. Follow-up phone calls were also made, when required, to confirm the interview schedule. Any pertinent details needed by the participant/s will also be provided if demanded.

Two types of participants, the government institutions, and the industry representatives, were interviewed for this research. The Trade Development Authority of Pakistan (TDAP) representatives were visited unsolicited to request an appointment for an interview. Since the government institutions are highly hierarchical, therefore, the researcher was initially referred to the directors. They probed the researcher, in detail, about the research problem, its purpose,

scope, and relevance with their institution and themselves. They also asked for the university's reference letter, testifying the research being a bona fide Ph.D. scholar authorized to conduct the study. A few of them even looked at the interview guidelines and probed about data and the participant's security. All the directors were convinced about the research being an academic project, and the researcher was an authentic Ph.D. scholar. The interview guidelines purely referred to the research problem and didn't contain any suspicious statements or questions. Besides, the researcher also informed them about their rights as voluntary participants in the research, which empower them with the right to refuse any question, terminate the interview at any point, and ask the researcher to undo their interview or any specific part of it after the interview. An interview protocol listing the rights and obligations of the researcher and the participants were also shared with them. Once they were convinced, they showed their willingness to share their experiences and asked their junior officer to cooperate with the researcher and share their experiences. A few interviews were conducted in the first meeting, while for others, the first meeting only served as the interaction to set an appointment for an interview. A few appointments were even rescheduled, ranging from an hour to a week.

The industry representatives were recruited through contacting their respective business associations, i.e., PHMA and PRGMEA. The office-bearers of both business associations responded differently to the researcher as he visited them to request references. The PHMA (Pakistan Hosiery Manufacturers Association) staff asked for the authentication of the research project and the researcher. The researcher provided them with copies of the letter from his university. The association staff refused to give any references to the researcher based on the logic that giving references to a few members may be considered as a political bias on their part by other members. They, therefore, suggested the researcher help himself in recruiting the right representatives of the industry. They also asked the researcher to keep them updated with the research progress and findings regularly. The association staff's interventions were not

acceptable for the researcher as they could drag him away from the research objectives approved by the board of advanced studies and research at his university. However, the researcher committed to sharing these research findings once completed and approved by the university management. The researcher came across an association member at the office premises who refused to participate in the interview. However, he referred him to one of his friends. That person met the research with professional courtesy, shared his experiences in an interview session, and referred to a few of his friends who were members of the same association.

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) staff exhibited a behaviour different than the PHMA staff. They welcomed the researcher and asked for the bonafide letter from his university for their record. The researcher provided a copy of the letter. The staff members guided him about their publicly available online members' directory. They also advised him about the association's executive members and suggested the industry representatives for the interviews. They also asked the researcher to provide them with a copy of his research for their library archives after confirming his degree. The association staff also ensured him their extended support in research. The researcher contacted the members of the association as per the suggestions of the staff members. Two out of three references gave the appointment for the interview on the phone call.

The researcher developed the standard operating procedure for conducting the interviews, generally starting with a phone call for introduction, briefly explaining the purpose of contacting and requesting the appointment for an interview. A list was maintained to keep track of the progress. Most of the participants fixed the appointment on the second, third, or even fourth follow-up call. A few participants even did not set an appointment in the seventh follow-up call, so they were dropped from the list. The list started with the initial references from the offices of the associations. The list expanded as the researcher requested each

participant for further references at the end of the interview. Each participant was contacted an hour or two before the scheduled appointment for further confirmation.

The researcher used to reach the participants' premises a few minutes before the scheduled time to get through their security checks and knock at their office door right on time. However, the minor delays were ignored by the participants. The researcher was unable to reach the participants thrice only, i.e., once due to vehicle breakage and twice due to wrong address guided by the participants' office coordinators. All the interviews of the interviews started with a formal introduction of the researcher and the participant, followed by an explanation of the research problem and the rights and obligations of both. Provision of the list of rights and obligations of the researcher and the participant was also part of the protocol mentioned earlier.

3.6.5.2 Data Recording Procedures

All participants were given a short briefing about the research and were asked for their consent to audio-record their discussion before starting their interviews (Creswell, 2014). Predesigned interview guideline will be broadly referred to for interviewing. The actual interview questions varied from the original interview guidelines as guided by Creswell (2007).

All participants were formally asked for permission to audio record the interviews. More than half of the participants, nineteen out of thirty-four, did not allow the audio recording. However, they had no objection in taking the notes in writing. The smartphone was used as the audio recording device; however, it was switched to airplane mode to ensure no interruption in the voice recording. The researcher took notes as well, when felt important, during the audio recording sessions. The research notes comprised the keywords related to the idea in discussion or the expressions that can add to the statements' meanings. In the cases when any participant did not allow to audio-record the discussion, written notes were taken.

3.6.5.3 Data processing procedures

An interview status sheet was developed and maintained by the researcher to track progress and data processing. This sheet included the participants' unique code names, their organizations, the format of data recording (audio recording or written notes), and the status of transcription, etc. The transcription of the interviews recorded in writing was done on the researcher's priority basis to minimize the chances of human errors, omissions, or latent constraints of the human memory. The transcription was done while referring to the written notes using the MS Word software. The audio-recorded interviews were downloaded on the computer hard-disk. Their copies were uploaded on the cloud drive, i.e., onedrive.com, to minimize the chances of data loss. The audio files were played in the VLC media player to transcribe using MS Word. The interviews status sheet was updated with every interview conducted or transcribed. The transcript files were named after the code names of the respective participants for traceability. The backup of the data files and transcript files was taken on another drive on the same computer, a dedicated USB flash drive, and on the cloud drive to minimize the chances of data loss.

All interviews were transcribed in English and were sent back to the respective participants to correct the subjectivity errors and mistakes, thereby validating the precise meanings of their talk by themselves. The interviews conducted in Urdu or partly Punjabi were transcribed were translated and transcribed at the same time. All transcript files were read by the researcher himself and one of his volunteering peers for necessary linguistic and grammatical corrections.

3.6.5.4 Data analysis procedures

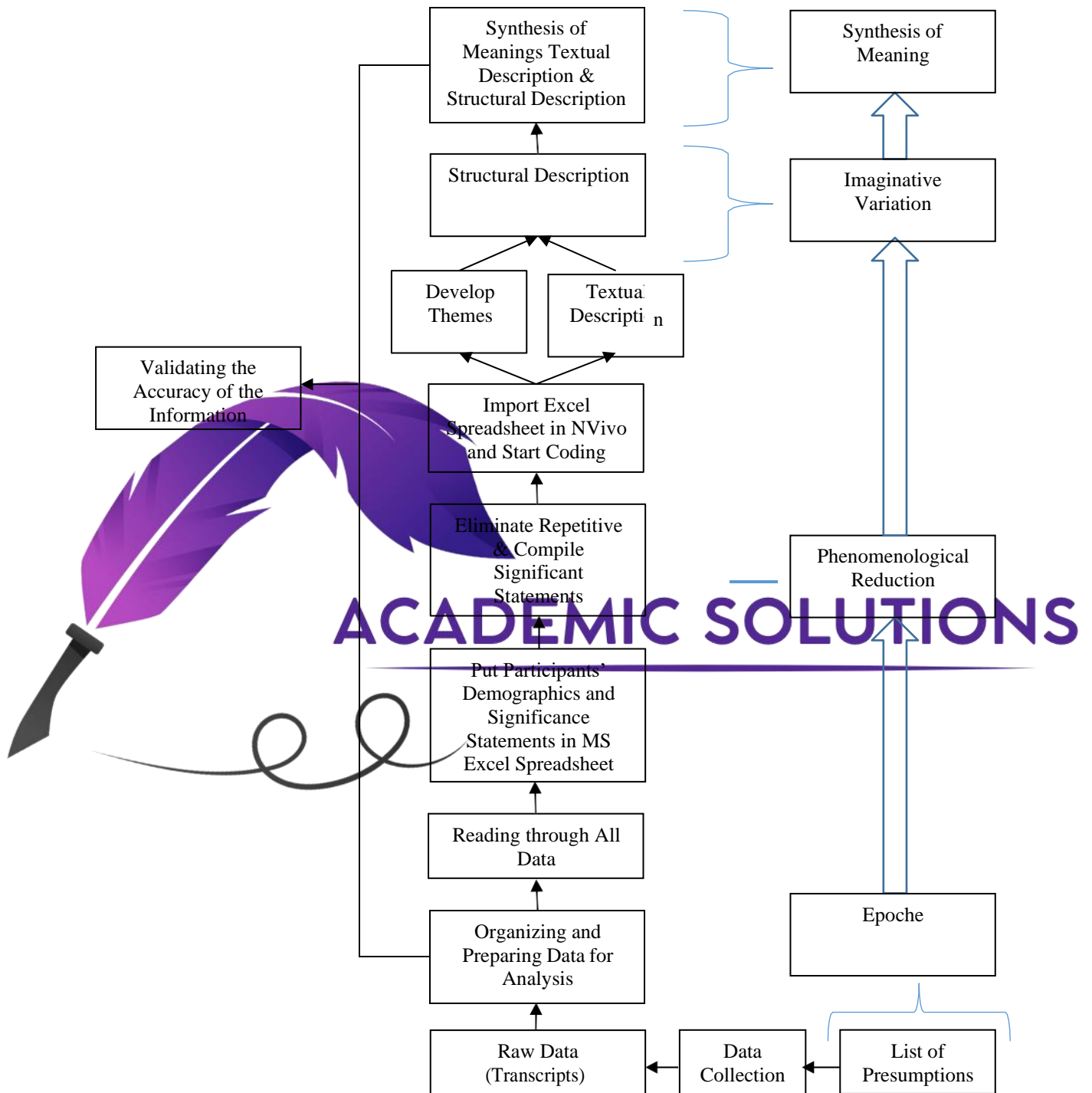


Figure 6: Data Analysis Process in Transcendental Phenomenology
 Source: Cresswell (2014) and Adu (2015); jointly presented by the researcher

3.6.6 Strategies for validating findings

3.6.6.1 Qualitative Validity

Qualitative validity refers to the accuracy of the findings by employing specific procedures (Creswell, 2014). It is one of the strengths of qualitative research and is based on determining whether the results are accurate from the research's standpoint, the participant, or the readers of an account (Creswell, 2014; Creswell & Miller, 2000). Terms abound in the qualitative literature that addresses validity, such as trustworthiness, authenticity, and credibility (Creswell, 2014; Creswell & Miller, 2000), and it is a much-discussed topic (Lincoln, Lynham, & Guba, 2011). Creswell (2014) also recommends incorporating qualitative validity strategies in the research proposal. This study used the following validity strategies:

i. Negative or discrepant information

Negative or discrepant information running counter to the themes has also been presented as recommended by Creswell (2014). Submitting such information is vital as the qualitative data is derived from real-life composed of different perspectives that do not always coalesce; discussing contrary information adds to an account's credibility. A researcher can accomplish this by discussing evidence about a theme. Most evidence built a case for the theme; researchers also presented information that contradicts the theme's general perspective. The account becomes more realistic and more valid (Creswell, 2014).

ii. Peer debriefing

Peer debriefing, as a qualitative validity strategy, enhances the accuracy of the account. This process involves locating a person (a peer de-briefer) who reviews and asks questions about the qualitative study so that the statement resonates with people other than the research. This

strategy – involving an interpretation beyond the researcher and invested in another person – add validity to a transcript (Creswell, 2014).

3.6.6.2 Qualitative Reliability

Qualitative researchers must include the approaches that they have adapted to impart qualitative reliability in their study (Creswell, 2014; Yin, 2009). Gibbs (2007) has suggested several qualitative reliability procedures (Creswell, 2014); out of which this study adopted the following:

- i. Transcripts were checked to ensure that they did not contain apparent mistakes during transcription (Creswell, 2014). This procedure was adopted in this study at two steps: the interview participants were asked to approve the draft; besides a peer also reviewed the same for identification of the linguistic and/or grammatical mistakes.
- ii. Drifts in the definition of codes were keenly identified and removed (Creswell, 2014). This was accomplished by constantly comparing data with codes and writing memos about the codes and their definitions (Creswell, 2014).
- iii. Different researchers or peers cross-checked codes by comparing results that were independently derived (Creswell, 2014).

3.6.6.3 Qualitative Generalization

According to Creswell (2014), “qualitative generalization is a term used in a limited way in qualitative research since the intent of this form of inquiry is not to generalize findings to individuals, sites, or places outside of those under study. The value of qualitative research lies in the detailed description and themes developed in the context of a specific site”. According to Greene and Caracelli (1997), particularity rather than generalizability is the hallmark of a good qualitative research.

This research complies with the initially mentioned qualitative generalization stance advocated by Greene and Caracelli (1997). However, it supposedly does not restrict any probability of adhering to Yin's (2009) viewpoint for future research.

3.7 Ethical Considerations

3.7.1 Consent

Prior consent of the organizations and individuals was obtained before initiating the data collection procedure (Creswell, 2014).

3.7.2 Access

The responses and data collected for this study were strictly kept in access to the researcher and the research supervisor (Creswell, 2014). The primary data, information, insights, and observations were used only for academic research (Creswell, 2014).

3.7.3 Participants' protection

The identity of participants has not been declared or disclosed in this study or otherwise. The individuals' original names have been changed to pseudonyms to ensure participants' protection (Creswell, 2014).

3.8 Summary

The need to understand the phenomenon of economic sustainability of the global value chains is crucial, especially in the context of developing countries. This study adds to the body of literature in a way that has not been studied. There is scant research that explores such phenomenon in the context of the global value chain operating with the production houses located in developing countries. This study's results could impact how the government institutions and their employees consider their job scope and how they exhibit their attitude and behavior to it. It also reflects the industry's expectations, as the taxpayer, from the government institutions to safeguard them in the competitive global market. Focusing mainly

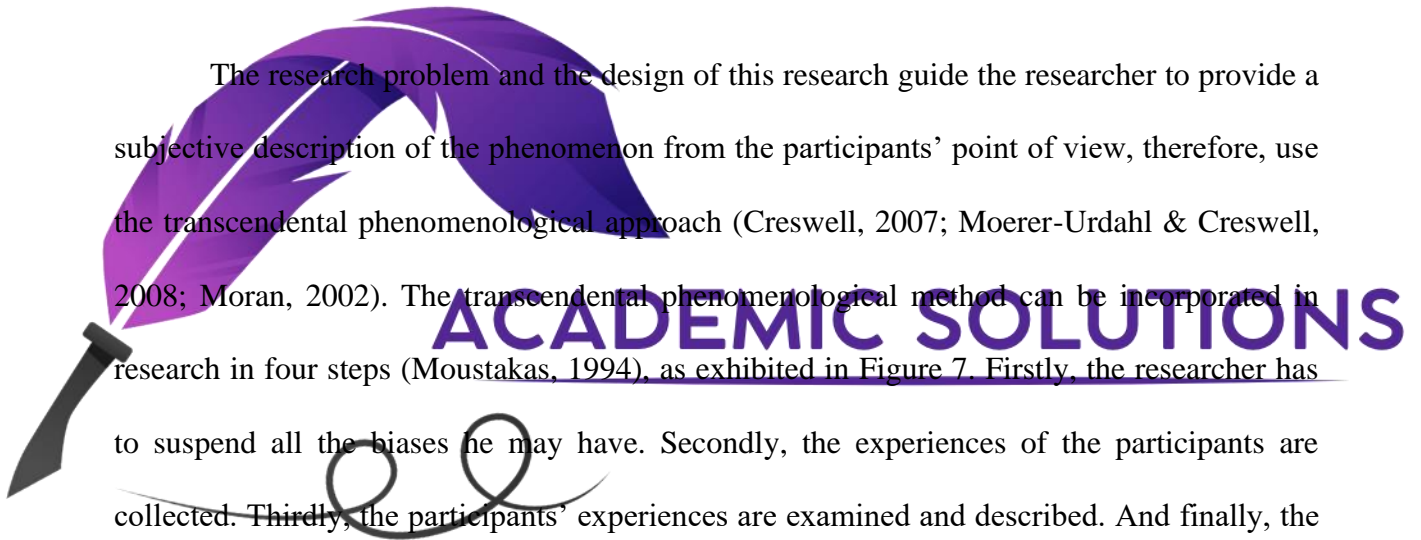
on the government employees' attitude to the issues of GVC related to the local industry participation in them, which also falls in the national interest, this study builds on the findings from the lived experiences of the government employees and the industry representatives. The next (fourth) chapter accounts for the details relevant to data analysis, followed by the chapters (fifth and sixth) on the discussion of the results and conclusions and implications.



Chapter 4: Data Analysis

The constructivist-interpretivist approach guides the research to explore and understand the meanings ascribed by the individuals or group of people to a social or human problem (Creswell, 2014). This research aims to describe the phenomena of challenges faced by the global value chains having their production based in Pakistan and how the local institutions and governance system respond to these challenges. Therefore, the interview guidelines were designed to gather the experiences of the two major actors of the phenomena in focus, i.e., the export managers from the apparel industry and the officials from the relevant government institution.

The research problem and the design of this research guide the researcher to provide a subjective description of the phenomenon from the participants' point of view, therefore, use the transcendental phenomenological approach (Creswell, 2007; Moerer-Urdahl & Creswell, 2008; Moran, 2002). The transcendental phenomenological method can be incorporated in research in four steps (Moustakas, 1994), as exhibited in Figure 7. Firstly, the researcher has to suspend all the biases he may have. Secondly, the experiences of the participants are collected. Thirdly, the participants' experiences are examined and described. And finally, the essence of their experiences is determined (Kafle, 2013; Moustakas, 1994).



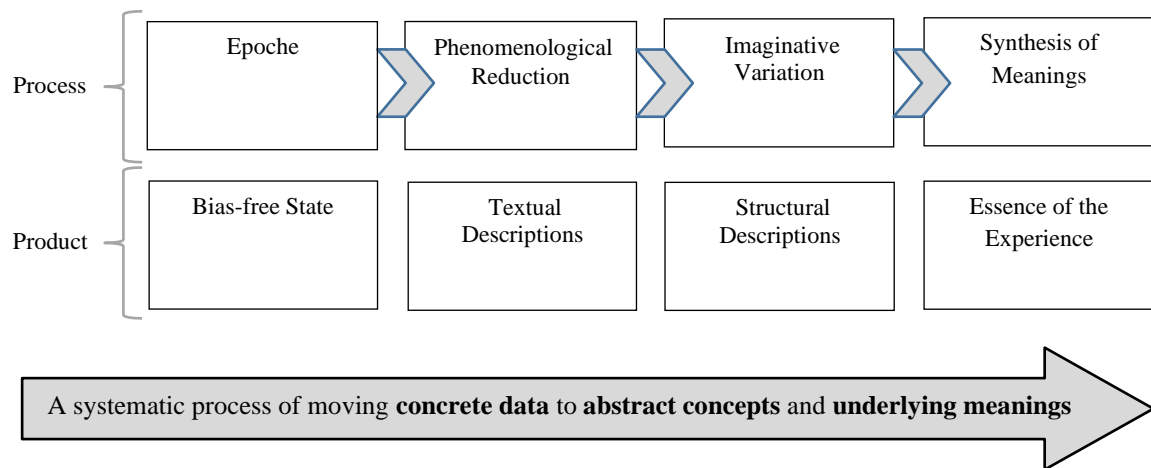


Figure 7: Transcendental Phenomenological Analysis Process
 Source: Adu (2015) pp: 15

An explanation of these four steps is given below:

4.1 The *Epoche*

The transcendental phenomenological approach emphasizes the researcher's free from all the preconceptions and biases about the phenomena to perform an analysis purely on the primary data. This step is vital as it prevents the researcher's preconceived ideas to influence the meaning making process (Moustakas, 1994), also known as bracketing (Adu, 2015). Gearing (2004) has explained the bracketing as a scientific process in which researcher temporarily holds his biases to witness and describe the phenomena's crux in focus. Creating an epoche is an essential mechanism for bracketing (Moran, 2002).

The *epoche* has been referred to the list of presumptions in the researcher's mind before starting the data analysis not to affect the analysis results. By doing so, the researcher assumes a state of mind where he accepts whatever comes to his consciousness without being affected by his thoughts (Moustakas, 1994). The epoche development is considered the first of four steps in analyzing the data while following the guidelines for performing the transcendental phenomenological analysis (Moerer-Urdahl & Creswell, 2008). The relevant literature

emphasizes the epoche's importance; however, it does not describe the format or contents of the epoche.

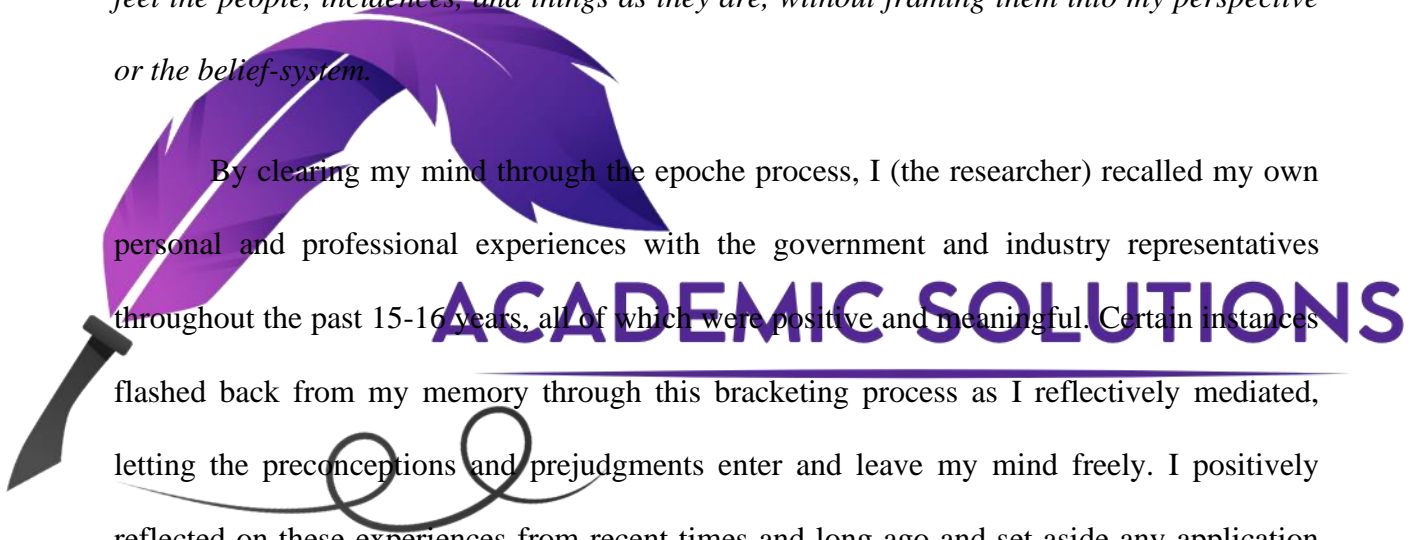
The research scholar conducting this study under the supervision of the seasoned faculty member has hands-on five years' experience of working as a change management agent for small and medium enterprises (SMEs) clusters. Though there has been a tenure of more than a decade since the researcher had switched to academia, he has been practically working in research management, which is not mainly related to this research area. However, having such experience could affect the research, especially during data collection through interviewing and analyzing. The researcher, following the guidelines from Moustakas (1994), Moerer-Urdahl and Creswell (2008), and Adu (2015), recalled his past to list down his preconceptions and prejudgments which could affect this research, and reach a free state of mind. The following personal statements by the researcher himself will explain the process of clearing his mind through the process of epoche:



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By clearing my mind through the epoche process, I recall my personal and professional experiences related to the industry, government institutions, policymaking, industrial clusters, and global value chains. I remember grey-haired people, local and foreigners, telling me and guiding me about the scenario of global value chains and industrial clusters at large—the detailed discussions over Porter's thoughts and models with peers and industry people. I recall the interaction with industry and institutional representatives to write different fact-finding and field research reports during the initial five years of my career. I remember the detailed discussions with a few foreign professors while working, traveling, and eating with them. I also recalled the discussions over global value chains, governance, and institutions with a few Ph.D. class fellows and professors, having versatile experiences and philosophical viewpoints, their agreements, and disagreements. I recall the process of rediscovering the global value chains, governance, institutions, and economic sustainability through extensive reading of the

relevant literature. I remember the difficulties in framing the real-world phenomena into research praxis and the blunt criticism I received from the board. All these steps required me to unlearn and relearn; discover and rediscover; connect, disconnect, and reconnect the dots, again and again. During the research design process, while I was writing the research proposal, I learned about worldviews. It was the time when I could make my mind free of my preconceptions, prejudgments, and subjective thoughts and felt a sense of closure. I learned how to concentrate and think freely without putting a step off the stretched rope of logic. It was when the things started untangling and became understandable as I had started learning how to approach the complexity. As I moved towards receptiveness, I was able to see, listen, and feel the people, incidences, and things as they are, without framing them into my perspective or the belief-system.



By clearing my mind through the epoche process, I (the researcher) recalled my own personal and professional experiences with the government and industry representatives throughout the past 15-16 years, all of which were positive and meaningful. Certain instances flashed back from my memory through this bracketing process as I reflectively mediated, letting the preconceptions and prejudgments enter and leave my mind freely. I positively reflected on these experiences from recent times and long ago and set aside any application they might have to this research by disconnecting myself from those memories. This was repeated until I felt a sense of closure. As I moved toward receptiveness, I was able to concentrate fully and listen and hear the participants' presentations without colouring it with my thinking, feeling, and seeing habits.

4.2 Description of Participants

This study recruited the participants based on two categories: industry representatives and government employees, to explore the phenomena holistically. The recruitment criteria of

participants have been discussed in detail in the previous chapter. This section provides the lists of pseudonyms of the participants from the government institutions and the industry.

Table 8:

The Pseudonyms List of Participants from the Apparel Industry

Sr. No.	Pseudonyms	Organization	Designation	Experience (in Years)
1.	Ahmad	Ahmad Weaving	CEO	18
2.	Babar	Ayesha Ent.	Export Manager	12
3.	Cheema	Chemitex	Managing Director	20
4.	Dilbar	Chemitex	Export Manager	14
5.	Ehsan	Comfort Knitwear	Export Manager	10
6.	Faisal	Fine Garments	Director	13
7.	Gohar	Global Apparel	Director	16
8.	Hafiz	Knittex	Export Manager	11
9.	Irfan	Modreno Fabrics	CEO	25
10.	Jaffar	Mongol Exports	Director	19
11.	Kamran	Nishat Apparel	Export Manager	16
12.	Latif	Nishat Exports	Export Manager	17
13.	Maqsood	Pakistan Apparel	Director	18
14.	Omer	Sapphire Mills	Export Manager	15
15.	Pervaiz	Shami Textile	Export Manager	16
16.	Qamar	Sharifa Textile	Director	22
17.	Rashid	Texmaster	Director	18
18.	Saleem	Unique Apparel	Export Manager	19
19.	Tariq	US Apparel	Director	23
20.	Umair	W. Bros.	Export Manager	11
21.	Virk	Wain Apparel	Export Manager	15
22.	Waqas	Wintex Ent	Export Manager	20
23.	Yasir	Z.F. Enterprises	Export Manager	21

Table 9:

The Pseudonyms List of Participants from the Government Institutions

Sr. No.	Pseudonyms	Organization	Designation	Experience (in Years)
1.	Asad	TDAP	Assistant Director	1-5
2.	Basit	TDAP	Assistant Director	1-5
3.	Chaudhry	TDAP	Associate Director	5-10
4.	Dawood	TDAP	Associate Director	5-10
5.	Ehtisham	TDAP	Assistant Director	1-5
6.	Fahad	TDAP	Director	10-15
7.	Gafar	TDAP	Assistant Director	1-5
8.	Haseeb	TDAP	Director	10-15
9.	Imad	TDAP	Assistant Director	1-5
10.	Jamil	TDAP	Director	10-15
11.	Kareem	TDAP	Associate Director	5-10

4.3 Data Collection and Processing for Analysis

The first research question inquires the participants about the meaning of sustainability of the global value chain. Whereas the second research question asks the process of decision making about the sustainability of global value chains. The literature published on agency theory highlights various themes and sub-themes while explaining the meaning for and decision-making process adopted by the agents and the principals' perspective towards them. This research initially focused on the efficiency, alignment of interest, risk sharing, and continuation of the existing job as the sub-themes of the meaning of economic sustainability of global value chains for the institutional agents. Whereas, to understand the decision making related to the economic sustainability of global value chains, it initially focused on information asymmetry, nature of the contract, moral hazards, and the state of trust as explained by the institutional agents and their principals. These sub-themes were focused only to design the interview guidelines. During the interviews, the open-ended questions generally referring to the aforementioned themes were asked from the participants. Cross-questions were also asked, whenever felt necessary, to receive deep insights and rich narration of the lived experiences of the interviewees. The interviewees were allowed to reflect upon their experience and

perspective of the reality they were facing. The researcher attempted to record their point of view without prompting them and asking them questions to add to their elaborations. The participants were neither contradicted at any point nor were they objected for any reason to ensure the gathering of their original thought in their natural flow of thought.

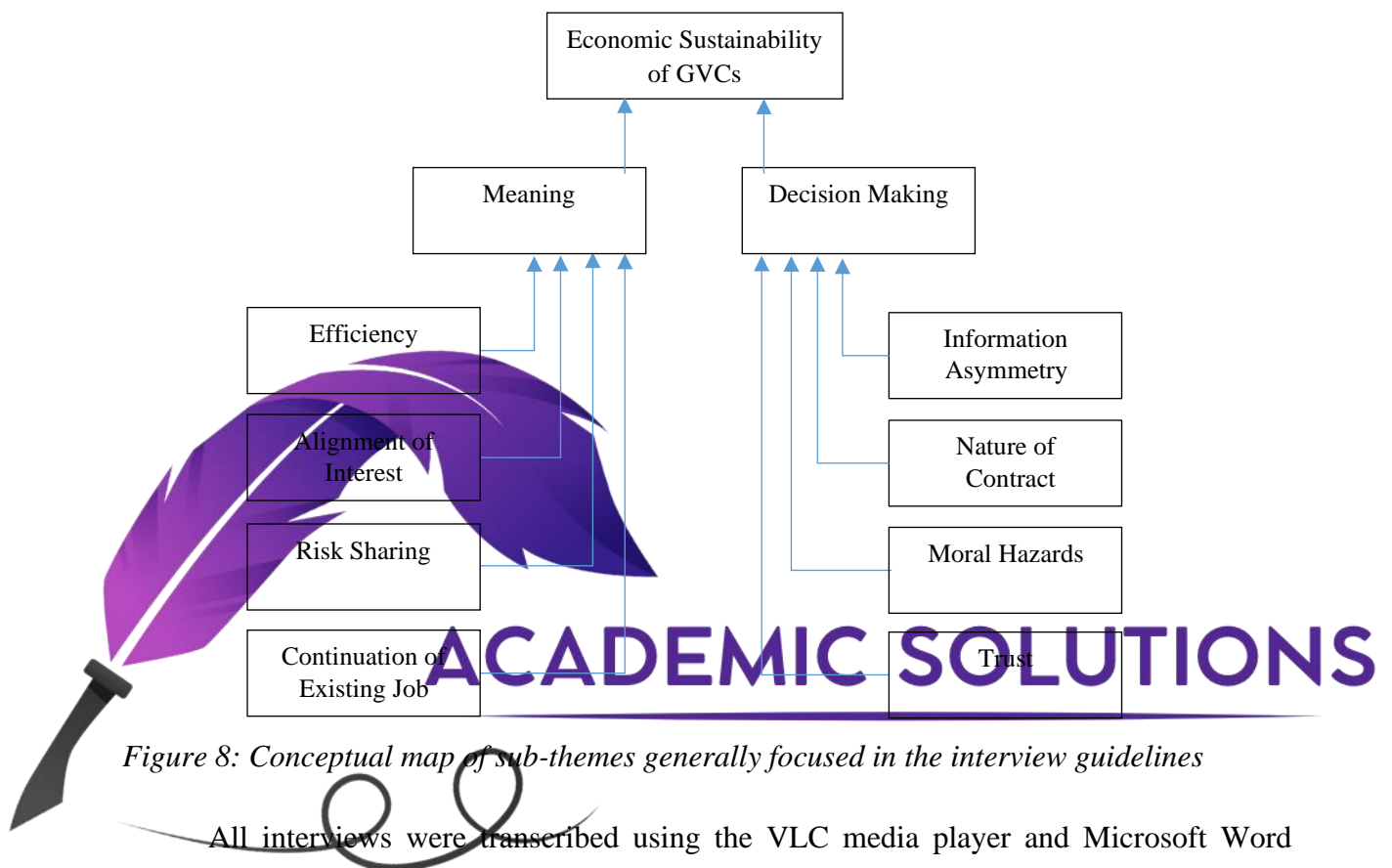


Figure 8: Conceptual map of sub-themes generally focused in the interview guidelines

All interviews were transcribed using the VLC media player and Microsoft Word software packages. The transcripts were then reviewed for linguistic and typo errors. The transcripts were sent to the respective participants for review and authentication. The changes highlighted by the participants were incorporated in the transcripts before subjecting them to the data analysis.

The data analysis was performed as per Philip Adu's guidelines, which he described in detail in his video lecture titled "Using NVivo to conduct transcendental phenomenological analysis" available publicly on YouTube.com since 2015. In that lecture, he has covered the theoretical and practical side of applying the transcendental phenomenological analysis method

on qualitative data precisely using the guidelines of Moustakas (1994). All steps in the analysis process were conducted strictly following the video demonstration to avoid any chances of error.

4.4 Phenomenological reduction

The core meanings of participants' experiences are attained in the second stage, termed phenomenological reduction. Compliance with this process is of utmost help for the researcher to ensure the description of phenomena as per participants' *verstehen*. The phenomenological reduction generally comprises of two steps: horizontalization and thematic analysis. Horizontalization requires the researcher to treat all the primary data's statements equally valuable while reading the transcripts again and again. The purpose of repeated reading of the transcripts is to code the data. Therefore, the phenomenological reduction results in the presentation of experiences by identifying the themes and giving their textual description (Adu, 2015). This process helps compile exemplary experiences and group them into core meanings or themes. These themes are then helpful in describing the core experiences based on these themes (Moustakas, 1994).

The researcher went through all the interview transcripts to identify all relevant statements about the participants' experiences with the research questions in mind to perform the phenomenological reduction. The methodology experts suggest gathering all the significant statements from the interview transcripts into an MS Excel spreadsheet and the participants' demographic information. The primary data were copied to the spreadsheet in Microsoft Excel that was created in a way that the profiles of each participant and their responses to each question in the interview guideline were pasted in a row. All participants' names were replaced by unique identities to ensure their anonymity as per the research ethics statement communicated to them before conducting their interviews. The responses against the cross-

questions were also included in the suitable cells within the spreadsheet. All data were then read multiple times, and repetitions were removed (an essential step called Phenomenological Reduction) before loading the Excel spreadsheet to NVivo 12 Plus for analysis. Adu (2015) has strongly recommended this method of creating the MS Excel spreadsheet and then loading it to NVivo. It provides the flexibility of analyzing and explaining the strength of any verbatim based on strength of the participant's profile.

All repetitive experiences are also excluded before the spreadsheet is imported into NVivo. The NVivo was then used to assign the code and develop the themes based on their characteristics and relevance with the research questions (Adu, 2015; Moustakas, 1994). After importing the spreadsheet to NVivo, the data was read column-wise, and the significant statements were assigned the codes. An exhaustive coding strategy was adopted, resulting in the assignment of 767 unique codes, or textual descriptions, to the data. Separate folders were created for each research question and the participant type. For example, RQ1A-A denoted the Research Question 1, sub-question A, and narratives of the agents; and RQ1A-P denoted the Research Question 1, sub-question A, and narratives of the principals. The schema of saving the codes in separate folders was created in light of Adu's (2015) guidelines, as it provides the flexibility of performing the analysis and explaining the findings with more precise relevance to the type of participants.

The guidelines of Moustakas (1994) and Adu (2015) were following while the codes were assigned to each sub-question segregated by the participant type were subjected to cluster analysis within the NVivo. Sixteen separate output files were exported as .jpg files by clustering the nodes based on coding similarity for the next step of the analysis process – imaginative variation. Following a section of this chapter accounts for the imaginative variation, which eventually results in the development of structural descriptions from the textual descriptions (Adu, 2015). According to Adu (2015), this step of analysis requires the

researcher to focus on the cluster analysis output to develop the possible meanings that two or more statements deliver together.

4.4.1 Research Question One

Qualitative research's primary focus is to explore and understand the meaning that individuals or groups associated with the phenomena (Creswell, 2014). It involves the analysis of the data, including the original thought of the participants who have lived that phenomenon to find the answer to the research question one: What is the meaning of sustainability of the global value chain for the (govt. and business) institutional agents in Pakistan?

Following the methodological guidelines, the researcher inductively builds the general themes from the particular themes (Creswell, 2007) and interprets the meaning of the data (Moran, 2002; Moustakas, 1994). Following these guidelines, this study gathered the response of the industry representatives and the government employees working in the relevant institutions to explore the meaning of economic sustainability of global value chains. In this regard, the narratives of the participants against the themes of efficiency, alignment of interest, risk-sharing, and continuation of the existing job were gathered for analysis and interpretation.

This section of this study presents the imaginative variation or interpretation of the NVivo cluster analysis output analysis results obtained to analyze the clusters of codes on a similarity basis. The codes assigned to the narratives of the industry representatives (the principals) and the government employees (the agents) were processed separately as the experience of reality is naturally different with both groups. Secondly, the separate analysis provides an in-depth insight into the phenomena and the role of governance and institutions in the face of the challenge of global value chains' economic sustainability.

4.4.1.1 The perspective of the government employees (the institutional agents)

i. The efficiency of institutional agents and the economic sustainability of GVC

The exhaustive coding of the institutional agents' narrative resulted in 35 unique codes that were later clustered in NVivo on coding similarity (Adu, 2015), as shown in the output of the NVivo cluster analysis on the basis of code similarity (Figure 4.2.).

Trade development process

The agents acknowledged the concept that trade development is primarily a demand-driven process. This process incorporates the principals' expectations, or in other words, the goals they assign to a government institution. On the other hand, the government institutions have a complex, rigid, and change avert system. This system has defined hierarchies and roles which strictly constrain the individuals to operate within the given official guidelines. Besides, the government institutions have a realization that the business, especially the small enterprises, face feasibility constraints in carrying out business development activities.

ACADEMIC SOLUTIONS

Coordination between industry and government institutions

The government employees or the institutional agents believed that the industry preferences were not incorporated in the government policies as they were not well communicated to the specialized institutions. They generally referred to this disintegration due to the difference in command-and-control structures in the public and private sectors. This difference in command-and-control structures has been reflected through the institutional evolution as the government institutions have become more assertive and in-command; on the other hand, the business (as institutions) have remained weaker. This evolution has resulted in the reversal of principal-agent roles.

Government policy and the institutional agents

The institutional agents described their self-assessment parameters as they use to estimate the amount of the business generated as an outcome of their specific activity. They also explained that the long-term goals particular to the industry do not fall in their scope as the government does not get involved in the business by itself. They affirmed that the government plays the role of a facilitator only. Business is the business organizations' core job, whereas the government institutions are constituted to facilitate the business for their smooth conduct. Although the government institutions have an authoritative relationship with the local business, it sometimes lacks the bargaining power when it has to negotiate or deal with the multinational business corporations.

Good stewardship

The government employees portrayed themselves as the good stewards of the industry (or their principals). Their contributions always bring positive results only, they believe. They are of the view that performing their core duties is also a giant step of facilitation. At the same time, they expressed that they always work to facilitate the business and never seek authority or power.

ACADEMIC SOLUTIONS

Limitations of institutional agents

The institutional agents expressed their limitations that they face facilitating the business to bring better results. They believe that they can better promote the industry if they are vested with more budget, power, and authority. According to them, being representatives of the government institutions or the government without an excessive budget, powers and authority restrain them in effectively fulfilling their job roles. They expressed that they cannot perform their jobs without sufficient budgets and the powers to exercise their authority.

Motivation and compensation

More power to exercise authority is the most effective way to perform the job role and express institutional agents. They conveyed that since they don't have any direct stake in the business generated due to their activities, it does not motivate them. The compensation and reward system and the government employees' performance appraisal and management system are not interlinked. However, they had the clear idea that their job compensation and rewards are indirectly generated from the taxes, duties, and levies collected from the business. On the other hand, they feel demotivated when their principals (the industry) take unfair advantage of the system's weaknesses.

Business dynamics

Direct exposure is the most effective way of learning about the industry for the government institutional agents. They have a fair understanding of how the business expands and increases its earnings. They have a clear perspective on the importance of their role in business development. However, their narrative highlighted that the rigidity latent to their institutional culture and operations abstain from their office premises instead of conducting industry visits. That is probably why the commercial councillors and trade attachés are not very effective, which is evident from their ignorance of the local business dynamics. Such information gaps have resulted in non-alignment of the local industrial and institutional systems with the global markets' demands. The commercial councillors and trade attachés can play a pivotal role in generating demand for the local produce in international markets. An increase in coordination between the business and the government officials can be very useful and beneficial for them.

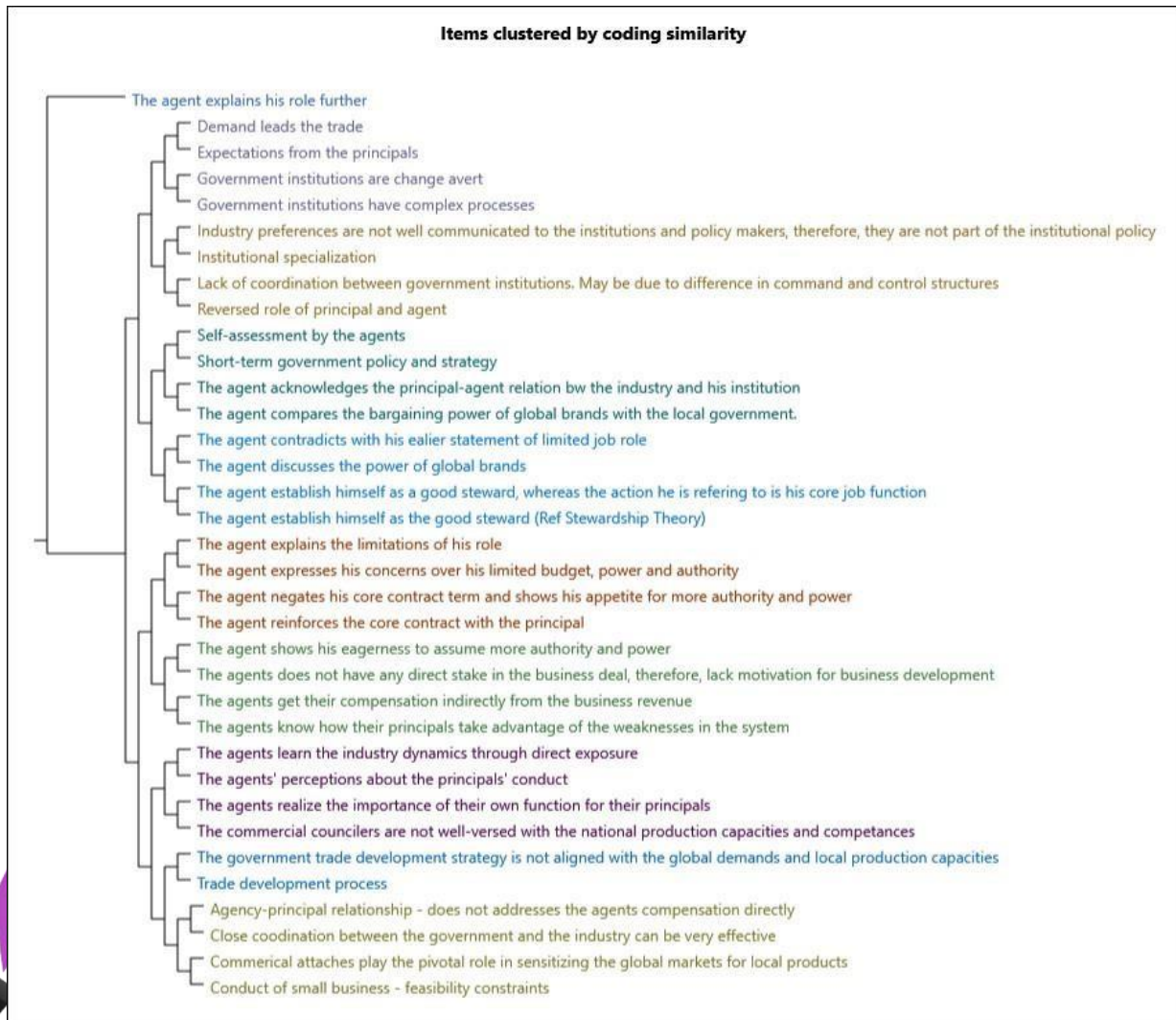


Figure 9: Meaning of Efficiency of Institutional Agents – the Narrative of the Agents (Output of NVivo Cluster Analysis based on Code Similarity)

ii. *Alignment of Interest*

Role specialization

The agents acknowledged that their interests are aligned with that of the industry. They explained that government institutions operate in the domains of specialization and perform in synchronization to achieve common goals like business development. They believed that personal networking between the business and the government representatives plays a vital role

in business development. However, the rivalry among the local firms affects the institutional role in business development.

Institutional limitations and the agents

The agents explained the limitations of their institution in comparison to the businessmen, especially the elite businessmen. They presented their limitations for obtaining the relevant information from the business. They expressed, somewhat exaggerated, their dedication towards their jobs by amplifying their job roles and activities which do not contribute to the business development.

Institutional role in business development

The agents explained their institutional limitations in comparison to the multinational corporations. They took a neutral stance towards their business relations, vis-à-vis they emphasized their un-relatedness with the business outcomes. Their narrative also development their impression as if they try to shirk their work to increase their weight in the bargain of power or compensation.

ACADEMIC SOLUTIONS

Self-impression of the agents

The agents tried to present themselves as good stewards. They explained themselves as very considerate in the adherence of their official policies and institutional goals. However, on the other hand, their narrative highlighted that they neither had a clear sense of direction nor they were considerate about the environmental realities. Their statements are given in their self-appraisal even contradicted the basic logic.

The polarity between the government institutions and the business

The agents registered their argument that the business does not share accurate information with them. They also expressed their ideas that the industry and the government institutions operate in separate domains, therefore, have different mindsets and sets of

exposure. The narrative also highlighted that they sometimes create procedural hurdles to gain power or personal benefits as well.

Political stigma

The agents believed that although the government and the industry operate at different paces, their interests are intertwined. The government institutions face their statutory limitations, whereas, the decision making in business is not burdened by the strict institutional bylaws. This situation eventually affects their negotiations and turns it into a political stigma.

Institutions versus the social system

The institutional agents held the principals responsible for the social system, which negatively affects the institutional efficiency and effectiveness. According to them, the principals bypass or change the institutional policies as they intervene through the politicians to bypass the institutional policies and performance checkpoints. They declared the principals as 'one-shotters', as they do not turn back to them and own the institution after reaping their specialized services' benefits.

ACADEMIC SOLUTIONS

Socio-cultural realities

The agents expressed their limitations to positively affect the business, as they highlight that the socio-cultural realities empower those already in power. Wealth and power are the primary factors that affect institutional performance and effectiveness in Pakistan. The prevailing socio-cultural system does ensure social justice. Besides, the communication and coordination gaps between the government and the industry ruin the institutional agents' hard work.

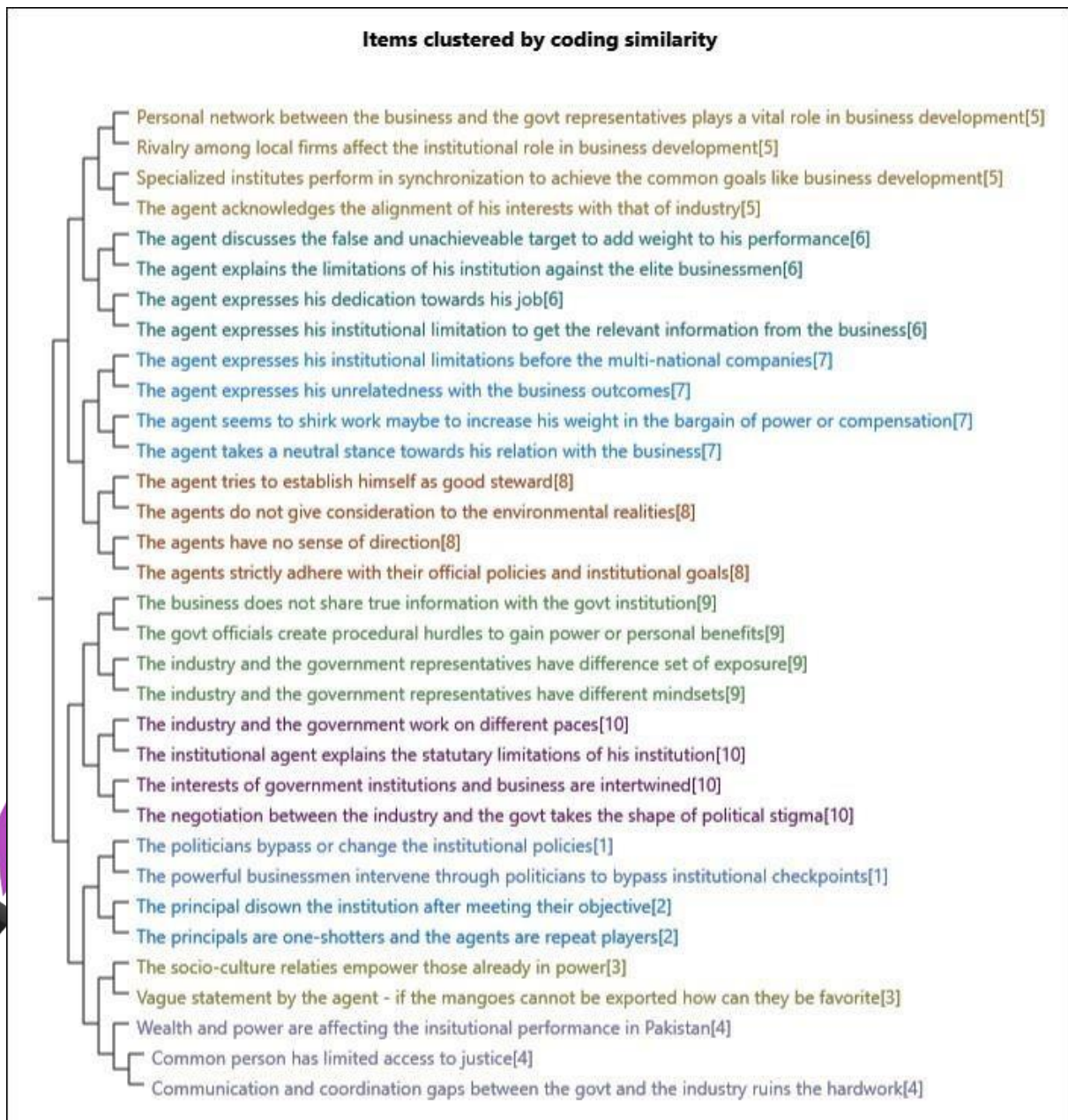


Figure 10: Meaning of Alignment of Interest – the Narrative of the Institutional Agents (Output of NVivo Cluster Analysis based on Code Similarity)

iii. Risk Sharing

Sustainability of the industry and the governance system

According to the institutional agents, the sustainability of the industry is not dependent upon the governance system. Whereas they believed that the sustainability of the government institutions is dependent upon the sustainability of the industry.

Risk-sharing between the government institutions and the business

According to the government employees, the government institutions share risk with the industry, whereas the government employees do not. The risk-sharing between the government institutions and the business is limited to the government institutions' mandate only. Whereas a few government employees believed that the government and the industry do not directly share any risk. However, they had a consensus that the risk-sharing between the government and the business converges at the national interest level. According to the government employees, they were maintaining the balance of payment and the failure of trade exhibitions are the shared responsibility of the government and the business. They also appraised the role of business associations to help the government mitigate the risk of event failures.

Government institutions are separate entities

According to the government employees, the government institutions and the business co-exist in the same environment, but they are separate entities as they have distinct goals.

They do not directly share any risk. The government institutions are not concerned with the profit or loss made by the business.

ACADEMIC SOLUTIONS



Figure 11: Risk-sharing between the government and the business – the narrative of the Institutional Agents:
(Output of NVivo Cluster Analysis based on Code Similarity)

iv. *Meaning of Successfully Continuing the Existing Job*

Power and authority

While explaining the meaning of continuing their existing job, the government employees stated their job as the means to gain power and authority. According to them, it can be more meaningful if the resources and authorities vested in them increase.

Self-fulfillment

According to government employees, their job was a mechanism for self-fulfillment through achievements for them. They stated it as an opportunity to explore themselves as well as a means of self-realization.

Learning and growth

The government employees explained their existing job as an opportunity for learning and growth for them. They consider it as an opportunity to apply their knowledge, skills, and

abilities. They also think it as a support mechanism for academic excellence. They declared their job as a means to professional growth.

Sense of security

According to the government employees, their job provides them with a sense of security. They feel honoured for being successfully selected through the CSS examination. They feel contented to have a disciplined career with fixed rules.

An unlikely affair

The institutional agents expressed their job as an unlikely affair as they feel for not being authorized to the extent they expected. However, they consider it a continuous struggle for which they are rewarded. They sometimes think of their job as a misfit between their qualifications and work; therefore, they believe that their institution does not select the right people. They also declared their job as a rigid set of rules that do not allow them to perform well.

ACADEMIC SOLUTIONS

An opportunity

At times, the institutional agents feel their job to be dynamic as they declared it their gateway to foreign trips. They considered it a means to develop a new niche in their careers. They expressed their job as the essence of patriotism as it provides them to contribute through their efforts in developing exports. They, therefore, declared it as a mean to portray themselves as good stewards of their principals.

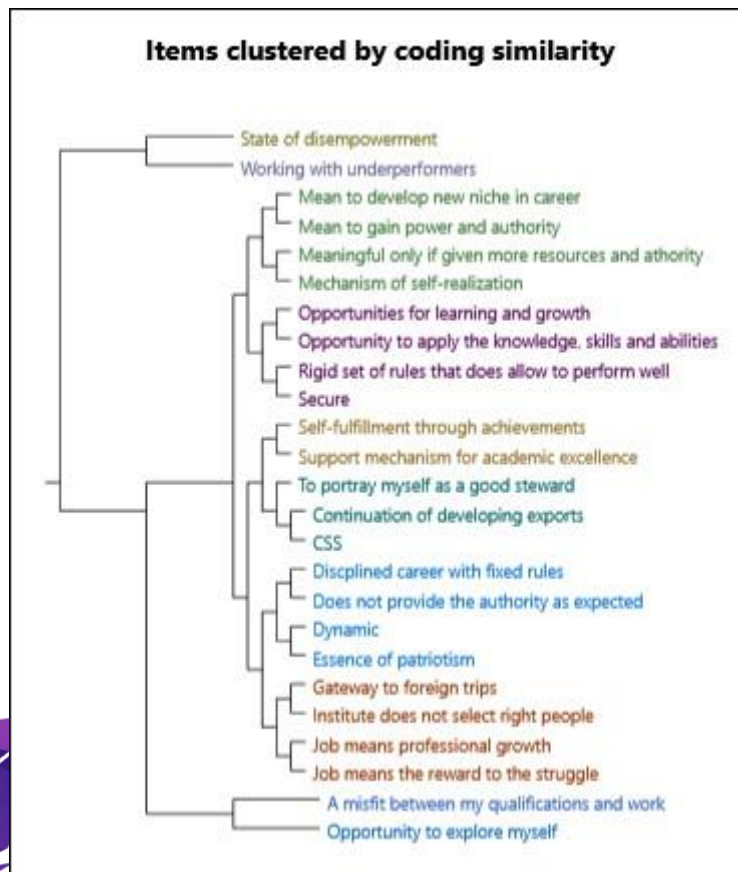


Figure 12: Meaning of continuing the existing job – the narrative of the Government Employees
 (Output of NVivo Cluster Analysis based on Code Similarity)

ACADEMIC SOLUTIONS

4.4.1.2 The perspective of the industry representatives (the principals)

i. The efficiency of institutional agents and the economic sustainability of GVC

The contents under this sub-heading are the interpretation of the analysis results of the codes assigned to the narratives of the principals or the industry representatives.

Role of governance in the global value chains

The industry representatives emphasized the importance of government institutions and their representatives in the sustainability of global value chains. Although the government institutions do not directly participate in international trade, they undoubtedly impact it. According to them, the right government policy, and the right individual on the position of implementer are essential for the smooth running of the business. According to the market

scenario, the government policies must be dynamic and must ensure the delivery of government services to this industry under the changing needs. In comparison, the government institutions' individuals must also be efficient for the international business's sustainability and growth.

Coordination between the industry and the government institutions

The coordination between the industry and government institutions is significant for the sustainability of the industry representatives' global value chains. The industry representatives doubted the government institutions' performance in accordance with their primary goals or purpose of the constitution. They also emphasized increasing the coordination, primarily to raise the awareness of the services, especially the facilitation schemes, which the relevant government institutions offer to the industry. The government institutions and the industry have to work in close coordination with each other for sustainable results.

Agency costs

The role of institutional agents, as explained by the industrial representatives, is critical to business success. However, they feel that the institutional agents do not perform as per their full potential. The institutional agents face policy and administrative limitations in the face of diversity on the principal side. They take advantage of this diversity and use their authority to gain power against their principals (the industry).

Institutional effectiveness

The institutions are not much effective, as perceived by the industry representatives. They were of the idea that the institutional policies significantly affect the business. According to them, these policies benefit large-scale businesses only, and their benefits do not reach the grassroots level. They also expressed that this limited utility of the government institutions again arises from the complex institutional setup where the overlapping institutional roles create delusions.

Institutional efficiency

The government institutions operate in a rigid policy framework and tight procedural control. This rigidity causes a delay in providing institutional services, incurring losses to the business, especially in the realm of market dynamics. The institutional policies do not support the small and medium scale business, which is an astonishing fact directly questioning the primary objectives for the institutions' constitution. The existing institutional policy setup affects the sustainability of the global value chains, as it does not support the local business in maintaining long-term business relations with their foreign counterparts.

Selection of institutional agents

The selection of the institutional agents is very important for the government institution to operate inefficiently and effectively. In this regard, the behavioural scrutiny is significant. The agents exhibiting non-cooperative behaviour brings unwanted consequences to business outcomes. The industry is facing competitive pressures in the global markets, therefore, demand quick policy and operational decisions from the government institutions. The industry representatives expressed that as government institutions are not much effective in business development, the apparel industry is highly dependent upon regularly buying houses to receive production orders.

Expectations from the institutional government agents

Global value chains require a different level of attention from the government institutions as well as the business. Although the government institutions provide specialized services in their operation domain, their complex procedures and delayed processing raise the challenges of competitiveness and sustainability before the business. Therefore, the industry representatives believe that they have to play an active role in developing their business than expecting it from the agents representing the government institutions, who cannot perform all the expected job functions.

Competitiveness and government institutions

The government plays a vital role in the competitiveness of the business in the global market. The government institutions also have limitations since they are the systems created by human and operated by a human. The industry representatives expressed their grave concerns over the low quality of services from the government institutions as it adds to the challenges of competitiveness. The industry representatives believe that ignoring the essential elements of competitiveness may result in an industry's eviction.

Role of institutional agents

The industry representatives expressed that the behaviour of the government institutional agents change with the situation. The agents, at times, exhibit such behaviour that may not be required by the principal. The industry representatives explained that government policies' change affects business dynamics, especially the ease of doing business. However, certain initiatives like the implementation of management information systems (MIS), which reduce institutional agents' role in facilitating the business, eventually improve government institutions' efficiency.



ACADEMIC SOLUTIONS

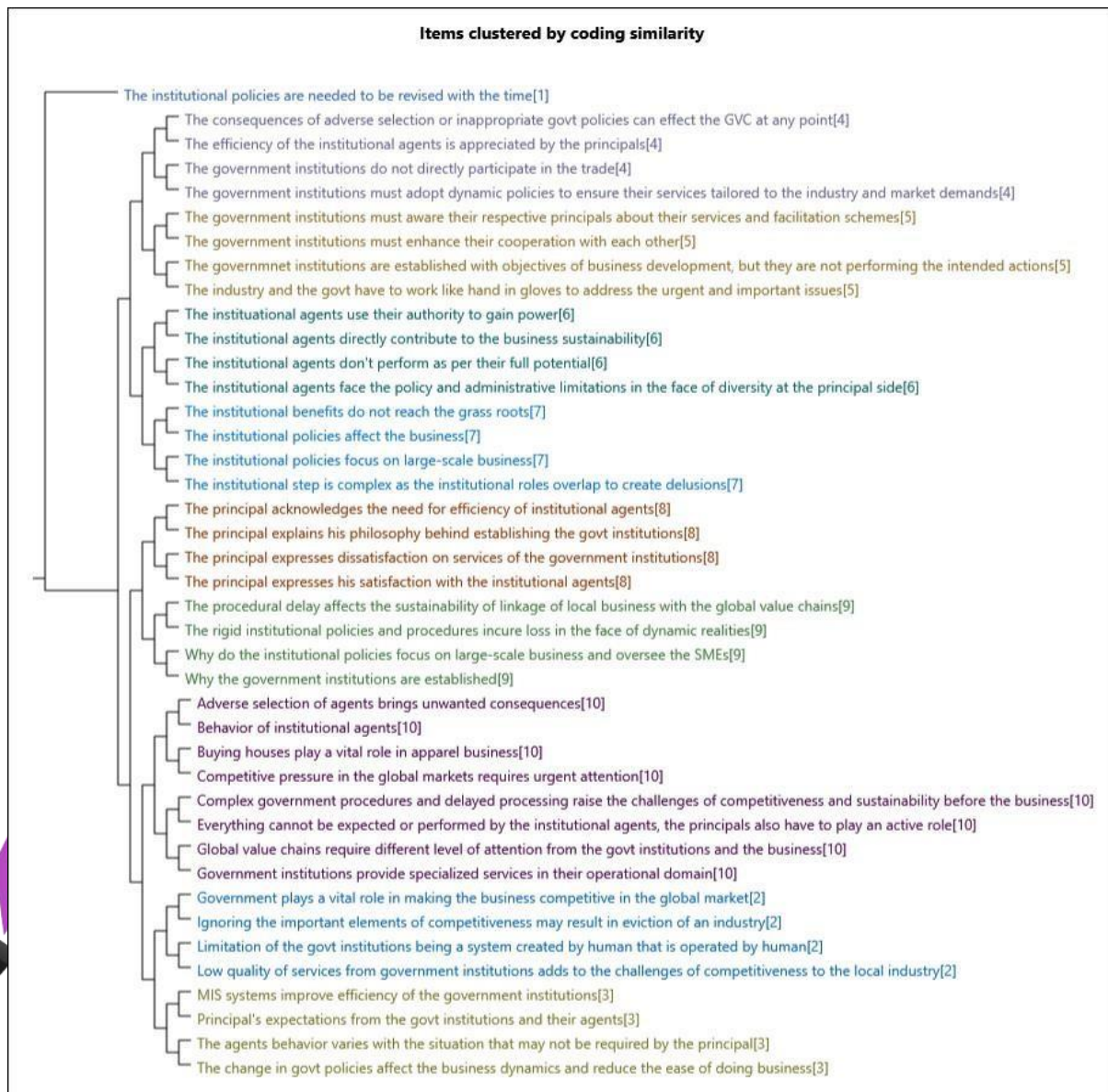


Figure 13: Meaning of Efficiency of Institutional Agents – the Narrative of the Principals (Output of NVivo Cluster Analysis based on Code Similarity)

ii. Alignment of Interest

Dissatisfaction with the government institutions

The principals (industry representatives) expressed their dissatisfaction over the performance of government institutions. According to them, government institutions take credit for any positive happening in the business environment. They quoted the example of assignment of an up-graded (plus) status by the European Union’s General System of Preferences (GSP), which the government institutions are claiming as an outcome of their efforts. According to the industry representatives, the information passed to them through the

institutional hierarchy is used in devising and revising the relevant policies. But they do not perform at par. According to the industry representatives, the problem lies in the recruitment system through which the government institutions hire the individuals.

Non-alignment with ground realities

According to industry representatives, trade exhibitions are essential for business development. Simultaneously, the apparel global value chains require a high level of efficiency and synchronization of industry and government institutions. They expressed their dissatisfaction with the current scenario of the industry's coordination and harmonization with the global markets. Competitiveness is the common concern of the government as well as the industry. They believe that business decision-makers do not make rational decisions as they are short-visioned. Their business feasibilities are not based on proper homework. The government and the business together must focus on connecting the local business with big global brands as they have become important for the local industry's sustainability.

Challenges to operating in the global markets

The industry representatives discussed the challenges they face while operating in the global markets. They ranked the product price on the top and the compliance with international standards next to it. It becomes complex for the local industry to compete as different buyers require a different set of protocols and international standards. Government policies also play an essential role in business sustainability. In this regard, the industry representatives emphasized the prevailing energy crisis in the country. They explained that the energy cost directly affects production cost, which, in combination with the energy shortages and inconsistent supply, is contributing to making the apparel industry non-competitive in the global markets. They also explained that the complex taxation system and the irregular raw material supplies negatively affect the business progress, especially the manufacturing units. They also admitted that the non-existence of corporate culture in the Pakistani apparel industry

is also a challenge to operate in the global markets. Besides, the instability in the currency exchange rates and the interest rates also raise business continuity challenges.

Global value chains and Pakistani government institutions

Apparel manufacturing units are primarily the family-owned concerns in Pakistan, expressed the industry representatives. According to them, they look forward to the government to address the human resource development at the national scale to enhance the apparel industry's competitiveness. Upgrading the human resource is very important to sustain the business with the global value chains, contributing to the national competitiveness. The local industry and the government has been vigilant in aligning the national industry with the global markets, as the global value chains are sensitive to environmental changes; therefore, they continuously re-stratify the value chains to remain competitive. On the other hand, Pakistan's government institutions are rigid and have a uniform culture across the country. They have different thinking patterns as they strictly operate within their institutional scope and rules. Such characteristics of the government institutions and their employees affect the business in different ways.

National policies and institutions

The industry representative expressed that the government institutions' inconsistent policies increase the difficulties for the business. The information reporting and information management at the government institutions are doubtful as it is prone to be misused by the institutional agents. The industry representative also referred to the unstable currency exchange rates and interest rates as the vulnerabilities to business sustainability. They expressed that the national financial structure is not supportive of the business, especially for the small and medium enterprises. The government must develop a national vision and strategies for business growth and sustainability while taking all its stakeholders. The national policies must be highly aligned with international buyers' international trade agreements, treaties, and preferences.

Global buyers are sensitive to such details as their buying decisions are affected by multiple factors.

Product price and global competition

The product price is the most critical factor in the global competition and expressed the industry representatives. According to them, it is a highly complex riddle incorporating several sub-factors. It includes multiple costs, including those of energy and raw material. They explained that to sustain in the global competition, the production units have to be efficient in fulfilling their commitment and production deadlines. The power shortage and the resultant irregularity in the power supply seriously affect the production schedules. Besides, a country's reputation for offering decent working conditions to the production labour also matters a lot in the global markets. These are reasons for which the regional industrial competitor countries make long-term production strategies to ensure sustainability. Simultaneously, the Pakistani industry is sustaining primarily due to the first world countries' economic packages.

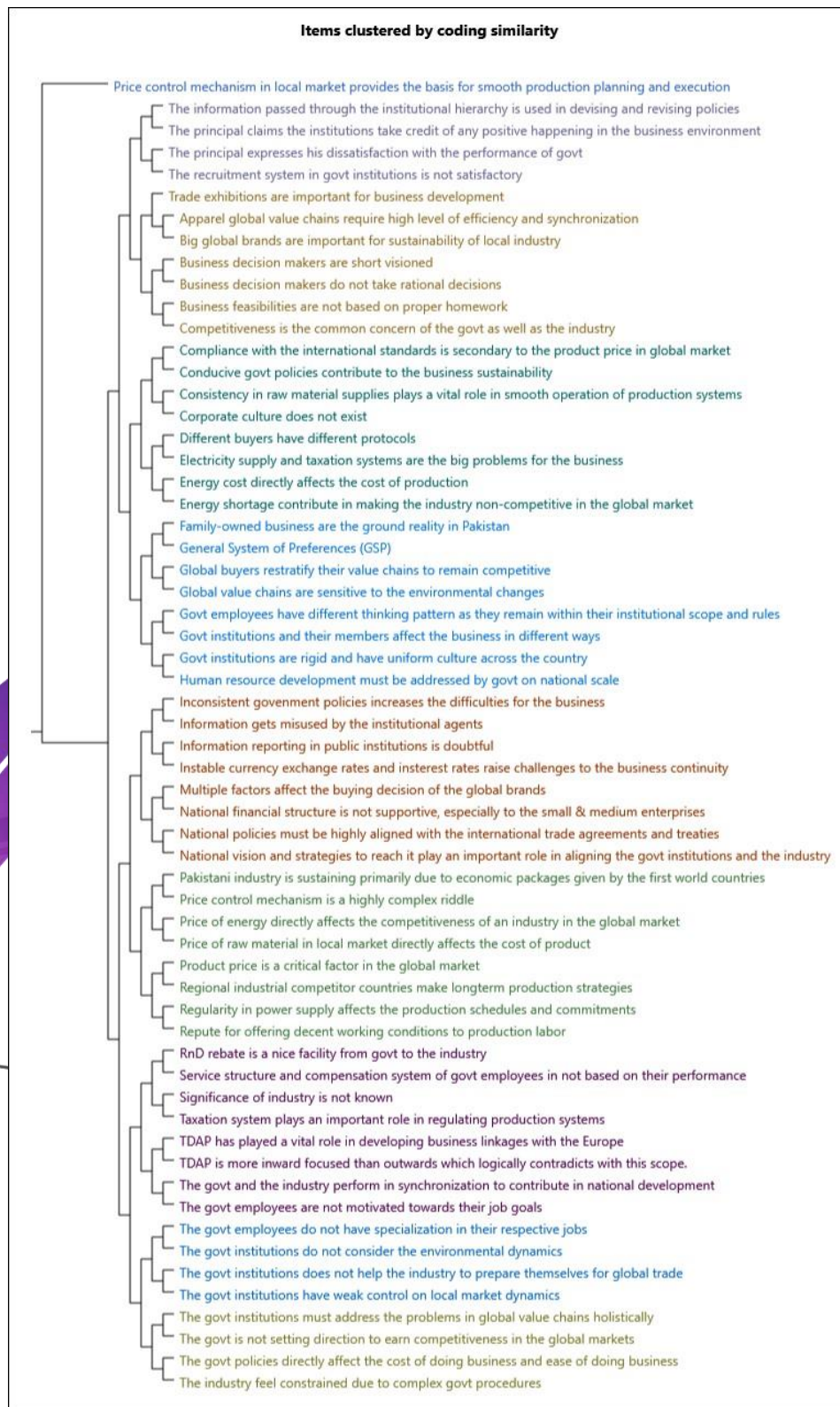
Alignment of the governance system

National development requires the government and the industry to perform in synchronization with each other, said the industry representatives. In Pakistan, the significance of the apparel industry is not known yet. Although the Pakistani government institutions for the development of trade have played a vital role in developing business linkages with Europe, they are primarily focusing inward than outward, which is logically contradicting their scope. According to the industry representatives, the RND rebate facility given to the government's apparel industry is very effective. On the other hand, the complex taxation system applicable to the production systems slows down the progress. In their view, the government employees are not motivated towards their job goals, as their service structure and compensation system is not based on their performance.

Weaknesses of the government institutions and policy

The industry representatives explained the weaknesses of the government institutions. According to them, the government institutions do not consider the environmental dynamics and have weak control over the local market dynamics. Their employees do not have specialization in their respective jobs. The government institutions do not help the industry prepare themselves for global trade, as the industry expects them to address the global trade problems, especially those related to the global value chains, holistically. According to them, the government does not set the right direction to earn competitiveness in the global markets. Instead, the government policies are directly bringing adverse effects to the cost of doing business and ease of doing business in Pakistan. The complex government procedures constrain the industry instead of facilitating it.





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Figure 14: Meaning of Alignment of Interests – the Narrative of the Principals
(Output of NVivo Cluster Analysis based on Code Similarity)

iii. Risk Sharing

Government policies

The government institutions affect the business through their policies, described by the industry representatives. The recent change in government policy related to the processing of international payments from Pakistan has raised the business's challenges. The government institutions act indifferent to such issues as they neither directly share any risk with the business nor depend on special business sectors for their sustainability. According to the industry representatives, the government plays an authoritative role by setting the rules and facilitating the business by developing the business's infrastructure. The government seems not to realize that the risk is at both sides of the equation. The business needs government support for awareness related to the changing realities resulting from government policies like China Pakistan Economic Corridor (CPEC). They expressed that they observe the increasing influence of Chinese business organizations in Pakistani local markets but have no policy guidelines for handling this change.

ACADEMIC SOLUTIONS

Government institutions

The industry representatives expressed that government institutions are not focused on their goals. They are not effective in meeting the challenges of controlling the prices of raw material in the local market, which is a challenge for the business. The industry representative believed that the government institutions are ranked next to the business associations in facilitating the business. The government institutions must realize that the global brands have strict criteria for vendor selection. The Pakistani industry needs the government's help to meet the buyers' requirements, said the industry representatives.

Government representatives

The government employees are concerned with the data and information gathering only as they have a strong orientation towards their institutional procedures; they are not worried about the business's risk, said the industry representatives. According to the industry representatives, the government employees are not focused on their goals as they do not change the realities in favour of business. The political instability in the country acts as a hurdle in the performance of the government employees. Besides, their service system is rigid and not prone to change; the government employees' goals are not linked with the industry targets, and their reward system is not linked with their performance. According to the industry representatives, the behaviour of the government representatives raises challenges for the industry.

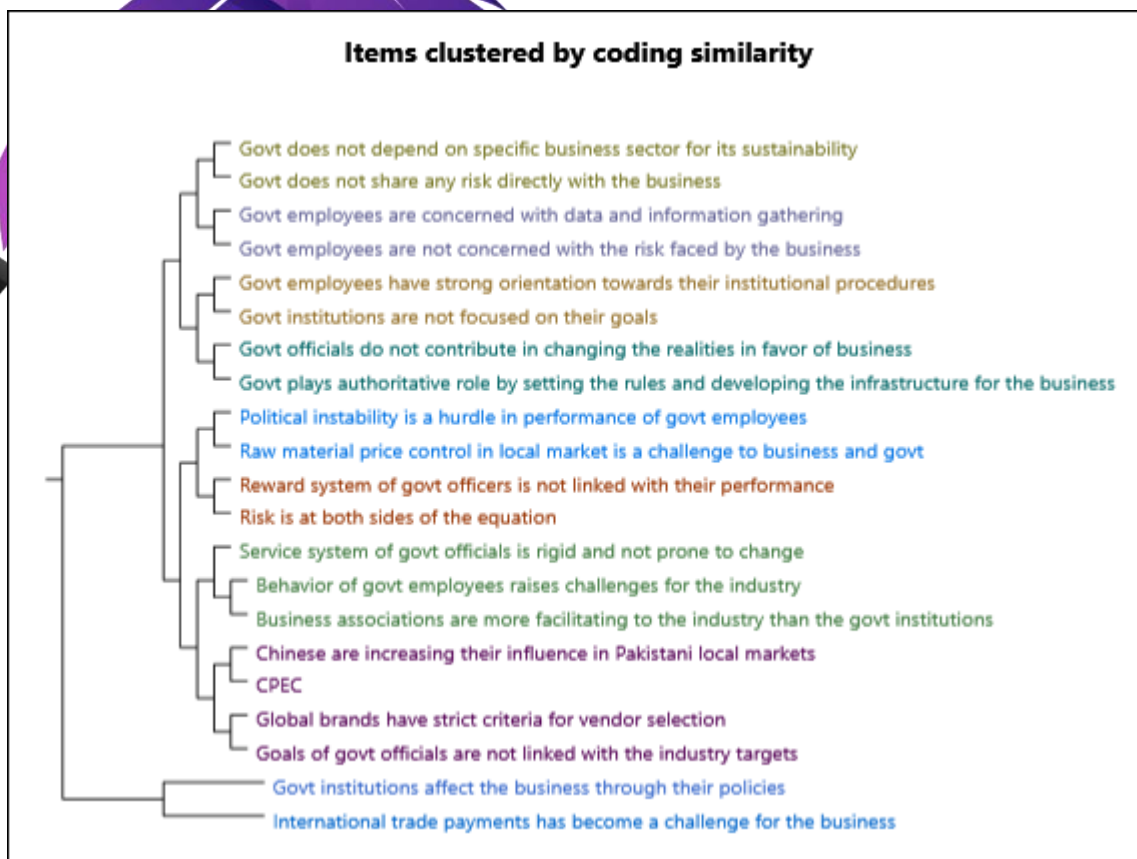


Figure 15: Risk-sharing between the government and the business – the narrative of the Industry Representatives
(Output of NVivo Cluster Analysis on basis of Code Similarity)

iv. *Meaning of Successfully Continuing the Existing Job*

Mean to fulfill existential needs

The industry representatives explained their job as the means to fulfill their existential needs. They explained that they get the right package in the private sector compared to the government sector, which offers lower compensation. They referred to their job as a package of socio-economic values.

Government versus private job

The industry representatives declared their jobs to be insecure compared to the secure government jobs for which the individuals are hired through CSS examination. They explained that in the private sector the job continuation is a direct outcome of business sustainability. The growth and reward system is dynamic and is linked to abnormal business growth. According to them, in the private sector, the job means continuous commitment and assumption of responsibilities. However, they feel that dealing with government institutions is a tough job.

Self-fulfilment

According to the industry representatives, their job is their strength as it is full of challenges and allows them to apply their knowledge, skills, and abilities to fulfill them. Their job is a medium of continuous self-fulfillment through achievements. They explained it as their passion and a political affair through which they can continuously increase power and authority.



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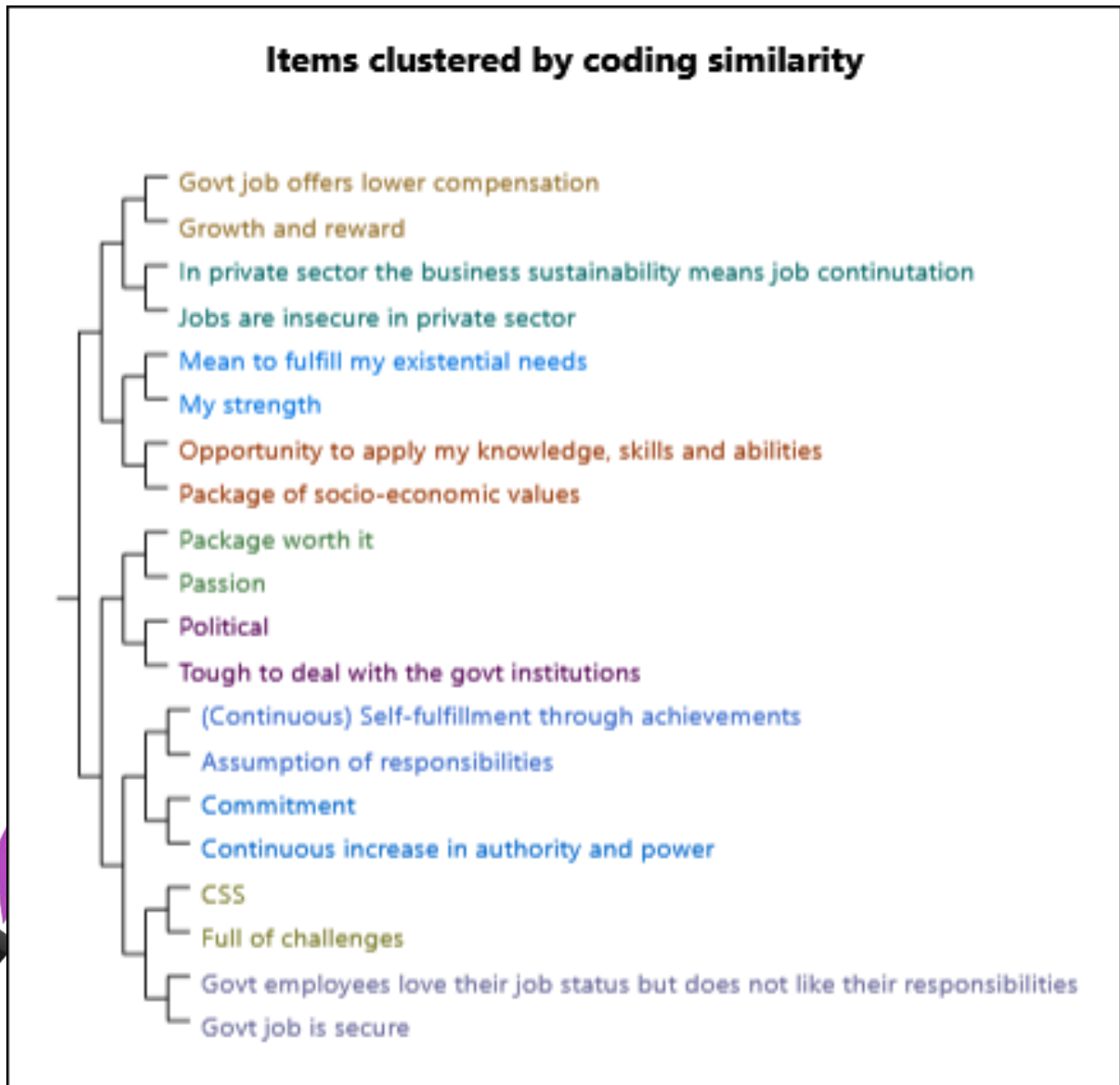


Figure 16: Meaning of continuing the existing job – the narrative of the Industry Representatives
 (Output of NVivo Cluster Analysis based on Code Similarity)

4.4.2 Research Question Two

How do institutional agents make decisions regarding the sustainability of GVC, and why?

4.4.2.1 *The perspective of the government employees (the institutional agents)*

i. Information Asymmetry

Information sharing within government organizations

The government employees expressed that information gathering is the government institutions' weakness because the government institutions have weak linkages with the industry, and their employees lack the practical experience. The information level is symmetrical across the teams working on a specific project. The information level varies with different levels of hierarchy or various departments, groups, and individuals.

Importance of information for government employees

The officers with more information have a competitive advantage over their colleagues with less information than government employees. Since the institutions and their members represent each other, institutional learning depends on the individual learning of its employees.

According to them, the informed officers take the leading position while the uninformed officers stick to the institutional rules. The institutions lose knowledge when their employees switch.

Information sharing across the hierarchy

The government institutions are based on complex systems that hinder the information flow. Their processing requires the movement of case files from bottom to top for the feedback or decisions and then from top to bottom of the hierarchy where each officer gives his feedback on them. That is how the information travels across the hierarchy in government institutions. However, the officers only share the information required to perform the necessary processes only. Complete information is not transmitted due to personal reasons as the institutional rules

abstain the officers to share the institutional information. Sharing classified institutional information can be a fatal mistake for an institutional agent as it may result in job loss. The institutional government agents believe that their performance delivery is high because their jobs are secure.

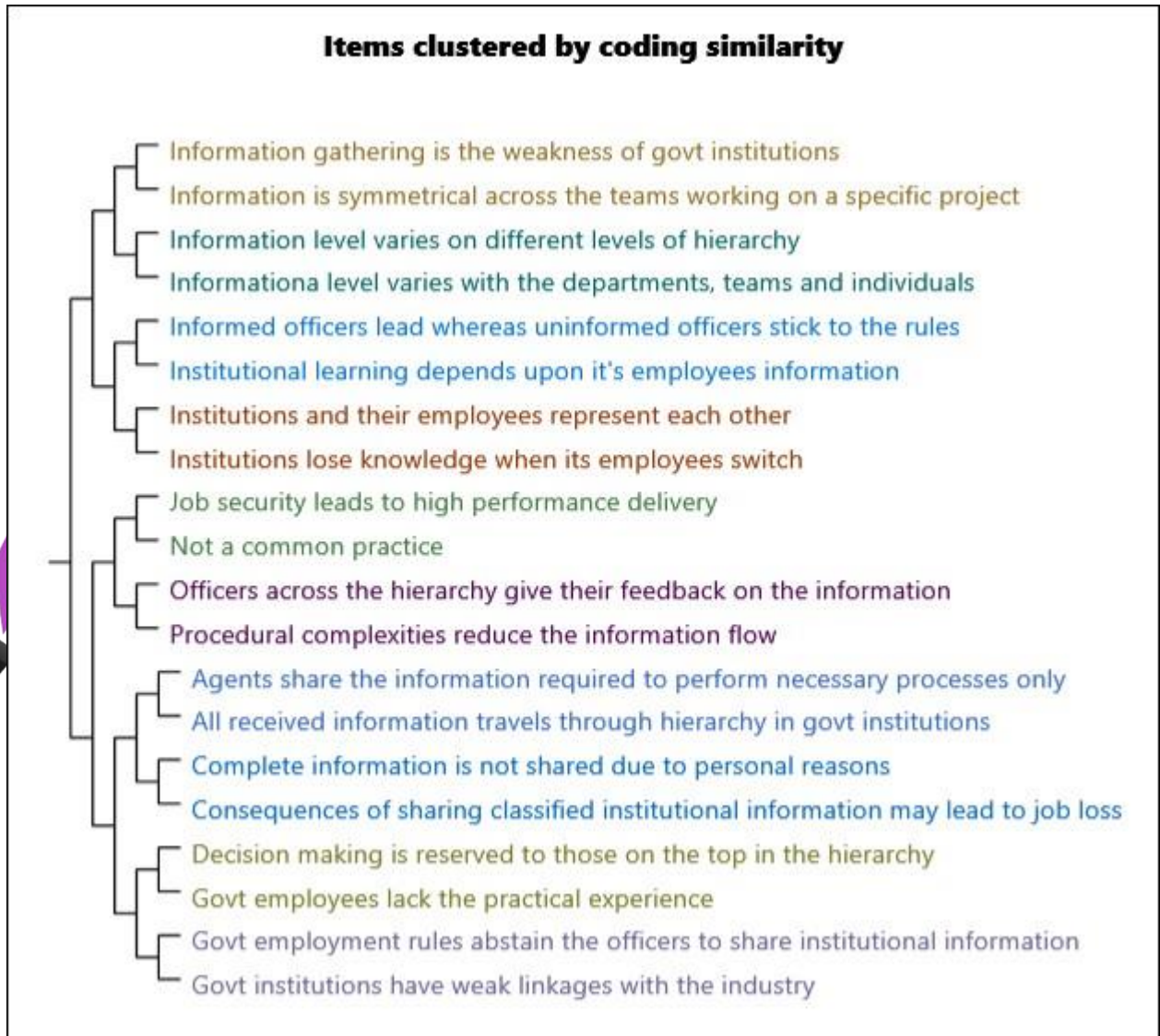


Figure 17: Information asymmetry – the narrative of the Government Employees (Output of NVivo Cluster Analysis based on Code Similarity)

ii. *Nature of contract*

Organizational culture

The institutional agents discussed their organizational culture as it comprises of a rigid system and fixed routines. They explained that their job is secure as they had earned it by securing themselves on the top in the CSS examination. They, thereby, described the nature of their contract with their organization as an emotional bonding between the two. They further explained it as their devotion and commitment to national development.

Compensation

They felt contented as their job offered them opportunities for continuous learning, but at the same time, they expressed their dissatisfaction with the compensation system. They thought that their job could never lead them to prosperity; therefore, it does not help the officials fulfill their financial goals of life. The institutional agents discussed that they perform only as they are not given any reward for their satisfaction.

Commitment by the government

The institutional agents discussed that they deliver as per their institutional mandate, which is the indirect responsibility for the public welfare. Their commitment and efforts are not rightly valued. The government itself lacks the commitment towards their welfare. They, at times, feel powerless, although they give their best in pursuing the organizational goals.



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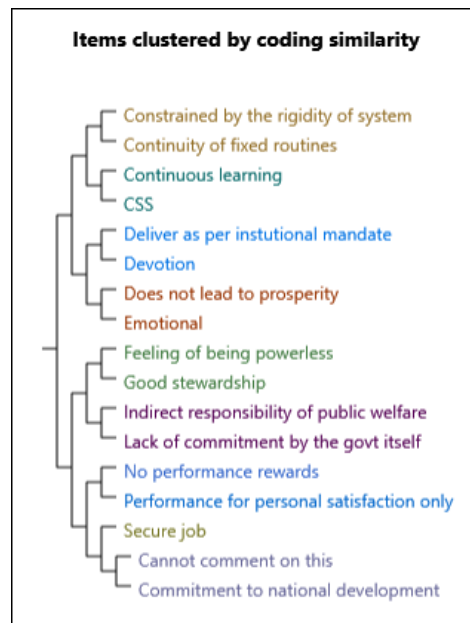


Figure 18: Meaning of nature of the contract – the narrative of the Government Employees (Output of NVivo Cluster Analysis based on Code Similarity)

iii. Types of moral hazards

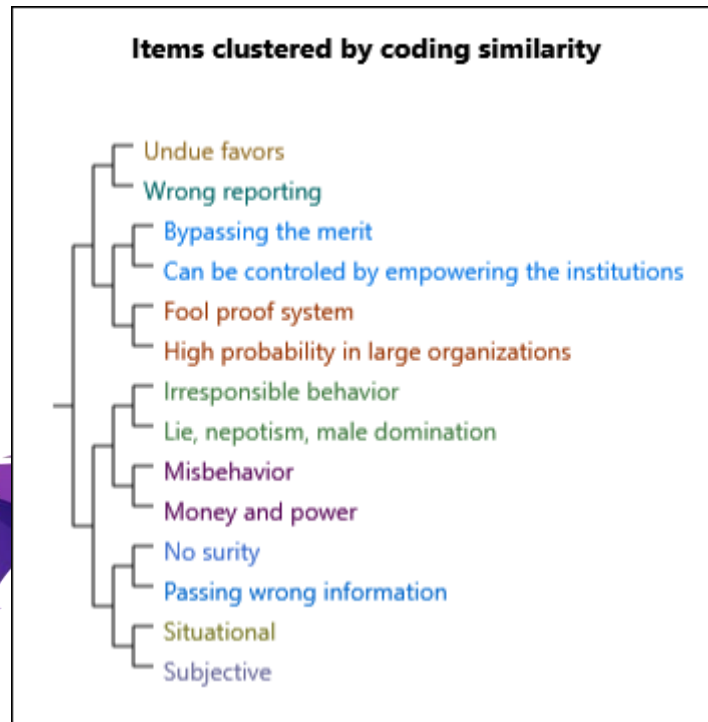
Probability of moral hazards in the existing system

The government employees declared their institution was operating through a foolproof system; however, they had no surety that their respective organization was completely free of moral hazards. According to them, the moral hazards are purely subjective and situational. Money and power are critical factors that affect the probability of moral hazards in an organization. They can be controlled by empowering the institutions.

Common moral hazards

The institutional representatives discussed the moral hazards which they think are common in their respective organizations. These include undue favours given to personal friends and relatives. This leads to bypassing the merit and nepotism. The government employees explained that lying, wrong reporting, or passing the wrong information is also a common moral hazard due to irresponsible behaviour or nepotism. Misbehaviour with the

public and peers is also very common in government organizations. Besides, the female participants also reported their male colleagues' dominating behavior as a common moral hazard in their organization.



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Figure 19: Types of moral hazards – the narrative of the Government Employees
(Output of NVivo Cluster Analysis based on Code Similarity)

iv. State of trust

Institutional culture

The fixed institutional rules rule out the trust in individuals, expressed by the government employees. In government institutions, the process is preferred over the individuals. They explained that their institutional system does not praise the individuals and their exceptional efforts; therefore, the motivation behind their performance is intrinsic based on the sanctity of the unsigned pact with the state and the public. This situation and the prevailing compensation system depict the reality as if the institutional members are not being fully trusted. Such mistrust affects their performance, as the government employees prefer to

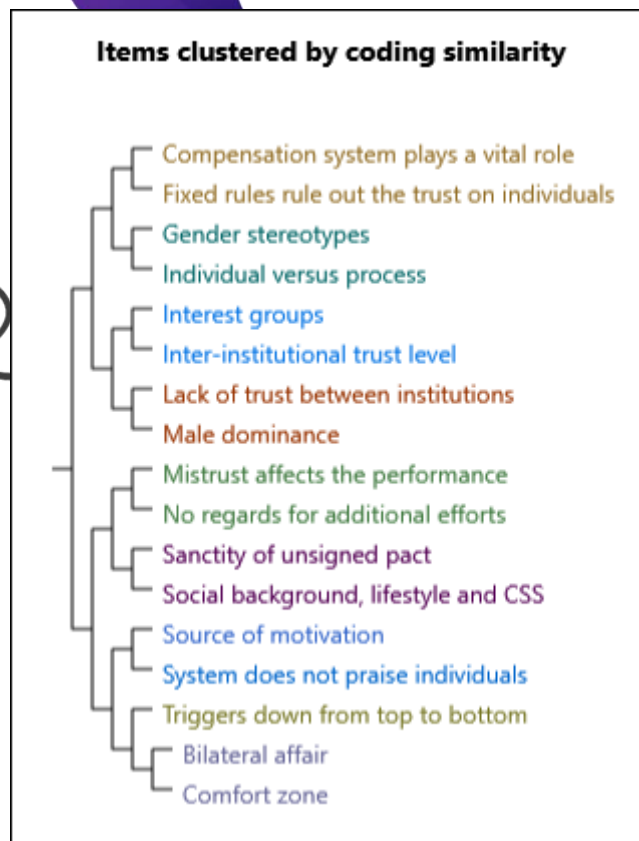
remain in their comfort zones. The effect of organization mistrust triggers down from top to bottom and affects the individual and institutional performance. The colleagues' trust within a hierarchical setup raises trivial challenges, primarily when the officers recruited through the CSS examination belong to different social backgrounds and practice different lifestyles.

Inter-institutional coordination

The government employees talked about the interest groups formed within the institutions as well as across the bureaucracy. These interest groups affect the inter-institutional relationship and trust level.

Gender differences

The female government employees highlighted the prevalence of gender stereotypes in their institutional culture. They also stressed that male dominance affects their performance.



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Figure 20: State of trust – the narrative of the Government Employees (Output of NVivo Cluster Analysis based on Code Similarity)

4.4.2.2 The perspective of the industry representatives (the principals)

i. Information Asymmetry

Information sharing by government organizations

According to the industry representatives, the government employees have sufficient knowledge related to their job domain. Their knowledge level matches that of the industry representatives in the field of their everyday concerns. The industry representatives expressed that information sharing is an essential attribute of organizational culture, especially in the private sector. The government institutions are weak in disseminating the information. The institutional agents are overloaded with information; they cannot share all information with their institution. The information asymmetry can be either way between the agents and the institutions. The information asymmetry, to some extent, is positive as it leads to job specialization.

Information sharing by government employees

The government institutions are weak in information dissemination because their employees manipulate based on the information they have. They think that they have sufficient knowledge of the business. In contrast, their knowledge is limited to their institutional rules and processes only, but they know how to take advantage of the information, especially when it is asymmetric. Although the government employees are bound to share information with the industry to keep their interests intact, the tactics they use for manipulation include not sharing complete information, presenting the information the way they like, and deliberately hiding information for personal benefits. As they are trained in information gathering, so they have more information than their institutions.

Institutional information processing and the industry

The industry representatives expressed their lack of knowledge about information management within the government institutions. They think that government employees shirk work and enjoy their authority only. The industry representatives said that personal networking plays a vital role in getting necessary information from the institutional agents. However, the incorporation of information systems in government organizations reduces the incidences of manipulation based on information significantly. Still, the fact is that the government employees know more than information systems. The government employees do not have sufficient business knowledge, especially product knowledge; instead, they only have information about cumulative trade figures.

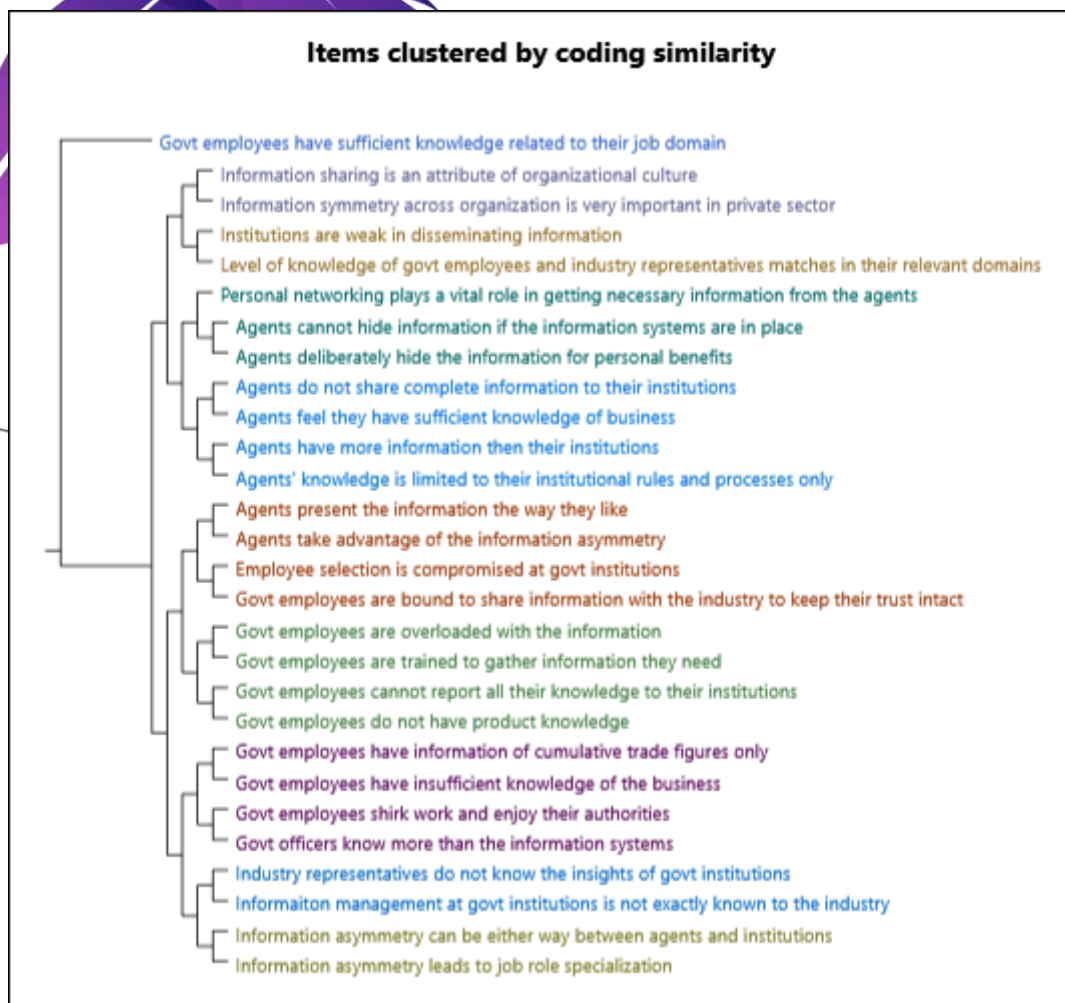


Figure 21: Information asymmetry – the narrative of the Industry Representatives (Output of NVivo Cluster Analysis based on Code Similarity)

ii. *Nature of contract*

The government and the business

The industry representatives discussed that the government is the custodian of the prosperity of the nation. In the democratic systems, like in Pakistan and many other countries, the government employees' fate is at the will of the elected politicians. The contract between the government institutions and the industry is a positive social contract, a complex interplay of idealism and reality.

The government institutional agents versus the business

The industry representatives believed that the nature of the contract between the government institutions and the business (as principal) is highly subjective. The government institutions are more powerful, and their employees have high bargaining powers compared to the business. The nature of the contract depends on the business size, as neither their compensation system is linked with their performance system nor do their skill sets match the changing market dynamics.

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The government institutions versus their employees

The industry representative expressed that government institutions are more powerful in comparison to their employees. The source of institutional power lies in its policies. The government employees use their authorities and the government resources for their gains. They explained the government employees in their contrasting roles as they commit to their institutional mandate. On the one hand, they are empowered, and influential persons interested in politics than their assigned job roles. On the other hand, they are facilitators, guides, and monitors of the business. This contrasting situation makes it trivial for the industry representatives to deal with government employees.

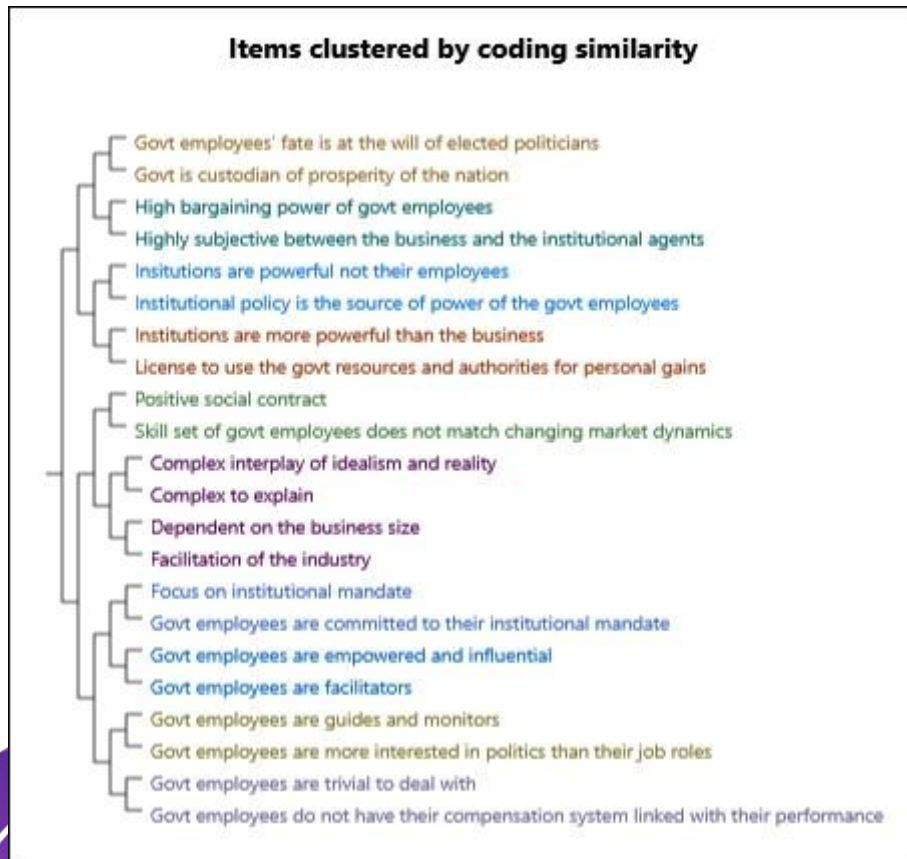


Figure 22: Meaning of nature of the contract – the narrative of the Industry Representatives (Output of NVivo Cluster Analysis based on Code Similarity)

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iii. Types of moral hazards

Nepotism

The industry representatives discussed that the moral hazards in government institutions emerge from the culture. The government organizations inherit the adhocism and short-term orientation from the local culture. Government officials practice favouritism and nepotism. They use the tactics of unusual delays in their processing and do not perform unless pressurized from the top; otherwise, they simply start interpreting the institutional rules subjectively. This situation causes conflicts. They discussed that nepotism also prevails in the industrial and trade associations.

Subjective interpretation of rules

The industry representatives believed that generally, the government officers are honest and supportive; therefore, the moral hazards are rare. As the government officers don't give any hint, so no one can guarantee such happenings.

Usually, the conflicts arise from the subjective interpretation of the rules by the government employees. The industry representatives discussed that these conflicts are raised deliberately for corruption or can be resolved by discussions. They considered it a weakness in the industry as they have not learned to interpret those rules by themselves. Such cases commonly occur in the matters of sales tax and utilities and the labor departments. However, the increased use of information system helps reduce the chances of moral hazards in government organizations.

Common moral hazards

According to the industry representatives, although the system is fool proof, the institutional systems' complexity opens the doors for moral hazards. Discussing the common moral hazards, they said that the institutional policies are very complex and contain grey areas. The government employees exhibit unprofessional behaviour, make inappropriate use of their authorities, and take advantage of their positions. They sometimes spend their office time in leisure activities and are highly concerned with personal networking. Receiving gifts from industry representatives is also a common practice.



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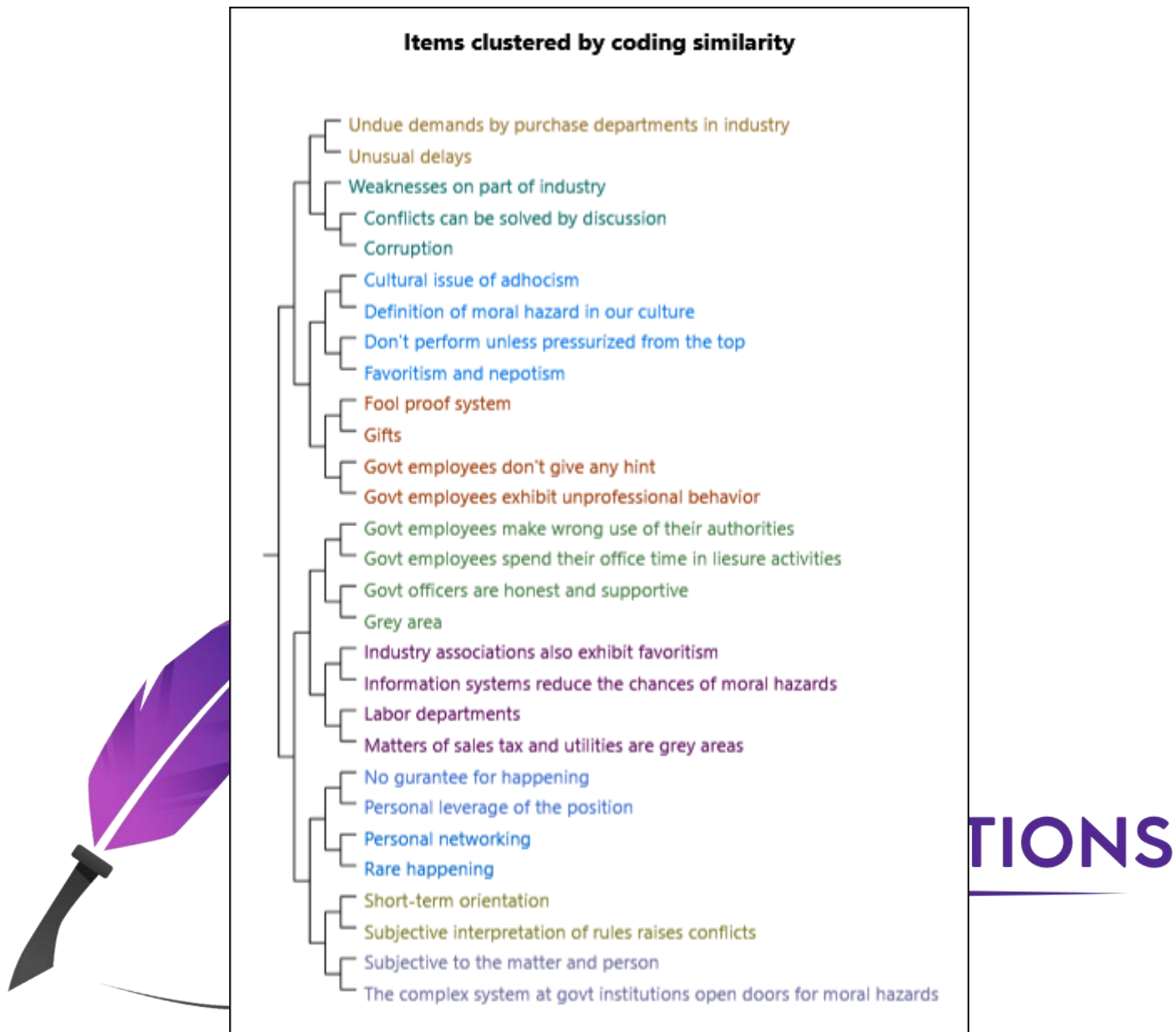


Figure 23: Types of moral hazards – the narrative of the Industry Representatives
(Output of NVivo Cluster Analysis based on Code Similarity)

iv. *State of trust*

Co-existence of the government institutions and the business organizations

The industry representatives believed that the government institutions and the business organizations co-exist in a system. It is a complex system that channels bilateral affairs. Although the government institutions operate through a foolproof system, no one can ignore

the global phenomena of malpractices in institutional affairs. The Pakistani business-related institutions are exempt from corruption as well.

The government institutions and the business organizations must have a high level of bilateral trust for achieving mutual goals, said the industry representatives. Both parties must take measures to strengthen their mutual trust for better results. In this regard, the incorporation of information systems helps raise the joint level of confidence. They also expressed that government employees must avoid exhibiting authoritative behaviour as it negatively affects trust. Increasing public awareness about government institutions' services can also help raise the level of mutual trust.

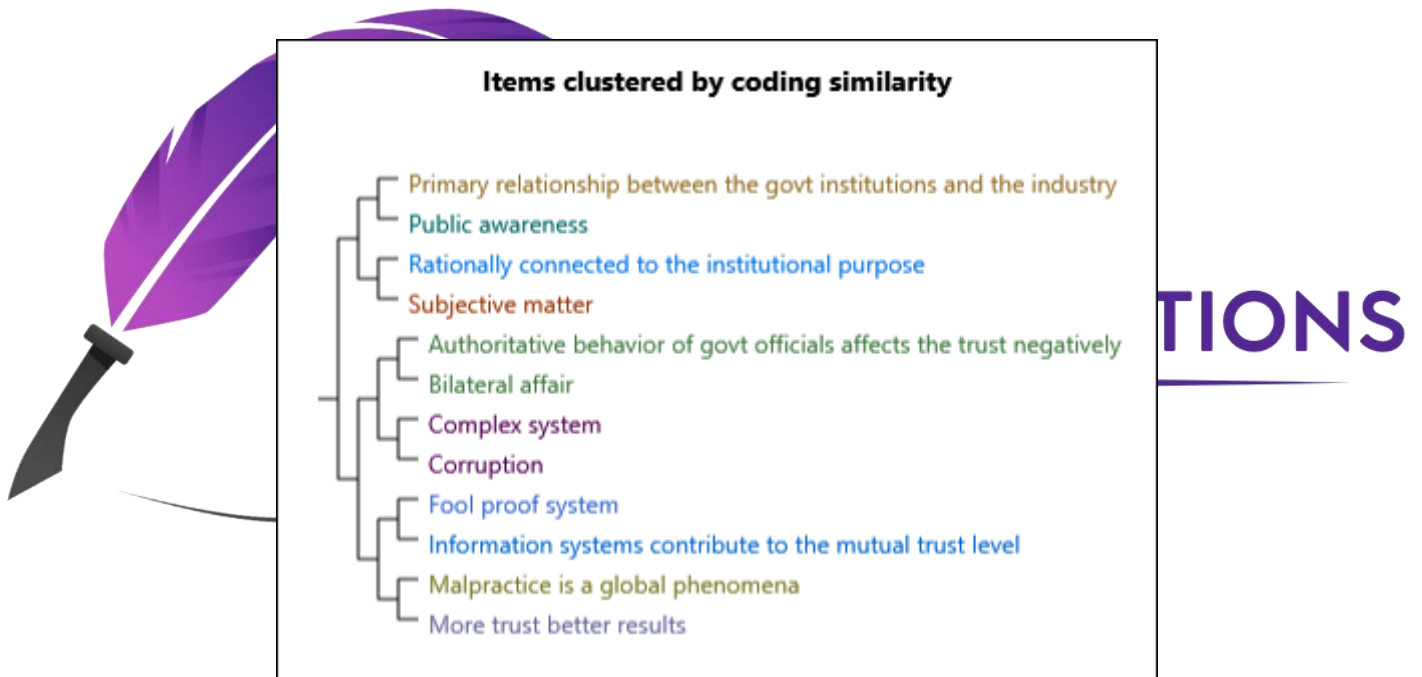


Figure 24: State of trust – the narrative of the Industry Representatives (Output of NVivo Cluster Analysis based on Code Similarity)

4.4.3 Combined Textual Description

The textual description focuses on the group description of the phenomenon of the global value chains' economic sustainability about the role of governance and institutions in Pakistan. As this study explores the phenomena in the framework outlined by the agency theory, assuming the industry as principal and the government institutions as an agent, therefore, incorporates the lived experience from both for comparison and deep insight. Parallel data analysis has been performed on the primary qualitative data gathered from both types of participants. The following sub-sections present the textual descriptions arising from the phenomenological reduction and the themes emerging from there.

4.4.3.1 The government employees (the institutional agents)

Regarding the efficiency of the institutional agents (the government employees), the government employees emphasized the complexities of the trade development process, the rigidity of the institutional standard operating procedures, and the business's feasibility constraints, especially the small and medium enterprises. The industry preferences are not incorporated in the institutional policy. The institutional agents try to assess their performance by estimating the amount of business generated from their activities. However, they believe that the business development goals specific to the industry do not fall in their domain, as they represent government, not the business institutions. The institutional agents describe themselves as the good stewards of the industry. The institutional agents believe that they can only serve the industry better if given more budget, power, and authority. More power is preferred over more business generated by the institutional agents. The institutional agents believe that they can be very effective and efficient for the business in their official capacity, but they are bound by their rigid institutional system. The business affects the efficiency and effectiveness of government institutions by bypassing institutional bylaws.

Regarding the alignment of interest, the institutional agents believe that their institutional roles are entirely aligned with the industry business objectives. Their networking with the business brings positive results. The institutional agents feel limited in their powers before the elite businesspersons and cannot obtain their required information from them. The institutional agents believe that their role is minimal however significant in business development. The institutional agents think that they are good stewards of the business. They believe in the clear demarcation between the government and the industry. Business decision making does not involve government institutions. The socio-cultural realities affect the efficiency and effectiveness of the institutional agents.

Regarding risk sharing, the institutional agents believe that the sustainability of the governance system depends on the sustainability of the business. The institutional agents had contradictory views of risk-sharing between the government institutions and the industry; however, they had consensus over the risk-sharing at the national interest level. The government employees are not concerned with any profit or loss made by the industry.



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Regarding the meaning of successfully continuing the existing job, the institutional agents assume their job is the source of power and authority. They stated it an opportunity to explore themselves and a mechanism of self-realization. Their job is a source of learning for them. Their job provides them with a sense of security. They feel not being authorized and empowered. An opportunity to explore the world through foreign tours. An essence to patriotism. The information level matches among the individuals working on the same project, but it varies with different levels of hierarchy or different departments, teams, and individuals. The government officers with more information have a competitive advantage over others. The government institutional processes allow sharing the operational details only. The nature of the contract between the government institutions and their employees is emotional, as explained by the government officials. The government officials are entitled to the compensation; in

terms of salaries, perks and benefits; as per the government policy and allocated budgets. However, they are not satisfied with their wages. The common moral hazards include nepotism and bypassing the merit, lying, misreporting, and irresponsible behaviour. Besides, the male officers exhibit dominating behaviour towards their female colleagues. The institutions do not treat all of its employees equally. Inter-institutional coordination is weak due to institutional politics. The female officials are stereotyped.

Regarding the information asymmetry, the institutional agents explained that the information level matches the individuals working on the same project. Still, it varies with different levels of hierarchy or various departments, teams, and individuals. The government officers with more information have a competitive advantage over others. The government institutional processes allow sharing the operational details only.

Regarding the nature of the contract between the government institutions and their employees, the institutional agents expressed emotion, as explained by the government officials. The government officials are entitled to the compensation; in terms of salaries, perks, and benefits; as per the government policy and allocated budgets. However, they are not satisfied with their wages.

Regarding the types of moral hazards, the institutional agents explained that the common moral hazards include nepotism and bypassing the merit, lying, misreporting, and irresponsible behaviour. Besides, the male officers exhibit dominating behaviour towards their female colleagues.

Regarding the state of trust, the institutional agents explained that the institutions do not treat all of their employees equally. Inter-institutional coordination is weak due to institutional politics. The female officials are stereotyped.

4.4.3.2 *The industry representatives (the principal)*

Regarding the efficiency of the institutional agents, the industry representatives explained that although the government does not trade by itself but affects it through policy, the individuals or groups of individuals contribute to the related policies. Coordination between government institutions and the industry is very important for the global value chains' economic sustainability. The government officials do not perform to their full potential. The government institutions are not much effective. The institutions have rigid policies, and their processing is slow, which is not favourable for the economic sustainability of global value chains. The institutional agents' behavioral dimension is ignored at the time of their recruitment and selection, which later creates hurdles. The industry expects the government institutions' active role in the economic sustainability of the global value chains. The government institutions are less concerned over the competitiveness of the industry. The government representatives at times do not behave well with the industry representatives, which creates a problem for the later.



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Regarding the alignment of interest, the institutional agents expressed that the government institutions take the lead in claiming any industrial success in their name. The coordination and alignment between the government institutions and the industry are of a low level that is not a good indicator for global value chains' economic sustainability. The factors required for manufacturing like persistent energy supplies, exporter friendly taxation system, local market conditions, and institutional interruptions show the values that are not favourable for the economic sustainability of the global value chains in Pakistan. The Pakistani industry faces the shortage of trained factory workers who can produce at higher productivity and quality levels. The available workforce is somehow keeping up in the global competition, but it requires up-gradation to be competitive. The government institutions lack coordination among themselves, besides the national policies, are not trade focused. Global competition

demands top-quality products, the lowest prices, and rapid production. The government institutions are weak in incorporating the market dynamics in their policies and operations.

Regarding risk sharing between the government and the industry, the industry experts said that government policies at times adversely affect the local business. The industry associations are more effective in facilitating the industry than compared to the government institutions. The government employees' behavior raises challenges for the industry, as they are not concerned with the business realities.

Regarding the meaning of successfully continuing the existing job, the industry representatives explained their jobs as a package of socio-economic values. Private appointments are less secure in comparison to government jobs. Their job is a source of self-fulfillment through achievements and a political affair for the common good.

Regarding the information asymmetry, the industry experts described that the knowledge level of the government officials and the industry experts matches in the areas of their common concern. However, the technical or the procedural information at times vary at either side. Government employees hoard knowledge to their advantage.

Regarding the nature of the contract between the government institutions and the industry, the industry experts explained that the government employees' fate is at the will of the elected politicians. The government institutions are more powerful, and their employees have high bargaining powers compared to the business. Neither their compensation system is linked with their performance system, nor do their skill sets match with the changing market dynamics.

Regarding the types of moral hazards taking place at government institutions, the industry experts explained that the government officials practice favouritism and nepotism.

They use the tactics of unusual delays in their processing and do not perform unless pressurized from the top; otherwise, they simply start interpreting the institutional rules subjectively. Usually, the conflicts arise from the subjective interpretation of the regulations by the government employees.

Regarding the state of trust between the government institutions and the industry, the industry representatives expressed that the government employees exhibit unprofessional behaviour, make wrong use of their authorities, and take advantage of their positions. They sometimes spend their office time in leisure activities and are highly concerned with personal networking. Receiving gifts from industry representatives is also a common practice.

4.5 Imaginative variation

The third important step in incorporating the transcendental phenomenology approach is to examine all possible meanings and explanations of the participants' experiences while keeping in view the research question, context, participants' demographics, the sequence of happenings, and causal relationships as the co-relationship among the themes. Technically, in this step, the textual descriptions are developed into structural descriptions. NVivo cluster analysis tree can be a beneficial tool for the research to imagine and describe all possible meanings of participants' experience (Moustakas, 1994).

4.5.1 Combined Structural Descriptions

4.5.1.1 *The government employees (the institutional agents)*

Regarding the institutional agents' efficiency, the government employees explained that the prevailing governance and institutional system has weak coordination between them as the institutional policies do not incorporate or reflect their expectations. The institutions have grown stronger than the business institutions over time. The government officers strongly own their position and feel responsible for their office procedures only. They have an authoritative

stance towards the local business; however, they feel less powerful in multinationals. They always talk positively about themselves and their institution instead of being impartial. The compensation and reward system of institutional agents is not linked with their performance parameters. Although they have partial control over local business dynamics, they prefer to cut their performance to the size of the minimal requirements to justify their existence. The communication and coordination gaps between the industry and the government institutions affect institutional agents' performance—the business bypass institutional policies through political interventions.

Regarding the alignment of interests, the government employees stated that they, being the institutional agents, believe that the business rivalry affects their institutional role, especially in business development. The business elites develop and manage good relationships with the government officials and the politicians; therefore, they are much influential in bypassing institutional pressures. They, at times, use the procedural complexities to increase their bargaining power over the business. The narrative highlights that they neither have a clear sense of direction nor consider the environmental realities. Their statements about themselves contradict each other. The government officials are selected through the challenging civil superior services (CSS) examination, which is self-fulfilling for the selected candidates. They focus on gaining more budget, power, and authority from the relevant ministries instead of improving the quality of their services. The socio-cultural realities accept power and wealth as the most influential factors.

Regarding the risk-sharing, the government employees said that the sustainability of the governance system is dependent on the sustainability of the business, as the government institutions earn their budgets from the revenue collected from the business in terms of levies and taxes. It may be due to the difference in the experience that the government officials had different views about the government and the industry's risk-sharing. They consider

government institutions and the distinct industry categories, who do not have any directory benefits attached.

Explaining the meaning of successfully continuing the existing job, The civil servants are highly influential due to their links with other civil servants, politicians, and elite businesspersons. It enhances their learning within the scope of their jobs. It provides them with opportunities to improve their academic qualifications by attending the top universities in the world funded by the government. Through the Central Superior Services (CSS) examination, the officers selected are considered the backbone of the governance system. Their actual power, authorities, and budgets are sometimes different from their expectations before joining the service.

Regarding the information asymmetry, the government employees explained that the information is a weakness of the government institutions and a big challenge for them as they have weak coordination with the industry and other government institutions. The informed officers take the leading position while the uninformed officers stick to the institutional rules.

The institutions lose information when their employees switch. Information is shared at two levels, informal and operational. The everyday information stays with the contact officer, whereas the operational information is shared across the hierarchy.

Regarding the nature of the contract, the government employees stated that the government institutions hire the individuals through the Central Superior Services (CSS) examination system. This examination is competitive as only a few of the thousands of applicants get through it successfully. The government officials believe that their work, efforts, and commitment are of greater scope and value, but they are not rightly valued and compensated. Regarding the moral hazards and their types, the government employees stated that moral hazards are purely subjective and situational.

Regarding the state of trust, the government employees expressed that the government institutions recruit the individuals either through the CSS examination or directly from the market. The individuals channelled through the CSS are generally referred to as the bureaucrats and those hired from the market on basis of their technical competencies are referred to as the technocrats. The bureaucrats dominate the institutional culture. The government employees form interest groups within their institutions and across the bureaucracy, which affects institutional coordination.

4.5.1.2 The industry representatives (the principals)

Regarding the efficiency of the institutional agents, the industry representatives expressed that the right policy under efficient government representatives' supervision can be very useful in trade promotion. The industry representatives have severe doubts about incorporating their feedback or input in the government policies related to them. They take advantage of the industry representatives' low awareness level and the complexity of their institutional processes to gain power against the industry. The benefits of their policies do not reach the industry's grassroots level and benefit only the large-scale business. The institutional policies do not support the small and medium scale industry. The government institutions can replace their rigid policies and procedures with dynamic and targeted policies and procedures to support the global value chains' economic sustainability. The government institutions implement policies and procedures, which do not contribute to the competitiveness of the industry. The government officials are power-centric and network with only those who are resourceful to them.

Regarding the alignment of interests, the industry representatives stated that the change in Pakistan's status from GSP to GSP+ is being claimed as a big success of Pakistani government institutions by themselves. The industry believes there are some other more influential factors behind this change. The government employees are less aware of the concern

of the industry over competitiveness. Their decisions are short-focused and do not support trade development in the long term. The government institutions lack coordination with each other and with the industry. Their policies do not converge at the common point resulting in chaos instead of synchronization. The dynamic nature of global markets keeps on raising challenges of competitiveness for the global value chain stakeholders. Therefore, all stakeholders, including governments and industries, have to continuously re-stratify themselves to sustain in the markets. The institutional policies do not converge at agreed goals due to a lack of the national vision. The Pakistani apparel manufacturers declared the local business environment unfavourable for the global value chains' economic sustainability in the conditions where product price and delivery time is not in their control at all. The government employees do not have specialization in their respective jobs.

Regarding the risk-sharing, the industry representatives stated that the current international payments policies and exclusive business rights to foreign investors (like Chinese businesspersons) are adversely affecting the local business. Business associations are more agile and facilitating than government institutions. The goals and reward system of the government employees are not linked with the industry targets.

Regarding the information asymmetry, the industry representatives expressed that the government institutions are weak in information dissemination. The industry representatives lack the knowledge of how information is managed within the government institutions. The incorporation of information systems in government institutions has reduced the incidences of manipulation based on information.

Regarding the nature of the contract between the government institutions, the industry representatives explained that the elected politicians use their powers to pressurize the government officials.

Regarding the moral hazards existing during the interaction of the institution and the industry, the industry representatives were of the idea that the conflicts are raised deliberately for corruption, or at times can be resolved by discussions.

4.6 Synthesis of Meanings or Results

This is the fourth and final step of the transcendental phenomenological analysis. In this step, the essence of participants' experiences is rendered by developing the underlying meaning of participants' experiences. The textual explanations (explaining *what*) and structural descriptions (explaining *how*) are combined for this purpose (Adu, 2015). The logical rule is defined to describe the core of the participants' experiences (Moerer-Urdahl & Creswell, 2008; Moustakas, 1994), to highlight the analysis process's findings. This section presents the findings of the study and uses them as a premise to build arguments. The matching arguments are classified into four groups based for clarity. These arguments are then critically discussed in the proceeding chapter as a mean to reach the conclusions and implications of this study.

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4.6.1 Governance and Institutional System in Pakistan

The TPA highlights that an essential aspect of the Central Superior Services (CSS) system (the standard recruitment system for government institutions) does not focus on primary specialized education and qualifications while recruiting and selecting the individual for a certain job. In most cases, the government employees do not have a prior relevant education and qualifications required to perform their specialized jobs when they join their services. Even after their selection, their training emphasizes general managerial, operational, or soft skills. The technical training, they receive is not just sufficient to make them specialists in their operational domain. They use their managerial skills, operational knowledge, or soft skills to bridge the technical gaps, which eventually reduces their overall effectiveness. This finding acts as the premises for the following argument:

The Central Superior Service (CSS) system recruits the generalist for specialized jobs.

The primary data analysis highlights that equality among the employees is one of government institutions' common challenges. The officers selected through the CSS have a privileged status as it empowers and protects them. Although the CSS officers also have a strong bond among themselves, they consider and treat each other as part of a sacred community. Therefore, all CSS officers protect each other's rights at large and consider themselves superior to their non-CSS colleagues. Besides, they also have rivalry among themselves, especially when it comes to the unique services groups. Each service group tries to alleviate itself to gain more power, influence, and budgets. Besides the inter-group power struggle, the gender-divide is another cause of inequality among government officials. The national culture of male domination reflects within the government institutions as well. The male officers usually dominantly treat their female colleagues. These premise lead towards the

argument that

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The society in Pakistan promotes materialism, and the institutional culture is not immune to it.

The government employees, besides being very powerful and influential, have to work with the political leadership in the end. The political leaders are concerned with their agendas, for which they team up with the government employees. Such teams are not effective in the public interest instead of their members only. Therefore, it can be argued that:

The national political system negatively affects the institutional system.

The government and the industry need to increase their cooperation and coordination to take the rational decisions that are the actual need of an hour. There are serious governance

issues in Pakistan that have consequences on the business, especially the global value chains. The politicizing of the Bhutto regime's bureaucracy has resulted in the empowerment of the bureaucracy to the extent where it is influential enough to bargain with the elected political governments. These reforms have not been reversed to date. Besides, the intra-bureaucracy power struggle also brings negative consequences for the global business's economic sustainability in Pakistan. Based on these findings, it can be argued that:

The political biases in the bureaucratic system cast negative effects on the trade.

After assuming charge of their respective ministries, the elected politicians exercise their authority to manipulate the bureaucratic system according to their choice. Such authority of the political leaders gives them a stronger position to bargain with the government employees. It weakens the latter's moral grounds, as it is evident from the comparison of the narratives of the government employees and the industry representatives. Although they have their authority and control over the industry through policy and operational tactics, the government institutions show their least concern in the business affairs as they are more concerned with their agenda common with the politicians. Based on such findings, it can be argued that:

The affiliations of the government employees with the national political parties result in setting aside the institutional system.

Therefore, the government officials are highly inclined towards establishing their control, increasing their influence, and gaining more power. Since the power, not excellence, is the government officials' motive, therefore, they give preferred services to those from whom they can get a political benefit. The government institutions are not focused on their service excellence, a significant drift from their primary objective of public facilitation. The government officials' network with the politically influential businesspersons and facilitate

them on priority. They do not treat the less-influential businesspersons on priority; instead, they usually are subjected to complex institutional procedures.

The influential businesspersons develop a relationship with the government employees and take advantage of bypassing rules and regulations.

The government institutions' information management system is limited to incorporating all information received by an employee. The operational information becomes part of institutional knowledge, while a lot of information remains with the individual employees only, who take advantage of it when needed. It is quite natural that the individuals become experts in their work domain. In the case of economic sustainability of global value chains, the institutions and the industry have to harmonize with each other. In this regard, information is the key element that triggers each stakeholder to make necessary adjustments at its end. The participants of this research are not operating in harmony with each other, therefore contributing to raising challenges to the economic sustainability of the global value chains.

Based on such premises, it can be argued that:

The information management systems in government institutions are not very effective and efficient. The government employees take personal advantage of this institutional weakness.

Although the government institutions have defined parameters for monitoring and evaluating their employees, they are primitive and less effective per modern service requirements. An employee is considered effective only if he is proceeding according to the books. It implies that the prevailing systems demand process-compliance and compromises over the outcomes. The government institutions also have the system of ethical check of their officials through their 'Annual Character Reports'. The government officials, interviewed

during this study, perceive themselves highly positive and fair which restrain them to critically analyze and improve themselves.

There is no mechanism in place to ensure that the government officials perform at their full potential. Almost all the officials interviewed during this study were found not motivated enough to perform extraordinarily. If the industry demands higher-level efficiency, the complex institutional procedures divert their attention. If any government official feels motivated to serve on the next level, the rigid institutional systems do not appreciate it as it focuses on the process, not outcomes. On the other hand, the strict institutional system, especially the payroll system, does not allow the government employees to maintain their lifestyle as per their exclusive social status. Instead, this situation generates stress, as the government employees do not see their hard work adding value to their professional profile. Based on these premises, it can be argued that:



The monitoring and evaluation systems for Pakistani institutions are outdated and ineffective

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The prevailing institutional system in Pakistan seems to be old and rigid. It does not consider the employees' knowledge, skills, competencies, and performance in their rewards and promotions. Instead, it seems to recruit the talented young graduates and fit them into a tight frame, where they have to operate as per the rulebooks instead of using their decision-making abilities. The prevailing systems of government institutions seem unfit to synchronize with the market needs and the industry's service demand at one hand; it also provides the chances for moral hazards to take place on the other hand.

The institutional system in Pakistan seems to be outdated and requires significant revisions.

The existing institutional system in Pakistan is strong but inflexible. Its inflexibility makes it a loose-fit when it comes to complying with the dynamic market needs. This system, therefore, seems not to support the economic sustainability of the global value chains fully. Although the individuals entering this system are highly qualified and efficient, but eventually, their capabilities shrink down to fit the system needs only.

Pakistani institutional system weakly supports the economic sustainability of the GVCs

4.6.2 The Behaviour of the Government Employees

The governments, generally, do not run the business by themselves. They provide a conducive environment through policy interventions, therefore, facilitate the business to flourish. The effectiveness of the government policies, in terms of design and implementation, is significant. It usually depends upon the government official leading the policy development or its performance to get the most out of it. As explained by the industry representatives, if the government officer holding the charge is efficient, the business starts flourishing; and vice versa; thus, establishing the premise for the argument that:

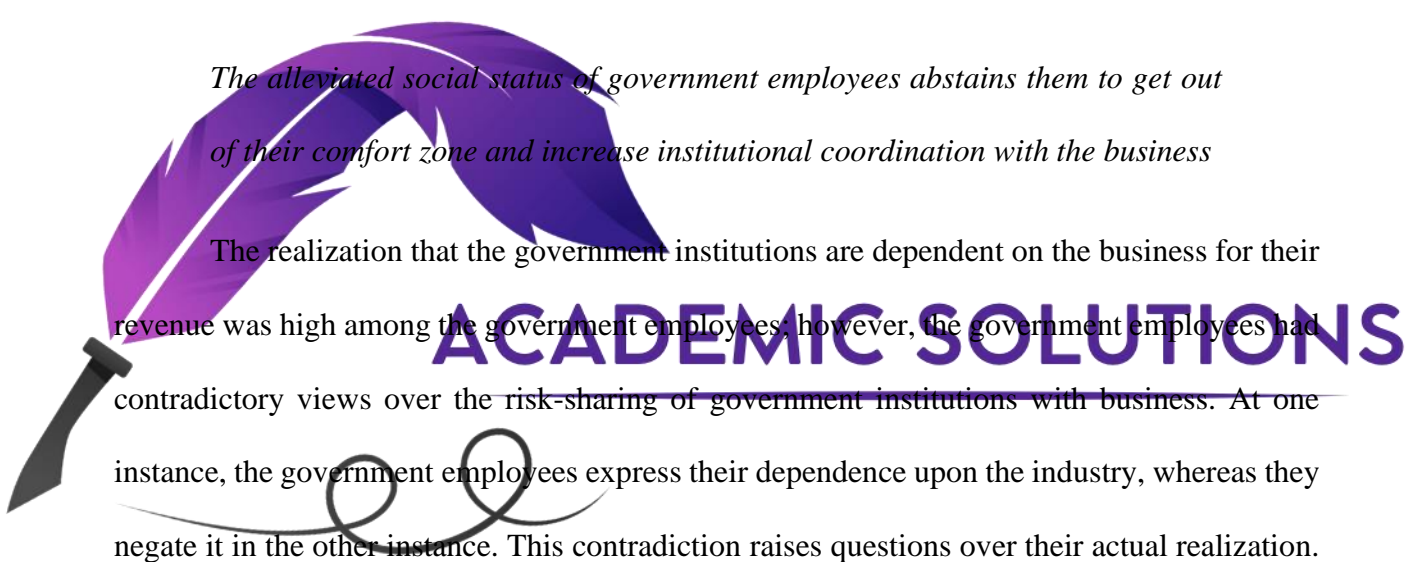
The individual character leading a policy initiative makes or breaks it. The system does not play an effective role in this regard.

The socio-cultural realities in Pakistan rank power and wealth higher than the ethical values of dignity, merit, and honesty, which affect the business and the government together. There is no second opinion that government institutions have a meaningful existence in the trade process. As they are inwardly focused and less connected with the outward realities like market dynamics, they usually do not take the initiative until and unless pressurized by the political government. Thus, it can be argued that:

The socio-economic realities rank power and wealth higher than the ethical values of dignity, merit, and honesty

The government officials are vested with special status in society. They are trained to operate safely without compromising on their individual or institutional integrity. At the same time, the business takes its decisions independently, within the boundaries of government rules and regulations, without any government's direct operational interference. Government employees' networking with business elites eventually bypasses the merit, making the institutional existence void for them at one hand and a hurdle for those who cannot bypass it. It can be argued that:

The alleviated social status of government employees abstains them to get out of their comfort zone and increase institutional coordination with the business



The realization that the government institutions are dependent on the business for their revenue was high among the government employees; however, the government employees had contradictory views over the risk-sharing of government institutions with business. At one instance, the government employees express their dependence upon the industry, whereas they negate it in the other instance. This contradiction raises questions over their actual realization. It can be construed that either the government employees are confused about their status or manoeuver by telling whatever suits at the moment's nick. Thus, it is argued that:

The government employees, in general, lack the realization of their relationship with the industry

The bureaucrats strive to increase their powers by assuming more authority, extending their network with influential individuals, and incrementing the budget at their discretion. The

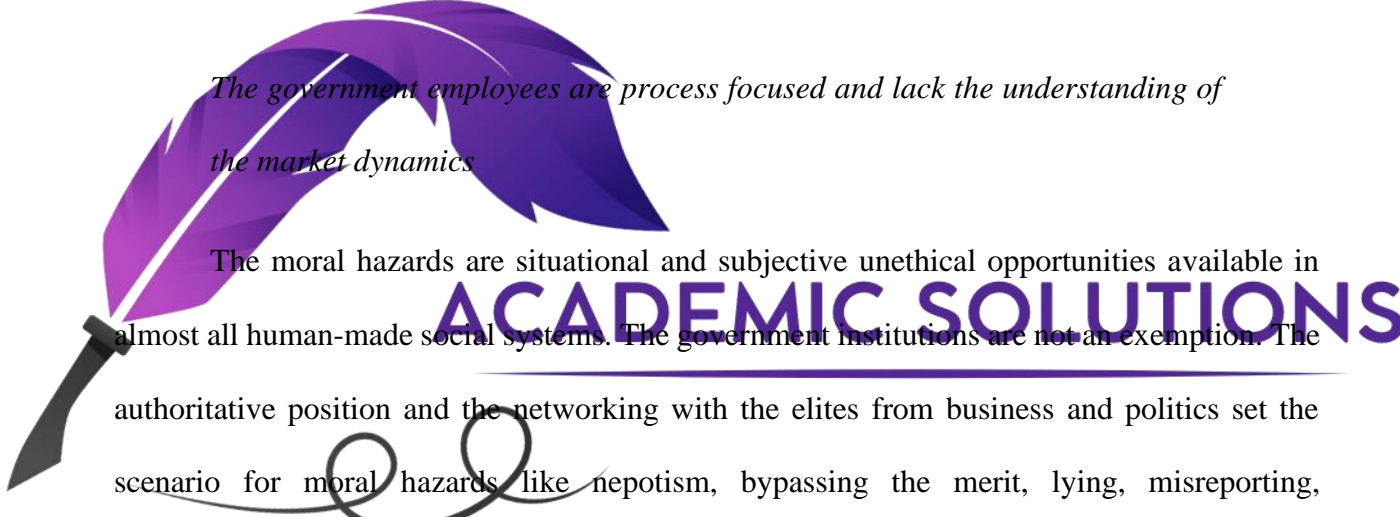
government officials seek higher remunerations regardless of their actual contributions to the global value chains' economic sustainability. Thus, it is argued that:

The bureaucrats strive to increase their power, authority, and budget instead of focusing on services expected by the industry.

There is no mechanism of measuring the impact of a government employee in his institutional performance

The government employees have a primary focus on their institutional rules and policies, and a secondary focus on the local business politics, especially among the elites. This is how they lose their focus on market dynamics. Hence, it is argued that:

The government employees are process focused and lack the understanding of the market dynamics



The moral hazards are situational and subjective unethical opportunities available in almost all human-made social systems. The government institutions are not an exemption. The authoritative position and the networking with the elites from business and politics set the scenario for moral hazards like nepotism, bypassing the merit, lying, misreporting, misinterpretation of rules, delaying tactics, irresponsible behaviour, and gender discrimination to take place. Based on such a premise, it is argued that:

The national institutions are not immune to moral hazards

Government employees value their job highly meaningful for them. Their job is the source of power and authority for them. The political, industrial, and foreign exposure and the perks like the support for improving the formal higher education from the top-ranked universities in the world are of great value for the government employees. The job achieved through the Central Superior System (CSS) is secure and provides avenues for networking with

the business and political elites. Such a network eventually results in moral hazards in the institutional systems. These premises lead to the argument that:

The government employees highly value the government job as it gives them authority, power, security, and an alleviated status in the society

The government officials believe that their institutions are perfectly aligned with the business's needs, and the problems faced by the business are due to their rivalry among themselves. It is businesspersons who need to learn how to coordinate while competing. Thus, according to them, the problem lies outside the institutions, therefore, the institutions are all right and do not need reforms. The acts of maneuvering the institutional policies and rules by the elite businesspersons reinforce their belief of business rivalry at the basis of business problems. These premises lead to the argument that:

The government officials are not willing to change their institutional culture.

4.6.3 Coordination between the Institutions and the Industry

The government and the business are hypothetically parts of the same system, with the former operating at the macro or the strategic end and the latter operating at the micro or the operational level. This understanding generally prevails among both the government institutions and the industry; however, the realization level varies among the individuals on both sides. Both types of participants generally agree that the synchronization and coordination between both are highly important for the system to sustain and grow. Thus, it is argued that:


The government and the business work together like hand in gloves. None of them can flourish without others.

The industry associations are constituted to address the common challenges, conserve the industry rights, and bargain with the government over policy issues. Such associations are

focused on facilitating their respective industry and are controlled by the industry themselves. They do not have any complex, rigid and detailed code of conduct. They are flexible, industry-based, and service-focused. This premise builds the argument that:

The industry associations have a keen focus on market dynamics and are active in facilitating their members

The government institutions are focused rather inward than outward. The markets are becoming more dynamic than before, and the business structures and strategies are rapidly changing to sustain themselves in the markets. The government institutions, especially in Pakistan, do not consider the market dynamics while updating their policies. Such a look away from the realities of the government institutions' market dynamics has resulted in the increasing gap of competitiveness between the industry and the market needs. The industry and the market demand for a service-oriented culture in the government institutions so that their concerns could be addressed without any delay. Besides, they demand courteous, service-oriented staff instead of tough individuals who only go by their books' complex rules. Thus, it is argued that:



The mismatch between the institutional services and dynamic market needs is resulting in a competitive gap.

Inter-organizational coordination and information sharing are weak among government institutions. On the other hand, the coordination of government institutions with industry is also not very effective. This leads to the conclusion that the government employees are good in internal coordination and weak in external coordination. This leads to the argument that:

The government institutions have weak coordination systems

The primary data analysis shows that gathering the industry feedback and incorporating it into the policy revision is not efficient and effective. Such lack of coordination results in

ineffective policies, resulting in desynchronization between the policy and the industry. This premise leads to the argument that:

The lack of coordination between the government institutions and the industry results in ineffective policies

The government institutions in Pakistan have a long and stable life as compared to the business organizations, which has resulted in their strong existence. The rigid system and the inheritance of oriental regime of authoritarian control have resulted in the higher bargaining power of the government institutions compared to the business organizations. It is evident from the experience of the participants from both sides (government and business) that the government usually supersedes the bargain with the business. The role of the government institutions is more like the administrators and the controllers rather than the facilitators. The strengthening of government institutions in comparison to business institutions has resulted in a reversal of the agent-principal relationship. Thus, it is argued that:



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The bargaining power of the government institutions is higher than business organizations

4.6.4 Policy Making and Implementation

The industry and the government representatives, in their interviews, referred to the incidents of business success due to policymaking and implementation. However, all such incidents mention the characters, usually top-level bureaucrats, who took the common good initiative. This situation raises several questions to the institutional system as it appraises an individual's character instead of the system itself. It construes, in the light of the experience of the participants of this research, that a few government employees take the role of facilitator. At the same time, a majority of them use their authority and roles for their political gains. They

seem to know their significance in the whole system, so they try to take advantage. This premise leads to the argument that:

The progress in policymaking and its implementation is dependent upon the individual character than the institutional system

Therefore, the industry faces competitive pressure from the market, demanding dynamic services to help it sustain itself in the changing market scenario and enable it to take advantage of the emerging opportunities through business evaluations in the global markets. On the other hand, the government institutions do not value the market pressures; instead, they proceed as per their rules. These premises lead to the argument that:

There is a mismatch between the demand for and supply of the services provided by the government institutions to the industry.

The government institutions believe that competitiveness is the sole responsibility of the industry itself. On the other hand, the industry looks up to the government for a long-term strategy, policy, action plan, and support to achieve competitiveness. Such desynchronization between both is bringing undesired consequences. As the coordination between the government and the industry is weak, the competitiveness level is naturally low. This premise leads to the argument that:

The national competitiveness is at stake due to the asynchronous realization of market realities between the government and the industry

The national policies for business do not complement each other, which result in low 'ease of doing business' in Pakistan. The inter-institutional cooperation also adds to the increasing desynchronization resulting in low 'ease of doing business'. Pakistani industry

seems neglected by the government institutions, which is not a favourable indicator for the economic sustainability of the global value chains.

The government policies are not effective in uplifting business

The government institutions are eager to promote their reputation as very effective for the industry. They take sole ownership for any strategic breakthrough of the industry in the global market and politicize it for their institutional or individual advantage. Contrarily, they do not like themselves to relate to any incidence of failure of business or policy. Thus, it is argued that:

The government institutions are eager to take the credit of the business success and are not ready to be associated with the incidence of failure

Sometimes, the government institutions' response to the strategic challenges to the business brings adverse effects as well. For example, the policy change related to international payments has affected the small business that sourced their supplies in limited quantities from other countries for re-export purposes. Such policy spillovers by themselves are challenges for the government. But rest assured, such challenges are important to be addressed, especially when they are linked with the national reputation. Thus, it is argued that:

The policy spillover brings adverse effects on the business. The government policies, seemingly addressing some other issues, affect the business negatively

The next chapters present the discussion over the results.

Chapter 5: Discussion

This study explores the phenomenon of economic sustainability of global value chains in the context of governance and institutions in Pakistan. The previous chapter presents the qualitative data analysis. The last section of the previous chapter presented the analysis results under the heading ‘synthesis of meaning’. The results have been presented in the form of premises and subsequent arguments in four broad groups. This section evaluates the resultant arguments by discussing them in the light of the published literature, therefore, establishes the grounds for drawing conclusions and implications (presented in chapter 6) from them. The premises of the arguments are not included in the chapter to avoid repetition. The arrangement of the arguments is like that in the previous section for consistency and clarity.

5.1 The Governance and Institutional System in Pakistan

5.1.1 Argument 1:

The Central Superior Services (CSS) system recruits the generalist for specialized jobs.

The CSS system is a recruitment and selection system for hiring bureaucrats to run the Pakistan's government institutional system. According to Evans and Rauch (1999), the thought of bureaucracy emerges from Max Weber's thought, which argues that bureaucracy is primarily the institutional foundation for capitalist growth. Weber's thought also coincides with the agency theory view of the phenomena taken by this study that the government institutions are eventually the agents of the principals or the taxpayers. Weber (1968) states that the ideal type of bureaucracy must be highly specialized in their respective domain, which is in contrary to the contemporary system of bureaucracy in Pakistan (Kennedy, 1982, Pardesi, Mangi, & Pardesi, 2018). Weber's thought of deploying the specialists is quite logical if the objective is to achieve efficiency, predictability, and equity (Bruce & Yearly, 2006, Gerlach et al., 2020).

The findings of this study narrate that the institutional system in Pakistan does not fulfil these objectives; therefore, it concludes that this argument holds strong.

5.1.2 Argument 2:

The society in Pakistan promotes materialism, and the institutional culture is not immune to it.

Pakistan holds a capitalistic economic system, which has a strong influence on its society, and the primary goal of the government policies is to save capitalism (Sirageldin, Jones, & Qureshi, 2001). The arguments of Rauf and Prasad (2020), Zia, Ifthikar, and Raza (2017), Davenport (2011), Sklair (2002a, 2002b), and Stenzel (2012) also support the finding of this study that materialism strongly prevails in the capitalist societies. This finding, supported by the references from the published literature, holds strong.

5.1.3 Argument 3:

The national political system negatively affects the institutional system.

The political environment in Pakistan is unstable since its independence in 1947. The repetitive toppling of dictatorship and democracy, and the different regimes of democracy, has laden the country in multiple ways, especially the institutional system (Khan, 2016). The wishful institutional reforms designed and implemented by different governments have resulted in the institutional system's degradation. This finding endorses the argument of Husain (2018) and Jadoon (2013) that the bureaucratic reforms of 1973 brought by the Prime Minister Zulfiqar Ali Bhutto shifted the Pakistani bureaucracy away from their original model (that resembled the Weberian model) which eventually became a major reason of the degradation of the institutions and eventually the state. These reforms politicized the bureaucracy, drifting them away from their original course of public administration and facilitation. Further, the studies of Carney, Estrin, Liang, and Shapiro (2019), Alam, Uddin, and Yazdifar (2019) and

Lubell, Mewhirter, Berardo, and Scholz (2017) also confer this argument, therefore, it holds strong.

5.1.4 Argument 4:

The political biases in the bureaucratic system cast adverse effects on the trade.

The politicized institutional system results in compromise on ethical behaviours, decisions, and actions of the government employees, which eventually affect the concerned domain, for example, trade, health, education, etc. (Hellman, Jones, Kaufmann, & Schankerman, 2000; Rodrik, 2007; Shafqat, 1999; Stenzel, 2012), especially the global value chains (Gereffi & Frederick, 2010; Qazi, Jahanzaib, Ahmad, & Hussain, 2017; UNCTAD, 2013). The recent study of Crinis (2017) also discusses such issues in the apparel global value chains in Malaysia. The recent studies of Cornell, Knutsen, and Teorell (2020), and Zarychta, Grillos, and Andersson (2020) also support this argument, which adds to the strength of this argument.



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5.1.5 Argument 5:

The affiliations of the government employees with the national political parties result in setting aside the institutional system.

As discussed earlier, the institutional reforms of 1973 have resulted in the national institutions' politicization (Husain, 2018). The majority of the top-level government employees now seek appreciation in serving the politicians than operating as per their institutional rulebook (Niaz, 2014). When the politicians and the bureaucrats join hands, they always aim high, whether it is ethical or otherwise (Hussain & Riaz, 2012); usually, they bypass the governance system to make maximum in a shorter time (Hellman et al., 2000; Hussain & Riaz, 2012). Besides political instability, violence has also hampered the governance and institutional

system in Pakistan (Khan, 2016). The recent studies of Udeh (2017) and Fionna and Tomsa (2017) also adds to the strength of this finding.

5.1.6 Argument 6:

The influential businesspersons develop a relationship with the government employees and take advantage of bypassing rules and regulations.

The capitalistic societies face the dilemma of materialism (Sirageldin et al., 2001) and reflect Marxian polar society's dilemma. In such communities, the institutions are established to protect the capitalists. The employees at such government institutions network with the capitalists and the politicians to gain power and authority (Niaz, 2010). The intentions of the influential businesspersons are normally to get preferred services to meet their business objectives. In such cases, government employees' role is to guide and facilitate them to bypass the rules and regulations (Niaz, 2014). This argument is also supported by the recently published research studies of Silvestre, Viana, and de Sousa Monteiro (2020), Sakaeva (2020) and Zhang, Le, Xia, and Skitmore (2017); therefore, holds strong.

5.1.7 Argument 7:

The information management systems in government institutions are not very effective and efficient. The government employees take personal advantage of this institutional weakness.

Besides high-level specialization in the specific domain, recordkeeping is an essential characteristic of a bureaucrat (Bruce & Yearly, 2006; Weber, 1968). With the advent of technology, the mere process of record-keeping has evolved into information and knowledge management (Jelavic, 2011). Now, the information is the source of the competitive advantage (Porter & Millar, 1985). According to Svärd (2019), Sharma (1997), and Ceric (2013), information asymmetry is a common phenomenon between the principal and the agent, where

the agents usually hide the information for their advantages. Further, the recent studies of (Sarker, Hossin, Frimpong, and Xiaohua (2018); Sarker, Wu, Liu, and Ma (2018)) and Pinho, Franco, and Mendes (2018) also add to the strength of the findings of this study.

5.1.8 Argument 8:

The monitoring and evaluation systems for Pakistani institutions are outdated and ineffective

Monitoring and evaluation is an important management domain; however, it becomes more critical in the case of the principal agency relationship (Lund-Thomsen & Coe, 2013; Panda & Leepsa, 2017). Pakistani institutions went through major reforms in 1973, and no significant reforms took place since then (Husain, 2018). It implies that the monitoring and evaluation system in Pakistani institutional system, which strictly considers the process compliance only, has also not been updated since then (S. A. Khan, 2016). Although the government documents like *Strategic Trade Policy Framework 2009-12* (MinCom, 2009) exhibit the modern management jargons and terminology, it does not truly reflect the modernization in the institutional culture (Ebner & Beck, 2008). This argument, further supported by the recent studies of Anjum et al. (2020), and Khan, Chaudhry, Ahmad, Saif, and Mehmood (2020), holds firm.

5.1.9 Argument 9:

The institutional system in Pakistan seems to be outdated and requires significant revisions.

The institutional system in Pakistan is the extension and continuation of the British oriental institution system. It holds the same theoretical grounds, as it has not gone through many changes or reforms (Khan, 2016; Shafqat, 1999). On the other hand, the developed countries' institutional system has shifted to the New Public Management system, which

primarily focuses on dynamic public services, effectiveness, efficiency, and merit (Ferris & Graddy, 1998; Ripoll, 2019). Like Pakistan, the institutional system in developing countries needs modernization to cater to the contemporary needs for protecting capitalism in the modern competitive global market system (Qazi et al., 2017). Further, the recent studies of Shah, Elahi, Alam, Dawar, and Dogar (2020) and Jamshed (2018) also coincides with this argument; therefore, it holds strong.

5.1.10 Argument 10:

Pakistani institutional system weakly supports the economic sustainability of the GVCs

Pakistani institutional system is fragmented; therefore, it is unable to take a holistic look at the apparel sector (Frederick, Daly, & Center, 2019). It has a rigid culture and cannot support the apparel industry to flourish as per the potential for being associated with global value chains (Asghar & Kalim, 2019). Pakistani institutions are no more effective: their slow development pace has kept the country in traditional emerging markets (Bilgili, Kedra, & Bilgili, 2016; Hoskisson, Wright, Filatotchev, & Peng, 2013; Sinkovics, Choksy, Sinkovics, & Mudambi, 2019). Further, the recent studies of Lee (2019), Jurowetzki, Lema, and Lundvall (2018) and Fagerberg, Lundvall, and Srholec (2018) also support this argument and adds to its strength.

5.2 The Behaviour of the Government Employees

5.2.1 Argument 11:

The individual character leading a policy initiative makes or breaks it. The system does not play an influential role in this regard.

The argument that Pakistan's government institutions are less effective in the contemporary global market scenario has already been discussed and stood strong as supported by the published literature references. However, it leaves the gap for the questions over the incidents of policy and institutional success. The current argument helps in understanding such incidents. It emerged from the primary data analysis that the policy initiatives and successes are dependent upon the officer's individual character leading that initiative. This argument supports McConnell's (2010) argument and De Winter (1998) as they explain the role of individuals in policy success. McLaughlin (1987) argues that the role of individuals taking policy initiatives is far more effective than the institutional system's role. In their recent study conducted in Pakistan, Callen, Gulzar, Hasanain, Khan, and Rezaee (2015) also argue that the individual personality matters a lot when it comes to policy formulation and implementation. Based on such evidence from the published literature, the argument under discussion can be stated as strong.

5.2.2 Argument 12:

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The socio-economic realities rank power and wealth higher than the ethical values of dignity, merit, and honesty

The argument that “Pakistani society and institutions promote the materialism” discussed earlier has been found substantial in the presence of credible evidence from the literature. This argument extends the previous statement and specifically states high value for the power and wealth and low value for ethical value of dignity, merit, and honesty as consequences of materialism. Carrier (2012), based on his anthropological findings, states that the societies rank the power and wealth high. There is less evidence from the literature, especially those based on Pakistan's studies, to support this argument; therefore, it can be stated as weak.

5.2.3 Argument 13:

The alleviated social status of government employees abstains them to get out of their comfort zone and increase institutional coordination with the business

Ogunleye and Osekita (2016), based on their empirical study in Nigeria, arguing that the developing countries' government employee enjoys the alleviated social status. According to their capabilities, Arne Heyen, Hermwille, and Wehnert (2017) argue that government employees like to stay in their comfort zones and attempt to scale down the broad-ranged agendas, like new technologies. Besides, (Mujaddid, 2018) also argues that Pakistan's institutions position themselves beyond the public. Supported by the references from the published literature, this argument holds strong.

5.2.4 Argument 14:

The government employees, in general, lack the realization of their relationship with the industry

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Graulund (2016), based on his analysis of data from Bangladesh, declares the distrust of government institutions by the industry at the basis of his argument. The distrust between two parties emerges when one party does not realize its relationship with the other party. Therefore, it is construed this argument coincides with his findings. Keane and te Velde (2008), give the example of development in Central America because of the realization of the relation with the apparel industry on the part of the government. Supported by the arguments from the published literature, this argument holds strong.

5.2.5 Argument 16:

The bureaucrats strive to increase their power, authority, and budget instead of focusing on services expected by the industry.

This finding of the study acknowledges the typical agent behaviour as defined and described in the studies on the agency theory, for example, the studies conducted by (Panda and Leepsa (2017); Shapiro (2005); Worsham et al. (1997) besides others. This finding coincides with the agents' primary characteristics as defined in the agency theory; therefore, it holds strong.

5.2.6 Argument 17:

There is no mechanism of measuring the impact of a government employee in his institutional performance

Performance management in public institutions has been a classic challenge in Pakistan. In general, an employee complying with the institutional standard operating procedures is considered a good performer. Different researchers like Toru, Ali, and Ahmed (2019), Callen et al. (2015), Khan (2008), and Muhula (2019) have tried to address this gap by proposing different research-based performance management models for Pakistani institutions. Still, none of them has been acknowledged or adopted by any government institution. This finding, in coincidence with the published research, holds strong.

5.2.7 Argument 18:

The government employees are process focused and lack the understanding of the market dynamics

Ebner and Beck (2008), in their book “*The Institutions of the Market,*” and WTO (2014) in its report “*Connecting to global markets: challenges and opportunities,*” have discussed the role of government in controlling and managing the market dynamics to support their firms to perform and earn more. These publications are full of such evidence. Suppose we borrow the logic of dynamic capabilities, as Protogerou, Caloghirou, and Lioukas (2011) advocated. In that case, the market institutions and their employees need to be dynamic to take advantage of

the market changes. The literature focuses more on the institutions than its employees do; therefore, this argument holds weak.

5.2.8 Argument 19:

The national institutions are not immune to moral hazards

Eisenhardt (1989) states that “the moral hazard is the condition in which the principal is unsure whether the agent has put forth his maximal efforts.” This is one of the classic agency problems discussed in the published literature (Luhman & Cuniffe, 2012; Panda & Leepsa, 2017; Ross, 1973; Shapiro, 2005; Worsham et al., 1997). The respondents from the government institutions and the industry, in their interviews, have discussed the incidents mentioning such situations. Hellman et al. (2000); Hussain and Riaz (2012); and Niaz (2014) have shed light on Pakistani government institutions' moral hazards, which coincides with this argument and adds to its strength.

5.2.9 Argument 20:

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The government employees highly value the government job as it gives them authority, power, security, and an alleviated status in the society

In his study, Nguyen (2019) argues that government employees enjoy a high social status in Vietnam. However, Haque (2006) gives a contrary argument based on an analysis of secondary data from different countries. According to him, government employees, in general, are paid less than private-sector employees are. However, the case of authority and powers vested by virtue of the job is otherwise—the argument of Lee, Oh, and Park (2019), however, supports this finding. This argument does not get much support from the published literature, therefore, holds weak.

5.2.10 Argument 21:

The government officials are not willing to change their institutional culture.

The finding of Lee et al. (2019) in their study conducted in South Korea contradicts this argument. It can be declared natural due to the difference in the cultures of South Korea and Pakistan. Aslam, Ilyas, and Imran (2016) argue, based on their empirical study conducted in Pakistan, coincides with this argument. On the other hand, Bakari, Hunjra, Jaros, and Khoso (2019) argue that the change in public sector organizations is affected by the type of leadership exhibited by the respective organization's leaders. The argument, in the absence of sufficient support from the published research, is stated weakly.

5.3 Coordination between the Institutions and the Industry

5.3.1 Argument 22:

The government and the business work together like hand in gloves. None of them can flourish without the other.

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The findings of Warner and Sullivan (2017), Prescott and Stibbe (2015), and Olalekan, Omidiji, Williams, Christianah, and Modupe (2019) coincides with this argument and adds to its strength.

5.3.2 Argument 23:

The industry associations have a keen focus on market dynamics and are active in facilitating their members

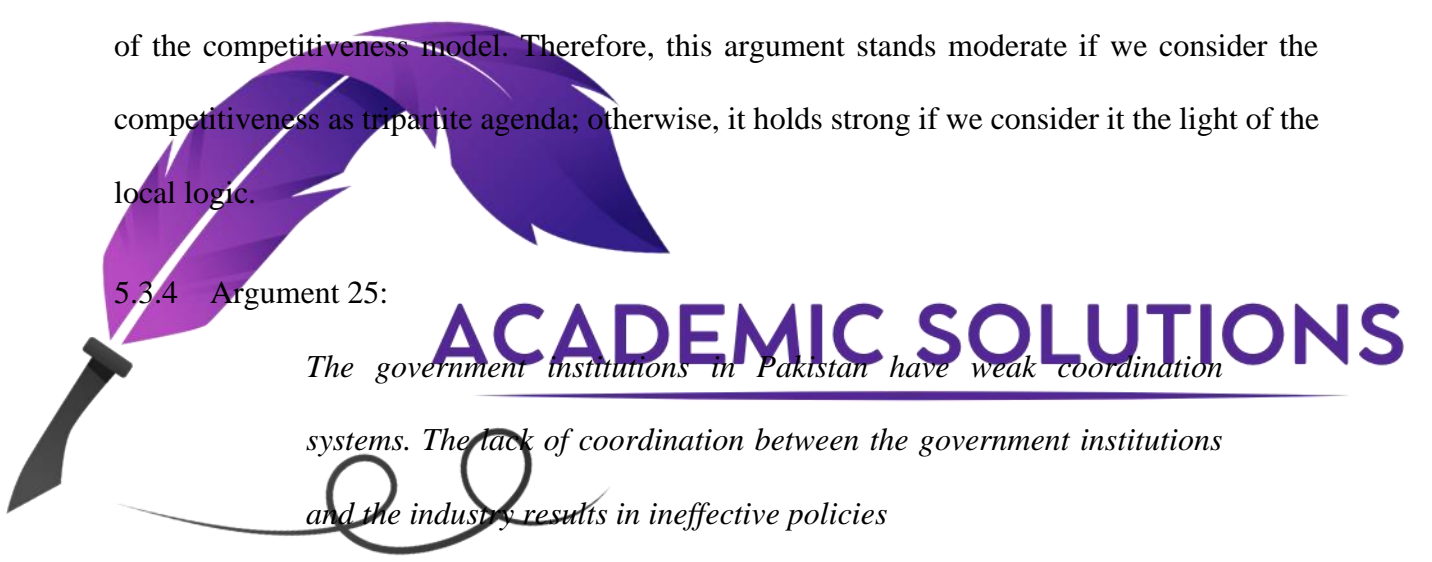
The empirical findings of Zhang and Gallagher (2016), Schwartz and Bar-El (2015), and Shaw and Whitney (2016) over the roles of business associations registered in China, Brazil, and Switzerland, coincides with this argument and strengthen it.

5.3.3 Argument 24:

The mismatch between the institutional services and dynamic market needs is resulting in a competitive gap.

The government plays a pivotal role in the industry's competitiveness through effective policy development and implementation (Ketels, 2016). Besides the government and industry, academia is the integral partner of competitiveness of a region; it cannot be achieved without the active partnership of all three (Farinha, Ferreira, & Gouveia, 2016; Parakhina, Godina, Boris, & Ushvitsky, 2017). In Pakistan, the role of academia in development is yet unexplored. It is becoming part of the discourse but still has not been declared as the essential component of the competitiveness model. Therefore, this argument stands moderate if we consider the competitiveness as tripartite agenda; otherwise, it holds strong if we consider it the light of the local logic.

5.3.4 Argument 25:



The government institutions in Pakistan have weak coordination systems. The lack of coordination between the government institutions and the industry results in ineffective policies

In the last few years, the published literature contains only a few studies focusing on the coordination system of the government institutions in Pakistan. In this regard, the study of Deen (2015), Shah et al. (2019), and Naseemullah and Arnold (2015) explore this area, and their findings coincide with these arguments as well.

5.3.5 Argument 26:

The bargaining power of the government institutions is higher than business organizations

The published literature on the government and the business bargain primarily focuses on the multinational corporations and less on the local business. In this regard, the studies conducted by Nebus and Rufin (2010), Lecraw (1984), and Asghar (2014) are worth mentioning here. However, the studies discussing the bargain between the local business and the government, especially in the Pakistani context, are scantily found in the published literature. Therefore, this argument, based on insufficient evidence from the published literature, is stated weakly.

5.4 Policy Making and Implementation

5.4.1 Argument 27:

There is a mismatch between the demand for and supply of the services provided by the government institutions to the industry.

A majority of the business enterprises in Pakistan are either small or medium scale, and the pity is that the government institutions cannot provide them with a holistic framework (Khan & Abasyn, 2017). The stakeholders' divergent objectives of apparel global production networks in Pakistan abstain it from growing (Munir, Ayaz, Levy, & Willmott, 2018). The decreasing trend in up gradation and increasing production cost due to weak policy and institutional support is shunting the global buyers away from Pakistan (Frederick et al., 2019). Considering the coincidences with the published literature, this finding of the study holds strong.

5.4.2 Argument 28:

The government policies are not effective in uplifting the business in Pakistan

The studies of Raza, Minai, Zain, Tariq, and Khuwaja (2018), Zafar and Mustafa (2017), El Alaoui, Shopovski, Kvirikvaia, Alam, and Ofili (2016), and Shahadan, Sarmidi, and

Faizi (2014) argue over the ineffective government policies for the business in Pakistan. As supported by the references from the published literature, this finding holds strong.

5.4.3 Argument 29:

The government institutions are eager to take the credit for the business success and are not ready to be associated with the incidence of failure

Wilson (2019) has made sense behind such actions of the government institutions. Papanek (2019) has criticized the market system in Pakistan. Adams (2019) argues that slower economic development in Pakistan is primarily due to policy failure. Fatima, Mortimer, and Bilal (2018) and Majid Khan, Lockhart, and Bathurst (2018) argue that the institutions are weak in developing and implementing effective policies, whereas, on the other hand, are sensitive in building their positive reputation. Considering the coincidence with the evidence from the published literature, this argument holds strong.

5.4.4 Argument 30:

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The policy spillover brings adverse effects on the business. The government policies, seemingly addressing some other issues, affect the business negatively

The findings of the studies of Javed and Riaz (2020), Shah et al. (2019), Ullah, Arentsen, and Lovett (2017), Faisal (2017), Hyder and Lussier (2016), Mirza, Rahat, and Reddy (2015), and Deen (2015), coincides with this argument and adds to its strength.

This chapter discussed the results and findings emerging from analysis of the qualitative data presented in the previous chapter. These arguments were grouped under four thematic areas and discussed in the light of the published literature to determine their strength or weakness. The next chapter presents the conclusions drawn from the results and discussion, the

philosophical, policy, practical implications, recommendations for future research, and the study's limitations.



Chapter 6: Conclusions and Implications

Global value chains (GVC) are complex business organizations having spread across national boundaries. They face numerous challenges of economic sustainability from within and outside their organizational structures. The GVC managers and the researchers have a keen focus on internal governance and control mechanisms. In contrast, the governance and institutions also play a vital role in their economic sustainability. This study is set out to explore the challenges to economic sustainability to global value chains, primarily arising from the conflict of interest between the business or industry and the government institutions. The research problem raised from the real-world case, when critically reviewed in the light of the relevant published literature, raises the following two research questions:

1. What is the meaning of sustainability of the global value chain for the government and the business institutional agents in Pakistan?
2. How do the institutional agents make decisions regarding the sustainability of GVC, and why?

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This qualitative study took the constructivist-interpretivist perspective and adopted the transcendental phenomenological analysis (TPA) methodology to describe the phenomenon while seeking these research questions' answers. Following the TPA methodological guidelines (see Figure 6 and 7) the researcher developed the *epoche* (see heading 4.1) before starting the qualitative data analysis. Then, he removed the repetitions from the transcripts before coding using the NVivo software package. After the codes were assigned, the cluster analysis method was applied using the same software. The results were interpreted as per the prescribed method of imaginative variations in the previous chapter. The implementation of the TPA method used in this study is more influenced by Adu (2015), which is a bit different in presentation than Moerer-Urdahl and Creswell's (2008) work. This difference in presentation is primarily due to

the incorporation of the qualitative data analysis (QDA) software – NVivo – which Moerer-Urdahl and Creswell (2008) probably have not used or mentioned in their study. The critical comparison of the analysis steps presented in this study and that of Moerer-Urdahl and Creswell (2008) showed no major technical difference, as both studies completely comply with the guidelines of Moustakas (1994).

This chapter accounts for the presentation of the analysis results. In the case of the application of the TPA, this is its fourth and final step, also known as the synthesis of meanings. This step concludes the analysis process by making sense of the textual and structural descriptions as well as fulfills the objectives of the TPA methodology as it provides a detailed description of the phenomenon based on the analysis in the light of research questions. This chapter starts with a short introduction to the study (before this paragraph). This paragraph begins by explaining the purpose of this chapter and outlines its structural map. This chapter describes the phenomenon based on the primary data analysis. Description of the phenomenon is the direct outcome of the transcendental phenomenological analysis. The narrative leads to discussing the results about the arguments from the reviewed literature and substantiates the arguments by quoting the excerpts from the primary data.

This chapter presents the study's conclusions followed by the philosophical contributions, policy considerations, and practical implications of this study. Simultaneously, the recommendations for future research and the limitation of the study have also been discussed.

6.1 Conclusions

6.1.1 The Governance and Institutional System in Pakistan

This study's findings affirmed by the published research highlight that the recruitment system for bureaucrats is not adequate, as it does not select the specialists for the relevant jobs. This

inadequacy of the recruitment system eventually reflects through inefficiency, policy gaps, politicization, and desynchronization of the whole system with the market realities.

Materialism prevails in capitalist societies, and the institutions in such societies are not immune to it. Such institutions are primarily established to save capitalism and conserve the rights of the capitalists. Keeping equilibrium between the materialistic and the ethical values becomes a social perplexity in such societies as per the classic Marxian thought. The state service system needs an update, especially the compensation and benefits of the government employees. However, the literature provides evidence that raising the salaries does not ensure higher levels of motivation or performance; therefore, the whole service structure needs critical review and revision.

The institutional system's politicization has eventually resulted in the institutional system's degradation and ultimately the state itself. The institutions' political conduct results in many unethical behaviours, decisions, and actions; for example, procedural delays, bypassing the merit, nepotism, etc.



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Each government has its own set of priorities, which guides its decisions, but the macro realities like the type of economic systems remain constant as it emerges from their respective national constitution. Pakistan has a capitalistic economic system; therefore, business protection must be the top priority of every government. However, it seems like the bureaucratic reforms in Pakistan have eventually derailed the institutions from the “Weberian” to not exactly but somehow the “Smithian” thought as they, instead of playing the role of “tool of growth,” are operating as the “enemy of growth” (Colclough & Manor, 1991; Evans & Rauch, 1999). Such change may lie in the intentions of the political parties to use the state system against their political opponents.

The developed countries sustain their competitive advantage by timely modernizing their institutional system according to the market needs and advancement in knowledge. Simultaneously the developing countries lag in knowledge to evolve and implement tailored solutions to their indigenous problems. The world is facing rapid changes due to the development burst in technology. It is only possible to keep pace with the transition by bringing dynamism and agility in the institutional systems. The institutional system needs redesigning to adjust itself to the changing realities instead of ailing to fit the broad facts to their narrow scope.

Pakistani institutional system, as discussed, inherits the legacy of the imperial institutional system. This system has been reformed for the sake of political advantage, not the global realities or public welfare. Politicizing the already rigid institutional system has made it an instrument in politicians and influential capitalists' hands only.

6.1.2 The Behaviour of the Government Employees

The outdated institutional system, gone through the wishful reforms by different political parties, has eventually become the instrument of domination in the bureaucrats, politicians, and elite capitalists. Therefore, the institutional performance, finally, lies in these three stakeholders; any of whom may sometimes address the public welfare due to political pressure or otherwise. In such cases, the protagonist of public interest is usually an individual from the bureaucracy who draft or updated the holistic policy and implement it well. Such observation gives a hint for transforming the classic imperial institutional system to the new public management system to gear up the development.

The current institutional system does not reward the initiative and outstanding performance, neither it identifies and rectifies the low performance. Although the bureaucrats are selected from the public for administering the public affairs, they no more belong to the

general class. They have power and authority that are wasted in resolving the internal political and operational issues, instead of investing them in availing the opportunities, taking the initiative, and developing.

Besides, the internal situation of the institutions, after politicization, is also deplorable. The incidences of moral hazards are so common that they are not considered abnormal—the respondents of this study considered financial corruption and bribery as significant moral hazards. The deliberate procedural delays, nepotism, gender discrimination, etc., are considered routine matters.

6.1.3 Coordination between the Institutions and the Industry

The coordination between the institutions and the industry is very important for the common welfare and development. Such a realization has been observed in the thought of the respondents of this study. But it was more like theoretical than practical. The industry associations facilitate their members and at times, are open for discussion with the government institutions, but their discussions occasionally contribute to making the right strategic decisions.

Like APTMA and PRGMEA, a few industry associations are very active and vocal, but they still need government support to flourish the industry. Such a loose configuration between the apparel industry stakeholders in Pakistan is adding to the competitive gap. The discussion highlights that the universities are the third important partner, besides the government and the industry, in the competitiveness framework. The role of universities was not in the scope of this study; however, it emerged in the discussion over the primary data analysis results.

The government institutions need to bring dynamism in their system, significantly improve coordination within the institutions, among the institutions, and with the industry; and

understanding the needs of the global markets; and make holistic policies in favour of public welfare.

6.1.4 Policy Making and Implementation

The rigid institutional system is stuck with the rule books, whereas the markets are evolving rapidly to raise challenges for the industry and the policymakers. The industry has to persist in the market and adjust itself to the changes, but the Pakistani institutions do not feel liable for it. The mismatched response of the stakeholders has resulted in chaos. The government institutions are keeping up with their orbits, while the industry calls for alignment with the market trajectory. In this situation, the government policies are not reaping the desired results, and the suffocation is increasing for the business in Pakistan.

The politicization of the government institutions at the cost of competence has also affected the inter-institutional and intra-institutional coordination. The institutions are operating like silos, with limited coordination with each other. This inter-institutional politics and rivalry have resulted in the policy spillover, which eventually cast adverse effects on industrial performance.

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This study's primary objective was to explore the role of governance and institutions in the economic sustainability of the global value chains in a developing country. This objective has been achieved by conducting a comprehensive review of the relevant literature and primary data analysis. This study further aimed at incorporating the perspectives of two leading actors of the phenomenon – the government employees and the industry representatives. This objective was achieved by applying transcendental phenomenological analysis (TPA) to incorporate the essence of government employees' lived experiences and the industry representatives. This method provides systematic processing of primary qualitative data with emphasis on the participants' intuitions to provide a comprehensive explanation of the

phenomenon under study. The TPA was applied with complete protocol, and each step has been transparently reported in detail, establishing the validity and reliability of the results. Further, the TPA results have been considered premises to develop thirty arguments emerging from the analysis. These arguments, grouped under four thematic areas, have been discussed in the light of the relevant published literature for a trial of their strength. This fulfills this research's aim to abduct the real-world problem in the body of knowledge for further theoretical exploration, explanation, discussion, and criticism. The implications emerging from the analysis, results, and conclusions of this study have been separately discussed in the following section to fulfill the aim of providing points to ponder upon by the researchers, policymakers, and practitioners.

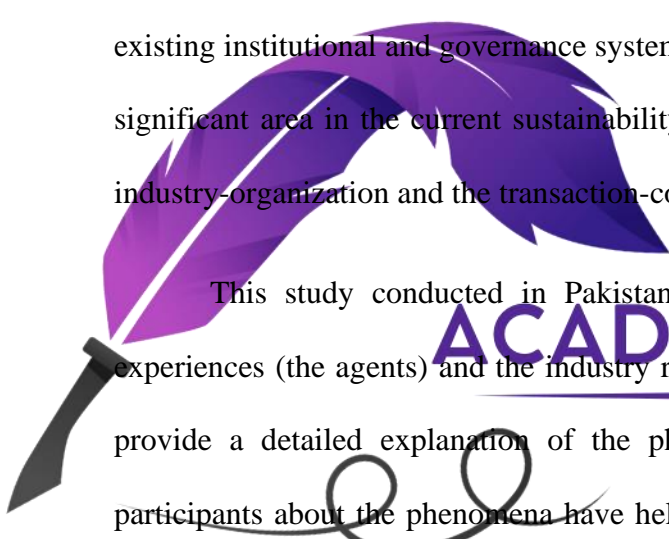
6.2 Implications

The literature on global value chains seems to be focusing primarily on governance and up-gradation. The newer GVC research trends include the management of technology, environment, and human rights within the global value chains. However, the ongoing research trends are only the predictors of the knowledge expansion in certain geographic regions, which implies that in practice or reality, the issues in the other areas may be calling for exploration or explanation may differ from the trend in the academic literacy development. This study explored the role of governance and institutions in the global value chains' economic sustainability by studying the government-industry expectations and interactions, considering the former as an agent and the latter as the principal, which is a significant but an overseen phenomenon in Pakistan. This section presents the implications drawn from the transcendental phenomenological analysis of the government employees' lived experience and the industry representatives and the conclusions drawn therefrom. As this study is more empirical than philosophical, the implications drawn are naturally inclined towards policy, practice, and

theoretical. However, they are presented in the logical order of academic, policy, and practice as per standard dissertation format.

6.2.1 Theoretical Implication

This study explored the role of governance and institutions, typically the government institutions, in the global value chains' economic sustainability. It sheds light on the expectations and the interactions between the government institutions' representatives and the industry on the praxis of agency theory, which adds to its significance and uniqueness. This study has also deployed NVivo to perform the phenomenological reduction during the analysis of primary qualitative data, which adds to its uniqueness. The critical analysis of Pakistan's existing institutional and governance system is also seemingly less focused, though the highly significant area in the current sustainability scenario, besides adding to the literature on the industry-organization and the transaction-cost perspective.



This study conducted in Pakistan incorporates the government employees' lived experiences (the agents) and the industry representatives (the principals) into the analysis to provide a detailed explanation of the phenomena. The variant views of both types of participants about the phenomena have helped in conducting a comprehensive analysis as it highlights the hidden patterns of the perceptions, interactions, politics, and practices taking place between the government and the business.

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The political exchange between the government institutions and the industry results in consequences that affect the local business and the economic sustainability of the global value chains. The government institutions' conduct results in increasing the challenges in the face of competitive forces in the global markets, whether manufacturing for the local market or global market, especially if they are part of the global value chains, affects the industry.

6.2.2 Policy Level Implications

“...emergence and consolidation of a new economic regime...depends critically on institutional innovation intended to reorganize an entire social formation and the exercise of political, intellectual, and moral leadership”
(Jessop, 2010)

The institutional system in Pakistan needs significant reforms to channel public welfare, initiate wealth creation, and take advantage of the country's demographic endowment. The negative effect of institutions on trade is a serious concern and must be addressed urgently, regardless of national politics. Economic sustainability of the business, especially the global value chains, is a common strategy for economic growth as deployed by many countries worldwide. In the triangle of sustainability, economic sustainability is most critical to maintaining as it directly affects society, especially in developing nations. The role of institutions must be reverted from the “enemy of growth” to the “tool of growth” while keeping the dignity and integrity of their employees intact.

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In Pakistan, the governance and institutional systems are strong, rigid, and inflexible, making it unsuitable for complying with the changing market needs, especially global value chains. Revising the governance and institutional structure in Pakistan is the need of the hour. The recruitment system is filtering out the talented individuals for the institutions, but later the system does not provide them with the opportunities to use their capabilities optimally. Instead, their abilities scale down to the mere procedural needs due to the highly generalized performance management and evaluation system that is not linked with the reward system.

The government institutions do not have defined parameters for monitoring and evaluation of the performance of their employees. The government institutions replace the highly generalized performance management system with the less generalized system based on

the institutions' core objectives or their groups. The performance of government employees must be linked to their rewards.

The strengthening of the government institutions and the business institutions has resulted in a reversal of the agent-principal relationship. The government institutions' focus must be shifted from the authoritarian control organizations to the service providing organizations.

There is a mismatch between the demand for and supply of the services provided by the government institutions to the industry. The government institutions must develop a mechanism that encourages and incorporates the industry feedback into the policy and practice. Implementation of internet-based information systems can be helpful in this regard.

The government institutions are focused inward than outward. On the other hand, the markets are becoming more dynamic than before, and the business structures and strategies are rapidly changing to sustain themselves in the markets. The government institutions must change their focus from inward to outward and update their systems to help the country compete in the highly dynamic market.

The government officials do not have prior technical qualifications in their area of operations. The government officials must be offered specialized courses for their capacity building within their area of operations. The government institutions must be given the authority with accountability. Government policies must be updated to incorporate the requirements for the promotion of global value chains as they bring relevant long-term economic opportunities.

The government-industry cooperation must be enhanced in a way that ensures the incorporation of grass-root level information into the policies in a systematic manner. Control

over local market factors must be ensured through government policies and institutions. The government institutions must be rejuvenated to focus on institutional goals instead of focusing on mere procedures.

The government employees are generally political than being objective, which results in bypassing of the merit. The government institutions must be depoliticized. Bhutto's civil services systems' reforms must be reconsidered and reversed partially or wholly if found necessary. The government employees join the network of the elite businesspersons and then provide them with exclusive services. The government institutions must be depoliticized, and their processes must be made transparent so that their services reach the respective beneficiaries without being influenced. On top of all, public institutions must be depoliticized on an urgent basis to promote merit and competence.

6.2.3 Practical Implication

The primary data analysis shows that gathering the industry feedback and incorporating it into the policy revision is not efficient at all. Such lack of coordination results in the policy's ineffectiveness and its implementation resulting in desynchronization between the procedure and the business. The government institutions must increase their coordination with the industry and decrease the gap between both.

The government and the industry must establish a common forum to address the strategic issues related to competitiveness and sustainability. Involving the research institutions, especially the universities, can help in making such a forum very useful.

Information technology usage must be increased to ensure swift information exchange between the government institutions and the industry. The compensation system in the government institutions must be revised. It must be based on the market and linked with the

performance parameters. The government employees' moral grounds must be solid to curb the behavioural, moral, and operational issues.

6.3 Recommendations for Future Research

Based on the above discussion and conclusions, it is recommended to explore the phenomena in the context of other government institutions and industries, as well as in other developing countries. It is highly recommended to critically explore the employment system in the government institutions, e.g., the Central Superior Services (CSS), about the consequences of the reforms brought in by the governments in different tenures. A critical study on the current structure and status of national bureaucracy in comparison to Weber's classic model of bureaucracy may also bring out interesting insights. Development of a framework that discusses the role of the state as "tool of growth" (Weberian thought) versus "enemy of growth" (Smithian thought) will also help understand the impact of state system on business or public welfare. A study on the critical changes in the market needs and the response of the government and the industry may also shed light on the efficiency and effectiveness of the government institutions.

It is also suggested to explore the existing policy-making system in Pakistan to compare it with different policymaking models to find out the gaps and suggest improvements. As all organizations ultimately dependent on the humans who represent and operate them, therefore, the behaviour of institutional representatives, especially the government institutions and the elite businesspersons, is suggested to be studied in the context of Pakistan and other developing countries.

The researchers may compare the CSS system with the contemporary management theories and frameworks will also add interesting insights to the body of knowledge. In this

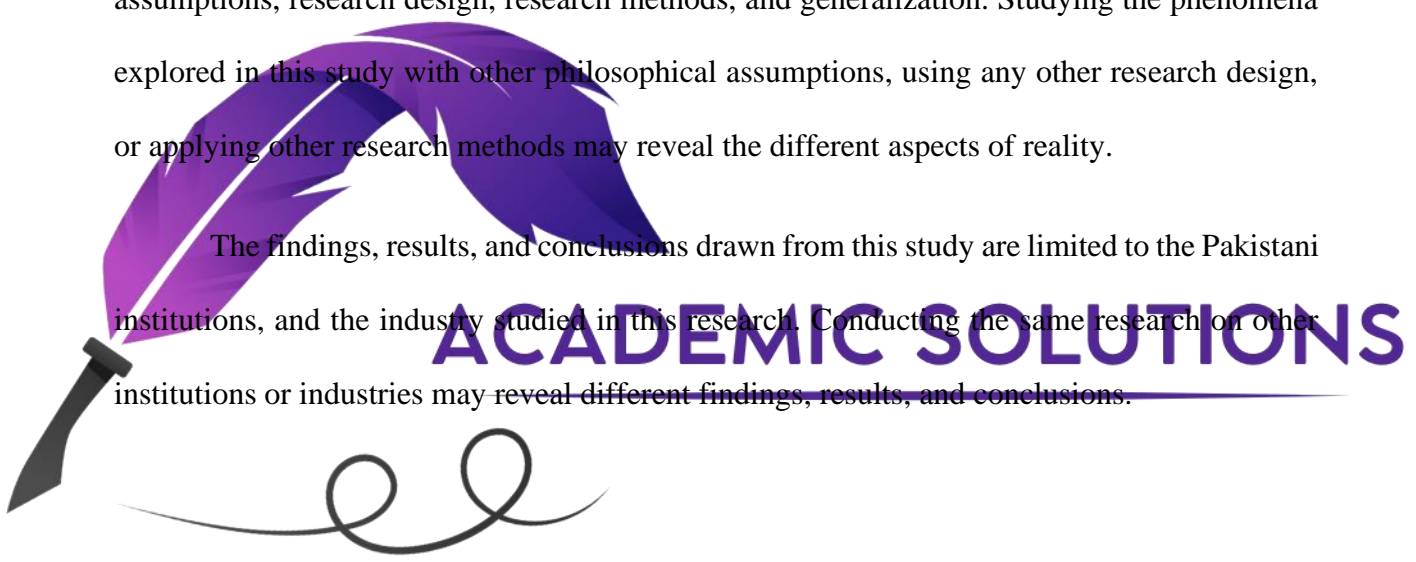
regard, the recruitment and selection, performance management, monitoring and evaluation, reward management, besides the behavioural dimensions, will also highlight valuable findings.

Besides, universities' role in promoting competitiveness in Pakistan will also be a critical dimension for research in the future.

6.4 Limitations of the Study

This study, conducted in Pakistan, attempts to explore the phenomena of economic sustainability of global value chains in the country in the preview of the effects of the governance and institutions on it. This study inherits the limitations from its philosophical assumptions, research design, research methods, and generalization. Studying the phenomena explored in this study with other philosophical assumptions, using any other research design, or applying other research methods may reveal the different aspects of reality.

The findings, results, and conclusions drawn from this study are limited to the Pakistani institutions, and the industry studied in this research. Conducting the same research on other institutions or industries may reveal different findings, results, and conclusions.



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ACADEMIC SOLUTIONS

Annexure 1

Pakistani Institutions

Institutions of Accountability, Transparency, and Oversight

- Parliamentary committees
- Auditor General of Pakistan (AGP), and the Public Accounts Committees (PACs)
- National Accountability Bureau (NAB)
- Election Commission of Pakistan (ECP)
- Higher Education Commission (HEC)
- Public Service Commissions (FPSC/PPSCs)
- National Science and Technology Commission (NSTC)
- Information Commissioners
- E-Government Directorate General

Security

- Lower Judiciary
- Police
- Federal Investigation Agency (FIA)
- National Counter-Terrorism Agency (NACTA)
- Prosecution Departments

Growth

- State Bank of Pakistan (SBP)
- Securities and Exchange Commission of Pakistan (SECP)
- Federal Board of Revenue (FBR)
- Trade Development Authority of Pakistan (TDAP)
- Board of Investment (BoI)

Equity

- Pakistan Agriculture Research Council (PARC)
- SBP
- HEC
- Benazir Income Support Programme (BISP)
- Irrigation authorities
- Urban development authorities
- National Vocational and Technical Education Authority (NAVTEC)



ACADEMIC SOLUTIONS

Annexure 2

Interview Guidelines

1. Introduction

1.1 My introduction

1.2 My project

1.3 A quick overview of what the discussion is about

1.4 Remind again that it is a sound recorded interview

1.5 Sign the consent form

2. Participant Introduction

2.1 What is your position at the organization?

2.2 What are your main tasks and responsibilities?

2.3 Do you have a fair exposure of dealing with government representatives working on global value chains / exports contracts?

3. Organizational Background

3.1 What is the relevance of global value chains / exports contracts to your company?

3.2 Can you tell me current goals related to participation in global value chains / exports contracts set by organization?

4. Meaning of Economic Sustainability of GVC

4.1 How does the efficiency of institutional agents affect the sustainability of GVC?

4.2 What is the meaning of alignment of interest b/w institutional agents representing different (govt. and business) agencies?

4.3 What are the means of risk sharing among the (govt. and business) institutional agents?

4.4 What is meant by successfully continuing the existing job for the institutional agents?

5. Decision Making for Economic Sustainability of GVC

5.1 What type of information asymmetry exist b/w institution and institutional agents? How does this information asymmetry contribute to the job security for institutional agents?

5.2 What is nature of contract between the institutional agents and their principals? How does such contract type drive the agents for achieving organizational goals?

5.3 What types of moral hazards (if any) take place at the agents' end? What types of moral hazards (if any) take place at the institutional / principal end?

5.4 What is state of trust between the agent and the principal? How does this trust reflect through job performance of the agent?

6. Thanks for participation

6.1 Reminder to be contacted again with the transcript of the interview material

6.2 Note the contact number and email address of the interview

Annexure 3

Letter of Researcher Authentication by UMT

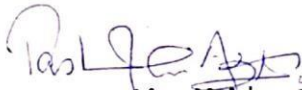


University of Management and Technology

TO WHOM IT MAY CONCERN

This letter acknowledges that Mr. Ali Asghar S/O Saeed UL Zafar is the bona fide student of PhD Management at School of Business and Economics (SBE), University of Management and Technology (UMT), Lahore. His Participant ID is 13005051-028. He is currently working on his PhD Research Thesis under the title "Challenges to Economic Sustainability of Global Value Chains: the Role of Governance and Institutions in Pakistan", as per approval granted by Board of Advanced Studies And Research (BASAR), UMT in its 18th Meeting on Saturday 28th November, 2015. His research thesis requires him to collect qualitative data by conducting in-depth interviews and / or focus group discussions with the industry and government representatives. These interviews will be anonymously used for analysis to extract conclusions for the sake of meaningful philosophical contributions. SBE-UMT authorizes him to collect data for the purpose of his academic research.

Thanking you in anticipation for your cooperation.



Prof. Dr. Tashfeen M. Azhar
Director, PhD Programs
School of Business and Economics



Date: 10.05.2016

JS

Annexure 4

Letter of Researcher Authentication by PRGMEA



**PAKISTAN READYMADE GARMENTS
MANUFACTURERS & EXPORTERS ASSOCIATION**
Zonal Office:
PRGMEA House" 343-A, Bhabra Market Main Ferozepur Road, Lahore.
Ph: +92-42-35852948, 35851277, 35858221 Fax: +92-42-35858231
E-mail: prgmealhr@cyber.net.pk



Recognised by Govt. Of Pakistan ————— www.prgmea.org —————

Ref: PRG/CIR/2016

Date: 11 June, 2016

**All Esteemed Members
PRGMEA (NZ)**

Dear Sir(s),

Mr. Ali Asghar is a student of PhD Management at School of Business and Economics (SBE), University of Management and Technology (UMT), Lahore. He is working on PhD Research Thesis under the title "Challenges to Economic Sustainability of Global Value Chains: Role of Governance and Institutions in Pakistan". The design of this research requires to collect qualitative data by conducting interviews and /or focus group discussions with the industry and government representatives. These interviews will be anonymously used for analysis to extract conclusions.

An interview guideline comprising of 12 - 14 open-ended questions will be used for primary data collection. On behalf of the Association, we request you to please co-operate him by giving the opportunity to conduct his research in your esteemed firm.

We do hope that all our member units will fully support him in this regard.

Looking forward to your kind cooperation!

Best regards,

(Hina Asif)
J. Secretary
PRGMEA (NZ)



Head Office: 3rd Floor, Plot No. 57-C, 24th Commercial Street, Phase II (Ext), DHA, Karachi-Pakistan.

Tel: 021-35890651-2, Fax: 021-35890653 E-mail: info-south@prgmea.org.

**Sub Office : Oberoi Building, Near Pakistan Muslim League House, Paris Road Sialkot, Tel/Fax: 052-4592683, 4597128
E-mail: prgmea_skt@hotmail.com**