

Collective Success or Collective Failure? The Sialkot Football Manufacturing Industry's Response to International Labor Standards Pressures

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Abstract

In this article, I make a contribution to the literature on how industrial clusters in developing countries respond to corporate responsibility demands from international buyers in Europe and North America. I outline an analytical framework that integrates insights from the global value chain, industrial cluster, and corporate social responsibility literatures with the aim of explaining why collective cluster action through industry associations and/or public private partnerships succeed or fail in facilitating cluster-wide compliance with CSR standards. I then use this framework to analyze a case study of soccer village project to learn how various attempts at facilitating joint CSR action in the Pakistani football manufacturing have consistently failed in addressing international CSR compliance demands. I conclude that this form of collective failure – along with technological changes, lack of innovation, and government failure - can partly explain why Sialkot has been marginalized in terms of its overall share of world football manufacturing in the last decade.

Keywords

Clusters, Corporate Social Responsibility, Global Value Chain, Collective Failure & International CSR Compliance

Introduction

The importance of SMEs for a developing country like Pakistan is due to their role in economic development, employment generation and poverty alleviation. We need to understand how to enhance their competitiveness (nation's ability to produce goods and services, meeting international standards, simultaneously maintaining and expanding real incomes of its people over long term)¹ through external linkages as SME clusters and industrial districts in terms of agglomeration economies (Marshall, 1920).

Compliance with international standards is now a pre-requisite for entry into globalised production networks. Developing country firms are confronted by a set of distinct product and process standards that they must meet. This has heightened the competitive challenges SMEs face as the non-compliance can result in exclusion from profitable markets. Nike's termination of sourcing of soccer balls from its lead supplier in Pakistan can be taken as a lens to analyse the relationship between standards and governance. It is important to know how the standards are shaped and implemented in the global context and how these standards affect the governance of value chain ties (Nadvi, 2008).

Unfortunately, a greater number of SMEs seeking to enter international supply chains, social and environmental conditions are a challenge, which must be met in order to gain market access. However, compliance is a competitive issue as suppliers can lose contracts through non-compliance. Meeting social and environmental standards alone is not enough to win and retain customers.

¹ *US Presidential Commission on Industrial Competitiveness – UNCTAD 2005*

SME clusters are platforms of interventions for the policy makers and they have potential to respond to the international challenges through collective efficiency. SME clusters are important as the enterprises are able to overcome constraints in capital, skills, technology, and markets by clustering. Enterprise clusters help their constituents grow and compete by encouraging more effective knowledge, technology diffusion and product specialization, leveraging local comparative advantage, fostering production value chains, and achieving collective efficiency through joint actions (Douglas, 2007).

Although collective efficiency is passively acquired through external economies but actively generated external economies are central to the competitiveness for a specific cluster. These external economies require joint actions based on collective benefits. It is also important to note that joint actions are important for the growth of a cluster based on ties with stakeholders, subcontractors, buyers, interest groups and support institutions. We know that clustering facilitates international competitiveness which turns local producers into global competitors and the competitive advantage is derived from local external economies and joint actions. Collective efficiency can be explained in terms of incidental external economies and actively pursued joint actions. Benefits associated with collective efficiency include: Local and specialized labor markets, division of labor based on core competence, presence of allied and subsidiary sectors and easy access to specialized trade and technical knowledge (Nadvi, 1999).

The research paper develops a case study design to analyze how the SMEs in the sports goods cluster Sialkot are meeting the challenges while entering the global value chain. The paper outlines an analytical framework that integrates insights from the global value chain, industrial cluster, collective action and corporate social responsibility literatures. The objective is to explain why joint cluster action through industry associations and/or public private partnerships succeed or fail in facilitating cluster-wide compliance with CSR standards.

This paper has been structured as follows: First section introduces the purpose and the objectives of the paper. Second section introduces the soccer village project and why part attached to the project. Third section is on methodology which defines type of study and the instruments used to answer the questions related to the joint action failure in the sporting goods cluster Sialkot. Fourth section outlines the literature on global value chains, clusters and CSR mainly in the context of networks and collective action. Analytical framework has also been developed in this section. Fifth section identifies different theories on collective action, social capital and trust as the paper is based on exploring the reasons of collection action failure in soccer ball cluster Sialkot. Sixth section explores the UNIDO methodology of networking and trust building whereas Seventh section is about empirical evidence structured according to the analytical framework. This section links the observations with the framework while also discussing and evaluating the observations whereas Eighth and the final section is on conclusion based on the above sections, research questions and the line of argument. In this section, I also discuss the areas requiring further studies or implications for the literature as an outcome of this paper.

Body of paper (Work In Process)

Tables, figures, etc. in their proper position in the paper (if applicable) (Work In Process)

Conclusion (Work In Process)

Brief biography of each author (one paragraph, no more than 100 words)

Anjum Fayyaz has 25 years of teaching, training, research and consulting experience in Pakistan, India and Iran. Currently, he is serving LUMS as an Assistant Professor and the Director, MBA Projects. He is also working as Team Lead for Assessment and Strengthening Program (ASP), a USAID funded project, to build the capacity of public sector officers in the area of Monitoring and Evaluation of projects. Fayyaz's specialized areas of teaching include strategic business management, entrepreneurship & innovation and human resource management. He initiated and developed the concept of SME Clusters and Networks Development (CND) in Pakistan while working for United Nations Industrial Development Organization (UNIDO) for nine years (200 – 2009). He is a master trainer on UNIDO CND methodology and conducted many trainings and workshops for private and public sectors organizations. Fayyaz is a Doctoral student with the Copenhagen Business School Denmark in the areas of Entrepreneurship, Innovation and Strategy.

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