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Doctoral Thesis

Donor Interventions and SME Networking in Industrial Clusters in Punjab Province, Pakistan

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DONOR INTERVENTIONS AND SME NETWORKING IN INDUSTRIAL CLUSTERS IN PUNJAB PROVINCE, PAKISTAN

PhD Series 09-2017

Anjum Fayyaz

DONOR INTERVENTIONS AND SME NETWORKING IN INDUSTRIAL CLUSTERS IN PUNJAB PROVINCE, PAKISTAN

Doctoral School of Organisation and Management Studies

PhD Series 09.2017

CBS  **COPENHAGEN BUSINESS SCHOOL**
HANDELSHØJSKOLEN

Donor Interventions and SME Networking in Industrial Clusters in Punjab Province, Pakistan

PhD Dissertation

Doctoral School of Organization and Management Studies
Copenhagen Business School, Denmark

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Dedication

I would like to dedicate this dissertation to my wife, Dr. Aysha Anjum, my daughter, Zainab Anjum and my son, Ahmad Anjum. Their support, encouragement, and constant love have sustained me throughout my Ph.D. studies.

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October 2016

List of Articles

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National Business Systems: A Source of Help or a Hindrance in the Provision of Aid to Industrial Clusters in Developing Countries?

Article Two

The Effects of Development Aid Interventions on SME Networking in the Lahore Garments Cluster in Pakistan

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List of Acronyms and Abbreviations

ADB	Asian Development Bank
AG	Associated Group
AHAN	Aik Hunar Aik Nagar - taken from the Thai concept 'OVOP'
ANE	Associate National Expert
BDS	Business Development Service
BRICS	Brazil, Russia, India, China, and South Africa
BSID	Baluchistan Small Industries Directorate
CDA	Cluster Development Agent
CEOs	Chief Executive Officers
CND	SME Clusters and Networks Development Programme
CNG	Compressed Natural Gas
CPI	Consumer Price Index
CRCP	Consumer Rights Commission of Pakistan
CSDO	Child and Social Development Organization
CSR	Corporate Social Responsibility
EDF	Export Development Fund
EIA	Environmental Impact Assessment
EPB	Export Promotion Bureau
EPD	Environmental Protection Department
FEPA	Federal Environmental Protection Agency
FIFA	Fédération Internationale de Football Association
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
GDP	Gross Domestic Product
GVC	Global Value Chain
HLF4	High Level Forum on Aid Effectiveness
ICA	Investment Climate Assessment
ICMA	International Capital Market Association
IDA	International Development Agency

IDBP	Industrial Development Bank of Pakistan
ILO	International Labour Organization
ILO-IPEC	The ILO's International Programme for the Elimination of Child Labour
ILRF	International Labour Rights Fund
IMAC	Independent Association for Monitoring Child Labour
IMF	International Monetary Fund
IPP	Integrated Programme for Pakistan
IPPC-AR4	Intergovernmental Panel on Climate Change-Fourth Assessment Report
IRS	Indus River System
IT	Information Technology
KPK	Khyber Pakhtunkhwa
KSBL	Karachi School Of Business & Leadership
LFAN	Lahore Fashion Apparel Networks
LGC	Lahore Garments Consortium
LPG	Liquefied Petroleum Gas
LUMS	Lahore University of Management Sciences
LGC	Lahore Woven Garments Consortium (Case Study)
MCA	Monopolies Control Authority
MFA	Multi-fiber Arrangement
MNC	Multinational Corporation
MOC	Ministry of Commerce
MOF	Ministry of Finance
MRTPO	Monopolies and Restrictive Trade Practices Ordinance
MTDF	Medium Term Development Framework
NACTA	National Counter Terrorism Authority of Pakistan
NDA	Network Development Agent
NEQS	National Environmental Quality Standards
NGOs	Nongovernmental Organizations
NPC	National Programme Coordinator

NPO	National Productivity Organization of Pakistan
UET	University of Engineering and Technology (UET), Lahore
OECD	Organization for Economic Cooperation and Development
OEMS	Original Equipment Manufacturers
OGRA	Oil and Gas Regulatory Authority
OVOP	One Village One Product
PBS	Pakistan Bureau of Statistics
PEP-Act	Pakistan Environmental Protection Act
PEPC	Pakistan Environmental Protection Council
PEPO	Pakistan Environmental Protection Ordinance
PES	Pakistan Economic Survey
PESTEL	Political, Economic, Social, Technological, Environmental & Legal
PICIC	Pakistan Industrial and Commercial Investment Corporation
PIDC	Pakistan Industrial Development Corporation
PIDE	Pakistan Institute of Development Economics
PML (N)	The Pakistan Muslim League (Nawaz)
PPP	Pakistan People's Party
PRGMEA	Pakistan Readymade Garments Manufacturers & Exporters Association
PSD	Private Sector Development
PSIC	Punjab Small Industries Corporation
PSM	Pakistan Steel Mills
PTA	Pakistan Tanners Association
R&D	Research & Development
RI	Research Institutes
SCCI	Sialkot Chambers of Commerce and Industry
SDSB	Suleman Dawood School of Business
SGA	Sialkot Sports Goods Association
SIDB	Small Industries Development Board
SMEDA	Small & Medium Enterprise Development Authority
SMEs	Small and Medium Enterprises

S & T	Science and Technology
TDAP	Trade Development Authority of Pakistan
TDI	Technology Development Index
TEVTA	Technical & Vocational Training Authority
TTP	Tehrik-i-Taliban Pakistan
UNIDO	United Nations Industrial Development Organization
USAID	U.S. Agency for International Development
USD	United States Dollar
WAPDA	Water and Power Development Authority
WFSGI	World Federation of Sporting Goods Industry
WPI	Wholesale Price Index

Summary of the Thesis (UK)

This PhD thesis is an outcome of the author's own reflections and efforts to come to terms with his experience working as the National Project Coordinator of the Industrial Cluster Development Program of an international donor agency in Pakistan, the IDA, for more than 8 years between 2001 and 2009. Thus, the author seeks to answer two interrelated questions in this thesis:

- a) How did the IDA interventions affect SME networks in the Lahore garments and Sialkot football clusters in Pakistan?
- b) Why did the IDA-supported SME networks in these clusters continue or discontinue after the IDA withdrew from both clusters?

In this thesis, it is argued that a very limited number of empirical studies have addressed the subject of private sector development aid in industrial clusters in developing countries. In particular, very few studies aim at studying the sustainability of donor-financed interventions in industrial clusters in the Global South. Two articles in the thesis are dedicated to extending the very limited existing work on this topic. Both articles – the first on the Lahore garments cluster and the second on the Sialkot football manufacturing cluster in Pakistan – seek to analyze how the IDA's interventions affected the long-term sustainability of SME networks present in both clusters. In the case of the Lahore garments cluster, the IDA supported two networks in the cluster. One was known as the Lahore Garments Consortium and the other was named the Lahore Fashion Apparel Network. Both IDA financed networks initially seemed to flourish as they engaged in information sharing and joint action initiatives such as the joint procurement of raw materials for their production units. In the final analysis, it turned out however that the Lahore Garments Consortium continued to function long after the IDA had discontinued its support to the cluster whereas the Lahore Fashion Apparel Network was terminated after a very brief period in existence.

The article argues that a number of interrelated factors might explain these divergent outcomes of donor support to two SME networks operating in the same cluster. In the case of the Lahore

Garments Consortium, the member companies were located in close proximity to one another. The companies also operated in the same or closely related industries. The members appeared to be highly motivated for developing their business, sharing the common experience of being first generation entrepreneurs in their families. In the case of the Lahore Fashion Apparel Network the member firms were not closely co-located, and they were part of family businesses that did not focus exclusively on garments production. When the financial crisis hit in 2008, and when profits were sliding, some of the firms decided to exit the garment industry and instead concentrate their family business in other more profitable business units and markets. As first-generation entrepreneurs exclusively committed to garments production, the members of the Lahore Garments Consortium decided to continue their business in spite of the short-term drop in demand for their products.

The thesis also included a second article about an IDA-financed intervention in the Sialkot football manufacturing cluster. Here the author analysed the IDA's support to an SME network that aimed at upgrading its CSR performance. The CSR SME network was to cooperate in the production and marketing of responsibly produced footballs. However, the project did not receive a lot of direct funding from either the IDA or the Pakistani government. Instead the project relied on in-kind subsidization from a parallel IDA project in India. The intention of the IDA was that the CSR SME network should be co-financed by its members. However, the CSR SME network ceased to operate after only 18 months in existence. Various factors appeared to explain the short-lived nature of the network.

First, the IDA normally argued that such interventions should be supported for a minimum of 3 years before they could realistically be expected to yield any sustained benefits for cluster-based SMEs. In this case however, the IDA did not have sufficient funds to support the network for the recommended minimum period. At the same time, Pakistan was affected by the political turmoil in the country which led to a number of delays in the project. This also led to the cancellation or postponement of the technical visits by IDA staff which might otherwise have facilitated the implementation of the project in Sialkot. Moreover, the involved SMEs in the project did not appear to all see eye to eye. In fact, this was a family business network where the senior member of the network had convinced his younger family members to enter the project. However,

whereas the senior and the younger entrepreneurs had previously co-managed the same enterprises, it had recently been decided that the younger entrepreneurs should establish their own business ventures. Hence, the IDA project could be seen as an attempt at reuniting a family of SME entrepreneurs that had otherwise decided to split up their business units. Finally, it appeared as if there was a strong level of resistance amongst the members of the SME network to the idea that CSR should be promoted in their network and the Sialkot cluster more broadly. The SME entrepreneurs tended to perceive CSR as a form of economic and cultural imperialism. It was therefore not a welcome topic that could easily be used for generating joint action amongst the network members.

Resumé af afhandlingen (DK)

Denne ph.d.-afhandling bygger på forfatterens egne refleksioner og bestræbelser på at afdække egne erfaringer fra sit arbejde som national projektkoordinator for det industrielle klyngeudviklingsprogram, the Industrial Cluster Development Program, i en international udviklingsorganisation i Pakistan, IDA, over en 8-årig periode mellem 2001 og 2009. På baggrund af dette søgte forfatteren i denne afhandling at svare to forbundne spørgsmål:

- a) Hvordan påvirkede IDAs interventioner SMV-netværk i Lahores beklædningsklynge og Sialkots fodboldklynge i Pakistan?
- b) Hvorfor fortsatte eller ophørte de IDA-støttede SMV-netværk i disse klynger, efter at IDA trak sig ud af begge klynger?

Afhandlingen undersøgte to SMV-netværk i Lahores beklædningsklynge, navnligt LGC- og LFAN-netværkene. Efter at støtten fra IDA ophørte fortsatte et af disse netværk, LGC, hvorimod det andet, LFAN, blev opløst efter blot 18 måneders virke. I et forsøg på at forklare disse forskellige udfald af IDAs støtte til 2 forskellige SMV-netværk, som opererede i den samme beklædningsklynge i Pakistan, har forfatteren fremhævet sammensætningen af netværkene, den geografiske afstand mellem netværksmedlemmer og den globale finanskrisens udbrud i midten af 2008. Disse parametre var nogle af de vigtige faktorer, der kan forklare, hvorfor LGC-netværket fortsatte, og LFAN-netværket blev opløst, efter at IDA trak sin støtte til klyngen.

På trods af at LFAN blev igangsat på samme måde som LGC og brugte LGC som inspirationskilde, var det kun delvist succesfuldt med hensyn til at iværksætte aktiviteter såsom fælles indkøb af råmaterialer. Endvidere lykkedes det ikke netværket at iværksætte en fælles markedsudvikling. I midten af 2008 brød den globale finanskrise ud og påvirkede to af netværkets medlemsvirksomheder i en sådan grad, at de måtte lukke deres forretninger.

Imidlertid virkede det dog også som om, at netværkets medlemmer stod over for hindringer i forhold til deres kommunikation til netværksmøder.

Det viste sig, at hvor LGC-netværksmedlemmer havde fælles erfaring gennem hovedsagelig at være førstegenerationsentreprenører, som havde kæmpet sig vej frem i opstartsfasen af at starte deres virksomheder, bestod LFAN SMV-netværket af både første- og andengenerationsentreprenører. Det var ikke tydeligt, at disse andengenerationsentreprenører havde samme motivation og engagement for at drive deres virksomhed, som det var observeret i LGC-netværket. De havde i stedet andre forretningsmuligheder inden for deres families virksomheder, hvor de i stedet kunne koncentrere sig om mere rentable forretningsaktiviteter.

I forbindelse med Sialkots fodboldproduktionsklynge i Pakistan foretog forfatteren en analyse af IDAs intervention foretaget i 2008-2009. IDA valgte at indlede et Fodbold Landsby-projekt i Sialkot i 2008 på et tidspunkt, hvor Nike for nyligt havde besluttet at trække sig delvist ud af klyngen som reaktion på påståede krænkelse af arbejdstagerrettigheder hos deres leverandør Saga Sports og uautoriseret outsourcing af fodboldsyningsarbejde til hjemmebaserede arbejdere. Fodbold Landsby-projektet indeholdt oprettelsen af et SMV-netværk bestående af 4 fodboldproducenter og eksportører, under ledelse af den daværende formand for Sialkots handelskammer. Dette netværk er refereret til som CSR SMV-netværket i afhandlingen. Blot efter 18 måneders virke ophørte netværket. I afhandlingen forsøger forfatteren at forklare, hvorfor CSR SMV-netværket ophørte efter så kort tid. Hans analyse af Sialkot-casen indikerer, at CSR SMV-netværket var kortvarigt grundet en række årsager deriblandt udviklingsbistandens politiske økonomi, den nationale kontekst for CSR implementering, spænding i CSR SMV-netværket og de negative opfattelser af CSR, der eksisterer blandt klyngens SMV'er.

Afhandlingen bidrager hovedsageligt til SMV- og klyngelitteraturen ved at fremhæve den rolle som udviklingsstøtte har for at promovere eller undergrave fælles indsatser i SMV-netværk i klynger. De analytiske frameworks og empiriske resultater fra artiklerne præsenteret i

afhandlingen har søgt at forbedre vores forståelse af udviklingsstøttes rolle i at facilitere eller underminere SMV-netværks fælles indsatser i udviklingslandes industrielle klynger.

Forfatteren har valgt at benytte Pakistan som case for at forstå den rolle, som interventioner med udviklingsstøtte spiller for SMV-netværk i udviklingslandes industrielle klynger. Pakistans rolle som vækstøkonomi er for nyligt blevet understreget af landets placering i Next 11 (N11) gruppen af lande. Pakistan har en hurtigt voksende middelklasse, og både en betydelig forøgelse af per capita indkomst og en dynamisk udvikling af landets økonomi er forventet. Den betydelige tilstedeværelse af SMV-klynger i Pakistan virker til at være en af grundene til denne udvikling. Imidlertid har Pakistan et udfordrende erhvervsmiljø, hvor meget få familier styrer store dele af landets politiske og økonomiske anliggender. Derudover er Pakistan blevet konfronteret med tilbagevendende terrorangreb, og tilstedeværelsen af bevæbnede militante grupper har skabt et ustabilt forretningsmiljø. Udover energikrisen har omfattende naturkatastrofer påvirket Pakistans økonomi over de seneste år, hvilket også har påvirket et stort antal af landets SMV-klynger. Derfor repræsenterer Pakistan en særlig udfordrende kontekst i studiet af implementeringen af donorfinansierede projekter rettet mod at stimulere fælles indsatser blandt klyngebaserede SMV'er i udviklingslande.

Donor Interventions and SME Networking in Industrial Clusters in Punjab Province, Pakistan: An Overview of the Thesis.

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1. Introduction

This Ph.D. is the outcome of the author's own reflections and efforts after coming to terms with the experience of having worked as the National Project Coordinator of an International Development Agency's (IDA's) Industrial Cluster Development Program in Pakistan for more than eight years between 2001 and 2009. Having completed his undergraduate degree from the University of Engineering and Technology, Lahore, in mechanical engineering, his career began in the public sector as an employee of Pakistan Railways. However, he soon grew tired of the bureaucracy and corruption in this public sector agency while working as the District Controller of Stores, Purchase, and Inspection in the Railway Carriage Factory of Islamabad, Pakistan. Therefore, he decided to re-launch his career, wishing to work on issues related to the development of the private sector in his home country of Pakistan.

As part of his attempt to re-launch his career, the author undertook an MBA course at Pakistan's foremost business school, the Lahore University of Management Sciences (LUMS). During his MBA, he was able to start networking with some of the professors at LUMS and worked as a voluntary research assistant for Professor Dr. Jawaid Abdul Ghani. This pursuit soon led to an assignment for the IDA to assess the impact of its cluster and network development program in the Lahore garments cluster. With the help of Professor Ghani, the author was able to write a case study on Lahore Garments Consortium which was published in the *Asian Journal of Management Cases* of LUMS in 2007.

Following this experience, he continued working with the IDA on its industrial cluster development program as the National Project Coordinator in Pakistan. He had his own team of assistants, which included two Associate National Experts, three Cluster Development Agents, a

driver and a tea boy. The team of five professionals under his supervision (two Associate National Experts and three Cluster Development Agents) worked on the five pilot clusters in IDA's program in Pakistan, including the Lahore garments clusters and the Sialkot football manufacturing cluster. The IDA had an annual operational budget of nearly USD 400,000 in the years between 2005 and 2009 for its cluster development program. By the time he left the IDA in 2009, the IDA had undertaken cluster and network development interventions in the fifty clusters in Pakistan's four provinces. The IDA was successful in developing more than ten networks in five pilot clusters of IDA's program. The IDA was able to conduct four international export marketing visits for buyer-seller matchmaking among the network members representing the five pilot clusters. The IDA also trained 200 additional Cluster Development Agents for fifty clusters in Pakistan's four provinces.

On a more fundamental level, the author asked whether the work he had done for nearly a decade in the IDA would have a more lasting legacy in Pakistan in terms of sustaining the interaction between small- and medium-sized enterprises (SMEs) in various clusters throughout the country and addressing economic, social, and environmental challenges within these clusters – challenges that the SMEs would not have been able to respond to on their own. Therefore, he sought to understand the theoretical and methodological underpinnings of conducting research in the area of industrial clusters and their evolution in the developing world.

This pursuit led him to a reading of the industrial cluster literature as it is related to the developing world. The academic debate on industrial clusters in developing countries could be traced back to the early 1990s, particularly to the works of Hubert Schmitz and Khalid Nadvi in the United Kingdom – scholars who played key roles in defining this research field in the 1990s. Inspired by the Italian experience in the 1970s and 1980s, where networks of closely linked SMEs and support institutions had played a crucial role in stimulating local growth and job creation in Italian clusters, Schmitz and Nadvi set out to document whether similar clusters existed in the developing world. They did so with a view of understanding how these clusters functioned, and whether they might serve as local engines of growth in an increasingly competitive world economy (Nadvi & Schmitz, 1994; Humphrey, 1995).

Schmitz, Nadvi, and their colleagues documented that industrial clusters were indeed present in the developing world in large numbers and that they played an important role as a source of local economic growth and job creation. In the late 1990s, Schmitz and Nadvi (1999) summarized their work in an influential introduction to a special issue of the journal *World Development* (vol, 27, no 9) in which they argued that industrial clusters in developing countries benefit the development of SMEs in both active and passive ways. In terms of more passive gains, SMEs might benefit from being closely co-located by having access to local input providers, a trained and skilled workforce, support institutions in the form of training institutes and universities, specialized consultancy firms that can cater to their needs, and transportation companies that facilitate the movement of goods/services in and out of the cluster (Schmitz, 1995; Humphrey, 1995; Nadvi, 1995; Schmitz & Nadvi, 1999). However, industrial clusters could also assist SMEs in gaining a number of advantages through more active approaches to collaboration among cluster-based actors. Typically, the literature portrayed industrial cluster associations as playing a key role in cluster development by developing joint solutions to external marketing challenges, upgrading human resources within the cluster, assisting in the development of the cluster's physical infrastructure, setting up training institutions that cater to the particular needs of cluster-based SMEs, and engaging in joint sourcing and procurement activities among SMEs (Pyke, Beccattini & Sengenberger, 1990; Antoldi & Cannatelli, 2008). In this manner, business associations can help SMEs overcome the traditional challenges related to their limited size and isolation by facilitating networking and learning among SMEs in developing country clusters (Posthuma, 2004; OECD, 2009).

However, initial works on industrial clusters in developing countries (Nadvi, 1995; Ceglie, & Dini, 1999) focused more on the internal development of local industrial districts through collective efficiency, a term coined by Schmitz to describe the active and passive benefits gained by SMEs through co-location in clusters, whereas later works on this subject focused on the external challenges that clusters faced as part of their development (Schmitz, 1995, 1999. Gereffi and Lee, 2016). Developing country clusters were increasingly linked into the broader world economy and integrated in trade with multinational companies (Bair & Gereffi, 2001, Racic, Aralica & Redzepagic, 2008). They exerted substantial influence on the development of export-oriented clusters in the developing world. On the one hand, multinational companies might

stimulate the development of local clusters by increasing their sourcing of products, services, and raw materials from particular industrial districts. In this manner, multinational companies might help local cluster-based firms in stimulating industrial upgrading processes within these clusters (Forstater, MacGillivray and Raynard, 2006; Knorrinda & Pegler, 2006). By cooperating with multinational companies in global value chains and learning from their product and marketing knowledge, local SMEs might enhance both the quality of their products (known as product upgrading) and improve their production processes (known as process upgrading). In fact, by learning from their interaction with multinational companies, local firms might also gain particular competitive advantages, skills learned from competing in one industry that could be successfully transferred to another industry (so-called inter-sectoral upgrading). However, this literature also argued that multinational companies are reluctant to share their core competencies in the areas of marketing and branding of products and services in developed markets (Humphrey & Schmitz, 2002). In a sense, for the multinationals, this area was where money was to be made, where most value was added in financial terms while linking the global value chain of production to local manufacturers in the developing world to global marketers, import companies and final consumers in Europe and North America. Hence, the literature on industrial clusters in developing countries simultaneously portrayed multinational companies as a force that could also hinder the development of developing country clusters beyond the immediate gains that might be related to product and process upgrading for local cluster-based SMEs.

Another key theme that the author came across in the literature on SME clusters in developing countries was their vulnerability in relation to external shocks, possibly due to their participation in global value chains. Increasingly, NGOs, trade unions, consumers, and the media in the developed world were expressing concerns with the quality, social, and environmental standards on the local production in developing country export industries. Hence, through a series of case studies (Gereffi & Kaplinsky, 2001; Posthuma, 2004; Nadvi & Halder, 2005; Lund-Thomsen & Nadvi, 2010), various authors documented how local clusters faced potential important bans and the exit of international buyers from their clusters due to non-compliance with international quality, social, and environmental standards. Hence, the literature on industrial clusters also highlighted the potential of business associations in relation to finding collective action solutions

to industrial, social, and environmental upgrading challenges that cluster-based SMEs were unlikely to be able to address on their own.

As a former National Project Coordinator in the IDA, the author also sought studies that investigated the role played by donor agencies in facilitating joint action initiatives within developing country clusters. Such studies, he reasoned, might provide some inspiration and a better understanding of how and why the IDA was able to successfully stimulate and sustain networking among SMEs in clusters in Pakistan in some cases but not in other cases. However, there were not many studies written on this topic. Although there was a broad and well-established stream of literature on the potential and pitfalls of international donor funding in developing countries, it considered the particular theme of whether international donors help or hinder the development of local organizations and their ability to achieve their own goals. International donor agencies might play a positive role by developing skills, improving services, infrastructure, production, income and well-being of local stakeholders as well as providing improved education and health services (Riddell, 2008). However, international donor agencies might be able to undermine local organizations and their development initiatives by prescribing standardized solutions for recipient countries without their ownership, alignment, harmonization and mutual accountability (Browne, 2006; Riddell, 2007; OECD, 2011).

Nevertheless, the author's attention was drawn to an important subtheme within the wider development aid literature that focused on the role of aid agencies in promoting private sector development in the South. This literature appeared to be policy oriented and largely non-theoretical in nature (Rondinelli, 1987, Ruttan, 1996). Instead, a number of policy-oriented studies similarly discussed the conditions under which international aid agencies might help or hinder the development of private firms in the South. The literature suggested that international donor agencies might play a positive role by developing the private sector in terms of skill development, improvement in services, infrastructure, production, income, and well-being (Riddell, 2007). However, there are some notable limitations to the efforts of international donor agencies in promoting private sector development; in particular, the process on meeting aid effectiveness principles had been limited (OECD 2005; Kim & Lee, 2013; Mawdsley, Savage and Kim., 2014). The discussion on aid effectiveness recognized the importance of donors

making longer, more credible and stable commitments to improve the predictability of aid for private sector development (Kim & Lee, 2013 and Mawdsley et al., 2014).

While exploring the role of aid agencies in promoting private sector development in the South, the author also looked at the donor approaches to improving the business environment for private sector development in national business systems of developing economies. These include the following seven approaches to private sector development. The first approach emphasized the need for establishing a ‘level playing field’ for SMEs through administrative simplification and effective property rights policies. The second approach helped markets work for the poor by giving the poor “assets” and “access” to markets. The third approach looked at the role of multinational companies in private sector development and the institutional constraints these multinational companies faced while entering into a country. The fourth approach underlined the role of corporate social responsibility in shaping national business systems and the requirement of sector policy, planning and implementation for successful private sector development under the CSR umbrella. The fifth approach examined the global value chain approach and its impacts on private sector development. The fifth approach explored the role of public-private-partnerships and strategic alliances in private sector development and their link with the Millennium Development Goals. The seventh and final approach is based on the role of SME clusters as the enabling platforms for private sector development to upgrade the local firms and gain competitive advantages over the others (Estrup, 2009).

As pointed out above, the recent literature on private sector development emphasized the need to establish a “level playing field” for private sector development. The most commonly highlighted elements are administrative simplification and effective property rights policies with business services largely left to the private providers. This was also known as the ‘New Minimalist Approach’ (Altenburg & Drachenfels, 2006). Although the New Minimalist Approach was based on neo-classical thinking, it also acknowledged that a range of public policies was needed to create competitive sectors and overcome internal constraints, especially in small scale economies (Altenburg & Drachenfels, 2006). This was a major shift from the previous emphasis on the short comings of SMEs. That meant that governments should de-regulate, simplify and disengage (White, 2005: 11; Altenburg & Drachenfels, 2006). Although the New Minimalist

Approach highlighted the social costs of unnecessary regulation and weak property rights systems, it was silent about how the New Minimalist Approach matters in terms of facilitating or undermining private sector development interventions in a national business environment.

Based on this reading of the literatures on industrial clusters and private sector development the author decided to focus the thesis on how and why his efforts in the IDA had succeeded or failed in promoting and sustaining the development of joint action in SMEs clusters in Pakistan. Pakistan would be an interesting country to study the potential, limitations, and effects of this particular approach to private sector development for a number of reasons. First, Pakistan was an emerging economy as part of the Next Eleven (N11) countries with a growing middle class¹, which increased in size from 58 million in 2001 to 70 million in 2011². The projected growth of Pakistan's economy was approximately seven to eight per cent per annum, and Pakistan was expected to join the ranks of middle-income countries by 2030³. Pakistan expected to quadruple its per capita income to approximately USD 4,000 at current prices (or USD 12,000 in PPP terms) and become an economy of USD 1,000 billion (among the top 20 globally) according to the Pakistani government's Vision 2030.

Moreover, Pakistan was known to have a business environment that was notoriously difficult to navigate. Indeed, the country was largely run by an oligarchy of approximately 22 families who controlled large parts of its political and economic affairs⁴. These families included large industrial families who control huge business empires. A list of these families along with their businesses/business sectors/areas are given in the Table 1 below:

¹ Seventy million of a total population of about 186 million in 2013, which represents 40% of the country's population (http://en.wikipedia.org/wiki/Economy_of_Pakistan and <http://tribune.com.pk/story/358284/the-middle-class-debate>)

² The Emerging Middle Class in Pakistan, Working Paper Series (2014-11) Karachi School Of Business & Leadership (KSBL) by Ghani, J. A. (2014) – www.ksbl.edu.pk

³ Vision 2030 of Pakistan, presented by Dr Akram Sheikh, Minister of State for Planning Commission of Pakistan in 2007.

⁴ McCartney, M. (2011). Pakistan-The political economy of growth, stagnation and the state, 1951-2009. Routledge.

Table 1: List of families controlling large parts of the economy of Pakistan⁵

Families	Businesses/Business Sectors/Areas
Mian Muhammad Mansha	Nishat Group in textiles and banking
Malik Riaz Hussain	Property development
Sharif Family	Politics, sugar, textiles and steel
Sir Anwar Pervaiz	Best Way Group in cash and & carry, real estate, manufacturing, banking and investment
Hashoo Group Pakistan	Tourism, travel, real estate development, pharmaceuticals, IT, insurance, batteries, tobacco, construction, engineering and oil and gas
Shahid Hussain	Servis Group in footwear and pharmaceuticals
Iqbal Zafaruddin Ahmed	Associated Group (AG)—the largest producer, transporter and marketer of liquefied petroleum gas (LPG)
Rafiq Habib and Rasheed Habib	Banking, auto assembling and manufacturing
Sultan Ali Lakhani and family	Lakson Group in media, tobacco, paper, chemicals, surgical equipment, cotton, packaging, insurance, detergents and other household items
Mian Muhammad Latif	Chenab Group in textile, garments and textile household goods
Sheikh Abid Hussain	Abid Group in real estate and construction
Haji Abdul Ghafoor and Haji Bashir Ahmed	Sitara Group in textile cloth finishing and processing, textile spinning and power generation
Tariq Saigol and Nasim Saigol	Manufacture of air conditioners, deep freezers, and electric goods, Kohinoor Textile Mills and Maple Leaf Cement
Dewan Yousaf Farooqui	Dewan Group in textile and spinning
Razzaq Dawood	Dawood Group in construction and engineering (Descon group)
The Syed Family	Packages Group in the packaging, textiles, dairy and rice sectors

Source: The Author.

Furthermore, against this background of elite control of substantial sectors of Pakistan's economy, there was a significant presence of SME clusters in Pakistan. It was estimated that there were nearly 100 formal SME clusters employing 22 million people and approximately 700 artisanal clusters employing 1.8 million people⁶.

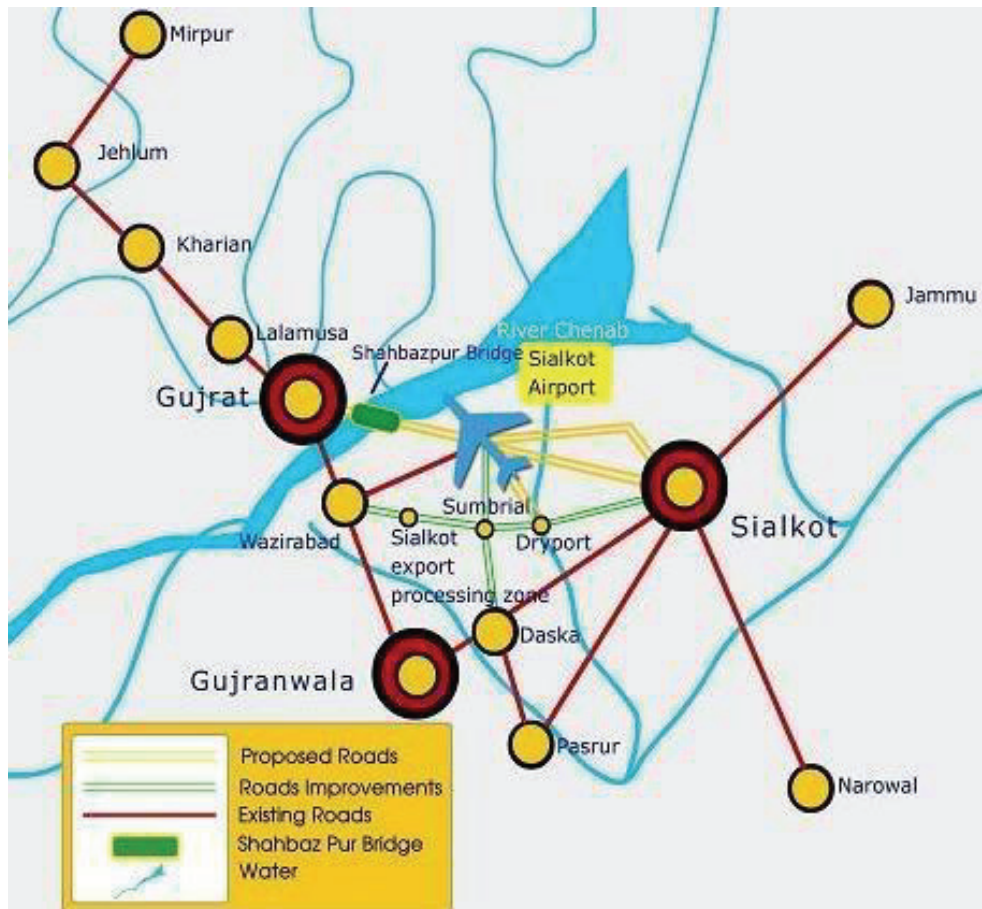
⁵ Source: <http://www.pakistanaffairs.pk> accessed on Aug 2, 2014

⁶ There was no formal survey of SME clusters in Pakistan. The IDA team, while working on the SME cluster and network development program in 2008, estimated the number of SME clusters and their employment contribution in Pakistan mainly through secondary data and interviews with the stakeholders while developing diagnostic studies on different industrial clusters in Pakistan. Data from the small-scale industries departments of the four provinces of Pakistan were taken from the following websites in 2008: <http://www.psic.gop.pk> – Punjab Small Industries Corporation (PSIC); <http://sindh-small-industries-corporation-31976.pakbd.com> – Sindh Small Industries Corporation; <http://www.khyberpakhtunkhwa.gov.pk> – Small Industries Development Board (SIDB) – KPK; and http://www.balochistan.gov.pk/index.php?option=com_content&view=article&id=1098&Itemid=100050 – Baluchistan Small Industries Directorate (BSID).

Finally, Pakistan was a country where local economic development was closely tied to the security situation. The war in Afghanistan, repeated terrorist attacks, and the presence of armed militants, occasionally backed and trained by wings of the Pakistan armed forces, created an inherently unstable environment to conduct business. It was becoming particularly difficult for local cluster firms to attract international buyers who were occasionally prohibited from visiting the country by their international headquarters. Terrorist incidents might also delay the processes within the local or global value chains due to the temporary shutdowns of highways, trains or other means of transport for security purposes. There were frequent power cuts, a country wide electricity crisis, and large-scale natural disasters that had a substantial impact on the prospects for the country's industrial development including the fate of the large number of SME clusters in Pakistan.

Pakistan consists of four major provinces: Baluchistan, Sindh, Khyber Pakhtunkhwa, and Punjab. The vast majority of IDA interventions took place in the province of Punjab with the help of the IDA although the IDA also had a smaller number of initiatives in Sindh province. Historically, Punjab had been the most powerful province in Pakistan since its independence from United India/Britain in 1947. The Pakistan Army tended to draw many, if not most, of its personnel from this province. Punjab was also the political centre of Pakistan, where the nation's capital, Islamabad, was located. It is also the province that tended to control most of Pakistan's federal budget. Moreover, it was the province that was most developed in industrial terms at the time of independence in 1947. In fact, Punjab had become the heartland of the development of SME clusters in the industrial triangle between the towns of Sialkot, Gujranwala, and Gujrat (see Figure 1 below).

Figure 1: Industrial Triangle, Punjab between Sialkot, Gujranwala, and Gujrat



Source: <http://www.skyscrapercity.com/showthread.php?t=626393>, accessed 28 October 2016.

In historical terms, Punjab province was also unique since it used to be united with what was named the state of Punjab in India. At the time of independence in 1947, Punjab province was divided, with one part becoming part of today's India and the other part of present-day Pakistan. This division led to mass migration across the India-Pakistan border in 1947 with Sikhs and Hindus fleeing toward India and Muslims moving in the direction of Pakistan. Hence, in the industrial heartland of Punjab, many SMEs that used to be owned by Hindu or Sikh entrepreneurs were abandoned and subsequently taken over by Muslim entrepreneurs. In other words, Punjab province constituted a distinctive setting in which it was important to understand

the influence of donor agencies (in this case, the IDA) in facilitating and/or undermining joint action initiatives among SMEs in clusters within the province.

Within Punjab province, the author chose to zoom in on two IDA interventions that he considered particularly important in terms of sustaining or undermining joint action initiatives among SMEs in both of these clusters. These were the Lahore garments cluster and the Sialkot football manufacturing cluster. A more in-depth explanation of why these two examples are particularly interesting to study will be outlined in the methodology section. The following presents a brief overview of his two main research questions in this thesis.

a. Research Questions

- a) How did the IDA interventions affect SMEs networking in the Lahore garments cluster and the Sialkot football cluster in Pakistan?
- b) Why did the IDA-supported SME networks in these clusters continue or discontinue after the IDA had withdrawn from both clusters?

We will now turn to the philosophy of science approach employed in this thesis.

2. Philosophy of Science Approach

In this thesis, the author adopts pragmatism as his philosophy of science approach. As a philosophy of science the origins of pragmatism can be traced back to the works of classical pragmatists such as Charles Peirce (1839–1914), William James (1842–1910) and John Dewey (1859–1952). Some of the central tenets of pragmatism include that social scientists should only base their work on the idea that the practicality, workability, and usefulness of ideas and policies are the essential criteria for judging the value of the research undertaken (James, 1975; Dewey, 1908; Rorty, 2000; Rescher, 2005; James & Kallen, 2015).

According to Shields (1998), pragmatism can also be understood as the philosophy of common sense. In her view, pragmatism is related to the qualitative nature of human inquiry and involves

the questioning of existing belief systems. As such doubt is sought addressed through critical reasoning. Ideas are tested and actions judged in terms of their practical consequences (Randall, 1953). On the one hand, positivist would typically argue that what is verifiable is the only thing that exists. On the other hand, interpretivists tend to be concerned with the experience of individuals and groups. Here qualitative interviews are used to understand the subjective human perception of reality and the social worlds they inhabit. In pragmatism, a different perspective is adopted. Discovering the “truth” about a given matter is seen as less important question than discovering its utility. As such, something can be seen as truth if it works (Rescher, 2000).

Adopting pragmatism as the philosophy of science stance for this thesis also has direct practical consequences for the study. A significant concern of pragmatists is to empirically determine what works, and what does not. A central point is thus to analyze whether particular activities lead to particular results (Peirce 1905, 1965). In this connection, the research inquiry is also connected to viewing science as a kind of toolbox that can help establish whether particular actions lead to desired outcomes. Research questions are identified with a view to examining whether certain actions or activities bring about their intended consequences. In terms of the methods adopted for the inquiry, these are chosen with a view to pragmatically employing the types of research design, data generation, and analysis procedures that are ultimately most suited for answering the research questions posed (Shields, 1998).

The author of this thesis has chosen to adopt pragmatism as his philosophy of science as pragmatism is closely related to his own concern with trying to establish what worked and what did not work in relation to the IDA’s cluster based interventions in Pakistan. A central concern for the author is thus to establish the practical consequences of the IDA’s interventions for the stakeholders concerned, particularly SME networks in the industrial clusters where IDA interventions took place in the 00s. In other words, the author is interested in discovering the workability and usefulness of the ideas – i.e. that donor financed interventions can help the development of industrial clusters in developing countries - that were tried out by IDA in Pakistan during this period. The workability and usefulness of the ideas should not only be judged from the viewpoint of the IDA itself but also in terms of the practical consequences that

they had for the intended beneficiaries and the policy implications that can be learned from this study. I.e. with a view to informing the design of future donor financed interventions in industrial clusters in developing countries.

3. Methodology

So how does one go about empirically studying the sustainability of donor-financed interventions in support of industrial cluster development in the Global South? As pointed out in the article on the Lahore garments cluster, there is a very limited theoretical literature on cluster program development evaluation. A range of methodological approaches have thus been recommended for such evaluations. These include various reporting methods, case studies, economic methods, systemic, and cost-related approaches (Schmiedelberg, 2010). At the same time, the United Nations Industrial Development Organization (UNIDO) has argued that cluster development program evaluations could usefully focus on documenting the relevance, effectiveness, efficiency, impact, and sustainability of such interventions (UNIDO, 2013). More recent work on evaluation methods for cluster development programs has indicated that social network analysis or participatory forms of evaluation may be particularly useful in the context of these types of evaluations (Diez, 2001, Giuliani *et al*, 2013).

In the context of this thesis, the author was interested in tracing the historical developments of IDA interventions in the Lahore garments and Sialkot football manufacturing clusters with an emphasis on “the description, explanation and interpretation of data drawn from multiple information sources” (Schmiedelberg, 2010, p. 396). An overarching concern of the author was thus to provide an alternative account of private sector development aid where the literature had often focused on one-size-fits-all explanations of the conditions under which the private sector development might flourish in developing countries (see the article on the Lahore garments cluster for an elaboration of this argument). Here the central theoretical concern was to highlight the role of national business environments in affecting the sustainability of donor-financed interventions in the Global South. Thus, the intention was both to theorize its influence and also to empirically investigate its effects on the sustainability of these types of interventions through a series of interrelated academic articles. It is in this context that the author believes that in-depth

case studies provide a particularly useful way of undertaking an in-depth and very thorough analysis of the topic studied within a given contextual setting (Ghauri, 2004). We shall further elaborate on this rationale in the section below.

a. Case Selection

To understand why particular IDA interventions aimed at stimulating joint action through SME networks continued or ended after the IDA had withdrawn its support, the author decided to focus his study on two industrial clusters, namely, the football manufacturing clusters of Sialkot and the Lahore Garments cluster, both of which are located in Punjab province, Pakistan. Having considered writing about several of the clusters in which the IDA had supported the development of SME networks in Punjab and/or Sindh province, the author's choice eventually fell on these two clusters for several reasons.

First, he found that these two clusters were perhaps the most notable instances of what he might call success or failure in terms of developing and/or sustaining SME networks out of the many interventions that the IDA supported in Pakistan. The Lahore garments cluster still has active SME networks that are functioning and alive several years after the IDA withdrew its support from the cluster. However, the SME networks that the IDA tried to initiate and support in the Sialkot football manufacturing cluster were only short-lived and are no longer functioning today. Thus, the author thought that it would be interesting to perform a comparative study of both of these interventions. Using a comparative case study design is helpful in cases where he compares instances of (at least to a certain extent) similar phenomena because it helps in understanding the similarities and differences between the two cases. The comparative case study design enabled the author to explore differences within and between cases. The goal was to replicate findings across cases. Comparisons have been drawn through carefully selected cases to predict similar or contrasting results across cases (Yin, 2003). In the context of this study, this relates to the question of why some SME networks, as in the case of the Lahore garments cluster, continue to this day and why others, particularly in the case of the Sialkot cluster, were abandoned relatively shortly after the donor agency (the IDA) exited from the cluster.

The author also finds the story of the development and discontinuation of SME networks in these two clusters interesting because they allow for a comparison of two IDA interventions that used the same intervention methodology but were implemented in otherwise different cluster contexts. In other words, he could also describe these two case studies as maximum variation case studies. Flyvbjerg (2006) proposed the use of maximum variation case studies to obtain information about the significance of various circumstances for case process and outcome, where three to four cases are selected that are extremely different on one dimension. The maximum variation case study methodology is employed when we want to understand the extreme instances of a given phenomenon. In other words, by studying examples of the same phenomenon that differ as much as possible, it becomes easier to make more general inferences about other instances that might be more typical examples of a given phenomenon. Hence, in the case of this Ph.D., the author takes the IDA interventions in the Lahore garments cluster as an example of “best case” practice in terms of an IDA intervention that actually succeeded in bringing about more lasting change in the cluster, with SME networks continuing to exist and function several years after the IDA had withdrawn from the cluster. In contrast, the Sialkot cluster case illustrates instances of what might be called “worst case” practice, with the IDA-supported SME networks discontinuing their work almost immediately after the UN agency had withdrawn from the cluster. Hence, using a maximum variation case study approach allows for the determination of factors that explain instances of success and failure in terms of developing and sustaining SME networks in developing country clusters, in this case, within the particular setting of Punjab province, Pakistan.

Thus, at the outset of the study, it is important to understand the main similarities and differences between the Lahore garment and Sialkot cluster case studies; article no. 1 discusses the context of these two cases, article no. 2 discusses the Lahore garments cluster and article no. 3 discusses the Sialkot football cluster. He will illustrate these similarities and differences in both cluster interventions with reference to Table 2 below.

Table 2: Similarities and differences between the Lahore garments and Sialkot football manufacturing clusters and the IDA interventions within them.

	Lahore garments	Sialkot footballs
No. of Cluster Producers	280	390
Total Export Contribution/Year	US \$280 million/2008-9	US \$300 million/2008-9
Types of Products Manufactured	Denim-based garments (women's, men's & children's) such as jackets, shirts, trousers, and shorts	Non-inflatable balls; hollow balls (e.g., tennis ball) & solid balls (e.g., cricket, hockey, baseball). Inflatable balls; soccer balls, hand balls, volley balls, beach balls, and rugby
Main Markets	Wholesale and retail stores in Europe (U.K, Germany, France, Australia and Korea) & some export to the USA	Famous brands such as Nike, Puma, Adidas, Micassa, Grays, and Select, from the USA, UK and Europe
Value Chain Linkages	Domestic and Export	Mainly Export-oriented
Years of the IDA Interventions	2002-2008	2008-2009
Number of SME Networks Supported	2 Years	2 Years
Functioning SME Networks Supported by the IDA in 2013	1	0

Source: The author, based on the IDA's Diagnostic Studies developed in 2006 and modified in 2008-9^{7 8}

Table 2 illustrates that the Lahore garments and Sialkot football manufacturing clusters and the IDA interventions within these clusters were both similar and different in some respects. Regarding the number of cluster producers, there are nearly 300 producers in the garments cluster, whereas there are approximately 400 producers of Sialkot footballs. The annual export contributions in each cluster are nearly identical in terms of US dollars. The types of products manufactured in each cluster were different in the sense that one cluster produces garments, whereas the other produces inflatable and non-inflatable balls. In terms of value chain linkages, Table 2 indicates that the garments cluster produces for local and export markets, whereas the football cluster is mainly export oriented. Finally, the IDA interventions in both clusters took

⁷ https://unido.org/.../Pakistan/DS_Garments_Cluster_Lahore_Pakistan_2006__m2__29-4-08.pdf

⁸ www.SMEDA.org.pk

place at different points in time. Major interventions in garments began at Lahore in 2002 and peaked in 2007-8, whereas in the football cluster, the IDA intervention started in 2008 and ended in 2009. Although there was some overlap in the interventions in both clusters, the main focus in 2008-2009 was on the Sialkot football cluster. Networks in both clusters also shared certain similarities and differences when considering the types of SME networks that were supported.

In the Lahore garments cluster, the IDA supported two networks. One network, the Lahore Garments Consortium, was perceived as successful by the IDA. As article 2 demonstrates, here the network members had relatively similar family backgrounds, their enterprises operated in the same or related industries, and their factories were located in close geographical proximity. The second network of five companies in the garments cluster was established following nearly eight years of successful operation of the first network. The second network could not survive for more than eighteen months. Here the enterprises were not always operating in the same or related industries, some of the firms were not located in close geographical proximity, they were from different types of family networks, and the firms especially hard hit by the financial crisis.

For the Sialkot football cluster, two networks were established. One network of three large entrepreneurs could not even survive the initial phase of networking. The second network, which survived for only eighteen months, was composed of four family-based firms. As article 3 of the thesis shows, this network was discontinued as there was no clear business case (i.e. financial rationale) for the SME network members to engage in CSR, because the network members were not sufficiently involved in project formulation, since CSR was perceived by the members as a form of economic and cultural imperialism, and because donor financing was provided for a very short period. Moreover, the fieldwork findings (which are presented in depth in subsequent articles) indicated that one IDA-supported SME network in the Lahore garments cluster continued to function in 2013, whereas the SME networks supported by the IDA in the Sialkot cluster had ceased functioning by 2013, which was the last year in which the author carried out fieldwork in both clusters.

b. Sample Selection

The similarities and differences in the ways in which the SME networks developed and were (dis)continued in both clusters were analysed as follows. Both primary and secondary data collection methods were used extensively for this study. First, in both clusters, the author relied on his personal contacts that had developed through his many years of interaction with both clusters in his work as National Project Coordinator of the IDA in Pakistan. He relied on this network of contacts to contact and interview a range of stakeholders within and outside of these clusters. First, in terms of his IDA colleagues, interviews were undertaken with the global manager of the IDA cluster development program in Europe and one of the senior directors who was responsible for supporting the author's cluster development program in Pakistan, particularly in financial terms. In Pakistan, he interviewed a number of his former colleagues in the IDA's Pakistan offices and some of his junior staff members that were employed as cluster development agents in the Sialkot and Lahore garment clusters. These interviews focused on themes such as profile, mandate and the objectives of the IDA interventions in Pakistan, especially in the garments and football clusters. Regarding the Sialkot football cluster, the author sought information on the IDA's perspective on CSR in addition to information on why and how the IDA decided to work in Sialkot. He also wanted to know why and how CSR interventions in Sialkot were linked to the IDA's SME cluster development program. The author also explored the impact of the project and why the networks and cluster development project in Sialkot could not be sustained after the IDA's termination of the project. Regarding the Lahore garments cluster, the author sought information on the IDA's perspective on SME cluster and network development as well as private sector development and, in particular, how and why the IDA decided to work on the Lahore garments cluster. He also wanted to explore how the IDA decided to work on two networks and what economic, social or environmental challenges were addressed through the IDA's cluster development project in the Lahore garments cluster. He also wanted to determine why the first network in the garments cluster was sustainable and why the second one could not be sustained, as well as potential action regarding the future sustainability of the networks in clusters.

The author also spoke to buyers from both clusters, including international, regional, and local buyers within Pakistan. In the case of garments, the network members exported through house purchases; therefore, he interviewed two buyers who were buying houses (one in Lahore and the other in Karachi). In the case of football, he interviewed representatives of brands such as Adidas, Select and ALGENE (Germany-based, selling GEM and Kango Fitness brands). The topics covered in these interviews included the buyers' branding and sourcing strategies, compliance requirements linked to the sourcing strategy, problems faced by buyers while sourcing from Sialkot and Lahore, how buyers monitor compliance requirements, the role of donors (IDAs), such as UNIDO and ILO, in upgrading the clusters and the perception of buyers on SME networking in these clusters.

The author then proceeded to speak to a number of supporting institutions in both clusters, including business associations, such as Sialkot Chambers of Commerce and Industry (SCCI), Sialkot Sports Goods Association (SGA) and Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA), government agencies, and other stakeholders, such as the Small & Medium Enterprise Development Authority (SMEDA), the Trade Development Authority of Pakistan (TDAP), the Technical & Vocational Training Authority (TEVTA), and business development service consultants. These interviews mainly focused on topics such as the history, mandate and objectives of these organizations in addition to the challenges they faced while working for the SMEs in Pakistan in general and SMEs in garments and footballs clusters in particular; these interviews lasted between 90 and 120 minutes. These interviews also highlighted these agencies' role in facilitating and constraining the formation of SME networks in the garments and football clusters. Moreover, he spoke to both network members and non-network firms in the Lahore and Sialkot clusters with the aim of both understanding why certain SMEs decided to join the IDA supported networks and why other firms decided not to take part in these interventions. The author was also interested in documenting whether other less formal forms of networking existed among SMEs within both clusters and whether these sustained forms of networking in the absence of support from international development agencies. Finally, he spoke to a range of international experts on the topic of industrial cluster development, both in general and in the particular case of Pakistan. These included authors such as Peter Lund-Thomsen (Copenhagen Business School), Khalid Nadvi (The University of Manchester), Ali

Khan (Lahore University of Management Sciences) and Farzad Rafi Khan (Lahore University of Management Sciences) and concentrated on themes such as global value chain, global production networks, SMEs, SME clusters and networks, development aid interventions and corporate social responsibility.

All interviews conducted for the study were undertaken in English, Urdu, or Punjabi (the latter are the two main local languages used in Punjab province, Pakistan). The interviews were tape-recorded and subsequently fully transcribed by local research assistants whom the author had hired for this task with the financial assistance of the Copenhagen Business School.

Following the interviews, the author examined the information gathered from other sources. By drawing on secondary data and multiple interviews in each case, he developed rich insights across multiple case studies and achieved a basis for greater transferability of the findings to other contexts (Eisenhardt, 1989). The secondary data reflect the widespread search of published documents, diagnostic study reports, conference papers and cases. Because the analysis in each case studied is based on the effects of the IDA interventions on SME networking in the Lahore garments cluster and the Sialkot football cluster, the author combined the information from each interview and the secondary sources into case-specific manuscripts.

During these phases, the author was engaged in constant comparisons among the emerging theory, new data, and extant literature. Furthermore, before each interview, the author reviewed publicly available secondary material, including diagnostic studies, case studies and working papers, on industrial clusters in Pakistan. He reviewed 22 diagnostic studies conducted by IDA representatives on different SME clusters of Pakistan, including diagnostic studies on the Lahore garments cluster and the Sialkot football cluster. He also used case studies and working papers on garments and footballs developed by professors from the LUMS, Pakistan. The author also developed a case study in collaboration with a senior professor of LUMS, which was published in the *Asian Journal of Management Cases* (Ghani & Fayyaz, 2007). He was part of numerous relevant publications before and while studying for his PhD. Some of the publications include “State of entrepreneurship and globalisation in Pakistan” (Fayyaz, Mian & Khan, 2009), “The impact of formal SME networks in emerging economies: a study of formal manufacturing

networks in Pakistan” (Fayyaz, Khan & Mian, 2008), and the “Factors Influencing the Development of SME Clusters: Evidence from Pakistan” (Fayyaz, Mian & Islam, 2011). While developing these papers, he reviewed more than 200 research articles. These multiple sources improved the quality of the final analysis and helped ensure triangulation (Strauss and Corbin 1998; Yin 2003).

The five summary tables below provide an overview of the data-gathering methods used in the methodology and the basic characteristics of the clusters and networks studied. Table 3 provides the breakdown of the interviews in the Lahore Garments Cluster. Table 4 summarizes the characteristics of the active members of the Lahore Garments Consortium. Table 5 summarizes the characteristics of the active members of the Lahore Fashion Apparel Network. Table 6 provides the breakdown of the profile and interviews undertaken in the Sialkot football cluster. Table 7 summarizes the characteristics of the Sialkotec Network members.

For the article on the garments cluster, the author adopted a qualitative purposive sampling strategy by selecting the Lahore Garments Consortium and the Lahore Fashion Apparel Network members while comparing the success or failure of these networks. Details of the breakdown of these interviews are provided in Table 3 below.

Table 3: Breakdown of Interviews in the Lahore Garments Cluster

Respondents	Number
Network Members. LGC	5
Network Members LFAN	3
Manufacturers & Exporters	2
Local Buying Houses	2
IDA Staff	3
Private BDS Provider	1
Public Sector BDS Providers	3
Business Association	1
Total	20

Source: The Author.

The author conducted a total of 20 interviews in the Lahore garments cluster, eight of which were conducted with network members, two with manufacturers, two with local buying houses, three with IDA staff, one with a business development service consultant, three with public sector officers and one with the woven garments business association.

The characteristics of the network members are given in Tables 4 and 5 to illustrate the similarities and differences between the two networks. Table 4 provides information on active members of the Lahore Garments Consortium. Similarly, Table 5 provides information on active members of the Lahore Fashion Apparel Network.

Table 4: Active Members of the Lahore Garments Consortium

Characteristics – Lahore Garments Consortium Members (2012)	LGC Member 1 (Dec 4, 2012)	LGC Member 2 (Dec 22, 2012)	LGC Member 3 (Dec 22, 2012)	LGC Member 4 (Dec 1, 2012)	LGC Member 5 (Dec 8, 2012)
Respondent Position	CEO	Director	CEO	CEO	Director
Number of Employees	1800	1800	1000	300	500
Gross Sales Pak Rs. millions/yr	4000	1350	900	700	1100
Mean Firm Age (Yrs)	10	15	11	20	13
Primary Product Line	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)
Major Markets	England, Germany, France, Italy, Spain and Poland	Europe, Canada and Australia	Portugal, Poland, Beirut, Spain and South Africa	Europe	United Kingdom
No. of Years in Network	9	9	9 – 10	9	9

Source: The author based on in-depth interviews with 5 out of 8 members of Lahore Garments Consortium

If we look at the characteristics of the active network members of Lahore garments consortium, three out of five are the Chief Executive Officers of their firms, whereas rest of the two out five are positioned as Directors of their companies. All the respondents have been working in these positions with effect from the year 2003 with a wide range in their number of employees, gross sales in Pakistani Rupees and mean firm age. All these firms have been producing the same product with some variation in the major markets ranging from Europe, United Kingdom, and South Africa to Canada. Almost all of the members have been involved in the Lahore Garments Consortium since nine years.

Table 5: Active Members of the Lahore Fashion Apparel Network

Characteristics – Lahore Fashion Apparel Network Members (2012-13)	LFAN Member 1 (Mar 2, 2013)	LFAN Member 2 (Nov 1, 2012)	LFAN Member 3 (Nov, 3, 2012)
Respondent Position	Director	Director	CEO
Number of Employees	500	500	210
Gross Sales Pak Rs. millions/yr	825	500	14.5
Mean Firm Age (Yrs)	13	13	9
Primary Product Line	Bottom-wear (denim jeans, skirts and shorts)	Bottom-wear (denim jeans, skirts and shorts)	Denim jeans and teflon-coated garments
Major Markets	Europe	Europe, mainly Ireland and Spain	USA (Sears and Wal-Mart)
No. of Years in Network	Almost 1	Almost 1	1

Source: The author based on in-depth interviews with 3 of the 5 members of the Lahore Fashion Apparel Network

If we consider the active members of the Lahore Fashion Apparel Network in the table above, two of three members were positioned as directors of the company, whereas one member was the Chief Executive Officer of the firm. There was a different starting year for employment in that position. Although there was a wide range of gross sales in Pakistani Rupees per year per firm, the number of employees was either less than or equal to 500. Two of the three firms had a similar product line, but the third had an additional product that was a Teflon-coated garment. Although all three members of this network were involved for nearly one year, the major markets varied, i.e., two members had been working in Europe and the third member was working in the USA.

In the case of the Sialkot football cluster, semi-structured, qualitative interviews were undertaken with a broad range of stakeholders, including members of the Sialkotec network, members of other SME networks in Sialkot, the Sialkot Chamber of Commerce, local NGOs, such as the Independent Association for Monitoring Child Labour (IMAC), government representatives from organizations, such as the Trade Development Authority of Pakistan and the Small and Medium-sized Enterprise Authority of Pakistan, the Child and Social Development Organization (CSDO), international NGOs, such as the International Labour Rights Fund (ILRF) and the World Federation of Sporting Goods based in Switzerland, international buyers that sourced footballs

from Sialkot, such as Adidas and Danish-brand Select Sports, and the present/former staff members from the headquarters of the IDA, their Lahore office, and the field office in Sialkot. Table 6 provides a breakdown of the profile and interviews undertaken for this study.

Table 6: Break-down of the profile and interviews undertaken in Sialkot football cluster

Interviewees	No.
Manufacturers/Sialkotec Network Members	4
Manufacturers/Non-Network Members	3
National and International Business Associations	3
Government agencies	2
NGOs	3
Buyers	3
Academics	4
The IDA staff	3
Total	25

Source: The Author

A total of 25 interviews were conducted in the Sialkot football cluster, with more than 25% of the interviews being conducted with manufacturers and Sialkotec Network members. Three interviews were conducted with the international business associations, whereas two were conducted with the relevant government agencies. Three NGOs and three buyers were selected in addition to four scholars from the local and international academic platforms. Three interviewees were selected from the IDA staff. The characteristics of the Sialkotec Network members are provided in Table 7.

Table 7: Characteristics of the Sialkotec Network Members

Sialkotec Network Member	Network Member 1	Network Member 2	Network Member 3	Network Member 4
Designation	Chairman & CEO	Director	Owner/Director	Owner/Director
Main product	Soccer balls	Sporting products, such as martial arts uniforms, sportswear, packaging items, soccer products / articles, and boxing equipment	Sporting goods with a special focus on soccer balls.	Footballs, ice hockey gloves and ski gloves. Motorbike gloves, boxing gloves, fitness gloves and leather belts for weight lifters.
Type of balls	Machine-stitched and hand-stitched balls; training & match balls	Match and training balls	Youth and professional training balls	Promotional balls
Price range	US\$ 4.5 to US\$ 8.5	US\$ 4 to US\$ 11	US\$ 4 to US\$ 11	US\$ 4.5 to US\$ 8.5
Organization type	Private	Private	Private	Private
Market	Export	Export	Export	Export
Major issues	Poor government support; lack of R&D and introduction of new technology; thermos-moulded balls	Poor support from government, institutions and the Sialkot chambers; technology change	Technology, power shortage and poor support from the public sector	Technology; thermos-moulded balls, raw material price increase; competition from China; poor government support

Source: The Author

If we consider the characteristics of the network members of the Sialkotec Network in Table 7, one of the network members was the Chairman and Chief Executive Officer of the firm, whereas the remaining three members were either owners or directors of the company. There was a wide range of primary product lines, with nearly all four members ranging from simple soccer balls to sporting products, including martial arts, footballs, ice hockey, ski gloves, motorbike gloves, boxing gloves and leather belts for weight lifters. Even the type of balls produced differed, ranging from hand-stitched to machine-stitched and from promotional balls to match balls. Major issues faced by all the companies generally centred around a lack of government support, lack of R&D, poor support from the Sialkot chambers, poor alignment with technology change, power shortages and increased competition from China.

c. Themes covered during interviews

An overview of the main themes covered during the interviews in Lahore garments cluster is provided in Table 8 below.

Table 8: Main themes covered during the interviews in Lahore garments cluster

Main Themes Covered During Interviews (Lahore Garments Cluster)	
LGC/LFAN Network Members	<ul style="list-style-type: none"> • Profile of individual companies in terms of family business history, organizational structure, product, price, quality, competition, buyers, suppliers and decision making process. • History of the firms and dynamics of informal social networking in the two networks • Relationships with the buyers and suppliers • Role of IDA in establishing both networks • Challenges faced by network member firms • Network descriptive characteristics • Reasons for the continuation/dissolution of the networks.
Manufacturers & Exporters (Control Group)	<ul style="list-style-type: none"> • Profile of individual companies in terms of family business history, organizational structure, product, price, quality, competition, buyers, suppliers and decision making process. • Relationship of these firms with the cluster members and their informal social dynamics: their relationship with their buyers and suppliers. • Role of national support institutions and the international donors (IDAs) in upgrading their businesses. • Reasons for not participating in LGC or LFAN networks and not initiating similar SME networks in the cluster.
Local Buying Houses	<ul style="list-style-type: none"> • Profile the buyers, their product sourcing strategy, major markets, their branding strategy and their decision how they select a specific country to source from. • Strengths and weaknesses of producers of garments in Lahore including the factors such as management, R&D ability, and compliance with international standards. • Relationship of buyers with their suppliers and the impact of technology, environment, CSR compliance, infrastructure and the type of material used for manufacturing when they decide to source from a country or a cluster. • Role of international development agencies in handling the challenges being faced by the Lahore garments clusters and how these agencies are helping to upgrade this cluster. • Perception on collective action in Lahore garments clusters and their knowledge about LGC and LFAN consortiums.
IDA Staff	<ul style="list-style-type: none"> • History, evolution and mandate of the IDA's SME cluster development project in Pakistan; main objectives of establishing IDA's office in Lahore. • Scope, implementation strategy and IDA's perspective on establishing networks in Lahore garments cluster under their private sector development division. • How the IDA decided to work on the LGC and the LFAN • Economic, social and environmental challenges addressed through the IDA's intervention in the SME clusters of Pakistan and the impacts of this project on the individual firm's businesses due to networking and trust building. • Major outcomes of individual firms' participation in the network in terms of competencies, organizational credibility, access to resources and the financial performance of their companies.

<ul style="list-style-type: none"> • Role of IDA, national, and local stakeholders in the success and failure of collective action in the LGC and the LFAN networks; role of policy in sustaining the networks.
Public & Private Sector BDS Providers <ul style="list-style-type: none"> • Mandate and organizational structure of BDS providers; their role in developing the Lahore garments cluster. • Their role in promoting networking and trust building. • Local and international challenges being faced by the Lahore garments cluster and the role of BDS providers in facilitating the members in handling these challenges. • Relationship between BDS providers with the business associations, national and international development agencies. • Role of BDS providers in facilitating collective action in the Lahore garments cluster in order to upgrade this cluster.
Business Association <ul style="list-style-type: none"> • Role of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) in Lahore garments cluster • Role of the business association in developing supporting institutions such as technical training institutes for the Lahore garments cluster. • Challenges faced by the cluster and how association was facilitating in handling those challenges. • PRGMEA's role in promoting networking and trust building; helping in developing and upgrading the garments cluster. • Relationship of PRGMEA with national and international development agencies; role of these agencies in facilitating collective action in Lahore garments cluster. • Role of PRGMEA in establishing LGC and LFAN.

Source: The Author.

An overview of the main themes covered during the interviews in Sialkot football cluster is provided in Table 9 below.

Table 9: Main themes covered during the interviews in Sialkot football cluster

Main Themes Covered During Interviews (Sialkot Football Cluster)
Sialkotec Network Members <ul style="list-style-type: none"> • Profile of individual companies in terms of evolution, major products, main markets, customers and their regions, and the role of members of the board in their companies. • Compliance requirements of international buyers - to what extent Sialkot football producers are meeting those requirements • CSR challenges Sialkot football producers face – how they respond as a cluster or through collective action • Role of the Sialkot sports goods association, donors and NGOs in handling these challenges • Reasons of initiating Sialkotec Network and the relationship of network members • Process of establishing the network and the perception of network members about collective action • Reasons of failure of the network and the lessons learnt.
Manufacturers and Exporters (of Brands) <ul style="list-style-type: none"> • Profile of companies in terms of history, organizational structure, product, price, quality, competition, buyers, suppliers and decision making process • History of family business, informal social networking, understanding the dynamics of relationship on how and why they compete or collaborate with each other • Details of collaborative projects with the buyers including any collaboration on CSR • Joint programs with the national stakeholders such as SMEDA, TDAP and Punjab Small Industries • Perception of local and international challenges as manufacturer and supplier of sports goods • Relationship with international donors

<ul style="list-style-type: none"> • Collaboration or joint actions of buyers and suppliers • Role of association and SCCI in handling compliance challenges • Challenges in terms of competitiveness and compliance • Role of collective action in meeting international challenges • Perceived strengths/weaknesses of Sialkot producers in terms of price, quality, delivery timings, infrastructure in the cluster, security (travel to Pakistan), level of management strength, R&D ability, and compliance with CSR standards
<p>SIALKOTEC Network Members' Buyers</p> <ul style="list-style-type: none"> • Profile of the buyers in terms of existing products, markets, percentage outsourcing, types of products form different regions/clusters, outsourcing strategy and main strengths and weaknesses of the suppliers • Type of products do they outsource from Sialkot Pakistan; main strengths and weaknesses of the football suppliers from Pakistan in comparison to the suppliers from China and India • CSR requirements while sourcing from Sialkot; how to ensure compliance requirements • How the suppliers from Sialkot adopt to the requirement as an individual company, as a network member and as a cluster? • Perception of the buyers about the collective action in Sialkot football cluster; what should be done by the Sialkot producers to serve you better in a better way • Impact of introduction of machine stitched balls on suppliers in Sialkot
<p>IDA Staff</p> <ul style="list-style-type: none"> • IDA's main objectives to initiate it's project around CSR • Reasons of choosing a specific country and specific clusters for CSR project; process of designing these projects • IDA's methodology to address CSR challenges; main challenges in implementing these projects • Main actors/stakeholders of the such a project • Learning about the compliance requirements of international buyers from Sialkot cluster and how the Sialkot producers were meeting those requirements • CSR challenges faced by Sialkot football producers; how they respond through collective action • Role of association, donors and NGOs in handling compliance challenges • Whether the collective action in Sialkot football cluster succeeded or failed and why
<p>Role of International NGOs (ILO/IMAC/ILRF)⁹</p> <ul style="list-style-type: none"> • Main objectives of these platforms; how many staff members, type of work, source of funding and main challenges • Compliance requirements of international buyers; to what extent football producers in Sialkot were meeting those requirements • CSR challenges Sialkot football producers face; how they respond as a cluster or through collective action • Role of SCCI, donors and NGOs in handling these challenges • How international NGOs helping or hindering CSR compliance challenges being faced by the Sialkot football producers • Whether collective action in Sialkot football cluster succeeded or failed in the past and what were the reasons behind that success or failure
<p>Sialkot Chambers</p> <ul style="list-style-type: none"> • Operation of Sialkot Chambers; current number of staff, members and how many representing football cluster and other sectors/clusters • Main development agenda of Sialkot Chambers of Commerce and Industry (SCCI); how they are working with government and what value being added to the members • SCCI strategy to handle international challenges being faced by different clusters in Sialkot

⁹ ILO – International Labour Organization, IMAC – Independent Monitoring Association for Child Labour, ILRF – International Labour Rights Forum

<ul style="list-style-type: none"> • How and why SCCI partnered with the IDA and how did Soccer Village initiated through SCCI • What are the compliance requirements of international buyers? To what extent Sialkot football producers are meeting those requirements? • CSR challenges Sialkot football producers face; how they respond as a cluster or through collective action • How SCCI, donors and NGOs handled these challenges • What kind of collective action being practiced in Sialkot football cluster • Whether collective action in Sialkot football cluster succeeded or failed and why
<p>Academics</p> <ul style="list-style-type: none"> • Compliance requirements of international buyers; to what extent Sialkot football producers were meeting those requirements • CSR challenges Sialkot football producers face; how they respond as a cluster or through collective action • Role of SCCI, donors and NGOs in handling these challenges • Their research and understanding on Sialkot football cluster; main findings of their research; methodology used; main competitive challenges faced by this cluster; main compliance challenges faced by the cluster • Whether collective action in Sialkot football cluster succeeded or failed in the past and what are the reasons behind that success or failure

Source: The Author.

d. Data recording and analysis procedures

All interviews were either recorded and fully transcribed or extensive notes were taken during interviews and sent back to the interviewees via emails for any possible corrections to be made. Interviewees were informed that their identities would be kept anonymous, and that it would not be possible to trace any statements made to them as individuals in the article. In terms of data analysis procedures, the author used memoing, commonly associated with grounded theory, but here employed in the sense that memoing can be of relevance to qualitative studies more broadly defined (Charmaz, 2006; Clarke, 2005; Primeau, 2003). The author analyzed the qualitative data based on memoing, characterized by an emphasis on contextual meanings of concepts and categories with the aim of developing a shared understanding of the basis on which the Lahore Garments Consortium and Lahore Fashion Apparel Network were established, sustained, and/or terminated. Memoing enabled the author to engage with the data and reflexivity facilitated the understanding of the concepts and categories that emerged during his data analysis on Lahore garments cluster (Primeau, 2003; Birks, Chapman & Francis, 2008). These are given in the table below.

Table 10: Concepts and Categories Developed for LGC and LFAN

LGC		LFAN	
MAIN CATEGORIES	MAIN CONCEPTS	MAIN CATEGORIES	MAIN CONCEPTS
Nature Of Firms	Firm Age	Nature Of Firms	Firm Age
	Firm Sizes		Firm Sizes
	Number of Employees		Number of Employees
Nature Of Entrepreneurs	Middle-Aged	Nature Of Entrepreneurs	Inherited Business
	First Generation		Family-Based
	Position in Firms (CEOs)		Position in Firms (Directors)
Nature Of Products	Bottom-wear (Denim-based)	Nature Of Products	Bottom-wear (Denim-based)
Geographical Proximity	Close	Geographical Proximity	Distant
	Less Than 1 Hour Distance Between Firms		More Than 1 Hour Distance of Two Firms
Association with Network	Long-term	Association with Network	Short-term

Source: The Author.

Throughout the process of data analysis the author attempted to pay attention to the national and international business environments within which the SME networks and the Lahore garments cluster were embedded. Thus, the author believed that the global financial crisis and the unstable

and insecure context of Pakistan might have influenced the evolution of the donor-financed networks especially in the Lahore garments cluster

In case of Sialkot football cluster, an article co-authored with Lund-Thomsen and Lindgreen, the interviews were recorded digitally and lasted between 60 and 120 minutes each. If interviewees did not feel comfortable being recorded, the author asked for permission to take detailed interview notes, then sent these notes to the interviewees for corrections and feedback. All interviews were fully transcribed. After the author had conducted several interviews, he developed theoretical notes, as part of the process of building a grounded theory of why the IDA-sponsored project was discontinued (Strauss and Corbin, 1998). This iterative process sharpened his research questions and theoretical focus for subsequent interviews.

As part of the data analysis process, we developed analytical categories with the help of open and axial coding procedures (Strauss and Corbin, 1998), through repeated readings of literature on international donor funding, institutional approaches to CSR, industrial clusters in developing countries, and CSR in these contexts, in combination with our interview materials. During the open coding stage, we read and coded all parts of the interview transcripts with a view to identifying similarities and differences in interviewees' perceptions of how and why the IDA project had been discontinued. We each engaged in our own independent analysis, exchanging notes on our coding. Furthermore, we engaged in repeated discussion, agreement, and disagreement about different parts of the analysis. We then moved to the process of axial coding, identifying higher-level categories to understand the main reasons for how and why the IDA project had been discontinued. Accordingly, we generated four categories: the political economy of aid in Sialkot, the national context of Pakistan, joint action among SMEs in Sialkot, and SME perceptions of CSR in Sialkot. Finally, we used selective coding with a review, to refine our emerging theory of how and why the IDA-sponsored CSR project in Sialkot stopped. As part of our final quality control effort, we shared a draft manuscript with researchers that had intimate knowledge of the Sialkot cluster and donor-funded CSR interventions in general and then incorporated their comments. We also sent a draft to study informants, which helped us ensure the factual accuracy of the manuscript and refine our interpretation of events as they occurred in the IDA CSR project in Sialkot (Pole and Lampard, 2002).

Having discussed the themes covered during the interviews and data recording and analysis procedures used for this study, the next section looks at the research ethics.

e. Quality assurance

In qualitative research, different criteria have been suggested for assessing the quality of the work undertaken. Some authors have relied on criteria that resemble those typically used in quantitative research such as reliability and validity (Bryman, 2008). For instance, LeCompte and Goetz (1982) suggest that the internal reliability, external reliability, internal validity and external validity are useful criteria for assessing the quality of qualitative research studies. Internal reliability refers to whether a study can be replicated and external reliability means whether two or more members of a research team can agree on what they observe if the study involves more than one researcher. Internal validity has to do whether there is a match between the empirical observations in a given study and the theoretical explanation offered for these observations. External validity means the extent to which the findings of the study can be empirically generalized beyond the case in question.

In the context of this study however, using internal and external reliability as well as internal and external validity as criteria for assessing the quality of this study may be less meaningful. Given that the IDA interventions were completed several years ago now, it is likely that it may not be possible any longer to trace the key individuals involved in the different SME networks. Even if this were indeed possible, there would be significant challenges related to recall as the SME network members would have to be interviewed again more than eight years after IDA stopped its work on industrial cluster development in Pakistan, or even Punjab province. At the same time, regarding the criteria of internal reliability, there was not a research team as such undertaking the entire study but rather the study was completed by the author of this thesis. At the same time, whereas some of the findings are likely to be reminiscent of those from evaluations of cluster development interventions in other developing countries, a key argument in this work is that the importance of the national business environment must be taken seriously. Hence, it may not necessarily be an aim in itself that the findings of the study should be possible

to empirically generalize beyond Pakistan. Instead it is seen as an important objective of this study to assert how the national business environment of Pakistan affected the sustainability of the IDA financed interventions in the Lahore garments and Sialkot football manufacturing clusters. For these reasons the author suggests that internal and external reliability as well as internal and external validity may not be very useful criteria for assessing the quality of the work undertaken in this study.

Instead it is here suggested that the quality criteria introduced by Lincoln and Guba (1985) are well suited for assessing the quality of this study. Lincoln and Guba refer to these as credibility, transferability, dependability, and confirmability. We shall here deal with each of these in turn.

The *credibility* of the research undertaken refers to both respondent validation and to triangulation of the evidence gathered. As part of the analysis process, the author went back to central participations in the Lahore Garments Consortium, the Lahore Fashion Apparel Network, and the Sialkotec networks to confront his own interpretations of the data that he had gathered. For instance, in the Lahore garments consortium case study, it appeared as if the global financial crisis had been an important factor in the dissolution of the Lahore Fashion Apparel Network. I.e. some of the network members had decided to close their loss-making garment units and instead concentrate their family businesses on other, more profitable markets and industries. However, the SMEs involved in the Lahore Garments Consortium had continued to function. This raised the important question of why the Lahore Garments Consortium members had not closed down their enterprises at a time when they were also making losses. In recontacting the members of the Lahore Garments Consortium, it appeared as if their commitment as first-generation entrepreneurs in the garments industry, and the fact that they did not have any alternative business units that they could turn to meant that they decided to stick to their garment work in spite of the temporary turndown in this business. Hence, the feedback from the interviewees was here important in refining the analytical framework that was developed in the article on the IDA interventions in the Lahore garments cluster.

Similarly, in the article on the IDA support to SME networks in the Sialkot football manufacturing cluster, the author also shared – prior to its publication – an advanced draft of the

article with a senior IDA official who had been intimately involved in the actual case study and the design of IDA's cluster development approach. The feedback obtained from the IDA official helped in sharpening some of the empirical points mentioned in the case study and offered an alternative interpretation of the lack of sustainability of the IDA intervention in Sialkot. This alternative interpretation was helpful in confronting the author's own interpretation of events in Sialkot, leading to a refinement of the overall line of argument in that chapter, particularly emphasizing the role played by the Pakistan business environment in posing challenges for the on-the-ground implementation of the IDA intervention in Sialkot.

According to Lincoln and Guba, credibility can also be assessed with reference to whether data triangulation has taken place or not as part of the study. As the author has already discussed the research design, data generation methods, data recording and analysis procedures above, let it suffice to say here that several sources of information were used as part of the analysis for the Lahore garments and Sialkot football manufacturing articles. This included interviews with a range of stakeholders included representatives from the SME networks themselves, their buyers, local business associations, IDA officials, government officials, NGO representatives, and academics amongst others. In other words, the intention was to generate multiple points of view on the evolution and effects of the IDA interventions in both clusters, and not simply rely on a single source of evidence. This could have been the case had the author decided to interview the SME network members only. In this way, it was sought ensured that the author did not become beholden to one particular actor's of view in the analysis of the IDA sponsored interventions.

Apart from these detailed interviews, the author also had access to a range of policy documents and reports that were produced by the IDA as part of its intervention in Pakistani industrial clusters. These could be used to verify, contradict, or confirm the author's interpretation of the IDA interventions as they unfolded. At the same time, the author relied on the various notes and minutes of meetings that he and his assistants had produced as part of the ongoing field interventions. Public sources such as Pakistani newspaper articles and media reports were also used in the analysis. And previous studies of the Lahore garments and Sialkot football manufacturing clusters served as useful background reading that could put the author's own research design and ultimately findings into context.

Regarding the *dependability* criteria of Lincoln and Guba, this refers to the researcher adopting an auditing approach or keeping a detailed account of all phases of the research. This could for instance include the statement of the research problem, fieldwork notes, interview transcripts, data analysis procedures, and other relevant material. The author has sought to live up to the dependability criteria throughout the process of writing the thesis. To some extent, it is thus possible to assess whether this thesis meets the dependability criteria by reading through the introductory parts of the thesis. In the introduction, the author has sought to give a detailed account of the motivation for the study. The rationale for the selection of research questions and research sites was sought outlined. The justification for the research design was explained, and detailed presentations of the sampling techniques and the interview guides/themes were given. An account of the data recording and the data analysis (particularly data coding) were provided. And finally the criteria for validating the research and the ethical considerations involved in the study are outlined in this and the next section.

If we turn to Lincoln and Guba's *transferability* criteria, this recognizes the pre-occupation of qualitative researchers with the uniqueness and significance of particular contexts studied. Hence, rather than being able to empirically generalize the findings of a given study, they argue with reference to the work of Geertz (1973) that thick description is very important when assessing the quality of qualitative studies. Thick description here means a very rich account of the details of a given culture. The author would here claim that he has paid detailed attention to providing an in-depth thick description of the Pakistani national business environment. This is done particularly in the first article where the author analyzes the political, education and labor, as well as the financial systems of Pakistan with a view to understanding how the national business environment of Pakistan might affect the sustainability of IDA interventions within the country's industrial clusters. However, the concern with a thick description of the national business environment of Pakistan also shines through in the chapter on the Lahore garments cluster where the attention to the effects of the global financial crisis on IDA supported network sustainability is highlighted, and the Sialkot football manufacturing cluster article where the author relates how the political system in Pakistan, or rather the political turmoil in the country, led to a slowdown of IDA supported activities within the cluster.

Apart from the thick description of the Pakistani business environment the author has also sought to provide very detailed accounts of both the network characteristics (see the tables above) and also their evolution over time. In this connection, the particular accounts of the SME networks in the Lahore garments cluster of how their businesses and network operations were affected by the global financial could be seen as part of the author's attempt at explaining how the national and international business environments affected the sustainability of IDA networks in the cluster. Similarly, the accounts of IDA officials in the Sialkot football manufacturing article allude to the author's attempts at providing a thick description of how the national business environment of Pakistan, in the views of the IDA officials, hindered or slowed down their work in Sialkot. Similarly, the anti-CSR perceptions of the members of Sialkotec network in Sialkot could also be seen as an indication of how the national business environment in Pakistan – with the country's experience of Western colonial intervention during pre-partition and the more recent wars in Afghanistan – tended to influence the views of IDA intervention in Sialkot in a rather negative direction amongst the Sialkotec network members.

The final quality criterion, confirmability, refers to the researcher having acted in good faith. This means that s/he should not have allowed personal preferences, inclinations, or values to unduly interfere with the research design and research process. In the case of this thesis, it could thus both be seen as an advantage and a disadvantage that the author has been so intimately involved in the implementation of the IDA's support for SME networking in industrial clusters in Pakistan. On the one hand, this may be considered an advantage as the author is likely to have had first-hand access to information, insights, and an understanding of the context as well as the implementation processes of IDA interventions in the industrial clusters of Punjab, Pakistan in ways that few others would have been equally placed to have. On the other hand, this very close involvement with the IDA interventions in Punjab could also involve the risk of 'going native'. I.e. the researcher might have been so intimately involved with the IDA interventions that this blinds him or her in the subsequent data generation and data analysis procedures. The author made a number of decisions in order to avoid this potential risk.

First, the author only began to undertake his Ph.D. at a time when he had resigned from IDA. This was important in several respects. First, the author was no longer obliged to hold the official IDA line, acting as a representative for an organization whose views he might or might not agree with. Second, his joining the Lahore University of Management Sciences as a staff member in 2009, and enrolling in the Ph.D. program of the Copenhagen Business School, meant that he was now based in an academic environment. This provided ample time and space for reflecting on his own experience as a practitioner. Through various paper and seminar presentations his own views and understanding of IDA interventions and the Pakistani business environment were challenged by academic colleagues and his supervisors. This process of iterative reflection on the research design, the data generation and analysis procedures, as well as the author's understanding of the subject of the thesis thus helped the author in developing a more detached approach to analyzing the IDA's interventions in the Punjab and Sialkot clusters.

In addition, the author took a particular precaution during certain parts of the fieldwork to avoid personal biases from interfering with the responses of interviewees. It was here a consideration of whether the author's professional relations with IDA staff and members of the SME networks might influence their answers in case the author interviewed them. In a couple of instances where the author had had very close professional relations with key stakeholders in the study, for instance his own immediate superiors in IDA, or key staff members in the SME networks studied, it was decided that he should let research assistants carry out the interviews. Hence, on the one hand, the author was of course instrumental in the formulation of the interview guides and themes that were used as a basis for the conversations with these individuals in question. However, at the same time, the fact that he was not personally carrying out these interviews would – at least so was the intention – have ensured that the interviewees felt at ease with the interviewer. For instance, in cases where there might have been a less cordial relationship between the author of the thesis and the interviewee in question, this potential bias was sought removed by the author stepping aside and letting another person undertake the interview. Of course, it is never fully possible to ensure that the author's previous relations with some of the key informants might not have biased some of the answers received. However, the author would here argue that this influence could also have been in a more positive direction. Namely, that the interviewees might have been willing share information and insights with the author that they

would not otherwise have done in case they had been approached by researchers with whom they had no previous relationship.

f. Research Ethics

According to Bryman (2008), debates about how researchers go about ensuring that their research is undertaken in an ethical way take various guises and forms. Nevertheless, in his view, it may be useful to broadly distinguish between four types of ethical concerns that social science researchers must follow: (a) that no harm is caused to participants in the research; (b) that informed consent is obtained from those taking part in the research, (c) that the privacy of those investigated is not compromised; and (d) that deception is not involved as part of the research process. We shall deal with each of these here in turn.

Bryman (2008) argues that *harm* could involve various issues such as loss of self-esteem, stress, physical harm, encouraging research participants to engage in harmful behavior, and injuring the personal development of those taking part in the research study. In the case of this thesis, the author decided to follow the standard procedure that participants should be kept anonymous as part of the study. This mainly referred to the names of the individuals and sometimes also organizations included in the study. Hence, whenever approaching any stakeholders to be interviewed, the author always made sure to mention that personal anonymity would be ensured as part of the study. This was accompanied by a clear indication that interviewees were of course in a position where they could refuse to answer particular questions, or where they might interrupt interviews at any time if they so wanted.

In practice, the biggest consideration in relation to ensuring the anonymity of organizations was a risk assessment of who could potentially be harmed by the publication of the research findings. In this connection, it appeared as if the IDA could potentially be harmed by the publication of the thesis, and its associated articles, if the name of the organization was publicly disclosed. As the thesis investigates the sustainability of the IDA sponsored interventions in Pakistan, the findings of the study could potentially be communicated to the funders of the IDA. To the extent that funders were to take a negative view of the findings included in this thesis this might affect the

possibility of IDA to secure financial backing in the future for similar industrial cluster interventions or other forms of private sector development aid.

With a view to addressing this potential dilemma the author of the study contacted his former superiors in the IDA. Here he was informally advised that there would be no harm caused to IDA in case the name of the organization was anonymized. At the same time, it was also indicated by IDA staff that the author should avoid making explicit reference to internal IDA documents as part of the thesis, because these might be covered by the copyright and confidentiality clauses of the IDA. Violation of these copyright and confidentiality rights could, in a worst case scenario, lead to the author being sued by the IDA. In practice, the author therefore decided to avoid making explicit reference to internal IDA working documents but instead to only refer to publicly available information which could be accessed via the web.

Regarding the issue of potential harm caused to other stakeholders such as the participants in the SME networks, the author decided to keep the names of the original networks, the Lahore Garments Consortium, the Lahore Fashion Apparel Network, and the Sialkotec networks as they were, but anonymizing the names of individual enterprises and entrepreneurs that were part of the networks. The decision to keep the names of the original networks as they were was mainly from the viewpoint of keeping the text as easy as possible to follow and read. Of course, the names could have been anonymized as part of the study, but the dissolution or part-functioning of these networks sometime dates eight years back from the time of writing (i.e. 2009). The IDA cluster development interventions have long been wrapped up in Pakistan, and there are thus no – in the view of the author – no immediate likely financial or organizational implications for any of these, by now, mainly dissolved networks. Hence, the lessons learned from their evolution and partial sustainability are thus mainly of historical interest and of policy-oriented interest, because the lessons learned from these interventions may inform new cluster-based donor interventions in other parts of the developing world, given that both the Pakistani government and the IDA had wound up their support for cluster development initiatives in Pakistan already by 2011.

However, regarding the names of individual enterprises and entrepreneurs, the author chose to keep these anonymous as part of the study. Both articles touched upon the sensitive topic of

family and interfamily relations in the enterprise networks of which the entrepreneurs formed part. As Nadvi (1999) has previously shown in the case of the Sialkot surgical instruments cluster in Pakistan, family-based networks form an important part of understanding the organization and functioning of industrial clusters in Pakistan. Hence, as part of this study, the author felt that reference to such family-based networks seemed crucial in relation to understanding the sustainability of the IDA financed networks. However, disclosing the names of individual entrepreneurs and the enterprises that they in some circumstances decided to close down seemed to be a potentially unnecessary invasion of the privacy of these entrepreneurs. At the same time, whereas the reading of academic articles is rarely a pre-occupation of these entrepreneurs and their customers, the author still believed that disclosing the names of network members that performed less well might hurt their broader reputation in case potential readers were able to discern their exact identities.

If we now turn to the subject of *informed consent*, this refers, according to Bryman (2008), to whether potential participants in a given research project are given as full an explanation of the main purpose and form of the research as possible, why the research project is being undertaken, who is financing it, and how the information gathered is intended to be used. In recent years, it has thus been increasingly common that researchers devised so-called informed consent forms which give a short introduction to the research and require the signature of those being interviewed as consenting to take part in the research. However, in the view of the author, whereas informed consent forms may be desirable in clinical or medical research, this is not necessarily the case in social science research. For instance, in the Pakistani context, oral communication is often preferred in family-based SME enterprises. Some entrepreneurs may not be in the habit of reading much and asking them to sign documents which they may or may not understand could be seen as intimidating or potentially causing a break-down in trust with the entrepreneurs before the interview has happened. Hence, the researcher decided instead to inform the interviewees about the purpose of the research and the themes that would be covered in individual interviews orally, asking interviewees of their consent to taking part in the interview. Consent was given to take part across the board for those interviewed. If some potential participants decided not to take part, this appeared to more relate to their lack of availability than not wishing to be interviewed.

This leads to the question of how the researcher might protect the *privacy* of those investigated. To some extent this has already been detailed above under the heading of no-harm to those taking part in the research. The author will therefore here touch upon the more sensitive nature of how interviews were recorded. In order to secure the highest possible data quality, the author and his research assistants asked for permission to tape record the interviews undertaken. In most cases, interviewees granted permission for the interviews to be recorded. However, there were also instances where the stakeholders interviewed refused to allow for tape recording. In the cases where interviewees refused to let themselves be audio-recorded, it would appear as if they might be more concerned that the information, if recorded in this way, could potentially be used against them. Hence, the author instead decided to take detailed notes from the conversation, and where possible (assuming that the stakeholders used emails which most of them did), he sent his notes back for their feedback and approval of the recorded information. The author then made sure that the recorded information, whether audio recorded or first handwritten-then computer typed interview notes were stored electronically on his computer. Access to his computer required the use of his LUMS or CBS passwords. Of course, there is never any guarantee that computers cannot be hacked. However, in the circumstances, these seemed to be most appropriate approach to safeguarding the information gathered as part of the study.

The final consideration in relation to research ethics mentioned by Bryman (2008) relates to the risk of deception. In short, deception refers to researchers introducing their research as dealing with something else than what is really the matter of interest to the researchers. In Bryman's view, the case against deception can be summarized on two counts. First, it is not a nice thing to do. And second, it is not in the professional interest of researchers to make false claims to interviewees about the nature of their research as this might hit them and other researchers as a boomerang. In case it were to be known that researchers were generally not being honest about what they claimed to do, this might make future studies impossible as potential participants and gate-keepers would not grant them access to the necessary data that would make the study possible. In the case of this study, deception was at no point part of the research process. Information was at all times obtained with the researcher introducing himself as a LUMS staff member and a CBS Ph.D. student. As such, ethical deliberations about needing to not engage in

full disclosure of the purpose and nature of the research, as has sometimes been the case in psychological experiments in 1950 or 1960s, were not of relevance in context with this study. Full disclosure was both desirable and possible at all times.

4. Contribution to Knowledge

In this section, the author deals mainly with the *theoretical* contribution of the thesis to the literatures on industrial clusters and private sector development aid in the Global South. The empirical and policy-related contributions of the thesis, the author leaves to the conclusion of the thesis in order to avoid unnecessary overlaps and repetitions between different chapters.

In short, the theoretical contribution of the thesis has to do with the ways in which it connects the industrial cluster and private sector development aid literatures, articulating how national business environments may influence the long-term sustainability of donor financed interventions in industrial clusters in the Global South. On the one hand, a rich literature already exists on the notion of collective efficiency in industrial clusters (Schmitz and Nadvi, 1999, Schmitz, 2004). In other words, significant insights have already been generated in terms of the passive benefits that accrue to cluster-based enterprises as a result of their agglomeration. The active benefits of interfirm collaboration and joint action initiatives have also been clearly conceptualized in the literature on industrial clusters in developing countries. On the other hand, several insights have also been generated through the private sector development aid literature on how donor-financed interventions may affect the development of the private sector in the Global South. As will be argued in great detail in the article on the national business environment in Pakistan and its potential effects on the sustainability of donor-financed industrial cluster interventions, the private sector literature has to some extent disregarded how the diversity of national business environments may affect donor financed interventions in industrial clusters in developing countries. As such, the author of this thesis argues that one size does not fit all in terms of how national business environments influence donor-financed interventions in industrial clusters in the Global South.

As indicated earlier in this chapter, there is already an embryonic literature on the evaluation of donor financed interventions in support of industrial cluster development. Hence, it is not that this thesis touches upon a topic that is completely unexplored. However, the thesis is likely to be the first that theoretically articulates the effects of national business environments on the sustainability of donor-financed cluster interventions in developing countries. In broad terms, a key contribution of the thesis is thus that it demonstrates how the national business systems approach may be used to articulate the influence of political, labor and educational as well as financial systems of a given national business environment on the long-term viability of donor-financed interventions in industrial clusters in developing countries.

At the same time, it is also important to recognize that national business environments are unlikely to affect donor-financed interventions in different developing country clusters in exactly the same way. Clearly, there are also international, meso and micro-level factors that are likely to vary in terms of their influence on the sustainability of donor-financed interventions. Hence, it is the interaction between the national business environment at the macro-level, and international level, industry/cluster level factors at the meso-level, as well as micro-level factors at the level of individual firms and entrepreneurs that are likely to co-determine the sustainability of donor financed interventions in industrial clusters in developing countries. Whereas the author can thus analytically distinguish the likely effects of the macro-level political, labor and education, as well as financial systems on donor-financed interventions in a more abstract way, he believes that it is necessary to develop complementary analytical frameworks that allow us to articulate how the national business environment – as a macro-level factor – enter into different types of combinations with international-level, meso level and micro-level factors in co-determining the sustainability of donor financed interventions. The articles on the Lahore garments and the Sialkot football manufacturing clusters are two examples of the possible combinations between factors at these different levels that may co-determine the sustainability of donor financed interventions in industrial clusters in developing countries.

In the Lahore garments article, the international business environment (at the international level) and the national business environment are conceptualized as being of importance in co-determining the sustainability of donor financed interventions. However, these international and

macro-level factors also interact with meso and micro-level factors in affecting the sustainability of donor financed interventions in industrial clusters. At the meso-level, the relative physical proximity of SMEs and whether they are operating in the same or related industries are also seen as being of key importance in influencing the sustainability of donor financed interventions in support of industrial cluster development. Moreover, at the micro-level, the nature of the families of which SME entrepreneurs are part are seen as crucial to understanding why individual entrepreneurs choose to sustain donor-financed networks or whether they withdraw from their participation in these networks. In the Sialkot article, the argument is that the international political economy of aid (obviously, an international level factor), the national business environment at the macro-level (here labelled as the national context for CSR), collective action in industrial clusters at the meso-level, and SME perceptions of CSR at the micro-level may be important in co-determining the long-term viability of donor financed interventions in industrial clusters in the Global South.

In sum, the theoretical contribution of the thesis is not only confined to articulating the role of macro-level business environments in influencing the sustainability of donor-financed interventions in support of industrial cluster development. The thesis contributes to the embryonic literature on evaluation of donor-financed cluster development interventions by illustrating how the national business environment at the macro-level may act in combination with varying factors at the international, meso, and micro-level factors in co-determining the sustainability of donor-financed interventions in support of SME cluster development. In theory, it would have been nice had there been a one-size-fits-all analytical framework that could explain the sustainability of these donor financed interventions across all national business environments. However, this thesis makes the case for the development of context-sensitive analytical frameworks that employs multi-scalar reasoning with a view to creating a clear correspondence between the frameworks produced and the empirical, ground-level findings from individual interventions undertaken in particular clusters. The implications that this has for the analytical and empirical generalization possible when such context-sensitive frameworks are developed is a point that the author will return to in the conclusion of the study.

5. Thesis Overview

The first article which is single authored by Anjum Fayyaz discusses the context of the thesis. In this article, the author tries to establish an analytical framework that can help our understanding of how national business environments affect the sustainability of aid given to industrial clusters in developing countries. In order to develop this framework the author touches upon institutional perspectives, neo-institutionalism and national business systems that are introduced as helpful theoretical approaches to understanding private sector development. With reference to the literature on national business systems the author then argues that the political, educational and labor, as well as the financial systems of developing countries are likely to affect the long-term sustainability of donor-financed interventions in SME cluster in developing countries. Employing secondary sources as its evidence base the article then applies this analytical framework to the national business environment of Pakistan. In conclusion, the article argues that not only are national business environments likely to affect aid interventions in support of industrial cluster development in the Global South. Such interventions might affect also the national business environment in developing countries. The conclusion highlights the main findings of the article before considering the future research and policy implications that the article has for work in this area.

In this way, the first article sets the stage for the second and third article in the thesis. Whereas the first article analyses the national business environment in Pakistan and its potential impact on the sustainability of donor-financed interventions in support of industrial cluster development, the second and third article are detailed accounts of how and why particular IDA interventions in the Lahore garments and Sialkot football manufacturing clusters were either sustained or not sustained beyond the expiry of IDA support.

The second article is an empirical study of the sustainability of IDA donor-financed SME networks in the Lahore garment cluster. Co-authored with Hassan Rauf, Assistant Professor at the Lahore University of Management Sciences (as second author, Anjum Fayyaz, first author),

the article establishes an analytical framework that intertwines the literatures on industrial clusters, private sector development aid, and family-based networks of SME with the view to explaining the sustainability of donor financed SME networks in industrial clusters in developing countries. The analytical framework is then used to structure the empirical analysis of two IDA-financed SME networks in the Lahore garments cluster. The main finding of the article is that one SME network appeared to be sustained beyond the expiry of IDA funding whereas the other network was terminated shortly after the IDA withdrew from the Lahore garments cluster in 2009. This observation leads the authors to revise their original analytical framework with a view to explaining these two divergent outcomes. In the adapted version of their analytical framework, space is thus provided for taking the importance of the international and national business environment into account when analysing the sustainability of donor-financed SME networks in industrial clusters in developing countries. In conclusion, the article points to the benefits of using multi-scalar analysis in future research and policy in the area of private sector development aid to SME networking in SME clusters in developing countries.

The third article considers the sustainability of donor financed interventions with the aim of promoting SME networking in the area of corporate social responsibility (CSR) within industrial clusters in developing countries. This article is co-authored by Anjum Fayyaz (first author), Peter Lund-Thomsen (Associate Professor, CBS) and Adam Lindgreen (Professor, CBS). The article has been published online first in the *Journal of Business Ethics* on 17 November 2015 (doi:10.1007/s10551-015-2940-6). In this article, the authors theorize and empirically investigate donor-funded CSR initiatives aimed at promoting collective action by cluster-based SMEs. In theoretical terms, the article contributes to the literatures on private sector development aid, industrial clusters in developing countries, and CSR by creating an analytical framework that seeks to explain why donor-financed SME networks aimed at promoting collective CSR action within SME clusters in developing countries may be short-lived. The analytical framework thus combines attention to the political economy of aid, the national business context of CSR, collective action within industrial clusters, and the CSR perceptions of SMEs themselves. This analytical framework is then applied to the analysis of an IDA-financed SME network in the football manufacturing cluster of Sialkot. The conclusion highlights the main findings of this analysis and outlines the future research and policy implications of the article.

Finally, the conclusion of the thesis summarizes the main research questions, the findings, philosophy of science, methodology, quality assurance, as well as research ethics employed as part of the study. Particular attention is paid to highlighting the theoretical and empirical research contributions of the thesis to the literatures on industrial cluster and private sector development aid in the Global South. The conclusion ends by discussing the future research and policy implications that flow the analysis undertaken in the thesis.

6. References

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National Business Systems: A Source of Help or a Hindrance in the Provision of Aid to Industrial Clusters in Developing Countries?

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Abstract

The key objective of this article is to provide a critique of existing approaches to private sector development by highlighting that national business environments could play an important role in facilitating and/or undermining the implementation of aid interventions in support of industrial cluster development in the Global South. Drawing on the literatures on national business systems and private sector development the article establishes an analytical framework that illustrates how national business environments might influence aid interventions in support of industrial cluster development. Using secondary sources the analytical framework is applied to the national business environment of Pakistan. On the basis of this empirical analysis the suggested analytical framework is revised to account for not only how national business environments affect aid interventions in support of private sector development, but also how such interventions might affect national business environments in the developing world. The conclusion outlines the main findings of the article and the future research and policy implications of the analysis undertaken.

Introduction

The article is devoted to analysing the role of international development aid given to the private sector in developing countries, and whether donor aid helps or hinders the development of private sector enterprises in the global South. International donor agencies also use the term private sector development as a proxy for development aid given to promote the private sector in the Global South (DCED, 1995; World Bank, 2002; Estrup, 2009). Debates on private sector development can be traced back to the 1980s where the so-called Washington consensus emphasized deregulation, downsizing the state, and the liberalization of global markets as the means for generating economic development in the Global South (Williamson, 2002). During 1990s, the need for state regulation of private economic activity had resurgence in the debate,

and a more nuanced view began to emerge regarding what constituted the appropriate division of labour between the public and the private sectors in the quest for promoting economic growth in developing countries (Martinussen, 1997; Kragelund, 2004).

A synthesis of the public and private initiatives came to be recognized as the way forward in the post-2000 period (Adelman, 2000; Harrigan & Younger, 2000; Thorbecke, 2000; Kragelund, 2004). An emphasis on easing regulation was based on the view that heavy regulation and weak property rights tended to exclude poor groupings from engaging in private business activity (Klein and Hadjimichael, 2003; Klein, 2006; Klapper, 2006; Altenburg & Drachenfels, 2007). Eventually, the Washington Consensus was discarded for its unacceptable social and political effects. It was also criticized for its belief in self-sustaining markets without paying adequate attention to the analysis of national business environments in facilitating the functioning of markets. Instead proponents began to call for the creation of an appropriate “enabling business environment” for private sector development (Tarp, 1993; Schulpen & Gibbon, 2002; Collier, 2008; Estrup, 2009).

In this article, we investigate a particular case of private sector development - i.e. aid to industrial clusters. We here understand clusters to be geographical spaces, or regions, in which similar and cognate business activities are located within clearly demarcated spatial boundaries wherein the co-location of firms promotes a range of economic benefits (Porter, 1998). Industrial clusters are important as they enable enterprises to overcome constraints in capital, skills, technology, and markets through clustering. When SMEs operate in clusters, both in developed and developing countries, they are said to benefit from improved information flows, access to credit and external services in a cluster setting (Humphrey & Schmitz, 1995; van Dijk & Rabellotti, 1997; Schmitz & Nadvi, 1999; Giuliani, Pietrobelli & Rabellotti, 2005). Hence, SME clusters are platforms of interventions for policy makers and they have potential to respond to the international challenges through collective efficiency (Nadvi, 1999b).

This article seeks to contribute to the private sector development literature by looking at the role of *national business contexts* in supporting or undermining private sector development aid interventions - an understudied topic in the industrial cluster literature. In the cluster literature,

authors such as McCormick (1999) and Pyke and Lund-Thomsen (2016) have emphasized that national institutional contexts play an important role in facilitating or undermining the development of local industrial clusters in both Africa and Asia. However, apart from the work of Lund-Thomsen and Nadvi (2010) and Fayyaz et al. (2015), private sector development aid in support of industrial clusters has not received a lot of academic attention. In the private sector literature, three different theoretical approaches (neo-institutional, neo-classical, and neo-structural) each have their own take on the role of national business environments for promoting the development of the private sector (Schulpen & Gibbon, 2002: 2; Kragelund, 2004). However, to the best of our knowledge, none of these have specifically addressed the question of aid given to support the development of industrial clusters in developing countries.

The article contributes to the private sector development literature with a particular emphasis on the development of industrial clusters in developing countries in both theoretical, empirical, and policy terms. *Theoretically*, the article develops an analytical framework that allows us to think through how the national business context of a given developing country influences international aid interventions aimed at developing industrial clusters. This is done by combining the literature on national business systems with insights from the private sector development and cluster literatures. *Empirically*, the use of the framework is illustrated with reference to national institutional context of Pakistan, demonstrating how this context sets the parameters for aid interventions aimed at developing industrial clusters in the country. *Policy-wise*, using Pakistan as an example, the article demonstrates how the application of the analytical framework might have direct implications for the contextualized design of donor-financed cluster interventions in developing countries.

We use Pakistan as our case study for investigating how national business contexts facilitate or undermine aid interventions that target industrial clusters in developing countries. As an emerging economy Pakistan is part of the Next Eleven countries with a middle class which grew from 58 million to 70 million in the decade from 2001 to 2011. Moreover, the projected growth in Pakistan's economy is approximately 7-8 percent per annum (Tandon & Shome, 2009; Banerjee & Duflo, 2008; Kharas, 2010; Ozawa & Bellak, 2011). Pakistan is also known as a business environment that is notoriously difficult to navigate. Indeed, the country is largely run

by an oligarchy of approximately 22 families that control large parts of Pakistan's political and economic affairs (Khan, 1999; White, 2015). Finally, Pakistan is a country where local economic development is closely tied to the security situation (La Palombara, 2006). The war in Afghanistan, repeated terrorist attacks, and the presence of armed militants, sometimes backed and trained by wings of the Pakistan armed forces, create an inherently unstable environment in which to conduct business (Dar, Presley & Malik, 2004).

The rest of the article is structured as follows. In the next section, we review different theoretical approaches to understanding private sector development aid. Next, we introduce the national business systems literature in order to understand how the political, education and labor, financial, and cultural aspects of such business systems affect the design and implementation of aid interventions in industrial clusters in developing countries. The section ends by outlining an analytical framework that summarizes the linkages between national business systems and the potential outcomes of private sector development aid interventions in support of industrial clusters in developing countries. We then move onto illustrating the use of the framework by applying it to the national business system of Pakistan. Rather than drawing on primary research we draw on secondary sources consisting of already published academic studies on the national business environment of Pakistan to support our argument. This is followed by a discussion section where we revisit the usefulness of the proposed analytical framework and discuss the policy implications of the use of our framework for design of PSD interventions in relation to industrial cluster development. Finally, in the concluding section, we summarize our main findings and outline the future research implications of our analysis.

Theoretical Considerations

In this section, we review three different approaches to understand how the private sector development literature has conceived of an “enabling business environment”: the neo-institutional; the neo-classical; and the neo-structural approach (Schulpen & Gibbon, 2002: 2; Kragelund, 2004). Each of these conceive of the enabling business environment for private sector development by distinguishing between macro, meso and micro levels of analysis (Estrup, 2009).

At macro-level, there is a contemporary development thinking of bilateral donors, based on recent trends, with a re-emphasis on market institution issues and regulation. At meso-level, promoting existing local business associations/chambers and business development service (BDS) through public and private partnership (PPP). Meso-level highlights the importance of geographical proximity for donors and horizontal linkages as a pathway for upgrading of SMEs (Collier & Gunning, 1999: 7; Schmitz & Nadvi, 1999). At micro-level, focus of bilateral donors is directed towards transfer of technology and skills between enterprises from recipient countries and donor countries which are “twinned” by donor themselves, which may lead to market distortions i.e. preference for organization building over institution-building (Schulpen & Gibbon, 2002).

According to the neo-classical thinking, markets function badly due to bureaucratic interference by government or local authorities. Therefore, deregulation and removal of red tape is important and it forms the basic philosophy of “Doing Business Approach” of the World Bank (Estrup, 2009). The neo-classical approach to business enabling environment assumes that most factor markets work reasonably well without government intervention if property rights and competition are guaranteed (Altenburg & Drachenfels, 2007).

The success of state initiated PSD (under neo-structuralist perspective) in Asian emerging economies (China and India) showing high and stable economic growth contributed to a change of paradigm and the end of “Washington Consensus” era. It was a clear rejection of an inherent conflict between the state and the market. Contrary to neo-classical thinking, state and market are seen as complementing each other in the pursuit of PSD. The change of paradigm most naturally brought the mixed-economy model with assigned roles for and partnership between public and private sectors into donor focus.

Donor approaches to improving the business environment for the private sector development (PSD) in a national business systems (NBS) may include the following seven approaches to PSD (Estrup, 2009). First, by emphasising the need to establish a “Level Playing Field” through administrative simplification and effective property rights policies (White, 2005; Altenburg &

Drachenfels, 2006). Second, by making markets work for the poor by giving the poor “Assets” and “Access” to markets (Estrup, 2009). Third, by looking at the role of MNCs in PSD and the institutional constraints these MNCs face while entering into a country (Kaplinsky, 2005; Levy & Kaplan, 2008; Kolk & Tulder, 2006). Fourth, by looking at the role of CSR in shaping the national business systems and the requirement of sector policy, planning and implementation for a successful PSD under the umbrella of CSR (Matten & Moon, 2008; Estrup, 2009). Fifth, by looking at the value chain discourse and the divergent approaches to PSD (Kaplinsky and Morris, 2001; Tanburn, 2005; Neilson, 2014). Sixth, by exploring the role of public-private-partnerships and strategic alliances in PSD and their link with the MDGs (Altenburg, 2005; Estrup, 2009). Seventh and final is the role of SME clusters as the enabling platforms for PSD to upgrade the local firms and gain competitive advantages over the others (Bazan and Navas-Aleman 2004; Nadvi 1999a; Lund-Thomsen, Lindgreen & Vanhamme, 2016).

The recent literature on PSD emphasises the need to establish a “Level Playing Field” and tends to disregard selective supportive interventions. The most commonly highlighted elements are administrative simplification and effective property rights policies with business services largely left to the private providers – What is called the ‘New Minimalist Approach (NMA) (Altenburg & Drachenfels, 2006)’. Although, NMA is based on neo-classical thinking but also acknowledges that a range of public policies is needed to create competitive sectors and overcome internal constraints, especially in small scale economies (Altenburg & Drachenfels, 2006). This is a major shift from the previous emphasis on the short comings of SMEs. That means, government should de-regulate, simplify and disengage (White, 2005, p. 11). Although, NMA raised important issues for policy makers by highlighting social costs of unnecessary and unfair regulation, weak property rights systems but it is silent about how the NMA approach matters in terms of facilitating and/or undermining PSD interventions in a specific institutional context.

In the last two decades, the debate on PSD interventions in the developing world has focused increasingly on whether support to private sector firms enhances or undermines the development of industrial clusters in developing economies (Kragelund 2005; Schulpen and Gibbon 2002; Fayyaz, Lund-Thomsen & Lindgreen, 2015). Donor-funded assistance might help local firms

upgrade their products and production processes, move to higher value-added functions in the value chain, or use competitive skills learned in one industry to gain competitive advantages in another (Staritz, 2012; Fayyaz, Lund-Thomsen & Lindgreen, 2015). Local business associations and public–private partnerships might prompt initiatives to upgrade the production, processes, and marketing competences of local SMEs in clusters (Bazan and Navas-Aleman 2004; Nadvi, 1999a; Lund-Thomsen, Lindgreen & Vanhamme, 2016). In export-oriented clusters, policy makers and the PSD agencies are required to support linkages of SMEs with lead firms, promote specialization, and help to develop specialized support institutions. Policy makers and PSD agencies ought to introduce network brokers and incentives for cooperation, which may help in overcoming opportunistic behavior, lack of trust and a path dependent preference for horizontal or vertical integration (Altenburg & Meyer-Stamer, 1999).

This article is trying to establish an analytical framework that can enhance our understanding how national institutional contexts affect the outcome of aid given to industrial clusters in developing countries as a form of PSD. To develop this framework, we touch upon institutional perspectives, neo-institutionalism and National Business Systems (NBS), which are different theoretical approaches to PSD. The institutional perspectives in modern societies are coherent paradigms, which are applied at macro, meso and micro levels. The state and the professional bodies shape the institutional theory in modern societies (Scott, 1987). To institutionalize means to infuse with value beyond the technical requirements of the task at hand (Selznick, 1957, p. 17). Institutionalization is also a process of creating reality through social construction (Scott, 1987). Institutional environments are characterised by the rules and requirements to which individual organizations must conform to if they are to receive support and legitimacy. In this way, an organization might change its structure that make it conform to isomorphic processes with an institutional pattern (DiMaggio & Powell, 1983); distinguished among coercive (e.g. regulation and informal pressures), mimetic (modeling of ‘best practice’) and normative (professional standards and norms) processes leading to conformity. Isomorphism is defined as “adoption of structures and processes prevailing in organizations within the relevant environment” (Zucker, 1977, p. 443; Quintanilla, 2000). Institutional perspectives are coherent paradigms (Tolbert & Zucker, 1999), which are applied at macro, meso and micro levels.

Geppert & Williams (2006) reinforce the Whitley's (1999) sociological perspective on National Business Systems (NBS) by highlighting that there are close interconnections between the national business system, institutional characteristics and the firms' governance systems, capabilities and workplace systems. Ioannou & Serafeim (2012) argue that institutions vary considerably across countries and they collectively constitute distinct "types" of NBS which are based on differing logics of economic activity (Whitley, 1999; Crouch, 2005; Deeg and Jackson, 2007; Matten & Moon, 2008). Thus, NBS are defined as "distinctive patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities, and in the organization of, and interconnections between, owners, managers, experts, and other employees" (Whitley, 1999, p.33).

NBS approach is relevant to studying the ways in which national institutional contexts facilitate and/or undermine the aid given to industrial clusters in developing countries. The national business environment in a nation state is a combination of formal institutions and shared values (Buckley & Casson, 1985; Quintanilla, 2000). Tangible elements are formal institutions to borders and symbols whereas intangible elements are shared values and common beliefs to traditions and cultures rooted in that particular heritage. The results of the interplay of these elements are idiosyncratic national cultures (Quintanilla, 2000). According to Porter (1990) and Dunning (1992), the competitive advantage of nations is developed domestically and exploited internationally through own capabilities and institutional strengths and firms get country specific advantage when these firms compete internationally. Not only country of origin effects but country of operation also effects when firms compete internationally (Quintanilla, 2000) based on political, education and labour, financial and cultural systems.

a. Political System

According to Whitley (1999, 48), an essential feature of any political system is the power of the state: "the extent to which states dominate the economy and share risks such that businesses become dependent on state policies and actions". These policies determine the extent to which states "directly or indirectly regulate market boundaries, entry and exit, as well as set constraints on the activities of economic actors". Puppim de Oliveira (2006) takes the example of Latin

America, as a political system characterized by poor governance and Adi et al. (2006) talks about the widespread government failings, political unrest and corruption in Nigerian political system. Several laws and regulations around the world aim at promoting competition between firms whereby competition is usually modelled as taking place in the market for outputs (i.e. products and services). Since they are typically based on the neo-classical economic view of the world, such laws and regulations are enacted because they arguably lead to higher levels of allocative efficiency, higher rates of innovation (Porter, 1985) and eventually, even to higher levels of social welfare. Moreover, countries around the world adopt legal rules and regulations to protect shareholders from corporate insiders that would benefit themselves or other stakeholders instead of the shareholders (Friedman, 1970; Jensen, 2002).

In addition to these legal institutions, corporations often deal directly with states in a variety of ways (Rodriguez, Uhlenbruck, and Eden, 2005) such as bargaining for public sector contracts, lobbying activities, negotiations about acceptable practices and antitrust cases. As a result, state efficiency and bureaucracy as well as the overarching system of values and beliefs of the governmental officials. In environments of high corruption, some firms are more likely to engage in unethical practices to reduce their costs (e.g. child labour) or to increase their market share (e.g. through bribery). Such behaviours push other companies to also engage in unethical practices to remain competitive (Ioannou & Serafeim, 2012).

b. Education and Labour Systems

In addition to the political system, Whitley (1999, p. 50) also identifies the “system for developing and controlling skills” that consists of two interrelated sets of institutions: “the system that develops and certifies competences and skills” (i.e. the education system) and “the institutions that control the terms on which the owners of those skills sell them in labor markets and how those markets are organized” (i.e. the labor system). A firm’s employees are also a “primary” stakeholder (McWilliams & Siegel, 2001; Freeman, Harrison & Wicks, 2007) and therefore, changing strategic priorities, technologies and markets as well as the decisions relating to labor-management strategies are all contingent on the strength of trade unions, who can directly control the skills and capabilities in the economy (Whitley, 1999; Ioannou & Serafeim, 2012).

Matten and Moon (2008) argue that “higher levels of union membership in Europe resulted in labor-related issues being negotiated at a sectoral or national, rather than corporate level” compared to the United States. The labor force may increase overall awareness within society by acting as the firm’s ambassador for environmental and social policies. Labor unions can even influence social performance at non-union firms (Freeman & Medoff, 1983). Non-union corporations may voluntarily adopt progressive policies to actually avoid worker unionization (McWilliams & Siegel, 2001; Foulkes, 1980).

In addition to the labour system, the regulation and production of human resources (i.e. the education system) can also impact the variation in retaining higher quality employees since the firms send signals to prospective job applicants about what it would be like to work for the focal firm (Turban & Greening, 1997; Greening & Turban, 2000) with better social responsibility. Firms would be more likely to recruit talent by improving their social performance since such skilled and talented employees increasingly choose to work for firms with higher social responsibility (Ioannou & Serafeim, 2012).

c. Financial Systems

Capital providers are important stakeholders for organizations since they finance business operations (Freeman, Harrison & Wicks, 2007). On the one end, some financial systems are market based (e.g. United States) where actors “mobilize and distribute capital largely through large and liquid markets which trade and price financial claims through the usual commodity-market processes”. At the other end, credit-based financial systems (e.g. France, Germany) “typically have weak and fairly illiquid or thin capital markets, which play only a minor role in mobilizing and pricing investment funds” (Whitley, 1999, 49). In such financial systems, the dominant institutions are large banks and/or state agencies and ministries who, in times of capital shortages, make allocation decisions through administrative processes rather than open market operations. Therefore, firms located in the credit-based systems are likely to behave irresponsibly due to weak and thin capital markets.

In market based financial systems, well-developed equity markets and corporations strive to secure the most favorable financing terms based on short-term profitability (Teoh, Welch & Wong, 1998a; Teoh, Welch & Wong, 1998b). The intense competition for financing may push firms towards behaving in socially irresponsible ways in order to survive. Thus, they may engage in irresponsible behavior such as misleading customers, abusing labor, miss-communicating corporate performance, and compromising product safety (Weinstein, 1968; Schneiberg, 1999; McCraw, 1984; Jones, 1991; Kolko, 1963).

Market based financial systems are better structured to allocate capital resources more efficiently compared to credit-based financial systems. Credit-based systems are based primarily on administrative processes of capital allocation (Whitley, 1999). Therefore, corporations in market-based financial systems will face fewer capital constraints and therefore will behave better on the social responsibility. In case of market-based systems, firms might behave responsibly due to fewer capital constraints or behave irresponsibly due to intense competition for financing.

In general, in countries, with a socially responsible stock market index (Ioannou & Serafeim, 2014), firms strive to improve their responsible behaviour to attract more capital. This mechanism therefore, is similar to the one argued for the recruitment of high skilled capital (Dhaliwal et al. 2011).

d. Cultural Systems

Finally, Whitley (1999, p. 51) argues that “the norms governing trust and authority relations are crucial because they structure exchange relationships between business partners and between employers and employees”. Matten & Moon (2008) argue, that the cultural systems of the U.S. and Europe, “have generated very different broad assumptions about society, business and government.” In the U.S. an ethic for wealthy businessmen and for corporations to “give back” to society has emerged. In Europe a greater cultural reliance on representative organizations, be they political parties, unions, employers’ associations, or churches, and the state” has been instituted instead (Lipset & Rokkan, 1967; Matten & Moon, 2008).

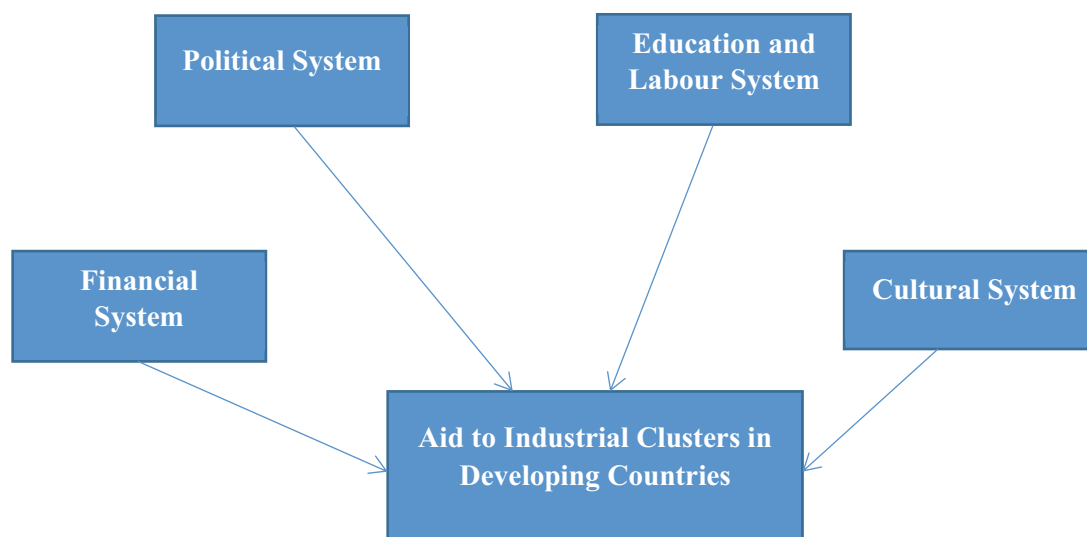
It is expected that cultural traits impact managerial decision-making related to corporate social performance (Aguinis & Henle, 2003; Gelfand et al., 2004; Crossland & Hambrick, 2011; Triandis, 1994), which is also linked to the issue of autonomous vs. consensus-based actions. Societies characterized by high levels of individualism typically allow for a larger margin of individual initiative and are more willing to tolerate unilateral decision-making. In countries with low levels of individualism, the members of society form expectations that decision-making processes will be broader, more participatory and more consultative.

Another critical institution of any cultural system is the characterization of the relative status of leaders within civil society. Cultural research argues that in societies where such power distance (House et al., 2004) is lower, business leaders are seen as “mere facilitators or figureheads and less as empowered decision makers, [thus] experience greater normative constraint”. Conversely, in societies with higher power distance, “stakeholders will be more likely to allow far-reaching executive actions, more likely to acquiesce in the face of executive actions, and less likely to question decision makers or the basis upon which actions are taken” (Crossland & Hambrick, 2011).

Towards An Analytical Framework

In the following, we introduce an analytical framework aimed at explaining how national business environments facilitate and/or undermine aid interventions aimed at enhancing the development of industrial clusters in developing countries. We shall here outline how each of the political, the education and labor, the financial, and the cultural aspects of a national business system might influence private sector development aid in cluster contexts in either positive or negative directions. We illustrate this in figure 1 and explain subsequently explain the figure in the text immediately below.

Figure 1: National Business Systems and International Aid Interventions in Developing Country Industrial Clusters.



First, regarding the influence of the political system, an important factor is whether the system is characterized by *relative stability*. For instance, if government policies aimed at supporting the private sector are developed continuously over time with a relatively predictable set of measures, this might be helpful for aid given to the promotion of industrial clusters. International aid agencies may support the development of industrial clusters in the knowledge that the support given is not likely to be undermined by rapid changes in government policies. Conversely, if governments constantly change, and policies similarly keep alternating, it becomes very challenging for international aid agencies to support the development of industrial clusters with a longer-term vision in mind.

At the same time, the national government's approach to supporting the private sector may also influence what private sector development aid to industrial clusters in the Global South can and cannot achieve with reference to *the types enterprises* that the government supports. In this context, an important consideration is whether governmental policies are mainly supporting state ownership and management of large enterprises at the expense of SMEs and their related clusters. At the same time, governmental policies may also pay particular attention to the development of micro, small and medium-sized enterprises and their associated clusters. Such policies would help secure a more favourable environment for industrial cluster development.

Third, we theorize that the *security situation* in given developing country could exert a strong influence on whether aid given to the development of industrial clusters is likely to be sustained or not. If a country is characterized by a secure and safe business environment, it becomes relatively easier for international development agencies to operate. These agencies do not have to fear for the security of their personnel, and international, national, and local travel to the cluster in question becomes relatively unproblematic. However, if a national business environment is characterized by constant political protests, militant attacks against government personnel and installations, as well as kidnappings for ransom, it could become very challenging for international aid agencies to support the development of industrial clusters in such contexts. In fact, concerns over the security of international aid personnel could prevent such support programs to industrial clusters from either being launched or completed.

We now turn to the influence of the educational and labor systems on aid interventions aimed at promoting the development of industrial clusters in developing countries. The educational system of a developing country influences what aid can and cannot achieve in relation to the development of a given cluster. For instance, if the country in question is capable of educating a professional managerial class with updated business skills, this could help in promoting the development of SME clusters in the country. Similarly, if the country has educated its working class to a level of basic literacy, this may help in facilitating the development of SME clusters. However, if the educational system in a given developing country does not support the development of a pool of trained managers and literate workers, it may be challenging for aid interventions to support the economic upgrading of industrial clusters. For instance, if the agency seeks to promote the introduction of new technologies or management techniques in SMEs, this requires a pre-disposition for the adoption of such new methods or technologies amongst both managers and workers. To put it bluntly, if SME workers cannot read or write, how would they understand the instructions given in a manual for a new machine?

The national business environment can also have an important role in facilitating or undermining aid interventions in support of industrial cluster development with reference whether national governments allow workers to freely organize themselves and engage in collective bargaining. If

a country's industry and labor laws support the formation of trade unions and collective bargaining, this could lead to awareness and skills upgradation amongst the local workforce to be employed in SME clusters (Pyke and Lund-Thomsen, 2016). However, the opposite could also be true. If a developing country government systematically tries to suppress the rights of workers to form trade unions and their freedom to engage in collective bargaining, it might be challenging for aid interventions to promote social upgrading within industrial clusters in developing countries. By social upgrading we mean improvements in the quantity and quality of work available (Barrientos, Gereffi, and Rossi, 2011).

If we now focus on the financial system in a given developing country, this could help either enhance or undermine existing cluster development interventions supported by international aid agencies. If the country in question has a well-developed financial system for supporting not only large enterprises but also SMEs, this factor could play an important role in strengthening aid interventions in support of industrial clusters in developing countries. However, the ground reality in many developing countries is in fact the opposite. There is often a shortage of access to credit for many SMEs in developing countries. And such a shortage could mean that even if international aid agencies seek to strengthen networking between SMEs and encourage economic upgrading in these enterprises, these efforts may go in vain if local SMEs do not have access to credit lines that are required to help them make use of new market opportunities.

Let us now turn to the cultural system in a given developing country, and how this might affect aid interventions in support of industrial clusters in developing countries. The industrial cluster literature has often highlighted the importance of strong social ties, both with a view to strengthening horizontal linkages and vertical linkages between enterprises (Nadvi, 1999b). Horizontally, family or kin ties can strengthen the flow of knowledge, the exchange of personnel, and the shared use of physical resources between enterprises that operate at the same level of the value chain. Vertically, such family and kin ties may also strengthen value chain coordination within the cluster, allowing the cluster to operate flexibly in relation to meeting varying market demand as contractors and subcontractors can be called upon to meet the particular preferences and changing demand of national and international buyers. In relation to international aid interventions, the existing of these ties can both be an important support for international aid

interventions that seek to strengthen SME networking and collaboration between enterprises. Already existing informal networks may function as an entry point for international aid agencies and their support may be able to help professionalize and upgrade business operations, practices, and opportunities for SME entrepreneurs. At the same time, the pre-existence of informal social ties within industrial clusters in developing countries could also prove a real challenge for international aid agencies. If such networks have strongly held beliefs and values that clash with the main interests of the international aid agency in question, these informal networks may actively work to undermine the efforts of international aid agencies aimed at supporting the cluster. Or at least, there might not be any local ownership of the policy priorities promoted by the agency. And without the support of local SME networks such international aid agency interventions might not be possible to implement (or simply undesirable).

As part of cultural system in a given developing country, gendered relations within the national economy could also play an important part in facilitating or undermining international aid interventions in support of industrial clusters in developing countries. At the level of managers in SME clusters, an important question is thus what the male-female ratio is at this level of SME operations. Often managerial positions will be taken up by male entrepreneurs. If international aid agencies align their support programs with the interests of these male entrepreneurs, chances are that aid interventions become locally embedded within the networks of male SME entrepreneurs. However, international aid interventions might thus play the unintended role of strengthening existing inequalities in gender relations at the level of managerial positions. At the same time, if aid-supported cluster interventions pay particular attention to addressing existing gender inequality within industrial clusters, for instance through training and awareness-raising amongst female workers in terms of inequalities in wage levels between male and female workers, this could also be met with significant resistance from local male managers that might perceive this as undue interference with established relations between male and female employees within cluster-based SMEs.

Having outlined our analytical framework for understanding the relationship between national business systems and aid interventions in support of industrial cluster developing in the Global

South, we now illustrate how the framework may be applied to a given developing country context – namely, Pakistan.

Empirical Analysis

In order to understand the national business systems (NBS) of Pakistan, I talk about the four major components of NBS starting from the political systems moving on to the education and labour systems and then talking about the financial systems and finally highlighting the cultural systems of Pakistan. I am also trying to highlight whether each of these systems is likely to support and/or undermine aid given to the development of industrial clusters in the country.

The Political System

The political structure of the Islamic Republic of Pakistan is a federal parliamentary democracy in which the President, Mamnoon Hussain, and the Prime Minister (Head of State), Mian Muhammad Nawaz Sharif, are the executives. The National Assembly (the lower house) has 342 members, and the Senate (the upper house) has 100 members. The Pakistan Muslim League (Nawaz), or PML (N), secured the largest number of seats in the National Assembly election held in May 2013 (Jalal, 2014). Whichever party forms the government must first rip apart the fabric of continuity, however sensible the previous rulers' policies may be. This attitude, not only returns the growth of the country to square one but also entails a colossal expenditure (Ahmed, Saleem & Iftikhar, 2012).

The industrial development in Pakistan can be traced back to the history of partition of the Indo-Pak Subcontinent in 1947, when Pakistan had a negligible industrial base (IPRI, 2014; Saif113sb, 2015). To promote industrial development, Pakistan's government encouraged the private sector to establish heavy, high-profit industries (Saif113sb, 2015). Because the private sector was reluctant to invest in heavy industries, Pakistan's government took the initiative and established the Pakistan Industrial Development Corporation (PIDC) in 1952¹⁰. One of the PIDC's major objectives was to invest in industries that required heavy initial investment, had a

¹⁰ www.pidc.com.pk

long gestation period, and required a high degree of know-how. The private sector was encouraged to invest in large-scale industry and the investment climate was gradually improving (Mahmood, Rehman & Rauf, 2008).

Five industrial policies or distinct approaches have left a lasting impression on the structure of Pakistan's industry (Burki, 2008; Chaudhry, 1996). Pakistan's industrial development planning was divided into eight five-year plans beginning in 1955. An overview of these plans is presented in table 1.

Table 1: Pakistan's industrial five year plans: 1955-1998.

Period	Contents of Plan
1955-1960	The First Five-Year Plan focused more on new venture creation, the increase in the production capacities of existing units and enhancements in exports, which positively affected the industrial sector's share in Pakistan's GDP (Bengali, 1999).
1960-1965	The Second Five-Year Plan shifted the focus of new establishments from consumer goods to heavy industry to improve industrial performance.
1965-1970	The Third Five-Year Plan was a partial success as a result of natural disasters and reduced foreign aid to Pakistan. The third five-year plan promoted the activities of private sector investment and tended to increase the directly productive investment for the stable financial sector development.
1970-1975	The fourth five-year plan was based on the nationalisation programme which featured an intense level of government-ownership and management of private entities. The period of the Fourth Five-Year Plan was disappointing because of the war with India, the devaluation of Pakistan's currency, the nationalization of industries by the government, labour unrest and the unfavourable investment climate (White, 2015).
1978-1983	The Fifth Five-Year Plan was an attempt to stabilise the economy and improve the standard of living of the poorest segment of the population. A flood of refugees to Pakistan after the Soviet invasion of Afghanistan in December 1979, as well as the sharp increase in international oil prices in 1979-80, drew resources away from planned investments.
1983-1988	The Sixth Five-Year Plan shifted towards the private sector with heavy reliance on imported energy and low spending on health and education (Bengali, 1999).
1988-1993	The Seventh Five-Year Plan more strongly emphasized private investment but there was a pressure on public-sector corporations to improve their financial performance.
1993-1998	The Eighth Five-Year Plan was not implemented because of the successive changes in government during 1993.
2004- ?	The government of Pakistan began developing Medium-Term Development Frameworks (MTDF) in 2004. instead of Five-Year Plans. The MTDF covered the period between 2005 to 2010 (Chaudhary, Iqbal and Gillani, 2009).

There have been various policy approaches to industrialization in Pakistan in the last six decades, beginning with industrialization through the establishment of finance companies such as the Pakistan Industrial and Commercial Investment Corporation (the PICIC) and the Industrial Development Bank of Pakistan (the IDBP) (James & Naya, 1990). The objective of this approach was to influence the scope of industrialization; this was an era of growth without development. The second approach to industrialization occurred during the first few months of Zulfikar Ali Bhutto's tenure and was based on his decision to nationalize the large-scale industry, which introduced several distortions into the management of the economy and included widespread corruption (Noman, 1991). The third approach of the democratic administrations in the 1990s was to bring back the private sector as the leader in economic development by privatizing some of the state's economic assets with minimal impact on Pakistan's industrial activity (Burki, 2008). The old industrial families had their assets restored and went about conducting their business as before. President Pervez Musharraf's government played a prominent role in the private sector development by providing considerable room to the financial sector to participate in the industrialization process based on market considerations (Khan, *et al.*, 2014).

In spite of the above-mentioned approaches to industrial development, the private sector did not develop enough confidence amongst the entrepreneurial class to stand independently and address the changes occurring in the global economic system without government intervention (Khan, *et al.*, 2014). For example, the textile industry's failure to take advantage of the opportunities created by the end of the Multi-fibre Arrangement (MFA) on January 1, 2005, created the lasting effect on entrepreneurial behaviour of the policies and approaches towards industrialization that have been adopted in the past several decades. Because of the frequent changes in industrial policy noted above, the industrial sector has remained relatively backward compared to developments in other large Asian economies (Burki, 2008).

For a long time, the mainstay of Pakistan's industrialization strategy was large-scale manufacturing, which recorded an 8.78% growth rate during 1950-2003 because it was consistently supported by a set of macroeconomic policy measures. The small-scale sector also registered an impressive growth rate of 5.06% during 1950-2003; that growth also occurred

without the direct benefit of policy support (Amin, 2004). Since last many years, Pakistan had been beset by the twin menace of radicalism and terrorism. The task was mandated to the nascent National Counter Terrorism Authority of Pakistan (NACTA) with an objective to create an environment of counterterrorism through politicians' use of legislation, budgets and policy decisions (Farooq, 2012).

In 2009, a politically unstable Pakistan emerged as a new global hub for anti-West militancy (Yusuf, 2014). Some of the recent incidents in Pakistan, including the capture of Osama Bin Laden on May 2, 2011 from Abbottabad, Pakistan, and the terrorist attack on the Mehran Naval Base in Karachi, Pakistan, on May 22, 2011 shook the foundations of the Pakistani security establishment and alarmed the public about the vulnerability of the Pakistani state (Shafqat, 2011). The operation Zarb-e-Azb was launched on June 15, 2014, in North Waziristan along the Pakistan-Afghanistan border as a renewed effort against militancy in the wake of the June 8 attack on the Jinnah International Airport in Karachi by Tehrik-i-Taliban Pakistan (TTP) and the Islamic Movement of Uzbekistan (Khan, 2010; Shafqat, 2011).

Education and Labour System

The average educational attainment of Pakistan's labour force had been generally very low in the past. In 2007-2008, only 55% of the country's working-age people were literate. The unemployment figures for 2003-04 indicated that 59.2% of the unemployed were literate or semi-literate, with the "pre-matric (10th grade)" group being the largest at 29.5% (Chaudhary & Hamid, 1998; Malik, 2014). This problem points to a grave mismatch between education and skill demand and inadequate quality and infrastructure in schools across Pakistan¹¹. Low literacy rates have led to skill gaps (Khan, et al., 2009) and lack of formal management skills at all levels, resulted in poor shop-floor and labour management in Pakistan (Bhatti, 2006)¹². Most units were either managed by entrepreneurs themselves or by the "Munshi" (lower-level managers/supervisors) to run business operations and day-to-day tasks. The entrepreneurs considered the placement of a professional or a business graduate as a waste of money and

¹¹ Labour Force Survey of Pakistan, 2003 – 4, document developed by the Planning Commission of Pakistan.

¹² Interviews with the Cluster Development Agent and the Network Development Agent, UNIDO Cluster Development Program, Pakistan.

misconceived these individuals as another exploitation tool for stealing their business secrets. Labour was employed mostly from nearby villages. The skills were transferred to the newcomers through the conventional system of “Ustad/Shagird”¹³. All of the training was essentially provided on the shop floor (Bhatti, 2006).

In 2012-13, 41% of Pakistan’s population was in the 0-14-year-old age group; this group is economically unproductive and requires food, clothing, education, and medical care. 51% percent of the population was in the 15-59-year-old age group. This productive-age population was the main source of accelerated economic growth (Asghar & Javed, 2011). Pakistan has the tenth-largest labour force in the world. Its employment-unemployment statistics provide important input for policy and planning purposes. The most recent statistics showed that Pakistan’s total labour force increased from 50.0 million in 2005-06 to 59.7 million in 2012-13 (PES, 2014). It showed that more than 9 million people joined the labour force during this period. However, the employed labour force increased from 46.95 million to 56.0 million during this period, indicating that the increase in the labour force could not be adjusted for completely in the employment sector; therefore, there was an increase in unemployment from 3.10 to 3.73 million during this time period (Hassan, 2014). In 2012-13, fourteen percent of Pakistan’s total labour force was employed in the manufacturing sector, which was composed of 15% of the total male labour force and 11% of the total female labour force (PES, 2014) in Pakistan.

The scarcity of skilled labour is considered a major constraint for the development of entrepreneurship. Similar to all less-resourceful firms, SMEs typically had skill deficiencies and were unable to compete with the larger firms’ better-qualified manpower. Inter-firm transfers of skilled labour was a common phenomenon, directly influenced by relative wage levels. In this game, the larger firms had an advantage over SMEs. Unfortunately, technical skills were not adequately rewarded by the employers. Society did not respect people with blue-collar jobs (Quader and Abdullah, 2009).

Illiteracy is yet another problem in Pakistan. The literacy rate has stalled at 56%; ironically, that rate includes people who can read and write their name in Urdu. In the last few decades, the

¹³ Conventional way of learning through the supervisor or senior skilled worker on the shop floor.

upward trend in the Pakistan's illiteracy rate (SBP, 2002; Sheikh, 2009) is aggravated by the fact that more than 50% of children in Pakistan do not complete their primary education. The dismal state of Pakistan's national education sector has added to its strikingly low literacy levels because of the reduced emphasis on education and insufficient education spending. Limited access to quality education has contributed to militancy, which is more salient than ever given the increasing national and international security implications of continued violence (Winthrop and Graff, 2010). The private sector is doing a good job in promoting Pakistan's educational culture; however, but primary objective is profit-making. Schools and colleges are opened as a business prospect, and many therefore lack the required quality (Adil, 2015; Omer, 2014).

Mismatch between education and skills demand and supply have led to (Khan, *et al.*, 2009) poor shop-floor and labour management, constraining the cluster development interventions in Pakistan. Furthermore, lack of professional management by the entrepreneurs as well as conventional system of skills transfer are some of the constraining factors for PSD and cluster development interventions in the country (Bhatti, 2006). More than fifty percent of population in Pakistan falls in the range of 15-59-year-old age group, which is a productive-age population, can be taken as the facilitating factor for economic growth and PSD in the country (Asghar & Javed, 2011). The scarcity of skilled labour is one of the major constraints for the development of clusters, where SMEs are unable to compete with the larger firms' better-qualified manpower (Quader and Abdullah, 2009).

The role of industrial relations is increasing in Pakistan due to the changing structure of the economy and the growing share of the industrial sector. The feudal system is prevalent in Pakistan along with the hostile and feudal attitude of employers, who do not accept the collective voice of the workers through their representative trade unions. Several major groups of workers are excluded from trade unionism by law, including those in the agricultural sector (about half the workforce), teachers, health workers, civil servants, and public sector workers. Even workers in export processing zones and special economic zones have not been able to get their right to organize and bargain collectively. Pakistan's labor movement remains splintered along ethnic, sectarian, linguistic, and regional lines. Trade union federations are often centered on personalities, thus promoting instability (Ghayur, 2009).

In normal everyday communication, subordinates in Pakistan, always address their bosses as ‘Sir’. Either the public servants are afraid of their bosses or they are trying very hard to please them. Subordinates tend to use extreme flattery or pleasing behavior to bridge the power distance with their superiors. There is no tradition of ‘speaking truth to power’ in Pakistan where the rulers and senior decision-makers are often surrounded by sycophants. Pakistan seems to have a moderately high score on the Power distance¹⁴ index (PDI). It ranks 18th among a group of 52 countries according to the PDI used by Hofstede¹⁵. The tolerance for a high PDI has led to a tradition of sycophancy throughout the Pakistani government and administrative system.

The Financial System

Pakistan has less effective legal system and a bank based system with a tradition of depending on physical force or illegal means to settle claims (Demirgüç-Kunt & Maksimovic, 2002). Since 1998, a comprehensive capital market reform program was implemented in Pakistan. With an overall aim to provide maximum protection to the investors, the reform program had targeted on improving governance of the stock exchanges, setting-up of Securities and Exchange Commission of Pakistan (SECP) as an independent regulator, and introduction of modern trading systems in conformity with international practices. Modern trading and settlement systems were in place to avoid possible systemic risk in the market. In addition, the capacity of the securities regulator had been considerably enhanced through its operational and financial autonomy.

The visible positive outcomes of comprehensive reforms in the financial (nonbank) market in Pakistan have been encouraging due to the right direction of regulatory measures taken by the SECP. Despite revolutionary reforms and macroeconomic stability, the financial market has neither managed to mobilize significant savings nor channeled resources to productive investments. A well-functioning financial system in Pakistan required an infrastructure that provides an effective legal framework, to ensure timely and accurate information and

¹⁴ *Power distance* is the degree of inequality among people which the population of a country considers normal or to the extent a society accepts the unequal distribution of power.

¹⁵ Geert Hofstede, *Culture and Organizations: Softwares of the Mind* (London: McGraw Hill, 1991).
Geert Hofstede, ‘Business Cultures’, *UNESCO Courier* 47(4, 1994): 2.

development of an efficient regulatory framework. However, Pakistan was facing serious internal and external political economy issues, policy inconsistencies, and geo-political instability (Sharif, 2002).

In 1988, Pakistan had substantially de-regulated interest rates and the allocation of credit, liberalized entry into the sector, privatized major state-owned banks, and introduction of modern prudential regulation and supervision. The Pakistani banking system had been transformed from 1990 to 2005 through liberalization, the entry of private banks, the privatization of public-sector banks, and the tightening of prudential regulations (Di Patti & Hardy, 2005; Burki & Niazi, 2010).

In spite of the above-mentioned financial reforms, 85% of Pakistan's population does not have access to any regulated financial services institutions at all, which inherently creates an uneven and an inequitable economic world, where the majority of people are financially marginalized. This situation drives the poor to rely on informal sources of funding like the unscrupulous moneylender, which is disadvantageous to the borrower.

According to the World Economic Forum's (WEF) Financial Development Report on Financial Development Index, Pakistan has slipped in every category from 2008 rankings, and moved down from 34 to 49 (out of 55 countries evaluated). Pakistan was on 48/55 on corporate governance, 47/55 on shareholder rights index and 16/55 on strength of investor protection. A high degree of political and economic instability are probably contributing to weak scores across Pakistan's institutional (52nd) and Business (50th) environments; Likewise, the country shows a very high risk of sovereign debt crisis (54th).

This WEF report talks about 7 pillars that determine financial development index. And then the report goes and ranks 55 countries on these pillars. First pillar is the institutional environment where Pakistan is ranked at 52/55, showing an extremely poor institutional environment in Pakistan. Second pillar is the business environment and Pakistan is ranked at 50/55, again showing lower rank on this index. Third pillar is on the financial stability and Pakistan is at 48/55, again in the range of lowest 10 countries in the list. Fourth pillar is on financial services

and Pakistan is at 46/55, not much different from the financial stability. Fifth pillar is on non-banking financial services and Pakistan is at 51/55, again in the list of lowest 10% countries on this index. Sixth pillar is the financial markets and Pakistan is somewhere in the middle on this index with a rank of 25/55, showing medium level ranking on this index. Seventh and the final pillar is the financial access and Pakistan is again in the lower ranking with 50/55 on this index (WEF, 2012).

If we try to measure the impact of corporate social responsibility on financial performances of banks in Pakistan, it has been observed that there is a positive relationship between corporate social responsibilities and financial performances of banks. Pakistani banks, which are following socially responsible policies, recorded improvement in return on their assets, equity and earnings per share and in this way increase the wealth of shareholders and maximize return to all stakeholders (Awan & Nazish, 2016).

The Cultural System

Pakistan scored very low on individualism¹⁶ and conversely very high on collectivism in Hofstede's study along with many countries of Central and South America. Pakistan remains essentially a collectivist country. The most significant manifestation of Pakistani collectivism is the key role played by family and kinship structures. In particular, rural Pakistan remains dominated by a value system based on kinship, family, *zat* (lineage group), *qaum* (occupational group) or tribe. Kinship connections are vital in cementing and negotiating bureaucratic hurdles. Clan-based patrilineal kinship ties play an important part in social, political and administrative organizations. In Punjab and Sindh, for example, the dominant social organization consists of kinship networks called *biraderis* literally meaning 'brotherhoods'. In central Punjab, *biraderi*, translates as a fraternity or brotherhood, which is the key institution of kinship (Alavi, 1972, 1995). *Biraderi* is the 'basic unit of social organization, consisting of a tightly knit corporate group which, typically, is subject to the authority of the *biraderi* panchayat (i.e. council) (Alavi,

¹⁶ *Individualism* is the degree to which people in a country have learned to act as individuals rather than as members of cohesive groups, a continuum ranging from collectivist to individualist. It shows the degree to which a culture emphasizes personal initiative and achievement rather than collective concerns. Hofstede's collectivism does not have any political connotation.

1995, p. 1). A *biraderi* has concrete and cohesive institutions for the expression and the enforcement of group interests. The panchayat (or informal council of elders) enforces collective decisions on *biraderi* members. These include decisions regarding the arbitration of disputes within the *biraderi*, the allocation of common resources, choice of political and electoral alliances, and, ultimately, some control over marriage by adjudicating disputes over marriage claims. The panchayat also has the power to impose sanctions on its members.

In the context of sectoral clusters, localness can also take on a cluster and sectoral dimension, creating a sector-specific notion of socialized relations. Social ties form through recurring contracts with agents, and information is shared across the cluster about the reliability and overall reputation of others. This is not dissimilar to the notion of 'earned' trust in business gaining primacy over socially 'ascribed' trust (Nadvi, 1999b). There is, however, a close connection between business and social ties. In a small town environment, where most individuals are known and locatable within the complex array of interweaving social networks, productive and social life are inseparable how social identities and networks influence production relations in a cluster (Nadvi, 1999c). These social ties and close business connections are distorted when the buyers try to influence the local social traditions by applying their codes of conduct. In the manufacturers' views, local traditions, ways of doing things and employees' access to work are domineeringly influenced by outside inflexible codes of conduct. These codes dictated to the local communities what ought to be appropriate social and cultural standards at the workplace (Khan & Lund-Thomsen, 2011).

Family- and kinship-based social structures have given rise to the culture of *sifarish*. This Urdu word literally means a recommendation or a connection. Short of straight bribing, it has become the standard means of getting things done by public functionaries. Ordinary public services that should be provided to the citizens by right in developed societies are procured through *sifarish*. Often *sifarish* is used to pressure the decision-maker to take an inappropriate or illegal action.

Pakistan scores moderately high on masculinity¹⁷. This means that in Pakistan the gender roles are more differentiated. Pakistan ranks 115 according to the Gender-related Development Index (GDI) of the United Nations Development Program (UNDP) among the 173 countries included in the ranking. Cultural norms continue to inhibit women's access to education, in general, and higher education, in particular. Gender differentiation of roles assigns women to the domestic sphere, i.e. to early marriage, taking care of children and domestic work. A large number of women work as elementary school-teachers, nurses, other para-professionals and secretaries. In Pakistan, the institution of *purdah* is responsible for the exclusion and segregation of women. It restricts the interaction of women with non-kin males and, in some regions, restricts their movements outside the family compound, thus limiting women's roles to the domestic and segregated spheres.

Discussion Section

In this section, we first discuss how the political, labor and educational, financial, and cultural parts of the national business system of Pakistan might affect donor financed interventions in industrial clusters in the country. In the light of this discussion, we then revisit our analytical framework in the light of our empirical analysis.

Let us first look at the likely policy implications that the *political system* of Pakistan has for the design of PSD interventions in support of industrial cluster development in the country. Detailed, long-term planning becomes very difficult under circumstances of political instability in Pakistan. Hence, in the design of cluster development interventions, an important consideration is to prepare for the unexpected. In fact, for those designing and supporting cluster development interventions in the Pakistan, the only certainty would appear to be that unforeseen events can be expected to happen at any moment. The policy implication is that the design of cluster development interventions must take made with considerable flexibility in-built. In other words, it is important to prepare for the unexpected, designing time-lines with inbuilt space for continuous adjustments. An important consideration in this regard relates to the involvement of

¹⁷ *Masculinity* is the degree to which masculine values such as assertiveness, performance, success and competition prevail over feminine values such as the quality of life, maintaining warm personal relationships, service, caring and solidarity, i.e. ranging from tender to tough.

non-Pakistani experts as consultants and project supervisors in cluster development interventions. Often the changing security situation in the country may mean that international staff cannot travel to the country. Or international organizations may have particular travel instructions not to visit Pakistan. In these circumstances, it may be helpful to plan interventions without relying on the on-the-ground expertise of foreign experts. For instance, Fayyaz, Lund-Thomsen and Lindgreen (2015) demonstrated how an intervention aimed at facilitating a collective action initiative in the Sialkot football manufacturing industry was affected by political instability in the country. Bombings in the capital of Punjab, Lahore, meant that international experts had to delay or cancel their visits to Pakistan. This affected project implementation.

If we look at the *labor and educational systems* of Pakistan, these are also likely to have direct implications for the design of PSD interventions in support of industrial cluster development in the country. The lack of qualified (wo)man power to take up relevant positions in industrial clusters throughout Pakistan appears to be a key task that designers of aid to industrial cluster interventions could take into account. In particular, there appears to be a need for establishing public-private partnerships between local industrial cluster enterprises, business associations, and local training institutions/universities with the aim of designing educational programs that are tailor-made to the needs of particular clusters. Such educational program could also involve on-the-job training for individuals in cluster enterprises, shifting back and forth between traditional class-room teaching and work placement experience.

The involvement of child labor and slave labor in some industrial clusters also lead to a need for consideration of social upgrading strategies within industrial cluster settings (Pyke and Lund-Thomsen, 2016). Social upgrading here refers improvements in both the quantity and the quality of work available (Barrientos et al. 2011). It would thus appear as if aid to industrial cluster development might have a particular role to play in the area of social upgrading. In the case of Pakistan, the Sialkot football manufacturing cluster has thus been a well-documented case of how international aid agencies such as the United Nations Children Fund and the International Labor Organization in cooperation with the Sialkot Chamber of Commerce and Industry as well as local and international NGOs played a vital role in eradicating child labor within the football manufacturing industry (Nadvi, 2004). This happened through a cluster-based intervention that

aimed at transferring children from stitching footballs to school and designing a cluster-wide child labor monitoring mechanism (Lund-Thomsen and Nadvi, 2010).

Aid to cluster development in Pakistan could also assist workers in the formation of trade unions and engaging in collective bargaining. For instance, aid interventions in clusters could focus on working with business associations and local SMEs on ensuring the right of workers to collective bargaining and freedom of association. In the context of the afore-mentioned Sialkot football manufacturing cluster, Lund-Thomsen and Coe (2015) documented how an international brand, Nike, supported international and local organizations such as Just Solutions, a UK-based labor rights consultancy, the Pakistan Institute for Labor Education and Research, and Matrix Sourcing, a local sourcing company, in raising awareness of Nike's code of conduct and Pakistani labor legislation at Nike's local football supplier, Silverstar. This heightened awareness played a key role in making the workers aware that they were not receiving their due wages at a time when financial austerity hit the Pakistani economy in the wake of the 2008 global financial crisis.

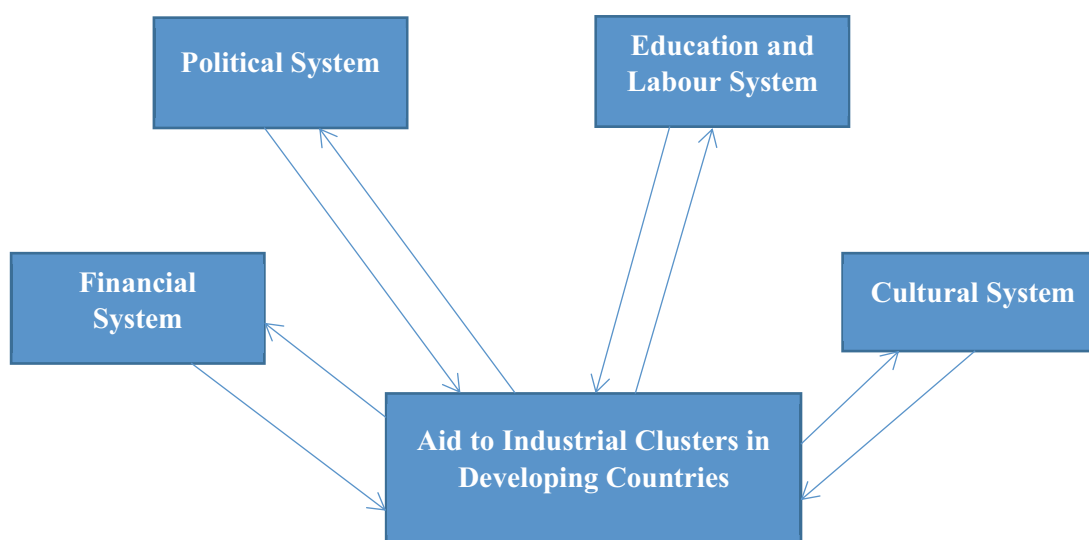
If we now look at the *cultural system* of Pakistan, PSD interventions of support of industrial cluster development also need to incorporate this factor into project design. Awareness about the importance of social ties – through *biraderi* – becomes an important factor in designing aid interventions in industrial clusters in Pakistan. Hence, informal family and clan-based networks play a significant role in influencing the functioning of SME clusters in Pakistan. For instance, Nadvi (1999c) demonstrated how production relations in the Sialkot surgical instruments cluster were influenced by social networks with reference to kinship, family, and localness considerations. Similarly, Fayyaz et al. (2015) argued that failure to consider family relations in a donor-supported joint action initiative in the football manufacturing industry of Sialkot played an important role in explaining the failure to establish a CSR-compliant soccer village in the city. The younger entrepreneurs in the network had established their own businesses in an effort to become more independent from a senior member of the network who also happened to be their uncle. Hence, in trying to establish a network of SMEs based on family kinship, the intervention ignored that the younger generation of entrepreneurs in the network did not want to be re-united with their uncle.

Another important factor for aid to cluster development interventions in Pakistan is to consider the gender implications of such interventions. While very little has been written specifically about the gendered nature of industrial clusters (Sagarra, Stancher, and Clara, 2007), females play a key role as workers, both in medium, small, and micro enterprises in industrial clusters in Pakistan. Here, donor-financed industrial cluster interventions could focus upon both upgrading the skills of female workers and also improving their conditions of work in formal sector enterprises and informal sector work. A particular challenge that such interventions might concentrate on could be to remove barriers to access to work that tend to exist in many clusters in Pakistan. For instance, Lund-Thomsen (2013) documented how home-based female football stitchers in Sialkot faced barriers to working in formal factory settings as their fathers, husbands, and brothers often did not want them to leave the house. Here donor-financed interventions might work in partnerships with local NGOs and factory owners in terms of sensitizing male family members of such households about the benefits of women working outside the home, addressing their concerns about the females not being harassed at work and the family losing face in the broader community.

Finally, let us look at the *financial system* of Pakistan and discuss how this might affect the design of PS aid interventions in support of industrial cluster development in the country. As demonstrated above, an important concern for individuals designing PSD aid interventions in industrial clusters in Pakistan could be to assist cluster-based entrepreneurs in gaining access to credit/loans to make investments in their businesses. To the extent that such institutions already exist within local cluster settings in Pakistan, the challenge for those designing cluster-based aid interventions becomes to establish network linkages between cluster-based entrepreneurs and financial institutions that provide lines of credit to small and medium-sized enterprises. At the same time, if such institutions are not present in local cluster contexts, aid to industrial cluster development could consist of helping government institutions and local business associations in setting up financial institutions that provide particular credit lines to small and medium-scale cluster-based entrepreneurs.

If we now go back to the analytical framework developed in this article and assess its usefulness in explaining how the national business context of Pakistan facilitates and/or undermines aid given to industrial clusters in the country, we can see that it covers most of the factors given in the theoretical and empirical sections. However, the analytical framework was mainly devoted to investigating how the national business environment might affect aid interventions aimed at promoting the development of industrial clusters in the developing world. As such, the relationship was portrayed as a unilinear one. The national business environment was seen as affecting aid interventions in support of industrial cluster development in developing countries. However, whereas the empirical application of the framework to the context of Pakistan did lend credence to many of its claims regarding the ways in which the political, the educational and labor, the financial, as well as cultural systems might affect aid interventions, the framework did not consider that the causal relationship might be reversed. In other words, the empirical application of the framework to the context of Pakistan seems to indicate that aid interventions in support of cluster development might well influence the national business context. In other words, the relationship between the national business environment and aid interventions in support of industrial cluster development is not unidirectional. Rather the relationship could well be bidirectional. This is illustrated in figure 2 below.

Figure 2: National Business Systems and International Aid Interventions in Developing Country Industrial Clusters – A Revised Analytical Framework



Aid interventions aimed at supporting the development of industrial clusters might for example influence the political system. For instance, by assisting national governments in developing countries in designing laws regarding the development of SME clusters. Development aid interventions could assist national governments in setting up agencies dedicated to supporting SME cluster development. Similarly, aid interventions could assist ministries in developing national level plans aimed at securing the development of human resources and managerial capacities to support SME cluster development. This can also be achieved in partnership with universities or vocational training institutes that develop tailor-made programs to suit the needs of particular clusters.

Aid agencies can work with national ministries, business associations, and labor unions with the aim of securing freedom of association and the right to collective bargaining within not only national legislation but also through actual implementation within clusters. Aid agencies can influence the national business environment by helping developing country governments enact legislation in support of the establishment of financial institutions targeting SME clusters. And they can support the actual establishment of the financial institutions themselves. Finally, aid agencies can play important roles in helping developing country governments draft legislation that secures greater gender equality in national labor markets. In cluster settings, this may be particularly relevant, for instance through the enactment of laws protecting the labor rights of home-based workers that are employed in the subcontracted production networks within the cluster. Home-based workers are often females, and donors can thus also support cluster-based NGOs and labor unions in working with home-based workers, contractors, and subcontracting factories in relation to improving their conditions at work. The reversal of the relationship between international aid interventions in support of industrial cluster development and the national business environment leads us to the conclusion of the article.

Conclusion

One of the key purposes of this article is to highlight, understand and provide a critique of existing approaches to private sector development (PSD) by arguing that national business environments play a major role in facilitating and/or undermining aid in support of industrial

cluster development. In doing so, we argued that it was possible to establish an analytical framework that highlighted possible ways in which the national business environment of a given developing country might influence aid interventions in support of industrial cluster development. We then introduced this analytical framework and illustrated with various stylized examples how the political, educational and labor, financial, as well as cultural systems of developing countries might affect the design and implementation of aid interventions in support of industrial cluster development.

In using the national business environment of Pakistan as a useful case for applying the analytical framework, it also became apparent that the framework could be used to highlight possible policy implications for international aid agencies in terms of how their support for industrial clusters might be affected by the national business environments of developing countries. However, the empirical application of the analytical framework to the context of Pakistan also illustrated that the relationship between national business environments and aid interventions in support of industrial cluster development is not necessarily a unidirectional one. In fact, it is bi-directional.

Aid interventions in support of support of industrial cluster development can also affect the national business environment of developing countries. This observation led us to revise our analytical framework in the discussion section of the article to illustrate how academics, policy-makers and other cluster stakeholders might think of how aid agencies could influence the national business environment in support of industrial cluster development. In other words, a key conclusion coming out of this article is that both academics, policy-makers and other cluster stakeholders need to conceptualize how aid interventions should not only focus on the micro (individual firm) and meso (horizontal and vertical cluster linkages) of industrial cluster development, but they should also aim at influencing the broader macro-environment that shapes the development of individual clusters within developing countries.

Finally, one might wonder whether the analytical framework can usefully be applied to other national business environments and clusters or whether it is only applicable to the Pakistani context? Here we shall make a distinction between analytical generalization and empirical

generalization. In our view, the national business system approach can be employed to think through how aid interventions in support of industrial cluster development might affect and be affected by the national business environment of any developing country. Here the categories of the political, cultural and labor, financial, as well as cultural systems will enable an analysis of the “aid intervention – cluster development relationship” regardless of the empirical context studied. However, in terms of empirical generalization, the application of the analytical framework will obviously vary across national business environments in the developing world. This is important for the policy implications that flow from the empirical application of the framework. These will need to be contextualized to the particular needs of the national business environment and the industrial clusters in question.

In short, we have argued for the development of a general analytical framework for studying the relationship between aid interventions and industrial cluster development. However, the analytical framework should be used to undertake detailed, contextualized analyses of particular business environments and aid interventions and devise policy recommendations that suit these contexts.

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The Effects of Development Aid Interventions on SME Networking in the Lahore Garments Cluster in Pakistan

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This article seeks to contribute to the debate on the effects of private sector development aid by investigating the sustainability of donor-financed SME networks in a developing country context, namely Pakistan. The article develops an analytical framework that sets out to explain the sustainability of such networks with reference to the literatures on private sector development aid, industrial clusters, and family business networks. This analytical framework is applied to the empirical analysis of two donor-financed SME networks in the Lahore Garments cluster of Pakistan. We argue that the framework is helpful in relation to partly explaining why one SME network was sustained beyond the expiry of donor funding while the other was terminated. However, our empirical analysis also leads us to revise our analytical framework to account for the influence of international and national business environments on the sustainability of such donor-financed interventions. The conclusion highlights the importance of multi-scalar analysis for future research and policy in the area of donor-financing to industrial clusters in developing countries.

KEYWORDS: Private sector development, SME networks, family business, industrial clusters, sustainability, garments, Lahore, Pakistan

Introduction

This article investigates whether international aid interventions aimed at supporting the development of SME networks in industrial clusters in the Global South are sustained beyond the expiry of donor funding. Small and medium-sized enterprises in developing countries are often

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located in such industrial clusters (Knorrunga and Nadvi, 2016). We here define industrial clusters as geographical spaces, or regions, in which similar and cognate business activities are co-located within clearly demarcated spatial boundaries. It is this co-location which is thought to provide SME with a range of economic benefits (Porter, 1998). These benefits include access to a qualified workforce, specialized training institutes and consultants, input suppliers, and the ‘automatic’ exchange of important business information (Navickas & Malakauskaitė, 2009). Moreover, within SME clusters, firms can cooperate actively in a variety of ways, for instance through joint purchasing of raw materials and cluster branding activities. This may happen through forms of cooperation that range from informal partnerships and alliances to networks, associations, and complex technological platforms (Humphrey & Schmitz, 1995; Andersson, Schwaag-Serger, Sörvik & Hansen, 2004).

The potential for industrial clusters to stimulate local economic development has not gone unnoticed by international aid agencies. Organizations such as the United Nations Industrial Development Program, the International Labor Organization, the Interamerican Development Bank, and the World Bank have been active in promoting the development of industrial clusters in Latin America, Asia, and Africa (MSME Foundation, 2012; UNIDO, 2013; Gelb et al., 2015, Maffioli, Pietrobelli, and Stucchi. 2016). Yet evaluations of donor-financed support to the development of SME clusters in developing countries are few and far between in the academic literature (Giuliani, Pietrobelli, and Rabellotti, 2011).

A limited theoretically-oriented literature exists on cluster development program evaluation. This literature suggests that several *methodological* approaches may be used in conducting cluster development program evaluations. These may involve the use of reporting methods, case studies, economic methods, systemic, and cost-related approaches (Schmiedeberg, 2010). UNIDO has also suggested that an evaluation of a cluster development intervention could be assessed according *criteria* such as the relevance, efficiency, effectiveness, impact, and sustainability of cluster development programs (UNIDO, 2013). At the same time, Giuliani *et al.* (2013) argue that evaluations of cluster development programs can also usefully employ other theoretical perspectives. For instance, such evaluations may be based on social network analysis or participatory evaluation (Diez, 2001). Moreover, a limited number of empirical studies have

attempted to evaluate the outcomes of donor-supported cluster development programs. For instance, Lund-Thomsen and Nadvi (2009) investigated the sustainability and local ownership of UNIDO-supported interventions in the football manufacturing clusters of Sialkot, Pakistan and Jalandhar, India. Other studies also looked at donor support to CSR upgrading within these two particular clusters (Jamali et al. 2015, Fayyaz, Lund-Thomsen, and Lindgreen, (2015) and more generic cluster development support in the case of Ethiopian clusters (Ali, *et al.*, 2016).

In this article, we make a contribution towards filling these theoretical and empirical gaps in the literature on private sector development aid to industrial clusters in developing countries. *Theoretically*, we develop an analytical framework that seeks to explain the sustainability of donor-supported cluster development programs by combining insights from work on private sector development aid, cluster development, and family business networks. By sustainability, we mean whether the networks are sustained in financial and organizational terms after external aid support has come to an end (OECD, 2000). *Empirically*, we apply this framework to the analysis of how sustainable the interventions of an International Development Agency (IDA) were in the Lahore Garments cluster, Pakistan after IDA withdrew from the cluster. In doing so, we compare the development of two IDA-supported SME networks in the Lahore garment cluster, analysing why one network continued after the IDA withdrew its support while the other network terminated its operations shortly after it was initiated.

We selected the Lahore garments cluster as the focus of our analysis for the following reasons. The Lahore cluster is part of the Pakistani textile and garments industry. The overall textile exports from Pakistan were estimated to be \$9.155 billion during July-February (2013-14) compared to \$8.455 billion during July-February (2012-13). Exports of readymade garments during this period increased from \$1,154.092 million to \$1,259.925 million, an increase of 9.17 percent²⁰. The Lahore garment cluster accounts in itself for exports worth 500 million USD and has a total employment of 15,000. As we wished to study the sustainability of donor funding to SME networks, the Lahore garments cluster was also important as this was the first of five pilot clusters selected by the IDA for its interventions in Pakistan. The Lahore garments cluster presented us with a unique opportunity to study this question as we undertake a comparative

²⁰ Pakistan Bureau of Statistics March 2014 - www.brecorder.com

study of the sustainability of two IDA financed networks – the Lahore Garments Consortium and the Lahore Fashion Apparel Network. Both networks shared the same international and national business environments. They were formed with the same kind of IDA assistance in the same cluster. However, they shared very different fates. The Lahore Garments Consortium was sustained well beyond the expiry of IDA support whereas the Lahore Fashion Apparel Network was disbanded after only eighteen months in operation (Bhatti, 2006).

Our main line of argument is that donor-financed support to the development of SME networks in industrial clusters is likely to be sustainable when SME network members are in very close proximity to one another, when network members operate in the same or related industries and markets, and when they come from relatively similar family business backgrounds. Our analysis also calls attention to the need for incorporating an analysis of the international and national business environments in which such interventions take place. We suggest that this should primarily take place through multi-scalar analysis of the different factors that influence the sustainability of donor financed support to SME networks in industrial clusters in developing countries.

The rest of the article is structured as follows. In section two, we outline an analytical framework that seeks to explain why particular international aid interventions aimed at supporting SME networks in industrial clusters in developing countries are sustained, and why others are not once external donor support is withdrawn. In doing so, we draw on the private sector development aid, the industrial cluster, and family business network literatures. In section three, we introduce the methodology of the study. Section four presents our empirical findings and analyzes why the Lahore Garments Consortium survived while the Lahore Fashion Apparel Network was discontinued. This is followed by a discussion section where we revisit our analytical framework in the light of our empirical findings. Finally, the conclusion summarizes the findings of our article and outlines the future research and policy implications of our analysis.

Literature Review

Private Sector Development

In the following, we discuss the role of private sector development aid in influencing the development of industrial clusters in developing countries. Our key argument is that the design of such interventions may of course influence how SME clusters develop. However, in instances where the design and implementation methodologies of cluster development interventions are similar, the outcomes of such interventions are likely to depend upon the passive agglomeration and active joint benefits that firms participating in such interventions generate from the intervention. Moreover, this is likely to vary depending on the particular nature of the family networks within which many cluster-based SMEs are embedded.

We will start out by creating a short overview of the private sector development literature before going onto discussing how this relates to the literatures on industrial clusters and family business networks. In the last two decades, the debate on private sector development has focused on whether aid to enterprises enhances or undermines economic growth processes in the Global South (Schulpen and Gibbon 2002; Kragelund 2005; Fayyaz, Lund-Thomsen, and Lindgreen, 2015). Many donors believe that targeting small enterprises through enabling environment initiatives will not only enhance competitive efficiency and economic growth but also achieve substantial poverty reduction (White, 2005: 15).

The literature broadly distinguishes between three approaches to private sector development: the structuralist, the neo-classical, and the neo-structuralist approach (Küblböck and Staritz, 2015). Structuralist approaches trace their origin back to the late 1970s, originally mainly in Latin America, where government interventions in the economy were thought to be central to promote growth and structural change in the economy. This involved changing production factors from low to high productivity activities. Here the intention was to create space for “learning, externalities, and higher profits and wages” (ibid, p. 11). Central to this approach was an emphasis on promoting local industrialization processes, stimulating manufacturing industries, and thus ensure growth in productivity and employment (Kaldor, 1967).

In the 1980s, the neo-classical approach to private sector development emerged. This approach assumed that the development of the private sector took place best without any government

interference in the economy. Markets were understood to be efficient, and countries should focus on becoming internationally competitive through their comparative advantage in terms of their natural resource endowments. As such, the role of government in stimulating private sector development was mainly to ensure a favorable enabling environment. Hence, in the neo-classical approach, governments should limit their role in the economy to ensuring the enforcement of property rights, low levels of taxation, reducing regulatory burdens, and improving public infrastructure (Estrup, 2009). According to Altenburg and Drachenfels (2006), the neo-classical approach to private sector development was later modified by the World Bank in the 2000s through its “new minimalist approach” by emphasizing that market forces and the creating of an enabling business environment could help stimulate poverty reduction processes as long as deregulation and property rights were ensured, allowing the informal sector to grow.

More recently, the neo-classical approach was challenged by the revival of neo-structuralist thinking on private sector development. This emphasized that market forces, deregulation, and the enforcement of property rights could not on their own stimulate the growth of the private sector. According to Küblböck and Staritz (2015, p. 12), selective government policies that helped shape national and local economies could be justified in instances of “non-existent markets, asymmetric information, barriers to entry, and power imbalances”. Such market failures were typically found in developing countries. In instances of market failure, there might thus be a case for international donors (and governments) to directly intervene in the economy through measures such as trade and investment policies, skills development programs, assistance to particular industries, and other industrial policy measures (Schulpen and Gibbon, 2002).

The private sector development literature then discussed whether donor interventions were most effectively undertaken at the macro-level (i.e. of national governments), at the meso-level (of industries and clusters), or at the micro-level (individual firms) (Estrup, 2009). Here the emerging consensus appeared to be that micro-level support to individual firms should preferably be avoided as this could easily lead to the creation of market-distortions (Schulpen and Gibbon, 2002). Instead there were a range of alternatives such as increasing the vertical governance of firms through global value chains or horizontal coordination in the form of support to business associations and industrial clusters (Estrup, 2009).

SME Cluster Development

We now turn to how private sector development aid might stimulate the growth of industrial clusters in developing countries in theoretical terms. We shall here look at the theoretical case for supporting such clusters through external intervention. This case rests to a large extent on the distinction between the passive and the active benefits that SMEs can accrue through clustering processes.

SMEs can identify strategies that will enable them to enhance their performance based on both endogenous and exogenous factors to industrial clusters (Posthuma, 2004). SME clusters are important as they enable SMEs to overcome constraints related to their access to capital, skills, technology, and markets. When SMEs operate in clusters, both in developed and developing countries, they are – at least in theory - able to benefit from increased information flows and access to credit and external services (Humphrey & Schmitz, 1995; Schmitz & Nadvi, 1999; van Dijk & Rabellotti, 1997; Giuliani, Pietrobelli & Rabellotti, 2005). These are largely seen as passive benefits as they do not directly require any action from cluster-based firms (Lund-Thomsen and Nadvi, 2010).

However, SMEs may also consciously pursue joint action to achieve common objectives and mutual benefits (Schmitz, 1999; Tomlinson, 2010). The concept of joint action has been explained in the literature with reference to examples such as the formation of export consortia through which voluntary alliances of firms cooperate with the objective of selling their goods and services abroad (Federexport, 1998; Antoldi, Cerrato & Depperu, 2011). Joint action may also take place through business associations and public-private partnerships that assist firms in undertaking activities and achieving objectives that individual SMEs could not have achieved on their own (Nadvi, 1999). As part of joint action, cluster-based SMEs may undertake joint branding of their products, common investments in research facilities, engage in joint procurement of raw materials, and undertake other similar activities which can usefully be done in cooperation with other firms (Russo, 2002; Wegner & Misocky, 2010).

As stipulated in the literature, geographical proximity remains a key factor in explaining the circumstances under which SMEs are likely to cooperate. Here the literature on clusters sees the regional dimension of knowledge spillovers as crucial (Cooke, 2001; Boschma & Ter Wal, 2007; Boschma & Frenken, 2010). Geographical proximity is important because short distances facilitate knowledge sharing. Consequently, place-specific capabilities and competencies are built for local agents to have access (Marshall & Marshall, 1879), but they are not understood by non-local firms because they lack the capacity to absorb local knowledge (Boschma, 2004; Boschma & Ter Wal, 2007). Knowledge spillovers are possible when local entrepreneurs are well-connected to one another economically, socially, and culturally (Torre and Gilly, 2000; Lagendijk & Oinas, 2005). Finally, the industrial cluster literature stipulates that geographical proximity and operating in the same or related industries are not enough to stimulate joint action between cluster-based SMEs. SMEs also have to actively engage in networking. There are networks of small enterprises such as sub-contracting networks, ethnic-based enterprise networks, and trader-run network in which a broker or a middleman plays an important role in organizing small enterprise networks (van Dijk & Rabellotti, 1997; van Dijk & Rabellotti, 2005).

When international aid agencies support the development of SME networks in industrial clusters, network members are often required to pass through different phases of networking and trust building through network brokers or administrators (Grandori, 2012). These phases include promotion and motivation²¹, strategic planning²², pilot projects²³, and strategic projects²⁴ (Ceglie & Dini, 1999; Sölvell, *et. al*, 2003; Andersson, *et. al.*, 2004). Network brokers facilitate network members in sharing ideas with one another and examining the possibilities for pooling network members' resources which is required for initiating joint action (Hanna & Walsh, 2002; Pittaway, *et. al*, 2004).

²¹ The promotion and motivation phase consists of promotional initiatives that contribute to a) identifying a critical mass of SMEs that share similar growth constraints, b) their sensitization to the benefits of networking, and c) the emergence of groups and group leaders (Ceglie & Dini, 1999: 19).

²² Once groups have emerged, the strategic planning phase involves: a) analysing common problems and opportunities; b) establishing a common work plan; and c) building organizational structures for groups (Ceglie & Dini, 1999: 20).

²³ The strategic planning phase opens the door for implementing pilot projects on which cooperation begins to bear concrete results for the participating enterprises (Ceglie & Dini, 1999: 20).

²⁴ Pilot projects give way to strategic projects that focus on specialization and complementation at the production level (Ceglie & Dini, 1999: 20-21).

In summarizing this section, we can thus state that private sector development aid to SME networks in industrial clusters is likely to be sustained beyond the exit of donor support if three broad conditions are met. First, SME networks that receive international donor support must be located in close geographical proximity to one another in order for SMEs to realize the potential gains of clustering. Second, the firms must operate in the same or related industries in order for them to benefit in business terms from private sector development support. Finally, the firms must be willing to actively engage in networking to enhance information flows, ideas, and knowledge amongst SMEs. Otherwise, the potential gains from industrial clustering will not be realized, and joint activities started with the help of donor support are unlikely to be sustained once the donor agency withdraws its support for the cluster.

Family Business Networks in SME Clusters

So what then determines whether cluster-based firms are interested in actively participating in SME networking? We suggest here that this is related to the role of families in strengthening social ties through business networks. Generally, a business is considered family-owned if the family owns 50% or more of the equity and more than one family member works in the business (Shanker & Astrachan, 1996) or if a member of a founder's family manages the business after a succession has occurred and the family still owns a controlling interest (Ibrahim & Ellis, 1994). Ashley-Cotleur & King (1999) define family businesses as two or more family members working in a business with financial and managerial control and/or as an intergenerational transfer that has occurred.

In family businesses, SMEs are generally reactive in opportunity-seeking in foreign markets (Kontinen & Ojala, 2011). Recent research efforts that aim at assessing family firm heterogeneity heavily rely on the concept of socioeconomic wealth as a guiding theoretical lens (Berrone, Cruz, Gomez-Mejia, 2012; Cennamo, *et. al.* 2012; Chrisman & Patel, 2012; Martí, Menéndez-Requejo, & Rottke, 2013; Pukall & Calabrò, 2014). Socioeconomic wealth aims at capturing and structuring the intertwinement of the owner-family with the business (Pukall & Calabrò, 2014). Family firms are typically motivated by, and committed to, the preservation of their socioeconomic wealth, referring to nonfinancial aspects or ‘affective endowment’ of family

owners (Berrone, Cruz, Gomez-Mejia, 2012, p. 259; Pukall & Calabrò, 2014). This endowment is conceptualized in broad terms to capture the stock of affect-related value that a family derives from its controlling position in a particular firm (Berrone, Cruz, Gomez-Mejia, 2012; Pukall & Calabrò, 2014).

In the literature on family businesses and relationship marketing, first-generation family businesses are shown to be fragile institutions. They normally begin operations with little capital and few customers, and they are sustained by the personality and talents of the founder and the entrepreneur. In the beginning, the growth of the business is mainly dependent on the founder because the absence of a track record forces the founder to take risks to survive the initial phase of the entrepreneurial venture. Even the customers and suppliers of a new business take a risk in trusting the new entrepreneur (Dyer & Handler, 1994; Garnsey, 1998; Garnsey, Stam & Heffernan, 2006).

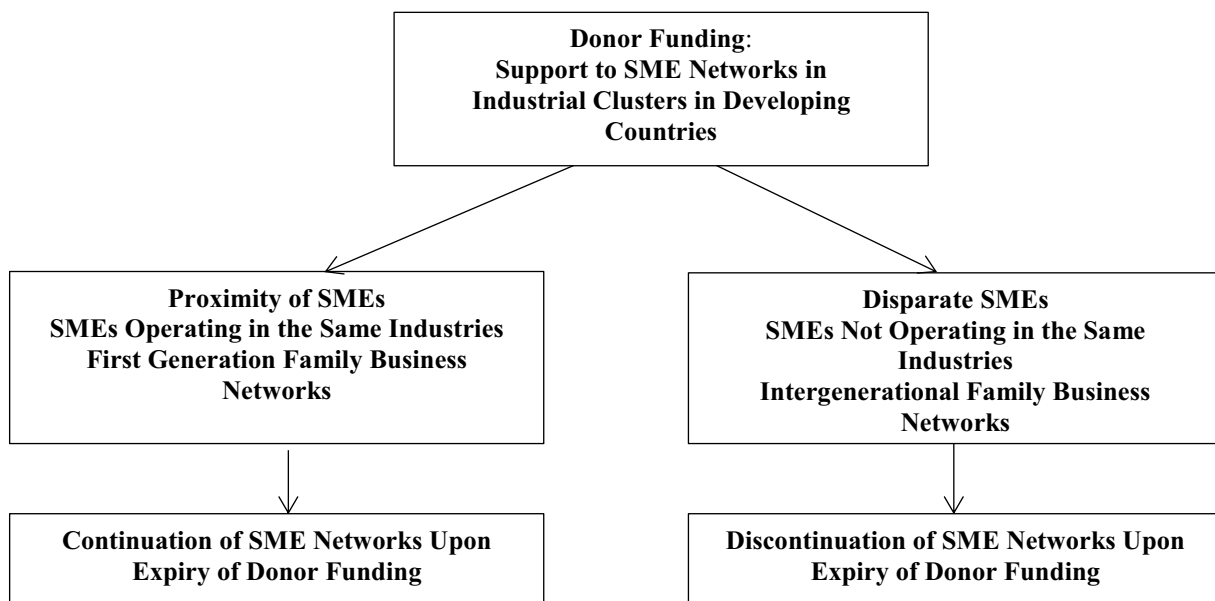
The literature on family businesses also demonstrates that first-generation entrepreneurs may not be capable of exerting leadership and unable to manage succession effectively. In addition, the second generations of the same entrepreneurs may lack the commitment and training to maintain and develop customer, supplier, or employee relationships as the businesses' founders maintained them (Ashley-Cotleur & King, 1999). Only one-third of family-owned businesses survive the retirement or death of their founders, and only 13% make it to a third-generation because of the lack of business knowledge, skills, and commitment on the part of the successor generations, the lack of planning for succession, and family problems that affect business operations (Ibid.). Depending on the business' stage and role requirements, the second generation may not be required to carry on in the entrepreneurial mode established by the founder, and they may refuse to carry on with the network that was established by the founder (Ibid.; Cooper, Upton & Seaman, 2005; Ibrahim, Angelidis & Parsa, 2008).

Although there has been limited prior research on generational differences amongst family businesses (Sonfield & Lussier, 2004; Bammens, Voordeckers & Van Gils, 2008), the first and second generations of entrepreneurs tend to be different in many aspects. Each generation has internal differences from the other because of their personalities and talents, leadership and

succession capacity, lack of commitment and training in second generations, the impact of family problems on business operations, and the differences in the behavior and personality traits of first- and second-generation entrepreneurs (Eddleston, 2008). One of the important factors for the successful operation of a network is the role and positioning of the SME network members in their family businesses. If the members represent different generations of family businesses, the network may have a higher possibility of failure than networks that are composed of only one generation of entrepreneurs (Levinson, 1971; Green, Russo & Papi, 2005; Davis, Allen & Hayes, 2010).

Figure 1 below summarizes our review of the private sector, industrial cluster, and family business network literatures and outlines how the interaction between the factors identified in these literatures may lead to the sustainability or non-sustainability of donor support for SME networks in industrial clusters.

**Figure 1: Analytical Framework:
Donor Funding and the Sustainability of SME Networking in Industrial Clusters**



In summarizing the above analytical framework, our main claim is that the sustainability of donor funding aimed at promoting networking amongst SMEs in industrial clusters can be related to three factors: the proximity of cluster-based SMEs; their operating in the same or related industries, and the nature of family-based business networks in which the enterprises are

embedded. We thus postulate that donor funding to SME networking in industrial clusters in developing countries is more likely to be sustained beyond the expiry of donor support if three conditions are met: First, SMEs have to be located in close proximity to one another. Second, they must operate in the same or related industries. Third, SME networks must be embedded in family based networks that have largely similar characteristics. SME networks are more likely to be sustained if their members consist of first generation entrepreneurs that are risk-willing as opposed to second or third generation entrepreneurs that may be more risk adverse and mainly concerned with wealth maintenance in their families.

At the same time, we argue that donor support to SME networking in industrial clusters is less likely to be sustained beyond the expiry of donor funding under the following three conditions. First, SME network members are not located sufficiently closely to one another to make the exchange and flow of information feasible amongst SME network members. Second, not all SME network members operate in the same or related industries. In SME networks where the entrepreneurs do not share closely related products, markets, or customers, entrepreneurs do not have sufficient incentives to carry on cooperation beyond the expiry of international donor support. Third, SME network members are embedded in family business networks that are not particularly concerned with sustaining their business in a given industry. Hence, donor-funded SME networks are likely to cease to exist if 2nd or 3rd generation family businesses perceive it to be in their long-term interest to prioritize other units or areas of their business beyond the one prioritized by the international donor agency.

Methodology

Case selection

We used an abductive approach in order to develop our framework with new variables and their relationships with each other (Dubois & Gadde, 2002). We see abduction as the systematized creativity or intuition in our research to develop “new” knowledge (Andreewsky and Bourcier, 2000; Kirkeby, 1990; Taylor, Fisher, & Dufresne, 2002) about the sustainability of donor-financed SME networks in industrial clusters in developing countries. We used a comparative

case study methodology to analyze the contextual meanings of events, processes, and structures (Miles and Huberman, 1994) in these two IDA-funded networks.

We used the exploratory case study method, proposed by Yin (1989), through multiple sources of evidence using triangulation for transferability of case studies to other contexts. We examined the cases of Lahore Garments Consortium and Lahore Fashion Apparel Network as an entry point for understanding the sustainability or non-sustainability of private sector development aid to SME networks in industrial clusters – here in the case of Pakistan. (Halinen & Törnroos, 2005). In this process we were engaging in a comparative case study analysis with a view to teasing out the similarities and differences in the characteristics of the two networks, the geographical proximity of its members, and their relations with IDA (Eisenhardt, 1989; Perry, 1998; Romano, 1989; Yin, 1989). We believed that this would help us in establishing the conditions under which (Miles and Huberman, 1994, p. 172; Halinen & Törnroos, 2005) the IDA interventions in the Lahore garments cluster led to the sustainability of one SME network – the Lahore Garments Consortium – and the discontinuation of the other SME network – the Lahore Fashion Apparel Network.

In using the Lahore Garments Consortium and the Lahore Fashion Apparel Network as case studies, we were also keen on exploring the extent to which the experiences of these networks could be empirically generalized to other contexts. This also related to the extent it was possible to engage in analytical generalization based on the two case studies. In other words, the extent to which the two case studies could be used to make theoretical inferences about the effects of donor support on the sustainability of SME networks in industrial clusters in developing countries (Yin, 2013).

As illustrated in our analytical framework, we draw attention to the proximity of donor-financed SME networks in industrial clusters, whether they operate in the same markets or industries, and whether they come from similar family business networks (1st generation entrepreneurs vs. 2nd and 3rd generation entrepreneurs). In table 1, we therefore highlight the active members of the Lahore Garments Consortium, their positions in their companies, the numbers of employees,

gross sales, firm age, primary products, major markets, and number of years of membership in the network. Similarly, table 2 presents the same data for the Lahore Fashion Apparel Network.

Table – 1: Lahore Garment Consortium

Characteristics – Lahore Garments Consortium Members (2012)	LGC Member 1	LGC Member 2	LGC Member 3	LGC Member 4	LGC Member 5
Respondent Position	CEO	Director	CEO	CEO	Director
Number of Employees	1800	1800	1000	300	500
Gross Sales Pak Rs. millions/yr	4000	1350	900	700	1100
Mean Firm Age (Yrs)	10	15	11	20	13
Primary Product Line	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)	Bottom-wear (Denim jeans, skirts and shorts)
Major Markets	England, Germany, France, Italy, Spain and Poland	Europe, Canada and Australia	Portugal, Poland, Beirut, Spain and South Africa	Europe	United Kingdom
No. of Years in Network	9	9	9 – 10	9	9

Source: The authors based on in-depth interviews with 5 out of 8 members of Lahore Garments Consortium

Members of the Lahore Garments Consortium were directors or CEOs as of 2003, with firm ages ranging from ten to twenty years. The numbers of employees ranged from 300 to 1,800, and gross sales were in the range of Pak Rs. 700 million to Pak Rs. 4000 million per year. Members of this network were producing bottom-wears, mostly for European markets. As of 2012, this group's members had been involved with the network for almost nine years.

Table – 2: Lahore Fashion Apparel Network

Characteristics – Lahore Fashion Apparel Network Members (2012)	LFAN Member 1	LFAN Member 2	LFAN Member 3
Respondent Position	Director	Director	CEO
Number of Employees	500	500	210
Gross Sales Pak Rs. millions/yr	825	500	14.5
Mean Firm Age (Yrs)	13	13	9
Primary Product Line	Bottom-wear (denim jeans, skirts and shorts)	Bottom-wear (denim jeans, skirts and shorts)	Denim jeans and teflon-coated garments
Major Markets	Europe	Europe, mainly Ireland and Spain	USA (Sears and Wal-Mart)
No. of Years in Network	Almost 1	Almost 1	1

Source: The authors based on in-depth interviews with 3 of the 5 members of the Lahore Fashion Apparel Network

Members of the Lahore Fashion Apparel Network had been designated directors or CEOs in different years. For example, Lahore Fashion Apparel Network Member 1 had been working as a director since 2007 and Lahore Fashion Apparel Network Member 2 had been working as a director since 2011, whereas Lahore Fashion Apparel Network Member 3 had been the CEO since 2006. Firm age was also in the range of nine to thirteen years. The numbers of employees ranged from 210 to 500, and gross sales were in the range of Pak Rs. 14.5 million to Pak Rs. 825 million per year. The members of this network produced denim-based bottom-wear and Teflon-coated garments, and their major markets were in Europe and the USA. This network's members had been involved with the network for almost one year.

If we compare the two networks, the Lahore Garments Consortium was older, and its members had been working as first generation entrepreneurs in leadership roles over the previous nine years, whereas the Lahore Fashion Apparel Network was a newer network in the garment cluster, and its members mainly being 2nd and 3rd generation entrepreneurs that had been designated as leaders more recently than those in the older network. When comparing the numbers of employees and gross sales of the member companies in both networks, the firms in the Lahore Garments Consortium were larger in size and had higher gross sales than the Lahore Fashion Apparel Network. Member firms in both networks were producing similar products, but the older

network was targeting European, Canadian, African, and British markets, whereas the newer network was targeting Europe and the USA only. Members of the Lahore Garments Consortium had nine to ten years of involvement in the network's activities, whereas members of the Lahore Fashion Apparel Network had invested only one and a half years in network-based events.

Sampling strategy

In order to understand how private sector development aid, SME networks in industrial clusters, and family business networks might be interrelated in explaining the sustainability of donor financed SME networks, our initial sampling method was to look at members of the Lahore Garments Consortium, the Lahore Fashion Apparel Network, and also some SMEs in the Lahore Garments cluster that did not take part in any of these networks. Moreover, we were keen to explore the views of various actors that were important for the sustainability of these networks. We therefore decided to map the SME networks and their linkages with other actors in the garments cluster of Lahore by interviewing international donors, public sector business development service consultants representing federal and provincial levels of the government of Pakistan, private sector consultants, network brokers in the garment cluster, non-network members, buyers of the network members, the members of the two selected networks, as well as SMEs not participating in either of the two networks. Details of these interviews are given in Table 3.

Table 3: Profiles of the respondents in the Lahore garment cluster and the objectives of the interviews in the first, second, third, and fourth rounds of data gathering (2012-13)

Respondents	Number	Objectives of the Interviews
Network Members LGC	5	Explore the characteristics of the five active members of the LGC; identify the story of the LGC and learn the reasons for the LGC's success
Network Members LFAN	3	Explore the characteristics of the three members of the LFAN; identify the story of the LFAN and learn the reasons for the LFAN's failure
Manufacturers & Exporters	2	Two manufacturers and exporters (not network members); compare the positions and perspectives of the respondents on networking and understand what they thought about the LGC and LFAN while working in the same cluster.
Local Buying Houses	2	Learn about the demand-side perspectives on networking in Lahore's garment cluster; explore the perceptions of buying houses and sourcing from LGC members and non-network members; understand the networks' sourcing strategies and their thinking on the role of collective action in upgrading the woven garments producers and exporters in Lahore.
IDA Staff	3	Identify the donor's strategies and perspectives on interventions and capacity building in Pakistan; learn how the project was conceived, initiated, and formulated and how resources were allocated; identify the IDA staff's perspectives on applying SME networking and trust building in Lahore's garment industry; establish donors' perceptions of the impacts and reasons for the successes and failures of the two IDA networks in Lahore's garment cluster.
Private BDS Provider	1	Learn about their role in facilitating networking in the Lahore garment cluster; identify their perceptions of the reasons for the success of one network and the failure of the other.
Public Sector BDS Providers	3	
Business Association	1	Identify the importance of the association's role in SME networking in the Lahore garment cluster; understand how an association can be taken as an important entry point for donor interventions; explore the role of the associations' capacity development wings to support SME network members.
Total	20	

Source: The authors.

Data collection

In order to initiate data collection, a theme-based interview guide was developed (Interview Protocol) on Lahore Garments Cluster, to explore the issues around the Lahore Garments

Consortium and the Lahore Fashion Apparel Network members while comparing the success and failure of the two networks. We interviewed the members of each network to learn about their profiles, positioning, and roles in the networks. These interviews facilitated understanding the before and after of the networking relationships in these networks, and the respondents also elucidated the reasons for competing and collaborating with one another in addition to explaining the 'why' and 'what' part of networking in terms of maintaining or dissolving the two IDA supported networks.

An overview of the main themes covered during all the interviews is provided in Table 4 below.

Table 4: Interviews Undertaken for LGC/LFAN Case Study

Interviewees	Main Themes Covered During Interviews
LGC/LFAN Network Members	<ul style="list-style-type: none"> • Profile of individual companies in terms of family business history, organizational structure, product, price, quality, competition, buyers, suppliers and decision making process. • History of the firms and dynamics of informal social networking in the two networks • Relationships with the buyers and suppliers • Role of IDA in establishing both networks • Challenges faced by network member firms • Network descriptive characteristics • Reasons for the continuation/dissolution of the networks.
Manufacturers and Exporters (Control Group)	<ul style="list-style-type: none"> • Profile of individual companies in terms of family business history, organizational structure, product, price, quality, competition, buyers, suppliers and decision making process. • Relationship of these firms with the cluster members and their informal social dynamics; their relationship with their buyers and suppliers. • Role of national support institutions and the international donors (IDAs) in upgrading their businesses. • Reasons for not participating in LGC or LFAN networks and not initiating similar SME networks in the cluster.
Local Buying Houses	<ul style="list-style-type: none"> • Profile the buyers, their product sourcing strategy, major markets, their branding strategy and their decision how they select a specific country to source from. • Strengths and weaknesses of producers of garments in Lahore including the factors such as management, R&D ability, and compliance with international standards. • Relationship of buyers with their suppliers and the impact of technology, environment, CSR compliance, infrastructure and the type of material used for manufacturing when they decide to source from a country or a cluster. • Role of international development agencies in handling the challenges being faced by the Lahore garments clusters and how these agencies are helping to upgrade this cluster. • Perception on collective action in Lahore garments clusters and their knowledge about LGC and LFAN consortiums.
IDA Staff	<ul style="list-style-type: none"> • History, evolution and mandate of the IDA's SME cluster development project in Pakistan; main objectives of establishing IDA's office in Lahore. • Scope, implementation strategy and IDA's perspective on establishing networks in Lahore garments cluster under their private sector development division.

	<ul style="list-style-type: none"> • How the IDA decided to work on the LGC and the LFAN • Economic, social and environmental challenges addressed through the IDA's intervention in the SME clusters of Pakistan and the impacts of this project on the individual firm's businesses due to networking and trust building. • Major outcomes of individual firms' participation in the network in terms of competencies, organizational credibility, access to resources and the financial performance of their companies. • Role of IDA, national, and local stakeholders in the success and failure of collective action in the LGC and the LFAN networks; role of policy in sustaining the networks.
Public & Private Sector BDS Provider	<ul style="list-style-type: none"> • Mandate and organizational structure of BDS providers; their role in developing the Lahore garments cluster. • Their role in promoting networking and trust building. • Local and international challenges being faced by the Lahore garments cluster and the role of BDS providers in facilitating the members in handling these challenges. • Relationship between BDS providers with the business associations, national and international development agencies. • Role of BDS providers in facilitating collective action in the Lahore garments cluster in order to upgrade this cluster.
Business Association	<ul style="list-style-type: none"> • Role of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) in Lahore garments cluster • Role of the business association in developing supporting institutions such as technical training institutes for the Lahore garments cluster. • Challenges faced by the cluster and how association was facilitating in handling those challenges. • PRGMEA's role in promoting networking and trust building; helping in developing and upgrading the garments cluster. • Relationship of PRGMEA with national and international development agencies; role of these agencies in facilitating collective action in Lahore garments cluster. • Role of PRGMEA in establishing LGC and LFAN.

In terms of secondary sources, the process of conducting this study began with exploring the first diagnostic study by the IDA in 2006. A case study on the Lahore Woven Garment Consortium was published in the Asian Journal of Management Cases on the issue of benefits of networking and trust building in the Lahore garment cluster in 2007²⁵. Thus, we already had a diagnostic study and a case study on this cluster before we began the data collection in multiple rounds.

Data recording and analysis

All interviews were either recorded and fully transcribed or extensive notes were taken during interviews and sent back to the interviewees via emails for any possible corrections to be made. Interviews were informed that their identities would be kept anonymous, and that it would not be

²⁵ Ghani, J. & Fayyaz, A. (2007), "Lahore Woven Garments Consortium (LGC), Asian Journal of Management Cases, 4(1), 2007: 65–86."

possible to trace any statements made to them as individuals in the article. In terms of data analysis procedures, we used memoing, commonly associated with grounded theory, but here employed in the sense that memoing can be of relevance to qualitative studies more broadly defined (Charmaz, 2006; Clarke, 2005; Primeau, 2003). We analyzed our qualitative data based on memoing, characterized by an emphasis on contextual meanings of concepts and categories with the aim of developing a shared understanding of the basis on which the Lahore Garments Consortium and Lahore Fashion Apparel Network were established, sustained, and/or terminated. Memoing enabled us to engage with the data and reflexivity facilitated our understanding of the concepts and categories that emerged during our data analysis (Primeau, 2003; Birks, Chapman & Francis, 2008). These are given in the table below.

Table 5: Concepts and Categories Developed for LGC and LFAN

LGC		LFAN	
MAIN CATEGORIES	MAIN CONCEPTS	MAIN CATEGORIES	MAIN CONCEPTS
Nature Of Firms	Firm Age	Nature Of Firms	Firm Age
	Firm Sizes		Firm Sizes
	Number of Employees		Number of Employees
Nature Of Entrepreneurs	Middle-Aged	Nature Of Entrepreneurs	Inherited Business
	First Generation		Family-Based
	Position in Firms (CEOs)		Position in Firms (Directors)
Nature Of Products	Bottom-wear (Denim-based)	Nature Of Products	Bottom-wear (Denim-based)
Geographical Proximity	Close	Geographical Proximity	Distant
	Less Than 1 Hour Distance Between Firms		More Than 1 Hour Distance of Two Firms
Association with Network	Long-term	Association with Network	Short-term

Throughout the process of data analysis we attempted to pay attention to the national and international business environments within which the SME networks and the Lahore garments cluster were embedded. Thus, we believed that the global financial crisis and the unstable and insecure context of Pakistan might have influenced the evolution of both donor-financed networks.

Having discussed the methodology used for this study, the next section looks at the empirical findings based on the IDA's interventions in the garment cluster and its effects on SME networking in this cluster.

Empirical Findings

In this section, we analyse why the Lahore Garments Consortium continued after the expiry of IDA funding and why the Lahore Fashion Apparel Network was discontinued after about 18 months in operation. We start by analysing the IDA's approach to supporting IDA networking in the cluster, we then go onto looking at the interaction between network members in both the cases, and finally investigate the influence of family business networks on the continuation of the Lahore Garments Consortium and the termination of the Lahore Fashion Apparel Network.

Private Sector Development Aid

The IDA's approach to private sector development can be seen as reflecting neo-structuralist thinking on private sector development. As such, the cluster-based SME networks might not in themselves flourish on their own as market forces, deregulation, and the enforcement of property rights did not directly tackle the challenges of issues such as asymmetric information, barriers to entry, and power imbalances amongst firms in the cluster. Regarding the level of the IDA intervention the donor agency initially entered at the macro level as part of its co-operation agreement with the Pakistan government.

In view of the IDA's core competence in industrial development in other developing countries, which was based on its SME Clusters and Networks Development methodology, the IDA developed an Integrated Programme for Pakistan after receiving feedback and input from different stakeholders at the federal and provincial levels. All the clusters that were selected for interventions were chosen in partnership with Pakistani public sector agencies at the federal and provincial levels to significantly increase the export revenues of the selected clusters. Looking at the relevance of cluster development to Pakistan, the SME Clusters and Networks Development methodology was included as a major component of institutional capacity building for SME development. While talking about the IDA's general strategic approach to launching specific projects, the IDA project manager explained,

The IDA's programming is overwhelmingly dependent upon the request from the beneficiary country as well as the funding that is required to implement it. So I will say that

under the framework of the general strategic approach, specific projects end up being productive once there is an alignment of the IDA's mandate and the interest of the receiving country²⁶.

In 2003, the Government of Pakistan announced its decision to adopt SME cluster development as a principal element of its trade policy, and the Trade Development Authority of Pakistan declared its willingness to provide substantial sums to develop SME clusters throughout Pakistan. This move led to the formulation of a project to support the IDA cluster development programme in Pakistan. Hence, the Authority contributed US\$ 211,000 in cash towards implementing follow-up sub-projects in the five pilot clusters (including Lahore's garment cluster) that were already covered by the IDA's ongoing Clusters and Networks Development project since 2001.

The IDA hired a team of local professionals to run its Clusters and Networks Development program. Once the team was in place, the IDA arranged for comprehensive training of a newly hired team with the help of outside experts from India and Italy. The objective of these training sessions was to familiarize the new Pakistan cluster development team members with the IDA's SME Clusters and Networks Development methodology. Once the training sessions were completed the IDA headquarters allocated resources to the Pakistani Cluster and Networks Development program to be implemented in the five selected pilot clusters. In addition to developing a case study on the Lahore Garments Consortium, in partnership with a top business school in Pakistan, the IDA team was able to expand and apply the concept of Clusters and Networks Development in fifty different clusters in Pakistan. The national programme coordinator of the IDA's Clusters and Networks Development programme in Pakistan stated:

The Clusters and Networks Development project in Pakistan was implemented for almost seven years as it was applied in consultation and close coordination with the relevant stakeholders, and the funding was available throughout the project either through the IDA or the partner agencies. One of the key factors of the programme was the careful selection, hiring, and training of the Cluster Development Agents and the Network Development Agents working on the Clusters and Networks Development methodology. These trainings also involved the relevant

²⁶ In-depth interview with the Project Manager – the IDA's project in Pakistan, based in the IDA's Headquarters, Austria.

*stakeholders from industry, academia, and the private sector to help in building capacities and developing linkages of these cluster actors*²⁷.

As part of the strategy, the IDA launched a Cluster Development Agent training programmes in partnership with the major stakeholders at the federal and provincial levels to secure learning from the garment and other clusters. The training programmes facilitated the capacity building of change agents, chamber representatives, representatives of Small and Medium Enterprise Development Authority, Trade Development Authority of Pakistan, AHAN (Aik Hunar Aik Nagar, taken from the Thai concept 'OTOP'), and Punjab Small Industries Corporation and representatives of federal and provincial industrial development departments. A major theme of the training programmes was networking and trust building using the Lahore Garments Consortium as a benchmark. In this way, more than 20 networks were established in 50 different clusters in Pakistan, and more than 200 professionals were trained on the concept of the IDA's methodology of networking and trust building.

Although network and non-network members in the garment cluster in Lahore were concerned about the shortage of power, the inadequate law and order situation, and the negative image of the country, they also highlighted the importance of support from the donors (the International Development Agencies supported the Lahore Garments Consortium and the Lahore Fashion Apparel Network) and the public sector for growth and the long-term survival of the networks. The CDA who worked with the Lahore Garments Consortium and the Lahore Fashion Apparel Network stated:

*In order for the network members to stay competitive, they required support from the business development service consultants such as the IDA, Small and Medium Enterprise Development Agency, Trade Development Authority of Pakistan, Information Technology, and marketing consultants, etc.*²⁸

Regarding the role of the IDA the Lahore Garments Consortium members soon realized that IDA worked mostly in an advisory role and felt that the agencies should diagnose and evaluate the industry and cluster situation more closely. International donors mostly provided training and in

²⁷ In-depth interview with the National Programme Coordinator (NPC) of the IDA's CND Programme in Pakistan.

²⁸ In-depth interview with the Cluster Development Agent (CDA) working on the Lahore garments cluster.

some cases facilitated resolving issues. For example, in the case of the IDA, the agency kept the networking aspect alive for the network members. There were mixed reactions from the Lahore Fashion Apparel Network members. One Lahore Fashion Apparel Network member had the opinion that there was absolutely no support from any donor whereas another member acknowledged that the IDA had a useful project. Some of the Lahore Garments Consortium and Lahore Fashion Apparel Network members acknowledged that they had received marketing exposure through the IDA from international travel arranged by the IDA for the members of both networks. According to the cluster development agent:

Export clustering was not fully successful, although there was some success in terms of information sharing, cash and bulk discounts, and friendships among the competitors under the umbrella of networking and trust building²⁹.

SME cluster development

As described in the literature review, industrial clusters can bring both passive and active benefits to SMEs that are co-located in the cluster. The passive relate to issues such as access to a qualified workforce, a network of specialized subcontractors and input suppliers, government support agencies, training institutes, and business associations that can facilitate their work. However, industrial clusters also bring with them the possibility of more purposeful, active forms of cooperation between SMEs within the cluster. It was particularly such active forms of cooperation that the IDA project sought to facilitate through the promotion of SME networking in the Lahore Garments Consortium and the Lahore Fashion Apparel Network.

The Lahore Garments Consortium initiated the joint purchasing of raw materials. This form of collaboration appeared to increase the confidence of the members, because they could avail the opportunity for the cash and bulk discounts in this way. This also served as an initial experience of the value of jointly engaging in supply chain management. Two Lahore Garments Consortium members narrated their view of this experience in the following way,

“We had better negotiation power and understanding of the product due to the cash and bulk discount and the experience of sharing with each other. When we bargained with the

²⁹ In-depth interview with the Cluster Development Agent (CDA) working on the Lahore garments cluster.

supplier as a group, the picture of the power totally changed: we could get much better deals when we went to the market as a group. In addition to the cash and bulk discount, we passed through different stages of expansion while also obtaining benefits on the supply and demand sides.”³⁰

This proved to be the beginning of different joint action initiatives that the Lahore Garments Consortium participated in. Together they also joined exhibitions, and discussed the use of new technologies and machines. Particularly whenever they faced new challenges such as shortages of raw materials or skilled labour, the Consortium members decided to find joint solutions by forming sub-committees for different tasks. Based on our interviews with the Consortium members, it appeared as if their relationships deepened, their mutual linkages became stronger, and they shared information promptly.

In this connection, it is important to note that the Consortium members did not perceive each other as competitors when they were sharing information and knowledge. Two of the members highlighted in the interview that they were good friends. They helped motivate one another and acted as a kind of consultant to each other’s firms. They explained this in the following way,

*“Information sharing is the key point that is keeping the whole consortium alive. Because through the information sharing, all of us are seeing some sort of value addition. Friendship is also there, so we can depend upon each other now. We are the best motivators and consultants to each other.”*³¹

As part of the process of information sharing, the Lahore Garments Consortium network members began benchmarking their factories against the better factories within the network in terms of marketing strategies, and productivity levels. All members had the leverage to see the strengths of one another’s factories and could adopt the other’s strategies if they found those techniques useful. This was how the member firms benefitted from the Lahore Garments Consortium. For example, one network member firm had a waste water treatment plant; other member firms saw the plant and replicated it in their own factories after learning from the experience of others.

³⁰ In-depth interviews with the two LGC members – LGC Member 2 and LGC Member 5.

³¹ In-depth interviews with the two LGC members – LGC Member 1 and LGC Member 2.

As a result of their information sharing, they learned from one another about their customers, suppliers, social issues, and crisis management. For instance, if factory A was installing a coal-fired power plant and the experiment was successful, the rest of the network members would replicate after learning from the experience of the first factory. Moreover, it seemed as if the Lahore Garments Consortium members had a fairly high level of trust in one another as they allowed individual employees from one factory to help build capacity among the staff of other member factories on issues related to problem-solving and day-to-day operations in the factories. These trainings were conducted without having to obtain permission from their CEO all the time.

One might wonder why joint action initiatives appeared to work in the case of the Lahore Garments Consortium? An important factor seemed to be that the network members were producing largely similar products, operating in the same markets, while 30–40% of their customers were common. As a result, it made sense for the member firms of the Lahore Garments Consortium to outsource excess orders to one another in instances where they did not have sufficient internal capacity to meet those orders. A member of the Lahore Garments Consortium explained that

“Mutual outsourcing with a high level of confidence was an interesting outcome of networking, information sharing, and trust building”³².

There were eight members when the consortium began. Of these eight members, two factories closed down for members’ personal reasons, but six were still working actively.

Based on the initial experience of the Lahore Garments Consortium IDA decided to sponsor a second SME network in the Lahore Garments cluster. This became the Lahore Fashion Apparel Network, in which members of the network also were to share information and benefit from joint action. Following in the footsteps of the Lahore Garments Consortium, the Lahore Fashion Apparel Network initiated the joint purchasing of raw materials and machines, receiving cash

³² In-depth interview with LGC Member 5.

and bulk discounts by engaging in collective bargaining with suppliers³³. Because three of the five Lahore Fashion Apparel Network members, as with the Lahore Garments Consortium, were in the same market and had similar types of buyers, information sharing about the buyers helped these Lahore Fashion Apparel Network members maintain their prices, and they were able to provide better service to their customers. These Lahore Fashion Apparel Network members were also conducting mutual outsourcing, keeping in view the core competence of the member companies.

The Lahore Fashion Apparel Network members subsequently went on a combined marketing trip. As a result they were able to pursue buyers in the targeted market on an individual basis. They shared their experiences and identified major buyers in particular markets which were then pursued fairly actively. In this way, it also appeared as if the Lahore Fashion Apparel Network members benefitted from sharing information, networking, and the building of trust. Similarly, to the Lahore Garments Consortium, the members of the Lahore Fashion Apparel Network benchmarked their member companies on the basis of criteria such as timely delivery, cost-effective production, and the development of higher-value products. Another positive outcome appeared to be that the Lahore Fashion Apparel Network members shared their prices for customers in a particular market. This helped other member firms improve their pricing strategies for that particular market.

However, while the Lahore Fashion Apparel Network members were sharing information and engaging in forms of joint action that closely resembled the experience of the Lahore Garments Consortium, the characteristics and the composition of the members of the Lahore Fashion Apparel Network were different from those of the Lahore Garments Consortium Network members. In the case of the Lahore Garments Consortium, the members were mostly from SMEs— middle-aged, like-minded, and similarly capacitated, and they were producing largely similar products. An additional factor that facilitated joint action within the network was their geographical proximity to one another as their factories were located within a distance of approximately five kilometres from one another.

³³The Lahore Fashion Apparel Network members' joint purchase of machines and raw materials was in the range of US\$ 1 million. They were able to purchase the machines through the OEMS and the raw materials from the producer to secure better prices and delivery terms (LFAN Member 1).

Family Business Networks

If we look at the characteristics and composition of the five members of the Lahore Fashion Apparel Network, the first member joined the network after having observed the success of the Lahore Garments Consortium. However, this network member had to discontinue his participation relatively soon after the Lahore Fashion Apparel Network had been formed. The owner of this company was a senior individual with a well-established business and a wide range of products. It was a family setup, and the owner did not find value in sharing information and receiving benefits from networking. His factory was located nearly 30-40 km away from the other three members of the network. A second member who was inspired by the outlook and operations of the Lahore Garments Consortium also joined the Lahore Fashion Apparel Network. This was also a family setup. However, this member also decided to not continue with the network. Partly, because his factory was also located at the same distance from the other three network members – approximately 30-40 kilometers – which was considered far from the remaining three members of the Lahore Fashion Apparel Network. Moreover, the second member was producing mostly work wear which was quite a different product from the denim-based jeans, manufactured by other network members. According to the Network Development Agent who was working for the Lahore Fashion Apparel Network:

“There was no ownership of the concept in the next generation of the first two member companies. They mostly sent their managers to the Lahore Fashion Apparel Network meetings, which were intended to be a forum for owners and manufacturers”³⁴.

The third member was also a family setup with three businesses in the family. They had pharmaceutical, rice, textile, and garment businesses. This member was one of the directors of the company that produced and exported denim-based products. The unit was shut down in 2008 after showing losses in the previous year, and the fourth member company also shut down around the same time. Both of these companies (the third and fourth members of the network) had alternative businesses that could help them survive and grow. Of the five members of Lahore Fashion Apparel Network, these two left the business because of the financial crisis in mid-2008,

³⁴ In-depth interview with the Network Development Agent working for the LFAN.

which reduced the other members' motivation to continue. Furthermore, most of the producers and exporters in the garment business were facing severe competition from international competitors as the market situation changed, and Pakistan had problems with power and gas on the supply side. Pakistani suppliers had difficulties with the on-time delivery of input materials, which hampered their timely execution of orders because of the energy crisis. Nearly all the members were in survival mode and could not invest time in networking or trust building. There were no formal relationships between the Lahore Fashion Apparel Network members after the termination of the network.

If we examine the profiles of the network's members, companies that had garment production as their core business survived and grew, whereas other companies that had alternative businesses to sustain left the garment business and pursued other opportunities. The fifth and final member firm was the only company left in 2008 when the Lahore Fashion Apparel Network was essentially terminated after operating for one and a half years. The fifth member firm had two partners, and it was also a family business. One of the two partners left the Lahore Fashion Apparel Network garment business and sold his shares to the other partner in 2008-2009. One member of the Lahore Fashion Apparel Network noted the following about the survival of the Lahore Garments Consortium:

*Lahore Garments Consortium members could sustain the challenge because they were mostly first-generation entrepreneurs, relatively young, and well-established, whereas this was not true for the Lahore Fashion Apparel Network*³⁵

In short, although both networks were established using the IDA's Clusters and Networks Development methodology, and passed through similar stages of networking and trust building only one remained after ten years, whereas the other self-terminated much earlier. In order to understand why the Lahore Garments Consortium was sustained on a long-term basis after the expiry of IDA funding and the Lahore Fashion Apparel Network disbanded, we can summarize the similarities and the differences between the Lahore Garments Consortium and Lahore Fashion Apparel Network members as outlined in Table 6 below.

³⁵ In-depth interview with the LFAN Member 3.

Table 6: Similarities and differences of the LGC and LFAN network members

Components	LGC	LFAN
Composition of Network Members	7 of 8 members were CEOs or directors; first-generation generation entrepreneurs; only 1 member firm was a family-based business	2 of 5 members were family-based businesses; members represented the second generation of entrepreneurs
Geographical Proximity	Close proximity (member factories in the range of 5 kilometres from one another)	Geographically dispersed (2 of 5 members were nearly 30-40 kilometres away)
Value From the Network	The main purpose of the network was value addition through information sharing and benchmarking	Although members wanted to share information, they were in survival mode and could not invest time in networking or trust building
Business Model	Garment production was their core business, with a long history in the same business and a higher vision among the network members. Members applied the IDA networking methodology and were motivated to meet one another	3 of 5 companies had alternative business options; companies shut down because of the power crisis and changing market dynamics. Companies who produced garments as their core business survived and grew. Members were in crisis and not willing to meet later on.

Source: The author

Discussion

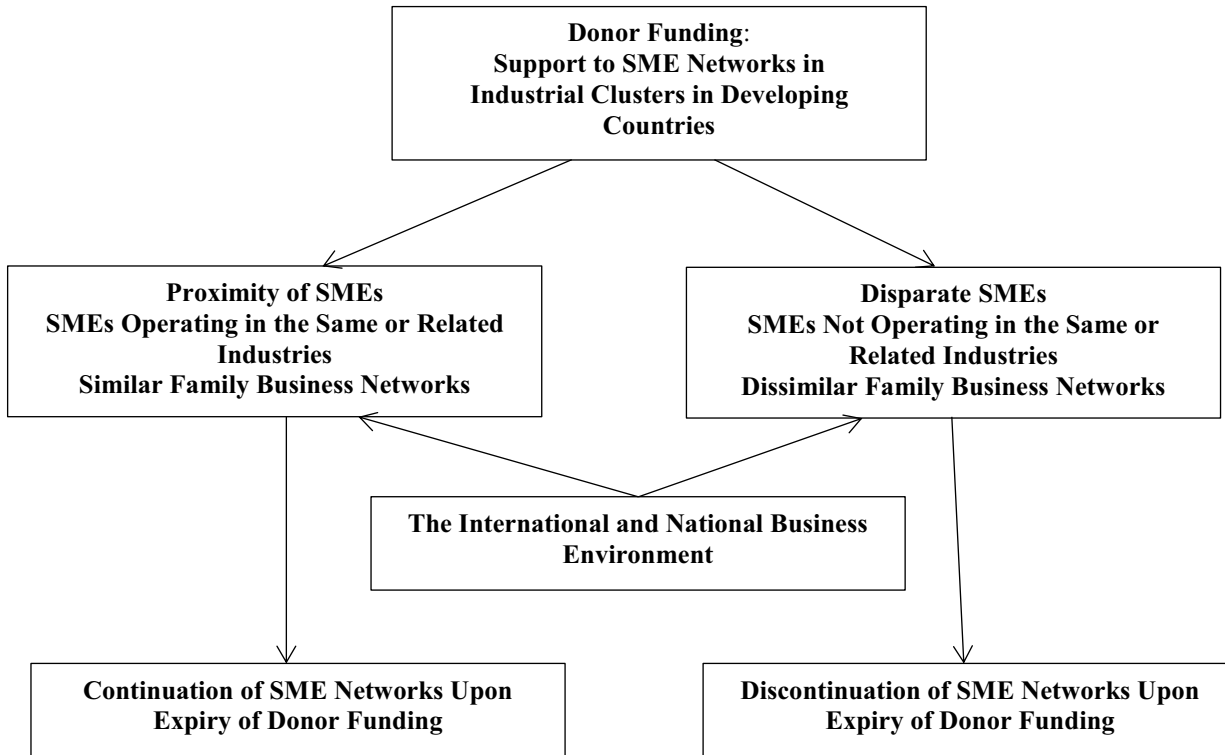
Let us now revisit our analytical framework which was outlined in the section on theoretical considerations. To recap, we postulated that it was possible to explain the sustainability of SME networks supported by international aid agencies with reference to the literatures on private sector development aid, industrial clusters, and family business networks. We assumed that if SME networks in industrial clusters in developing countries received the same kind of assistance from international donors, their long-term sustainability would depend upon the following factors. SME networks whose members were geographically located close to another, who operated in the same or related industries, and who had similar family business networks were likely to be sustained. At the same time, we postulated that SME networks whose members were not geographically close to one another, who did not only operate in the same or related

industries, and whose family business networks were largely dissimilar would not survive beyond the expiry of donor funding.

To a large extent our empirical analysis of the experiences of the Lahore Garments Consortium and the Lahore Apparel Fashion Network seemed to back our initial theoretical considerations. Underlying the sustainability of the Lahore Garment Consortium were factors such as the enterprises being located very close to another, that the participants had clear common business interests, and that they were top-level, first generation entrepreneurs for whom the garment business was their only business focus. In contrast to the Lahore Garments Consortium the Lahore Fashion Apparel network members were not all closely co-located with one another. They did not all operate in exactly the same type of garments production. Finally, unlike the Lahore Garments Consortium members, the Lahore Fashion Apparel Network members were not all first generation entrepreneurs that fully depended on the garments industry. Instead they were part of family enterprises that also had units operated in other, sometimes non-related industries. This allowed them to switch their business focus to these other industries when the global financial crisis hit in 2008.

Hence, our analytical framework seemed to be able to partly account for the differences in the sustainability of the Lahore Garments Consortium and the (non) sustainability of the Lahore Fashion Apparel Network with reference to the literatures on private sector development aid, industrial clusters in developing countries, and family business networks. However, an important aspect was missing from our original analytical framework. Namely, the broader international and national business environments which shape the possibilities and constraints of SME networking and survival in industrial clusters in developing countries. Hence, it seems necessary to revise our original analytical framework to incorporate the importance of this business environment in influencing the sustainability of donor-financed SME networks in industrial cluster settings. This is illustrated in figure 2 below.

**Figure 2: Revised Analytical Framework:
Donor Funding the Sustainability of SME Networking in Industrial Clusters**



In other words, our revised analytical framework acknowledges the importance of the international and national business environment in mediating the influence of private sector development aid, the structure of industrial clusters and their SME networks, as well as the particular nature of the family business networks in determining the sustainability of donor-funded SME networks in industrial clusters in developing countries. Hence, in our revised analytical framework, we argue that – in cases where SME networks are provided with similar types of donor assistance – that the proximity of SME network members, whether they are operating and/or related industries, and come from similar family business networks place them in a stronger or weaker position to withstand crises caused by changes in the national and international business environments. For instance, the influence that the global financial crisis had on the termination of the Lahore Fashion Apparel Network which the Lahore Garments Consortium was able to withstand.

Conclusion

In this article, we attempted to make a contribution to the literature on private sector development aid with reference to the sustainability of donor-funded SME networks in industrial clusters in developing countries. We set out to establish an analytical framework that could explain why some donor-funded SME networks in industrial clusters in developing countries were sustained beyond the expiry of donor funding, and why other donor-funded SME networks ceased to operate. In our original analytical framework, we highlighted that – when SME networks received the same form of donor assistance – their sustainability would likely depend upon factors which could be identified through a closer reading of the industrial cluster and family business network literatures. We here argued that the relative proximity of SME network members, whether the SME networks members operated in the same or related industries, and the nature of their family business networks could explain why some donor-funded SME networks might be sustained over time whereas others would be discontinued after the funding agency withdrew its support.

We then applied this analytical framework to the case of two IDA supported SME networks in the Lahore Garments industrial cluster in Pakistan. These two networks were called the Lahore Garments Consortium and the Lahore Fashion Apparel Network. Our empirical analysis showed that the Lahore Garments Consortium and the Lahore Fashion Apparel Network both initially benefitted from the sharing of information and joint action initiatives such as the common purchasing of raw materials. However, the Lahore Garments Consortium was sustained long after the termination of donor funding whereas the Lahore Fashion Apparel Network was a rather short-lived experience.

Our empirical analysis showed that these different outcomes could be partly explained by the members of the Lahore Garments Consortium being located in close proximity to one another, by their operating in the same or related industries and markets, and by the members being first-generation entrepreneurs that had a shared, exclusive focus on garments production. At the same time, the members of the Lahore Fashion Network were not all closely located to one another, they did not all focus exclusively on garments production, and they were instead part of larger

family business networks. Hence, when the global financial crisis hit in 2008, and their businesses were suffering losses, it was a relatively easy option for some of the firms to exit garment production and instead focus on some of their more profitable business units. For the Lahore Garments Consortium network members the situation looked different. Even if there were a global financial crisis, and they were incurring losses, they were first generation entrepreneurs and had – in their own interpretation – the resilience and patience to bear the loss and bounce back.

It was thus the mediating factor of the global financial crisis which led us to revise our analytical framework in the discussion section. We here factored in the mediating influence of the national and international business environment into our revised framework, highlighting that such crises can have differential impact of donor-funded SME networks depending upon the characteristics of the individual entrepreneurs. In the case of the Lahore Garments Consortium and the Lahore Fashion Apparel Network, whether the entrepreneurs were first generation, or whether they were based in family business networks that had developed different business units over generations, and therefore had the easier option of exiting garments production at a time when this was not profitable.

If we think of both the research and policy implications of our analysis, a key point to consider is the importance of multi-scalar analysis. We need to conceptualize such interventions in terms of the factors that influence their sustainability from global, national, industry, and local levels. We could also understand these at the international, the macro, the meso, and micro levels of analysis. Initially, we incorporated mainly factors from the micro (firm) and meso (SME network/cluster) levels in our analytical framework. However, in our empirical analysis, it soon became apparent that factors from the international level (the global financial crisis) and the national level (the Pakistani business context) had an influence on what happened at the meso-level (the functioning of donor funded SME networks in a given cluster) and the micro-level (the characteristics of particular firms and individual entrepreneurs). In understanding why SME networks in industrial clusters are sustained or terminated beyond the expiry of international donor funding, it is thus important to look at the interaction between factors operating at different levels. While this is hardly a surprising conclusion, our contribution lies in showing that this

interaction of factors operating at multiple scales of analysis are also worth investigating when we look at the particular case of the sustainability of private sector development aid to industrial clusters in developing countries.

In terms of the more direct micro-level implications of our analytical framework our study also points to the importance of ensuring that interventions aimed at enhancing SME networking in industrial clusters in developing countries should ensure that participating SMEs have largely similar characteristics, operate in the same markets, are geographically very close co-located, and are led by entrepreneurs that share a broadly similar profile. At least, it would appear that these factors facilitate joint action amongst the entrepreneurs and the sustainability of donor-financed interventions beyond the expiry of donor funding.

If we look beyond this study, we would argue that our analytical framework could be tested in and usefully adapted to other developing country contexts. As this is a pioneering study with very little other work having looked at the sustainability of donor-financed interventions aimed at stimulating SME networking in industrial clusters, we would obviously expect that the exact factors that determine the sustainability of such networks are likely to vary from one context to another. However, what we do advocate, as stated above, is that future studies need to pay particular attention to employing a multi-scalar analysis approach right from the outset of the study. This will no doubt be helpful in producing strong and robust studies in future work on this topic.

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Industrial clusters and CSR in developing countries: The role of international donor funding

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1. Abstract

This article contributes to literature on corporate social responsibility (CSR) exhibited by industrial clusters in developing countries. The authors conceptualize and empirically investigate the role of donor-funded CSR initiatives aimed at promoting collective action by cluster-based small and medium-sized enterprises (SMEs). A case study of the Sialkot football-manufacturing cluster in Pakistan indicates that donor-funded support of CSR initiatives in industrial clusters in developing countries may be short-lived, due to the political economy of aid, the national context of CSR implementation, tensions within SME networks, and negative perceptions of CSR by the cluster-based SMEs themselves. The findings and implications of this analysis can inform both research and policy making in this area.

Keywords: corporate social responsibility, donors, football manufacturing, industrial clusters, Sialkot, SME networking, Pakistan.

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Industrial clusters and CSR in developing countries: The role of international donor funding

Industrial clusters, or agglomerations of small-and medium-sized firms (SMEs)³⁹ in the same or related industries (Giuliani, 2005), have great potential to enhance the competitiveness of export-oriented enterprises, create jobs in local economic regions, and enhance living standards in developing countries (Giuliani et al., 2005; Morrison et al., 2013; Pyke and Schengenberger, 1992). Industrial clusters provide SMEs with both passive and active benefits. Passive benefits accrue as a result of the SMEs' co-location with other firms and institutions in a geographically confined space (Lund-Thomsen and Nadvi, 2010). For example, local SMEs might benefit from the presence of input suppliers, specialized consultancy firms, a trained workforce, purchasing departments of national/international customers, or government support services (Nadvi, 1999a). Such resources can stimulate learning processes and innovation among cluster-based SMEs, ultimately leading to increased sales and profit margins (Schmitz, 2004). In terms of active benefits, SMEs in a cluster can intentionally collaborate, particularly with the help of business associations (Nadvi, 1999a). For example, cluster-based firms actively cooperate to jointly purchase raw materials, engage in collective export-oriented marketing, and find common solutions to financing or logistics challenges (UNIDO, 2013). Unanimous agreement in the industrial cluster literature indicates that such clusters have the potential to enhance industrial development processes in local economic regions in developing countries (Gereffi and Lee, 2014; Giuliani et al. 2005; Nadvi, 1999b; Schmitz, 2004).

Whereas the traditional cluster literature prioritizes the stimulation of local economic development processes, a growing body of literature now seeks to investigate how clusters might increase the integration of economic, social, and environmental concerns into their firms' core business practices—that is, enhance corporate social responsibility (CSR) (Gereffi and Lee, 2014; Giuliani, 2014; Lund-Thomsen and Nadvi, 2010; Lund-Thomsen and Pillay, 2012; Puppim de Oliveira and Jabbour, 2015). Perhaps the most extensive consideration of this topic is the recent special issue of *Journal of Business Ethics* that takes stock of this literature stream. In their overview article, Lund-Thomsen et al. (2014) argue that literature on CSR in industrial

³⁹ For this study, SMEs are defined as companies with 250 or fewer employees.

clusters is fairly limited, concentrated mostly on environmental pollution controls, labour rights issues (and child labour in particular), and poverty reduction. More recently, some efforts seek to conceptualize the promotion of CSR in industrial clusters, such as by identifying how so-called low-road, window-dressing (i.e., clusters that preach but do not practice CSR), and rights-oriented clusters contribute to or undermine the promotion of human rights (Giuliani, 2014). Gereffi and Lee (2014) also suggest that improvements in the quantity and quality of jobs in industrial clusters may be linked to what they call private, social, and public governance, all of which drive forces of social upgrading in local industrial districts in the developing world. Knorrunga and Nadvi (2014) further argue, in the context of the so-called Rising Power economies, that the formal and informal institutional context of clusters helps explain the (lack of) attention paid to social and environmental aspects of cluster development processes.

Yet one aspect remains underexplored: the influence of international donor agencies in facilitating or undermining collective action among SMEs in response to the CSR concerns of their foreign buyers (Lund-Thomsen and Pillay, 2012). Donor funding is important, because it adds financial resources, know-how, expertise, and political attention (Easterly, 2007) that otherwise might be neglected by local policy makers (Browne, 2006). Furthermore, donor funding that aims specifically to promote the development of the private sector has increased significantly in recent years (Estrup, 2009). But international funding agencies have also been accused of promoting poorly designed projects that were not formulated locally, or that failed to match the priorities of local governments or other stakeholders. Thus, Western funding agencies are sometimes perceived as agents of a wider, neo-imperialist project aimed at keeping developing countries dependent on former colonial powers (Hancock, 1994). Using international donor funds to promote the private sector in developing countries may also distort local competition and markets (Estrup, 2009).⁴⁰

⁴⁰ In industrial clusters in developing countries, relatively few empirical studies investigate the potential or limits of donor funding for promoting CSR (e.g., Gulati 2012; Puppim de Oliveira and Fortes 2014). Some studies investigate work undertaken by international development agencies to promote CSR in the tannery and football clusters of Kasur and Sialkot, Pakistan, and the football-manufacturing cluster of Jalandhar, India. These studies mostly consider questions of the long-term ownership and sustainability of donor interventions to promote cluster-based CSR initiatives (Lund-Thomsen 2009; Lund-Thomsen and Nadvi 2009, 2010). A recent study of the Jalandhar cluster indicates that a donor agency promoted the long-term adoption of CSR practices within the cluster, but the CSR activities mostly took the form of philanthropy, without changing the core business practices of the local cluster-based SMEs or the work conditions for local employees (Jamali et al., 2015). In practitioner literature, the New Delhi-based Foundation for Medium, Small, and Microenterprises produced a three-volume report, covering

In this article, we contribute uniquely to literature on donor-supported CSR interventions in clusters in developing countries in conceptual, empirical, and managerial terms. First, we develop a conceptual framework of some factors that may explain why donor-sponsored CSR projects succeed or fail to promote collective action in industrial clusters in developing countries. In developing this framework, we combine insights from literature on international development aid, CSR in developing countries, and the role of clusters in regional development processes. Second, this article makes an empirical contribution related to international donor agencies and CSR in industrial clusters in developing countries, in that we analyse a case study of a donor-sponsored intervention in the Sialkot football-manufacturing industry of Pakistan. Our analysis demonstrates how and why this project was discontinued after a short implementation period. Third, in managerial terms, our article provides insights into the circumstances in which international aid agencies can(not) use CSR to support collective action processes in industrial clusters in developing countries. In this regard, our study focuses on an intervention sponsored by an international development agency (IDA), whose purpose was to ascertain if CSR could provide a foundation for a process of collective coordination in SME clusters in developing countries. We study a critical case of such a donor-supported project and find that factors related to the international political economy of aid, the national implementation context, internal conflicts among the SMEs, and scepticism toward CSR by the SMEs led to the discontinuation of the project.

The rest of the article is structured as follows: In the next section, we outline our analytical framework. We discuss and combine insights from literatures on international development aid, CSR in developing countries, and the role of industrial clusters in regional development processes. The resulting conceptual framework clarifies the circumstances in which donor-sponsored CSR projects are (un)likely to promote collective action in industrial clusters in developing countries. Next, we describe the methodology, sampling strategy, multiple data generation methods, and data analysis procedures. This section also introduces the project we study, which we call the CSR SME network. After providing an overview of the Sialkot football-

the roles and responsibilities of policy makers, implementing agencies, and change agents (“cluster development agents”), from international donor agencies or national (government) agencies. The guidelines, recommendations, and best practice case examples focus on how-to ideas and what works (FMC, 2013a, b, and c).

manufacturing cluster, in which various CSR interventions have been undertaken, we present our empirical analysis of the CSR SME network in Sialkot, combining insights from our conceptual framework with the empirical analysis to uncover factors that led to the discontinuation of the CSR SME network in Pakistan. Finally, we highlight our main findings and draw implications for analyses and practices of donor-financed CSR interventions in industrial clusters in developing countries.

2. Analytical Framework

In this section, we explore, in conceptual terms, whether international donor-financed CSR projects help or hinder the promotion of collective action in industrial clusters in developing countries. We start by reviewing the international literature on the pros and cons of donor funding as a form of support for local change processes in the developing world.

2.1 Political economy of aid

As Table 1 summarizes, researchers in development studies often describe donor funding either as a blessing or a curse for promoting economic, social, and environmental change processes in developing countries (Parks, 2008; Riddell, 2007). International donor funding can contribute much needed financial resources in times of fiscal austerity, enabling the implementation of state, private sector, and government projects and programs (Groves and Hinton, 2013). In particular, such financial support may lead to greater prioritization of issues such as human rights, health and social welfare provisioning, and the rights of women than would otherwise have been the case without the influence of international funding agencies (Mavrotas, 2010). Non-traditional donors from the BRICS (Brazil, Russia, India, China, and South Africa) have also sponsored infrastructure improvements in other developing countries and economies in transition. At least in theory, such investments may induce positive spillovers in the form of local enterprise development and job creation (Mawdsley, 2012).

Donor funding can also take nonfinancial forms, such as technical expertise or know-how that helps government, private sector, or non-profit entities boost their administrative capabilities,

human resource management techniques, or finance/accounting knowledge (Browne, 2006). In addition to technical transfers of know-how, Western donor funding tends to be accompanied by participatory, gender-friendly policies and approaches to the workings of government, private sector, and nongovernmental organizations (NGOs) in the developing world. Moreover, development aid in the form of financial or non-financial transfers may support economic, social, and environmental elements of local change processes in developing countries (Groves and Hinton, 2013).

However, donor funding may in some circumstances become a curse (Easterly, 2007). Traditionally, donor projects are time-bound interventions that last between one and three years. An intense transfer of know-how and financial resources must take place within this time frame. This raises questions about the long-term viability of such interventions when external financial and know-how resource flows no longer drive them (Lund-Thomsen, 2009). This points to the importance of local ownership of development aid projects or programs, in that many projects are driven by external actors, according to their own interests, without involving local actors in their design, execution, or monitoring. Some donor interventions might thus prioritize policy areas that are not in line with the needs of developing country actors (Richmond, 2012). Another criticism of donor-financed interventions notes that they often fail to ensure sufficient coordination with other governmental or donor initiatives, which can lead to duplicated efforts and overlapping activities (Nunnenkamp et al., 2013).

Finally, donor funding might create perverse incentives for various local actors (Easterly, 2007). Some recipients of development aid—whether individuals or institutions—actively seek to attract donor funding that they subsequently use to sustain luxurious lifestyles, with few or no benefits reaching the intended beneficiaries (Hancock, 1994). Entire aid consultancy industries have emerged in some developing countries, in response to the needs of international donors to monitor and evaluate aid interventions to ensure they serve the interests of the intended beneficiaries in the developing world and demonstrate results to tax payers and voters in developed countries (Groves and Hinton, 2013).

Table 1: Arguments For and Against International Donor Funding

Arguments For International Aid	Arguments Against International Aid
International donor funding involves financial resource transfers that make state, private sector, and government projects and programs possible in times of financial austerity (Groves and Hinton, 2013).	Development aid is often wasted due to bureaucratic inefficiency, misguided donor policies, excessive executive salaries, and political corruption (Hancock, 1994).
Donor funding ensures that policy areas such as human rights, health and social welfare provisioning, and the rights of women receive higher priority in developing countries than they would otherwise (Mavrotas, 2010).	Western organizations are ineffective in mitigating global poverty. The West needs to face its history of ineptitude and colonialism (Easterly, 2007).
Non-traditional donors from the BRICS and some Western donors finance infrastructure improvement projects that—at least in theory—provide positive spillovers in the form of local business and job creation in developing countries (Mawdsley, 2012).	Donor funding is traditionally time-bound (e.g., between one and three years), so an intense transfer of know-how and financial resources must take place within this time frame, raising questions about the long-term sustainability of such interventions (Lund-Thomsen, 2009).
Donor funding in the form of technical expertise and know-how might help local actors boost their administrative capabilities, human resource management techniques, and finance and accounting knowledge (Browne, 2006).	Donor interventions are often undertaken without sufficient coordination, resulting in duplication and overlap of activities (Nunnenkamp et al., 2013).
Donor funding promotes participatory and gender-friendly policies and approaches in the developing world (Groves and Hinton, 2013).	Aid consultancy industries must help international donors monitor and evaluate activities to ensure they serve the needs of the original target groups in the developing world (Groves and Hinton, 2013).

In the past 15 years, the debate on donor-funded interventions in the developing world has focused increasingly on whether support to private sector firms enhances or undermines the development of national industries and companies (Kragelund, 2005; Schulpen and Gibbon, 2002). On the one hand, some of the preceding arguments also apply to private sector interventions. Donor-funded assistance might help local firms upgrade their products and production processes, move to higher value-added functions in the value chain, or use competitive skills learned in one industry to gain competitive advantages in another (Staritz, 2012). Moreover, aid to private sector firms, particularly SMEs or microenterprises, may help address the capacity constraints that poor and marginalized groups often face in terms of their effective participation in local, national, or international value chains or markets (Humphrey and Navas-Aleman, 2010). From this point of view, donor support to the private sector in developing

countries should involve partnerships with international buyers (Altenburg, 2007; Humphrey and Navas-Aleman, 2010), because local firms in developing countries may be more likely to react to market-based incentives in the form of changing buyer demands. If donor-supported interventions involve buyers actively, the likelihood of developing country firms taking ownership of private sector development aid interventions is thought to increase (Pattaconi and Weisert, 2013).

On the other hand, donor staff or hired consultants may lack knowledge and skills to run private enterprises, donor interventions may be poorly coordinated with national government agencies or other donors, local enterprises may not be sufficiently involved in the process of project formulation, and these local actors may lack interest in the issues addressed by the donor intervention, in that they will halt these activities once donor funding expires (Lund-Thomsen, 2009). Donor support in favor of private sector firms also might distort local competition and developing country markets by helping some local enterprises in their development at the expense of other firms that do not receive such support (Estrup, 2009).

2.2 National CSR context

The international political economy of aid has an important role in co-determining whether private sector donor interventions succeed, yet the national context of CSR also has implications for how such interventions fare. Literature on CSR acknowledges that national institutional contexts matter for how CSR is understood in distinct geographical settings (Brammer et al., 2012; Gond et al., 2011; Jamali et al., 2015). For this discussion, institutions refer to “the rules of the game in society or, more formally ... the humanly devised constraints that shape human interaction” (North, 1990, p. 3). For example, in their examination of how CSR was institutionalized in North American and European contexts, Matten and Moon (2008, p. 409) note that explicit CSR (which is more widespread in North America) involves corporate policies that define responsibility for broader societal interests, whereas implicit CSR (more prevalent in continental Europe) refers to norms, values, and rules that are institutionalized “in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms.”

However, institutional perspectives on CSR largely ignore so-called fragile states (Azizi and Jamali, 2015). Broadly defined, fragile states are countries that share a common characteristic: “the inability—for whatever reason—to fulfill basic state functions” (Gisselquist, 2014, p. 9). Fragility and governance are two interrelated but conceptually distinct notions. Fragility is a characteristic of the state; governance pertains to the institutions and norms characterizing how power gets exercised within a given state. Therefore, state fragility may be a function of both weaknesses in state institutions and the functioning and priorities of national governments. Yet even democratic governments are in some instances unable to guarantee public security, uphold the rule of law, or provide public goods if their state institutions are weak or in need of substantial reform (Gisselquist, 2014). Regarding aid provisioning in such contexts, the relative effectiveness of donor funding for stimulating local growth and reducing poverty appears significantly lower in fragile states than in other, more stable contexts. Therefore, both academics and policy makers question the capacity of fragile states to absorb aid efficiently (Feeny and McGillivray, 2009).

Literature on donor support to fragile states highlights the need to take domestic factors and local contexts into account when designing aid interventions, while also advocating for local ownership of interventions. International-level actors can provide aid and reform incentives, but leadership at the national level is key for restoring confidence in domestic institutions (Gisselquist, 2014). In our analytical framework, we expect that donor support to CSR in industrial clusters in developing countries is more challenging in fragile states, such as Pakistan. In other words, while donor funding has the potential to provide knowledge, expertise, and funds in support of local joint action in clusters in developing countries, its outcomes depend substantially on the relative state of public security, whether the rule of law can be enforced, and the extent to which the state can provide public goods in cluster settings.

2.3 Collective action in SME clusters

In this section, we explore how donor-financed CSR interventions relate to the promotion of collective action among SMEs in industrial clusters in developing countries. Prior literature

predicts that SMEs in developing countries benefit from being co-located in geographically demarcated clusters, in both active and passive ways (Schmitz and Nadvi, 1999). When firms in the same or related industries co-locate geographically (Giuliani, 2005), SMEs may benefit *in passive ways*, because clusters grant them access to a skilled labour force, logistics and transportation providers based in the cluster, specialized input suppliers, and buying or sourcing offices that can help mediate customer requirements (Nadvi, 1999b). Moreover, training institutes and locally available consultants likely facilitate upgrading of products, production processes, and human resources. Formal and informal SME networks ease the circulation of innovative ideas, production knowledge, and personnel, compared with the flows available to SMEs in the same industry that are geographically separated (Schmitz and Nadvi, 1999). In addition, SME clusters may benefit *in active ways* from their co-location, because they can cooperate to address challenges such as a lack of adequate infrastructure; the need for improved human resources, technology, or machinery; and ready sourcing of raw materials or marketing capabilities (Nadvi, 1999a). Such joint initiatives may be undertaken through industry associations or in cooperation with public sector or international donor agencies.

With our analytical framework, we seek to identify circumstances in which donor-financed CSR projects provide a basis to support collective coordination in SME clusters in developing countries. Although clusters in developing countries have the potential to facilitate local economic development processes, they have also come under fire for engaging in socially or environmentally destructive activities (Blackman, 2006). Evidence indicates that SMEs in leather tanning, foundry, and textile clusters in particular engage in highly polluting activities that threaten the health of local inhabitants and the environment, especially those located in Asia, Africa, and Latin America (Lund-Thomsen et al., 2014). Cluster-based SMEs have also been accused of using child and forced labour, paying below poverty-level wages, and generally squeezing workers' conditions in a downward spiral, competing in a "dirty" fashion with other local and international producers (A. Khan, 2010).

Donor-financed CSR interventions then might play an important role in promoting collective action among SMEs to address the social and environmental externalities that arise from economic development processes in local clusters in the developing world, particularly by

promoting CSR initiatives (Lund-Thomsen and Pillay, 2012; Puppim de Oliveira and Jabbour, 2015). In a related development, donor agencies have begun promoting value-chain interventions as a new form of private sector development aid (Humphrey and Navas-Aleman, 2010; Staritz, 2012), including the promotion of CSR in global value chains more broadly (Estrup, 2009). The global value-chain literature highlights how local SMEs, selling in international markets, increasingly encounter more stringent social and environmental performance requirements by their international buyers (Egels-Zandén, 2015; Skadesgaard Thorsen and Jeppesen, 2010). In particular, international supermarkets, brands, and retailers appear to dominate and orchestrate vast supplier networks in developing countries. The concept of global value-chain governance in turn describes how these retailers dictate what kinds of products are to be produced, at what price, and in which social and environmental conditions in developing country export industries (Gibbon and Ponte, 2005). Many social and environmental requirements are written down, in codes of conduct or ethical guidelines that suppliers of international buyers must follow. For example, suppliers commit to provide workers with minimum wages, overtime payments, and social insurance (Barrientos and Smith, 2007).

We speculate that donor funding can help co-finance SME investments in social and environmental upgrading of factories (Lund-Thomsen and Pillay, 2012). Moreover, donor funding could help facilitate compliance with CSR requirements of international buyers, because local cluster-based associations or formalized SME networks might share CSR-related know-how and training (Nadvi, 2004). Such shared know-how usually starts with local or international consultants. In addition, donor funding may be instrumental in gathering various stakeholders to participate in joint action initiatives that can ensure social and environmental improvements by SMEs in particular clusters (A. Khan, 2007).

2.4 SME perceptions of CSR

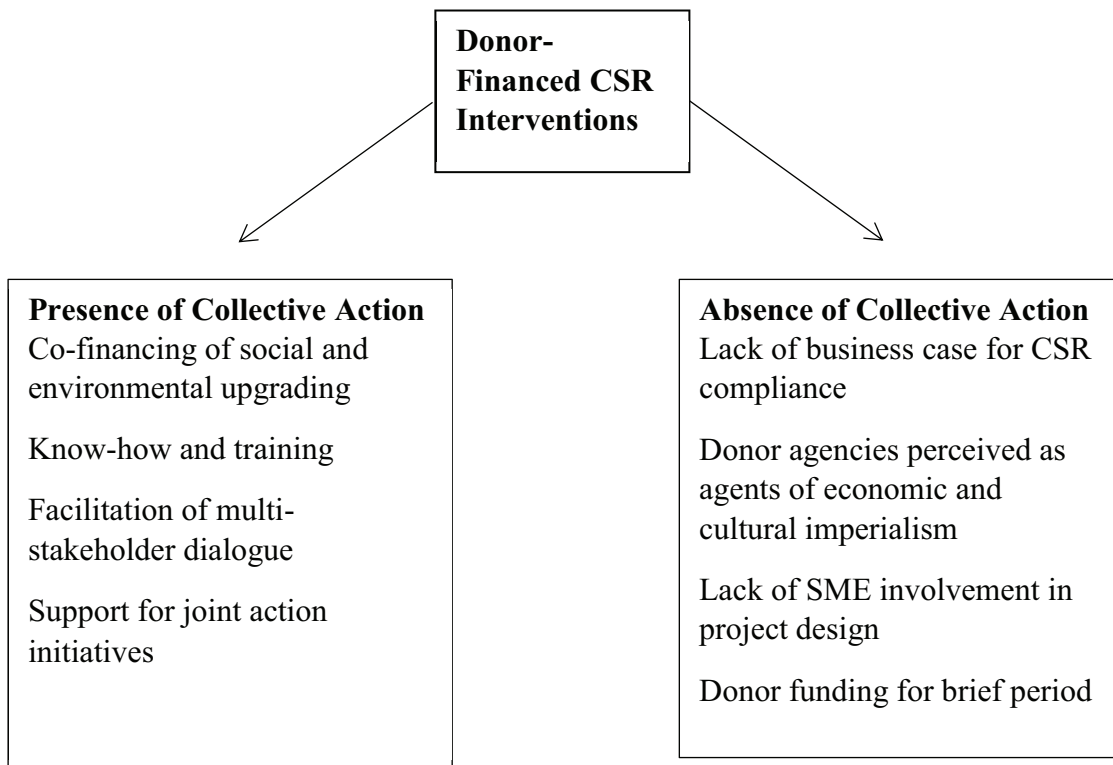
However, international donor-financed CSR interventions, aimed at promoting collective action in industrial clusters in developing countries, may be unsuccessful if they do not build on a sufficiently strong business case for CSR (Gulati, 2012). That is, there must be clear financial incentives for cluster-based SMEs to invest in social and environmental upgrading, whether in

the form of cost reductions (e.g., reduce wasted raw materials), efficiency enhancements (e.g., increased labour productivity), higher prices paid by existing or new CSR-conscious buyers, or compliance with governmental regulations that either force the SMEs to upgrade or close down (Lund-Thomsen et al., 2014).

The donor financing of CSR initiatives might also be unsuccessful if cluster-based SMEs perceive the social and environmental priorities of the donor agencies as a form of economic or cultural imperialism (Khan and Lund-Thomsen, 2011). Ruwanpura and Wrigley (2011) and De Neve (2014) explore the perceptions, by SME managers in the developing world, of CSR as a form of cultural and economic imperialism imposed on them by foreign customers. For example, the requirement against the use of child labour might be seen as a cultural imposition in contexts where children's work is regarded as a form of job training that will secure these children and their families a future source of livelihood in the absence of adequate, locally available, and affordable schooling options (Lund-Thomsen, 2008). Similarly, SME managers may regard CSR as economic imperialism imposed by buyers that demand constant declines in unit prices but refuse to co-finance investments in social and environmental upgrading of factories, even while insisting that developing country suppliers be socially and environmentally responsible (Khan and Lund-Thomsen, 2011).

Finally, donor-financed CSR interventions may be unsuccessful in promoting collective action among cluster-based SMEs if the local enterprises have not been involved in the project formulation or execution or if the donor funding halts after a relatively short period, without allowing cluster-based SMEs to achieve sufficient levels of social and environmental upgrading prior to the termination of the project funding. Figure 1 summarizes this described analytical framework.

Figure 1: Donor-financed CSR interventions and collective action in industrial clusters



In short, in our analytical framework, donor-financed CSR interventions potentially catalyze collective action in industrial clusters in developing countries by co-financing social and environmental upgrading processes in cluster-based SMEs, transferring CSR know-how and training, facilitating multi-stakeholder dialogues, and involving local business associations in joint action initiatives. These donor-financed CSR interventions can help cluster-based SMEs address the CSR concerns of their international buyers on a collective basis in ways that would not have been possible for single SMEs. However, our analytical framework also recognizes that donor-funded CSR initiatives aimed at promoting collective action in industrial clusters in developing countries may not succeed if the cluster-based SMEs do not perceive a business case for engaging in CSR, view the donors as trying to promote their own imperialistic priorities, are not sufficiently involved in the project design, or do not receive donor funding for a sufficiently long period to establish the required levels of resources, trust, and collaboration.

3. Methodology

3.1 Case study selection

We use a qualitative methodology, so that we can investigate the complex phenomenon of donor-financed CSR interventions that might promote collective action among cluster-based SMEs in a specific socio-economic and socio-cultural context, taking multiple factors into account that might explain the process of (non)engagement in collective action in a particular cluster (Eisenhardt, 1989; Reast et al., 2010; Reast et al., 2013; Yin, 2013). We chose the Sialkot football-manufacturing cluster in Pakistan as the focus. This critical case study enables us to make inferences, of the type “If this is (not) valid for this case, then it applies to all (no) cases” (Flyvbjerg, 2006, p. 230). That is, to test the prediction that donors can use CSR to promote collective action among SME networks in industrial clusters in developing countries, the Sialkot case study can likely yield useful insights. Cluster-based SMEs in Sialkot faced the immediate threat of losing international orders in 2007, following Nike’s partial withdrawal from the cluster in response to unauthorized outsourcing of football stitching to home-based locations and evidence of labour rights violations at its main supplier Saga Sports (Seigmann, 2008). If cluster-based SMEs in Sialkot did not use CSR issues as a basis for collective action in these circumstances, it seems unlikely that CSR would become the basis for sustained collective action in other clusters facing similar threats of buyer exit. Furthermore, political unrest, security threats, and the national law-and-order situation in Pakistan have made development interventions after 2001 extremely challenging to implement. If the focal IDA development project could succeed in these conditions, similar projects might be likely to succeed elsewhere in the developing world, especially in less challenging environments. Finally, we regard the Sialkot case as critical because previous studies document the strongly held “anti-CSR” feelings among local entrepreneurs and nonprofit workers, such that using CSR as an entry point for engaging SMEs in collective action might be particularly challenging in this context (F. Khan, 2004; Khan and Lund-Thomsen, 2011). If IDA can use CSR to promote collective action in Sialkot, entities elsewhere can likely do the same in other clusters in which SME managers are less sceptical of CSR. Overall, if the IDA CSR project can succeed in promoting collective action among cluster-based SMEs in Sialkot (a context dominated by buyer CSR concerns,

political and security risks, and strongly held “anti-CSR” views), all else being equal, such interventions should be able to succeed in other, more politically stable clusters in developing countries.

3.2 Case description

We investigate an aid project supported by IDA in Sialkot between 2008 and 2009, whose purpose was to ascertain if issues pertaining to CSR could provide a foundation for a process of collective action in SME clusters in developing countries. In general, IDA sought to enable SMEs in Pakistan to achieve greater self-reliance by building institutions and strengthening local capacities. The Pakistani government was willing to finance IDA interventions in five pilot clusters as part of its broader trade policy. In 2003, the government of Pakistan approved and transferred US\$211,000 to a trust fund, under an agreement to intervene in these five pilot clusters. Yet the assistance to SME clusters in Pakistan was severely constrained, because IDA, in its own assessment, had very limited financial resources at its disposal to execute its cluster development program in Pakistan.

Within this broader framework, IDA decided to launch a Soccer Village project in Sialkot in 2008, which led to the establishment of a SME network of four football producers and exporters, under the leadership of the President of the Sialkot Chamber of Commerce and Industry. We refer to this network as the CSR SME network. Members were to cooperate in producing and marketing responsibly produced footballs. The IDA-backed Soccer Village project would co-fund activities undertaken by these Sialkot-based SMEs. Neither donor nor government funds were significantly invested, so the Soccer Village project relied heavily on in-kind subsidization from a parallel IDA project in India. After 18 months in operation, it ceased to function.

We investigate the development and discontinuation of this IDA-supported CSR SME network, using fieldwork that took place two to three years after the network dissolved in 2009. Our in-depth case study provides a rich, long-term perspective on the viability of donor-financed CSR interventions aimed at promoting collective action among cluster-based SME entrepreneurs in a highly challenging and complex context. It also features rarely investigated aspects of CSR, such

as the discontinuation of the CSR project. Considering the conventional and widespread focus on best practice CSR case studies, we offer this case with the scientific awareness that sometimes we can learn just as much or more from cases in which things do not work out as hoped for.

Donor-financed CSR interventions in the Sialkot cluster have been studied extensively, in the form of projects supported by the International Labour Organization (ILO) and United Nations Children's Fund (e.g., F. Khan, 2004; A. Khan, 2007; Lund-Thomsen and Nadvi, 2010). We focus on an intervention by IDA between 2008 and 2009 that has not been the subject of any academic studies (we offer a brief history of CSR interventions in Sialkot subsequently).

3.3 Data collection

We develop a rich case history for the IDA CSR project in Sialkot and its attempt to promote collective action in the CSR SME network. In 25 semi-structured, qualitative interviews, conducted between March 2011 and October 2012, with a broad range of stakeholders, we gained access to various interpretations of the CSR project, including both positive and skeptical views. We spoke to members of the network of Sialkot football entrepreneurs involved in the project; members of other SME networks in Sialkot; the Sialkot Chamber of Commerce; local NGOs such as the Independent Association for Monitoring Child Labour (IMAC) and the Child and Social Development Organization (CSDO); government representatives from the Trade Development Authority of Pakistan and the Small and Medium-sized Enterprise Authority of Pakistan; international NGOs such as the International Labour Rights Fund (ILRF), and industry associations such as the World Federation of Sporting Goods based in Switzerland; international buyers such as Adidas (U.S.) and Select Sports (Danish) that sourced footballs from Sialkot; and present and former staff members from the European headquarters of IDA, the organization's Lahore office, and its field office in Sialkot.

The interviews were recorded digitally and lasted between 60 and 120 minutes each. If interviewees did not feel comfortable being recorded, we asked for permission to take detailed interview notes, then sent these notes to the interviewees for corrections and feedback. All interviews were fully transcribed. After we had conducted several interviews, we developed

theoretical notes, as part of the process of building a grounded theory of why the IDA-sponsored project was discontinued (Strauss and Corbin, 1998). This iterative process sharpened our research questions and theoretical focus for subsequent interviews.

During the interviews, we talked to informants about their perceptions of how and why the IDA-sponsored project was discontinued. The interviews mixed grand tour questions and interviewer prompts, to allow rich insights to emerge (McCracken, 1986). They also focused on issues such as competitiveness and the CSR challenges faced by SMEs in the football-manufacturing industry of Pakistan, the history of SME networking in Sialkot, and sourcing links for SME network members with national and international buyers. We constantly engaged in dialectical thinking, making repeated comparisons among relevant literature, incoming data, and our emerging theory. Prior to each interview, we examined publicly available secondary material to gain further insights into the complex case. The use of multiple data sources was crucial for ensuring data triangulation and refining our final interpretation of the reasons for the discontinuation of the IDA-sponsored project (Strauss and Corbin, 1998; Yin, 2013). Table 2 contains an overview of each organization/interviewee, their stakeholder groups, their mission (general), their CSR role in Sialkot, and the reasons to include them in the study.

Table 2. Types of Interviewees and Reasons for Inclusion in the Study

Organization Type	Number of Interviewees	Stakeholder Group	Mission (General)	Role in CSR in Sialkot	Reasons for Inclusion
Manufacturers	7	Exporter	Increase profits from the production and export of footballs from Sialkot.	Often requested by international buyers to ensure compliance with CSR requirements. Sometimes engaged in philanthropy as well.	Manufacturers were key actors in IDA's attempt to use CSR to promote collective action among cluster-based SMEs in Sialkot.
Buyers	3	Importer	Source footballs of the best possible quality at the cheapest possible price.	Need to protect their brand reputation with customers, trade unions, regulatory bodies, and media. CSR thus was a part of the risk-management strategies and, for some brands, overall business development activities.	Responding to the CSR concerns and priorities of international buyers was an important part of the rationale for launching the CSR SME network.
National and international business associations	3	Industry body	Articulate the common interests of members and help them address issues that firms might benefit from addressing on a collective rather than an individual basis.	Drive and implement collective action CSR initiatives in Sialkot.	The President of the Sialkot Chamber of Commerce played an important role in the IDA CSR project.
Nongovernmental organizations	3	Civil society	Advocate against labour rights abuses and help eradicate child labour	Expose labour rights abuses, engage in child labour monitoring or implement social projects transferring children from work to schooling.	NGOs played an important role of exposing child labour in the Sialkot football manufacturing cluster and in the implementation of the Atlanta Agreement.
Government agencies	2	State representative	Significant role in designing industrial policies that affect the entrepreneurs in Sialkot. They also provide support services to SMEs and are supposed to regulate their activities.	Governmental agencies have helped support some collective action initiatives in Sialkot, but they have also been accused of not ensuring that national labour and environmental laws are implemented by SMEs in Sialkot.	Governmental support agencies supported other SME networks in Sialkot while they were not directly involved in the IDA project.

Academics	4	Independent observers	To conduct independent academic research, teach and supervise students, and communicate expert knowledge to the broader public.	Independent academics have conducted several studies of the background, history, and effects of CSR interventions in Sialkot.	To obtain an independent view of the unfolding of the IDA project and the reasons for its discontinuation.
IDA	3	Donor-funding agency	To support economically, environmentally, and socially sustainable industrial development processes.	Key driver of the establishment of the CSR SME network in Sialkot. IDA also made the final decision to discontinue the CSR SME network.	To obtain its view on the development and discontinuation of the CSR SME network in Sialkot.

3.4 Data analysis

As part of the data analysis process, we developed analytical categories with the help of open and axial coding procedures (Strauss and Corbin, 1998), through repeated readings of literature on international donor funding, institutional approaches to CSR, industrial clusters in developing countries, and CSR in these contexts, in combination with our interview materials. During the open coding stage, we read and coded all parts of the interview transcripts with a view to identifying similarities and differences in interviewees' perceptions of how and why the IDA project had been discontinued. We each engaged in our own independent analysis, exchanging notes on our coding. Furthermore, we engaged in repeated discussion, agreement, and disagreement about different parts of the analysis. We then moved to the process of axial coding, identifying higher-level categories to understand the main reasons for how and why the IDA project had been discontinued. Accordingly, we generated four categories: the political economy of aid in Sialkot, the national context of Pakistan, joint action among SMEs in Sialkot, and SME perceptions of CSR in Sialkot. Finally, we used selective coding with a review, to refine our emerging theory of how and why the IDA-sponsored CSR project in Sialkot stopped. As part of our final quality control effort, we shared a draft manuscript with researchers that had intimate knowledge of the Sialkot cluster and donor-funded CSR interventions in general, then incorporated their comments. We also sent a draft to study informants, which helped us ensure the factual accuracy of the manuscript and refine our interpretation of events as they occurred in the IDA CSR project in Sialkot (Pole and Lampard, 2002).

4. The Cluster Context in Sialkot

The Sialkot football-manufacturing industry in Pakistan is one of the most widely studied industrial clusters in the developing world. Several authors have written about issues of child labour (F. Khan, 2004, 2007; A. Khan 2007, 2010), labour rights (Seigmann, 2008), labour agency (Lund-Thomsen, 2013), global value-chain linkages, local CSR approaches (Lund-Thomsen and Nadvi, 2009, 2010), and technological upgrading in Sialkot as well as labour standards (Nadvi, 2011; Nadvi et al., 2011), and comparative work conditions relative to other football-manufacturing countries in Asia (Chan and Xue, 2013; Lund-Thomsen et al. 2012). As

should be obvious from this list, most prior literature focuses on labour issues. An overview of the key findings, limitations, and insights into the role of donor-financed CSR interventions in these studies appears in the Appendix. The popularity of such studies may reflect the integration of this cluster into global value chains that link local Sialkot football producers in Pakistan to world-famous sports brands such as Nike, Puma, Adidas, Mikasa, and Mitre.

Located in the province of Punjab, close to Pakistan's border with India, the Sialkot football-manufacturing cluster is scattered across the city and also spreads, through subcontracting networks, to stitching units in villages around the city. The football-manufacturing cluster supply chain features four tiers: large enterprises (20), medium enterprises (50+), small or micro enterprises (400+), and subcontractors, whether makers or vendors (1000+), which employed about 20,000 registered workers in 2014.

This local manufacturing value chain produces a range of footballs: professional match balls, practice/camp balls, promotional balls, indoor balls, and futsal soccer balls. The Sialkot football-manufacturing cluster has traditionally been known for its hand-stitched footballs, though international demand for hand-stitched balls has dropped significantly in the past decade, and the industry is in a state of transition toward more mechanized forms of production, including machine-stitched footballs and thermo-molded technology. The industry also faces significant competitive challenges from producers in China that have been quicker to adopt the new, more technologically advanced machine-stitched and thermo-molded production methods. Apart from industries in Pakistan and China, football manufacturing in India and Thailand are amongst the main production locations for football manufacturing worldwide (Nadvi et al., 2011).

The focus on CSR compliance in the Sialkot cluster can be traced back to the early to mid-1990s, when international news reports highlighted the use of child labour in the stitching subcontracting networks that linked exporting firms inside Sialkot to vast networks of contractors and home-based stitchers in the surrounding villages (F. Khan, 2004). Children often helped their parents in stitching footballs, sometimes at the expense of their formal schooling. In 1997, a large multi-stakeholder initiative, involving United Nations agencies, the ILO, Save the Children, and the Sialkot Chamber of Commerce, sought to eradicate child labour from the

industry (Lund-Thomsen and Nadvi, 2010). Backed by international sports brands, the initiative aimed to transfer child stitchers from home-based work to formal schools in the Sialkot district, establish a cluster-wide mechanism for monitoring child labour, and retrain or compensate families to make up for the loss of income associated with their children leaving the occupation and entering formal schooling (F. Khan, 2007). This multi-stakeholder initiative, also known as the Atlanta agreement, largely eliminated the use of child labour from football stitching in Sialkot, though it also had the unintended side effect of excluding female workers from the stitching supply chain. Male family members would often not permit women to venture beyond the confines of their own homes to engage in any kind of work outside the home (A. Khan, 2007; Lund-Thomsen et al., 2012).

Despite the initial success of the Atlanta agreement, in terms of eliminating child labour from the cluster, wider concerns about labour rights persisted. The Sialkot cluster seemingly addressed the issue of child labour, but international sports brands moved on, demanding compliance with a wider range of labour rights, such as the use of formal contracts, minimum wages, and social insurance for stitchers (Seigmann, 2008). The vast majority of these stitchers were undertaking their work in semi-formal, village-based stitching centers or at home, where these labour rights were not guaranteed. Thus, there was an increasing mismatch between the CSR demands of the cluster's international buyers and what the local SMEs could offer in terms of CSR compliance (ILRF, 2010). In addition, international buyers were concerned about the lack of technological upgrading and innovation in the cluster, as local manufacturers had not switched sufficiently quickly from hand- to machine-stitching or thermo-molded production (Lund-Thomsen, 2013).

As we describe in Table 3, within this wider context, Nike decided to stop sourcing footballs from what was then the world's largest manufacturer, Saga Sports, in late 2006, allegedly due to its unauthorized outsourcing of football stitching from village-based stitching centers to home-based locations in the Sialkot district. Although no child labour was found in Nike's supply chain, the risk of children being involved in football stitching constituted a major reputational threat to Nike (Lund-Thomsen and Coe, 2015). Nike attempted to engage in remediation with Saga Sports over an extended, six-month period, to find a solution, but it did not appear as if Saga Sports realized the gravity of the concern. Therefore, Nike withdrew officially from not just

Saga Sports but the Sialkot cluster as such (Seigmann, 2008). In doing so, it attempted to redirect its sourcing of hand-stitched footballs to China and Thailand but discovered, in early 2007, that some of the continued demand for high-quality, hand-stitched footballs could only be met by Pakistani manufacturers. In the spring of 2007, Nike re-entered Sialkot, sourcing a smaller volume of hand-stitched balls from a new vendor that agreed to Nike’s code of conduct and guaranteed that all hand stitching of footballs would take place inside its factory premises (Nadvi, 2011).

Table 3: Timeline of CSR Challenges and Solutions in the Sialkot Cluster

Time	Challenge	Solutions
Mid-1990s	Media exposes child labour in the football stitching value chains of global brand manufacturers in Sialkot.	Atlanta Agreement
2005–2007	Discovery of unauthorized outsourcing of football stitching and labour rights violations at Saga Sports, Nike’s key football supplier in Sialkot.	Nike ends relationship with Saga Sports and redirects sourcing to China and Thailand. Nike then re-enters Sialkot, cooperating with a new vendor, Silverstar that promised to meet Nike’s code of conduct.
2007–2009	The Nike crisis threatens the viability of the cluster, and fears loom that other buyers will follow Nike in leaving Sialkot.	International funding agencies such as IDA seek to introduce new CSR projects and concepts, such as the Soccer Village project.

The exit of Nike from Sialkot sparked the interest of international donor agencies, which sought to help the cluster address CSR issues, so that it could ensure the continued, long-term viability of local enterprises, employment, and incomes in Sialkot at a time when international buyers appeared to be searching for more “CSR-safe” production locations (Lund-Thomsen and Nadvi, 2009; Skadesgaard and Jeppesen, 2011).⁴¹

⁴¹ The Sialkot Chamber of Commerce already had established a CSR cell and a Child and Social Development Organization (CSDO), with the help and support of WFSGI and FIFA, to promote social development programs within the cluster and coordinate social protection initiatives from the industry. The ILO’s International Programme for the Elimination of Child Labour (ILO-IPEC) produced a child labour monitoring program that included self-monitoring and reporting components, in which local football manufacturers declared whether they had encountered

5. Empirical Findings

We detail our empirical findings by analyzing the factors that contributed to the discontinuation of the CSR SME network in Sialkot. These factors reflect the four categories derived from the coding of the interview data: (1) the political economy of aid in Sialkot, (2) the national context of Pakistan, (3) joint action among SMEs in Sialkot, and (4) SME perceptions of CSR in Sialkot.

5.1 Political economy of aid in Sialkot

A significant reason why the CSR SME network was discontinued in Sialkot appeared to be that IDA withdrew from the project before the CSR SME network could be fully institutionalized within the cluster. As one network member explained,

This network was in between success and failure, because the project was initiated by IDA, and it was [then] discontinued and rolled back after some time. The project had a very short life cycle, whereas the CSR SME network was at the initial stages [of its formation]. The entrepreneurs wanted that since the project was initiated in collaboration with IDA, IDA should fund the project. Not only marketing the Soccer Village products but also arranging for the participation of the network members in foreign exhibitions. IDA should have facilitated the promotion and introduction of the project to the market.

In other words, the entrepreneurs expected IDA to shoulder a substantial part of the costs of initiating the project. They also anticipated that the agency would finance the initial participation of network members in foreign trade fairs. However, from the viewpoint of IDA, these

any child labour in their football stitching supply chains. Participating football manufacturers in Sialkot hired internal auditors. The self-reported findings were double-checked by the ILO-IPEC's monitors between 1998 and 2003. However, by 2003–2004, the external monitoring mechanism was taken over by a newly formed, local, nonprofit organization, the Independent Monitoring Association for Child Labour (IMAC). Unlike ILO-IPEC, a donor-funded initiative, IMAC was expected to be a self-sustainable mechanism, mostly funded by the local industry and the Pakistan government. Most international buyers in the Sialkot football cluster insisted that suppliers to join ILO-IPEC and then IMAC. Nike and Adidas also performed their own independent, third-party monitoring, because they lacked confidence in the IMAC's independence and ability to ensure the strict monitoring of child labour and broader labour rights in this cluster (Lund-Thomsen and Nadvi, 2010).

assumptions of the SME network members in Sialkot reflected their failure to appreciate the importance of the entrepreneurs making their own financial contributions to the project. A key principle of IDA's cluster development approach is that project activities should not be undertaken solely through IDA funding. The lack of commitment by the SME network members to the project thus constituted an important reason that IDA discontinued its support.

However, even as representatives of the European IDA headquarters explained the dissolution of the Soccer Village project by citing a lack of engagement by local stakeholders, other stakeholders asserted that insufficient time had passed for IDA to convince the entrepreneurs of the business case for CSR or for the network members to invest in the functioning of the Soccer Village network. For example, a local nonprofit representative, who followed the evolution of the CSR SME network closely, noted,

The CSR SME network of IDA could not materialize, although seminars and workshops were held and awareness was created about this project. IDA left early. IDA should have conceived the idea in a better way. A proper feasibility study should have been conducted to determine if this could be achieved. IDA should have replicated some other design, which had proved successful in some other area, sector, or country. IDA phased out early and could not persuade the industrialists. It takes time to make something like this, which could work in Sialkot.

According to IDA's own guidelines for cluster development, a minimum period of three to five years is required for its approach to work in a given setting. So why would IDA initiate a CSR project aimed at promoting collective action among SMEs in Sialkot, through the establishment of the CSR SME network, and then withdraw before the usually recommended period of at least three years? We found two possible answers to this question. First, IDA had not initially committed the funds to sustain the project for the minimum recommended period. Financial support for the CSR SME network project came from IDA headquarters' global project for CSR in industrial clusters, funded by a bilateral donor in Europe. This project ran from 2005 to 2008, and it included activities in various countries in Asia, Africa, and Latin America. However, unlike the practice for other participating countries, there was no specific budget allocation for Pakistan. Thus, as pointed out by one of the staff members in IDA's European headquarters,

The Sialkot CSR project was formulated as part of a global initiative, which was not specifically aimed at Pakistan, and there was no specific allocation of money for Pakistan as such. Money was devoted to specific activities in Pakistan on a needs basis, not on the basis of some initial planning.

Second, the termination of IDA's global program for CSR in industrial clusters at the end of 2008 coincided with the possible closure of IDA's office in Lahore, Pakistan, which had been particularly devoted to industrial cluster development. According to IDA's international headquarters, by the end of 2008, the lack of buy-in for cluster development in Pakistan had become evident, so further investments of project resources in the country needed to be terminated. In IDA's Lahore-based office, the realization was also dawning that it was running out of project funds to sustain its ongoing interventions. Engaging in the CSR SME project enabled it to continue its work on industrial clusters temporarily and keep the Lahore-based office open, even without funding secured for the CSR SME network intervention for the usual, recommended three-year period.

5.2 National context of Pakistan

It was not just internal IDA dynamics that exerted an influence though. The wider political context of work and employment in Pakistan also led IDA to withdraw relatively quickly from the CSR SME project, as confirmed by both the local project manager in Pakistan and a representative from IDA's European headquarters. In the words of the local project manager,

IDA had to wind up early due to the poor alignment of the initial road map with the actual activities, due to the worsening security situation of Pakistan. It was difficult for local and international IDA teams to continue their work in Sialkot due to the security situation.

A bomb blast in the Federal Investigation Authority building on Mall Road, Lahore, on March 11, 2008, was located very close to the Pearl Continental and Avari Hotels, where the IDA team stayed during its visit to Lahore in 2006–2007. In 2008 and 2009, IDA teams were forced to cancel visits to Pakistan, because they could not obtain the security clearance from the United

Nations to travel there. The effect of the overall security situation in Pakistan on the CSR SME network project was confirmed by a representative from IDA's headquarters,

We had quite a lot of activities initially for the first year and a half. We also had a joint mission with the head of the Fair Labour Association, and we planned several activities related to engaging buyers to improve the situation in Sialkot. Sadly, we had to place our team on hold for quite some time due to the worsened security situation in Pakistan.

5.3 Joint action among SMEs in the Sialkot cluster

In IDA's Lahore office in 2008, the head of the industrial cluster development team was eager to demonstrate progress in CSR work in Sialkot after Nike's withdrawal, yet the Lahore office was running out of funds. He therefore decided to bypass the usual process of training potential network members in IDA's cluster development methodology, which included networking and trust-building exercises to strengthen linkages among potential network members and enhance the capacity of the cluster associations to support SME networking within the cluster. This decision was not endorsed by IDA's international headquarters. From its point of view, launching such a project in a cluster in which social capital formation was skewed would have been premature and unlikely to produce the expected results. Nevertheless, to get the project activities going, the local IDA cluster development office in Lahore decided to approach the head of the Sialkot Chamber of Commerce to ask for support to launch an IDA-backed CSR project in Sialkot. The then-President was a football manufacturer; he and four of his family members owned football-manufacturing plants, and he believed that his own firm and those of his relatives might benefit from receiving capacity building, advice, and financial resources from IDA as part of this program.

Although this connection was a convenient means for IDA's Lahore-based office to initiate project activities relatively quickly on the ground, it also embodied, even if unintentionally, a fundamental contradiction between IDA's cluster development methodology that emphasized networking and trust-building among SMEs on the one hand and the historical evolution of the Chamber of Commerce president's network of SME businesses in the football-manufacturing industry on the other hand. At the time of the launch of the CSR SME network in Sialkot, the

preexisting family networks that participated in the project had undergone processes of decentralization, growth, and expansion in the preceding decades. Family businesses often split into multiple units, so that different family members could take ownership and charge of their own business units. But, the emphasis of IDA's trust-building and networking approach was to bring the SMEs closer to one another, as articulated by a local IDA staff member in Pakistan:

The CSR SME network was an attempt to reunite the family businesses through the concept of networking and trust building. Network members did not pass through the individual and joint visioning processes to identify the common problems of network members. Network members did not conduct the fortnightly strategic meetings to initiate joint actions through the network's platform. CSR SME members were required to pass through the network building process for at least three years whereas the network was terminated only after eighteen months of operation.

Thus, internal conflicts arose in this family network of businesses, including a generation gap between an older member of the family network, the then-President of the Chamber of Commerce, and younger members of the family who wanted to run their businesses without interference from their fathers or uncles. It then became impossible for IDA's ground-level staff to engage network members in trust-building or networking processes. Many of the main actors in the network simply were not interested in getting closer to their family members. Instead, they wished to further distance themselves from their relatives when it came to running their individual SME units.

The difficulties of implementing IDA's trust-building and networking approach cannot be attributed solely to internal power dynamics within the network though. Different areas of potential cooperation might have been easier to pursue. For example, the CSR SME network concept entailed, at least on paper, joint marketing of its CSR profile to international customers. However, whereas individual SME members might have been inclined to cooperate on production issues (e.g., joint purchasing of raw materials), the notion of sharing information about customers or even sharing clients was far more difficult to accept and thus was unlikely to spark cooperation among SME network members. As one member explained,

In my view, the concept [of networking and trust-building among SMEs] is unique but requires a higher level of trust and information sharing by the member companies. I also feel that one of the major benefits of networking is outsourcing within the network members but that, again, requires a higher level of trust and confidence amongst the members.

It thus appears as if the CSR SME network case does not match the usual optimism in prior literature on industrial clusters in developing countries that highlights the potential benefits for SMEs of engaging in active cooperation with one another. In this case, IDA's international headquarters wanted to test the assumption that CSR could provide a basis for promoting collective action within SME clusters, especially when cluster-based firms faced the threat of losing international orders to international clients due to their insufficient engagement in CSR. Yet to the extent that such collaborative efforts involved direct contacts with international clients, SME network members had strong incentives not to cooperate, because when one member obtains a new order from an international client as a result of the CSR SME network project, it might not generate immediate financial benefits for all network members.

5.4 SME perceptions of CSR in Sialkot

Prior studies document that CSR compliance pressures can be perceived as a form of economic or cultural imperialism by SME managers in the developing world. For example, international buyers often demand constant price declines from suppliers but increased CSR investments, without being willing to share those costs. Managers in export-oriented enterprises also assert that some of the social conditions placed on their enterprises are culturally inappropriate in their local work and employment context (De Neve, 2009; Khan and Lund-Thomsen, 2011; Ruwanpura and Wrigley, 2011). The perceptions of the CSR SME network members reflected these beliefs. One international scholar studying the project uncovered a perception among the CSR SME network members that buyers claimed they wanted to engage suppliers in socially responsible practices, but the buyers were themselves engaging in socially irresponsible practices, as evidenced in Nike's pull out from Saga Sports:⁴²

⁴² The network members were talking specifically about the International Labour Rights Forum (ILRF) here.

The timing of IDA's entry into Sialkot to undertake a [CSR] intervention was not appropriate, as Nike had recently terminated its sourcing of soccer balls from its lead supplier, Saga Sports, in Pakistan due to allegations of child labour in the production chain, leaving 7,000 workers unemployed as an outcome. The actions of Nike under the heading of CSR were not received positively by the football producers in Sialkot. In fact, the manufacturers and exporters in Sialkot felt a lot of resentment towards the notion of CSR. People [manufacturers] in Sialkot believed that compliance issues related to child labour would fade away with the passage of time as the buyers were actually looking for cheaper products, and that compliance with CSR issues was an issue that was related to the negotiation and bargaining power of the buyers and brands.

Therefore, the CSR SME network members did not consider compliance with the CSR requirements of international buyers an immediate concern. At the same time, some CSR SME network members believed that the Sialkot football-manufacturing industry suffered a negative international image due mainly to the work of international funding agencies or Western media. Rather than seeing the decline of the hand-stitched football-manufacturing industry in Sialkot as a result of a lack of technological upgrading, production scale, changing buyer demands, or low worker productivity (as indicated by Lund-Thomsen et al., 2012; Nadvi et al., 2011), they accused international nonprofit and UN agencies as being responsible for the decline in Sialkot's overall share of global football manufacturing exports. As one network member observed,

International agencies including NGOs will never participate in image building [of the industry], but will always create negative branding. They are directly responsible for [the] destruction of [the Sialkot] soccer ball industry, as exhibited by the decrease in the industry's market share from 80% to 9%. These agencies are directly responsible for unemployment of 1.1–1.4 million families. Do they want more? The hand-stitched soccer ball industry is finished due to [the actions of] these agencies.

Thus, IDA sought to initiate the CSR SME network at a time, when there was particularly widespread resentment among local manufacturers against the CSR initiatives promoted by international NGOs, buyers, and funding agencies. In the view of some network members, the

negative publicity created by these international entities and media outlets had damaged the industry's reputation beyond repair. That is,

I will say that in case of hand-stitched ball business, external factors, mainly NGOs and others, have brought this craft industry to such a level that no more damage can be done.

Yet as one scholar we interviewed was careful to note, the negative views of CSR SME network members toward international aid agencies and their CSR activities in Sialkot was not just an outcome of the SME network members' subjective perceptions. True, actual, negative social consequences in the cluster had emerged for many stitcher families, as a result of the decline in the hand-stitching business, while some other local actors, including NGOs, had benefitted from being able to obtain more funds for their social work in Sialkot:

Women and children lost work due to local manufacturers' non-compliance with international CSR demands on the one hand, whereas [local and international] NGOs mobilized funds out of this crisis on the other.

Because IDA tried to introduce a cluster-based CSR initiative in Sialkot at a time when local SME manufacturers were especially frustrated with what they perceived to be the double standards of international buyers, UN agencies, and NGOs, it is hardly surprising that the CSR SME network members were not particularly keen on continuing the network once the external driver of IDA left in 2009.

6. Conclusions

With this article, we set out to explore whether donor-financed CSR projects might help or hinder the promotion of collective action among SMEs in industrial clusters in developing countries, in response to international buyers' concern with CSR compliance downstream in their global value chains. We propose a novel analytical framework, linking literature on (private sector) development aid, institutional approaches to CSR, industrial clusters, and CSR in developing countries. In analytical terms, we thus contribute to literature on CSR in industrial clusters in developing countries by identifying some factors that likely explain why international donor-financed CSR projects succeed or fail to promote collective action in such clusters. We

argue that donor-funded CSR interventions have the potential to facilitate the joint access of SMEs to demanding consumer markets in developed countries if they are concretely linked to social and environmental upgrading of SMEs, with know-how and training provided over a sustained period to SME network members, initiatives that form part of broader multi-stakeholder initiatives that link local SME networks to global buyers, and support provided for joint action initiatives with business associations. However, donor-funded CSR initiatives likely fail to promote collective action among cluster-based SMEs when there is no clearly perceived business case (i.e., financial rationale) for CSR engagement, when cluster-based SMEs are insufficiently involved in project formulation, when CSR is perceived by SMEs as a form of economic or cultural imperialism, and when donor funding is provided for a relatively short period. The latter circumstances appear to have been prevalent in the case of the CSR SME network we have studied herein.

So what are the wider implications for our understanding of donor support for CSR interventions in industrial clusters in developing countries? The CSR SME network offers a clear example of how internal dynamics within donor agencies influence on-the-ground implementations of project activities. Without proper planning and execution, donor-financed CSR interventions are unlikely to be able to support collective action processes within clusters sustainably. However, the CSR SME network case also demonstrates that even if such planning and execution had taken place, with sufficient financing, there may be realistic limits to what CSR projects can achieve in national contexts that are characterized by political instability, unrest, and security threats. It simply becomes unfeasible to conduct project activities at the ground level in such circumstances. Contrary to a widespread assumption in research on industrial clusters in developing countries—namely, that SMEs benefit from engaging in collective action initiatives—the internal dynamics and conflicts of interest within SME networks can create strong disincentives for network members to engage in joint action. Finally, the assumption that CSR can promote collective action in industrial clusters in developing countries does not always hold, especially if SME managers view CSR as a form of economic and cultural imperialism. The opposition to Western-style CSR interventions may be so strong that they actually hinder the implementation of projects or result in entrepreneurs sensing no ownership of the projects, which undermines the long-term viability of any such interventions.

Thus, as Newell (2005, p. 556) predicted, “CSR can work, for *some* people, in *some* places, on *some* issues, *some* of the time.” The intellectual challenge is to specify the circumstances in which CSR interventions promote joint action in industrial clusters and produce positive outcomes for local SMEs, workers, and communities, while also recognizing that the interests of these actors do not always align. In some circumstances, they even might come in direct conflict, so policy makers must be clear about whether sufficient social capital exists in SME networks to sustain joint action initiatives. This effort also necessitates consideration of how local SME entrepreneurs perceive CSR and whether they are likely to support any such engagement.

In terms of research pathways, we are clearly in need of more empirical studies that can explicate the circumstances in which CSR interventions in industrial clusters in developing countries work for some people, some firms, in some places, some of the time. Despite recent advances in conceptual understanding of the links between industrial clusters and CSR in developing countries, we still face a dearth of studies that investigate the outcomes of donor-sponsored CSR interventions in industrial clusters in developing countries. For example, IDA and the ILO have undertaken a range of CSR projects in India and Pakistan, but beyond a few select insights, we know relatively little about the potential and limitations of this approach to private sector development in developing countries.

Appendix – 1: International Literature on CSR in the Sialkot Football Cluster

Author(s)	Key Findings	Limitations	Role of Donor-Funded CSR
Kazmi and McFarlane (2003)	Child labor was eliminated in soccer ball manufacturing as a result of the Atlanta agreement. Skilled, male stitchers earned higher wages. A reduction took place in family incomes as fewer family members engaged in stitching.	The data generation methodology is not specified in detail	It mentions the role of donor funding agencies but does not contain any in-depth analysis of their functioning.
F. Khan (2004)	The reality of child labor eradication programs in Sialkot does not match the glossy descriptions of international donor agencies advocating these approaches. Child labor appeared to be eradicated in the industry as a result of these programs, but many female workers also lost their source of income.	The study was mainly qualitative, based on a limited number of interviews with firms, subcontractors, and football stitchers in the industry.	It discusses the role of donor funding agencies in promoting the eradication of child labor within the Sialkot football cluster. It portrays these agencies as agents of economic and cultural imperialism.
Hussain-Khaliq (2004)	The leading football manufacturer Saga Sports is a CSR-conscious company. A change of attitude is needed among small-scale entrepreneurs and contractors in the cluster if its CSR profile is to be improved.	Only three interviews were conducted, and the information was not triangulated. Saga Sports, is praised in the article, closed three years later after as Nike cut its ties, on the basis of labor rights violations and unauthorized outsourcing of football stitching to home-based locations.	It does not deal specifically with the role of donor agencies.
A. Khan (2007)	The discourse about child labor eradication in the Sialkot football manufacturing industry is perceived as a form of economic and cultural	The findings are based on ethnographic fieldwork in Sialkot. It is thus hard to	It contains a very critical discussion of the role of donor agencies in promoting the eradication of child labor within the

	imperialism by many football manufacturing firms, NGOs, and football stitchers in Sialkot. The child labor eradication programs in Sialkot led to the widespread exclusion of female stitchers from the labor force.	establish whether the author's thick description of the working lives of entrepreneurs, sub-contractors, and football stitchers can be generalized to the industry as a whole or only the limited number of informants interviewed for the study.	cluster. These agencies are seen as agents of economic and cultural imperialism.
Siegmann (2008)	The CSR performance of Nike's two football suppliers in Sialkot, Saga Sports and Silverstar, surpass those of other companies in the industry. However, minimum wages were not paid, discriminatory recruitment practices were employed, and environmental management was weak at these two companies.	The data generation was quite limited. The descriptions of working conditions were based on a brief visit to Sialkot and interviews with an unspecified number of workers. The only other stakeholders interviewed were from the Pakistani Institute of Labor Education and Research and Silverstar's management.	It does not contain an in-depth discussion of the role of donor agencies in the cluster.
Lund-Thomsen and Nadvi (2010)	Local child labor monitoring systems appear more rigorous in clusters that supply mega-brands such as Nike and Adidas. However, in clusters where external scrutiny from multinational companies is less intense, there may be more space for local actors to develop "indigenous" CSR models.	The study was not based on a large, quantitative survey of firms, which would have allowed the authors to generalize the findings of their study to all firms in the Sialkot and Jalandhar clusters.	Contains a comparative analysis of the implementation of the Atlanta agreement in the Sialkot and Jalandhar football manufacturing clusters. The article argues that the implementation was more donor and brand driven in Sialkot than in Jalandhar.
Khan and Lund-Thomsen	CSR in Sialkot is a kind of Western economic and cultural imperialism, aimed at	Only qualitative interviews were undertaken with a	It does not contain any in-depth analysis of the role of donor agencies in the

(2011)	subjugating local suppliers.	limited number of football manufacturer and stitchers. No large-scale quantitative study of firm perceptions of CSR in the Sialkot football manufacturing industry backs up the findings.	Sialkot cluster.
Nadvi et al. (2011)	Compliance with labor standards in the Asian sports goods industry has different implications for the geographically dispersed producer locations in Indian, Pakistan, China, and Thailand. Complying with labor standards is an insufficient basis for Pakistan, India, and Thailand to compete with the Chinese sports goods industry. Other factors, such as technological upgrading, economies of scope, and production efficiencies, are more important in explaining the geography of production.	A fairly limited number of firms were interviewed, so it may not be possible to generalize the findings to all firms operating in the football manufacturing industries of Pakistan, India, and China.	It does not contain any in-depth discussion of the role of donor agencies in the promotion of CSR within the cluster.
Nadvi (2011)	Concerns over labor standard compliance and product and process upgrading shape the economic geography of football manufacturing in Asia. This has implications for individual producer countries such as Pakistan and China.	The study was mainly based on qualitative interviews with international buyers and suppliers in Pakistan, India, and China. No quantitative survey was undertaken of either the brands or suppliers in these three different countries.	It does not look at the role of donor agencies in the Sialkot cluster.
Lund-Thomsen et	Empirical studies of labor standards and CSR in global	The study of worker' conditions	It does not discuss the role of donor agencies in

al. (2012)	value chains are too narrow in their focus. Instead studies need to engage with questions of economic, technological, and social upgrading to obtain a better understanding of why workers labor in similar or different conditions in export-oriented industries in developing countries.	in the football manufacturing industries of Pakistan, India, and China is only based on a limited number of qualitative interviews with stitchers. No quantitative surveys were undertaken, which might have allowed the authors to generalize their findings more broadly.	industrial cluster development in Sialkot.
Lund-Thomsen (2013)	Labor agency in Sialkot is highly gendered and tends to be more constrained than facilitated by the governance of global production networks and the local socio-economic and labor market context in Sialkot.	The study of labor agency in Sialkot was based on a limited number of qualitative interviews with workers. No quantitative survey was undertaken of work conditions and labor agency to allow the author to generalize the findings to all football stitchers employed in Sialkot's football industry	It does not look at the role of donor agencies in promoting CSR in the Sialkot cluster.
Scamardella (2015)	In considering the Atlanta agreement as an example of legal pluralism (neither hard nor soft law), the author argues that if legal pluralism is to be more efficient than hard law, it must overcome two potential problems: (lack of) democratic participation and the risk of imperialism.	The study was based on a review of secondary literature about the Atlanta Agreement and its implementation in Sialkot. No primary data appears to have been collected for the study.	Donor funding is a not a key subject of debate in this article.
Lund-Thomsen and	Using the case of Nike in Sialkot, the authors argue that	The study is based on a limited number	It does not contain any discussion of the role of

Coe (2015)	the CSR policies of global retailers can create enhanced space for labor agency in global production networks. However, the possibilities for such labor agency to be exercised are also shaped by national actors and regulatory frameworks.	of qualitative interviews with workers. No quantitative survey was undertaken of work conditions and labor agency that would have allowed the authors to generalize the findings to all workers employed in Nike's production network in Sialkot.	donor funding agencies in promoting CSR in the Sialkot football manufacturing industry.
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CONCLUSION

This PhD thesis is an outcome of the author's own reflections and efforts to come to terms with his experience working as the National Project Coordinator of the Industrial Cluster Development Program of an international donor agency in Pakistan, the IDA, for more than 8 years between 2001 and 2009. Thus, the author sought to answer two interrelated questions in this thesis:

- a) How did the IDA interventions affect SME networks in the Lahore garments and Sialkot football clusters in Pakistan?
- b) Why did the IDA-supported SME networks in these clusters continue or discontinue after the IDA withdrew from both clusters?

Empirical Contributions of the Thesis

In this thesis, it was argued that a very limited number of empirical studies had addressed the subject of private sector development aid in industrial clusters in developing countries. In particular, very few studies had aimed at studying the sustainability of donor-financed interventions in industrial clusters in the Global South. The author did identify some studies such as the Lund-Thomsen and Nadvi (2009) study of donor supported cluster development programs in the Sialkot and Jalandhar football manufacturing clusters in Pakistan and India. At the same time, other studies such as Jamali et al (2015) had looked at the implications of donor support to CSR upgrading within the Jalandhar football manufacturing cluster in India. And very few works had looked at the implications of generic cluster support as in the case of the Ali et al, 2016, study of Ethiopian cluster (Ali *et al.*, 2016).

Two articles in the thesis were then dedicated to extending the very limited existing work on this topic. Both articles – the first on the Lahore garments cluster and the second on the Sialkot football manufacturing cluster – were dedicated to analysing how the IDA's interventions affected the long-term sustainability of SME networks present in both clusters. In the case of the Lahore garments cluster, the IDA supported two networks in the cluster. One was known as the Lahore Garments Consortium and the other was named the Lahore Fashion Apparel Network.

Both IDA financed networks initially seemed to flourish as they engaged in information sharing and joint action initiatives such as the joint procurement of raw materials for their production units. In the final scenario, it turned out however that the Lahore Garments Consortium continued to function long after the IDA had discontinued its support to the cluster whereas the Lahore Fashion Apparel Network was terminated after a very brief period in existence.

The article argued that a number of interrelated factors could explain these divergent outcomes of donor support to two SME networks operating in the same cluster. In the case of the Lahore Garments Consortium, the member companies were located in close proximity to one another. The companies also operated in the same or closely related industries. The members appeared to be highly motivated for developing their business, sharing the common experience of being first generation entrepreneurs in their families. In the case of the Lahore Fashion Apparel Network the member firms were not closely co-located, and they were part of family businesses that did not focus exclusively on garments production. When the financial crisis hit in 2008, and when profits were sliding, some of the firms decided to exit the garment industry and instead concentrate their family business in other more profitable business units and markets. As first-generation entrepreneurs exclusively committed to garments production, the members of the Lahore Garments Consortium decided to continue their business in spite of the short-term drop in demand for their products.

The thesis also included a second article about an IDA-financed intervention in the Sialkot football manufacturing cluster. Here the author analysed the IDA's support to an SME network that aimed at upgrading its CSR performance. The CSR SME network was to cooperate in the production and marketing of responsibly produced footballs. However, the project did not receive a lot of direct funding from either the IDA or the Pakistani government. Instead the project relied on in-kind subsidization from a parallel IDA project in India. The intention of the IDA was that the CSR SME network should be co-financed by its members. However, the CSR SME network ceased to operate after only 18 months in existence. Various factors appeared to explain the short-lived nature of the network.

First, the IDA normally argued that such interventions should be supported for a minimum of 3 years before they could realistically be expected to yield any sustained benefits for cluster-based SMEs. In this case however, the IDA did not have sufficient funds to support the network for the recommended minimum period. At the same time, Pakistan was affected by the political turmoil in the country which led to a number of delays in the project. This also led to the cancellation or postponement of the technical visits by IDA staff which might otherwise have facilitated the implementation of the project in Sialkot. Moreover, the involved SMEs in the project did not appear to all be on good terms. In fact, this was a family business network where the senior member of the network had convinced his younger family members to enter the project. However, whereas the senior and the younger entrepreneurs had previously co-managed the same enterprises, it had recently been decided that the younger entrepreneurs should establish their own business ventures. Hence, the IDA project could be seen as an attempt at reuniting a family of SME entrepreneurs that had otherwise decided to split up their business units. Finally, it appeared as if there was a strong level of resistance amongst the members of the SME network to the idea that CSR should be promoted in their network and the Sialkot cluster more broadly. The SME entrepreneurs tended to perceive CSR as a form of economic and cultural imperialism. It was therefore not a welcome topic that could easily be used for generating joint action amongst the network members. The empirical generalizability of these studies are touched upon below under the heading of ‘policy implications’ of the study.

Theoretical Contributions of the Thesis

As argued in chapter 1, the main theoretical contribution of the thesis is related to the ways in which it conceptualizes the links between the private sector development aid and the industrial cluster literatures with a focus on how national business environments affect – in positive or negative ways – donor financed interventions in industrial clusters in developing countries. In particular, the theoretical articulation of how the national business environments of developing countries affect the long-term sustainability of donor-financed interventions in industrial clusters in the Global South is perhaps the unique theoretical selling point of this thesis. As argued in chapter 1, there has been a very limited theoretically informed literature on the evaluation of cluster development programs. However, none of the contributions appear to have dwelled upon the question of how we can theorize the long-term viability of donor-financed interventions in

developing country industrial clusters. From this point of view, particularly the article on the national business environment of Pakistan and donor interventions can be said to extend our existing theoretical understanding of donor support to industrial cluster development in the Global South. Here it was argued that the national business systems approach was useful in relation to articulating how the political, labor and educational as well as financial systems of a given national business environment was likely to affect the sustainability of donor-financed interventions in industrial clusters in the Global South.

The focus on the role of the national business environment in affecting donor-financed interventions in industrial clusters in developing countries also has to be seen in the light that this environment appears to have been undertheorized in both the industrial cluster and private sector development aid literatures up to this point. As the author pointed out in chapter 1, and in the Lahore and Sialkot cluster articles, the potential of industrial clusters to provide both passive and active gains for cluster-based SMEs are well-recognized in the literature on this topic. Similarly, the private sector literature has to some extent disregarded how the diversity of national business environments may affect donor financed interventions in support of private sector development. At least, the author's extensive search of the relevant literature over the last several years does not seem to indicate that any sustained academic effort has gone into theorizing how donor interventions *in industrial clusters* in developing countries may affect SME networking in the long term in local agglomeration economies.

The author has here argued that donor-financed interventions in different developing country clusters are unlikely to be affected by national business environments in exactly the same way. There will always be a host of other influencing factors at the international, meso and micro-levels that are likely to vary over time and across national contexts. Rather it is attention to the interaction between these factors at various scales and the national business environment which will help researchers in articulating how the national business environment is likely to affect the long-term sustainability of donor financed interventions in industrial clusters in developing countries. The analytical implication is that it is not possible to devise one-size-fits-all frameworks that can theorize how national business environments are likely to affect donor interventions in industrial clusters in all developing countries at all times. Instead it may be

possible to use the national business systems approach to articulating the role of the national business environment in conjunction with other explanatory factors at the international, meso, and micro-level of analysis. The author tried to illustrate this in theoretical terms by the co-developing complementary analytical frameworks in the Lahore Garments and the Sialkot football cluster articles.

In the Lahore garments article, at the micro-level, the family-based SME networks are seen as crucial in relation to conceptualizing why individual entrepreneurs (dis)continued donor-financed networks or whether they withdrew from their participation in these networks. At the meso-level, whether SMEs operated in the same or related industries, and whether they were very closely physically co-located was seen to be of vital importance in co-determining the sustainability of donor financed interventions in support of industrial cluster development. However, these factors at the micro and the meso levels of analysis cannot be understood in isolation from broader factors in the national and international business environments. These international and macro-level factors also interact with meso and micro-level factors in affecting the sustainability of donor financed interventions in industrial clusters. In the Lahore garments article, the effects of the 2008 global financial crisis on the Lahore garments cluster producers were thus a case in point.

In the Sialkot article, the author also argued that various factors at the international, macro, meso, and micro-levels could be theorized with a view to explaining the non-sustainability of donor-financed SME networks in industrial clusters in developing countries. At the micro-level, the individual CSR perception of entrepreneurs might be important. At the meso-level, collective action amongst SMEs in industrial clusters themselves could be seen as important in co-determining the sustainability of donor-financed interventions. At the macro-level, the national business environment played a crucial role. And finally at the international level, the political economy of aid was also identified as an important that could co-determine the sustainability of donor-financed interventions in industrial clusters in developing countries.

Future Research Pathways

In this thesis, the author has furthermore been concerned with a relatively focused research agenda. Namely, the sustainability of donor-financed interventions in industrial clusters in the Global South with particular reference to Pakistan. However, as specified in chapter 1, it might also be possible to look at their relevance (in the eyes of local stakeholders), their efficiency (i.e. the relationship between inputs and outputs used for donor financed interventions), their effectiveness (whether donor financed interventions reached their intended objectives), and their impact (do they only have intended or do they also have unintended consequences?). To the best of the author's knowledge there are currently no well-elaborated theoretical frameworks that could help in conceptualizing these dimensions of international donor support to industrial clusters in developing countries. From a pragmatist point of view, it is thus surprising how little we know about what works and what does not work in terms of donor-financed interventions in support of industrial clusters in the Global South.

Another significant question concerns which methodologies to use in assessing the outcomes of donor-financed interventions in developing country industrial clusters. In this thesis, the author has used the case study method as this may be useful in articulating and documenting the influence of national business environments on interventions in particular clusters in the developing world. However, the case study method does of course not necessarily allow us to quantify the outcomes of such interventions in the same way as more longitudinal studies, for instance impact assessments, might have done. That is, studies that looked at the ex-ante, during, and ex-post quantity and nature of the interactions and linkages amongst SME entrepreneurs in industrial clusters in developing countries. Clearly, a more quantitative approach to measuring the effects of donor-financed interventions on SME networking in industrial clusters might be useful to having a broader overview of their effects. And such methodologies could also be used across a larger number of industrial clusters in developing countries. The downside to such quantitative impact assessment methods would clearly be the time and resources necessary to gather the required information. And perhaps also the extractive nature of such exercises where the benefits of large-scale information gathering exercises may not be perceived as particularly relevant by the SME entrepreneurs that are likely to be the intended beneficiaries of donor financed interventions. Nevertheless, the author does believe that a combination of more

rigorous, quantitative type impact assessments combined with more qualitative case studies would be an excellent means to obtain greater insights into the effects of donor-financed interventions in the industrial clusters of developing countries.

In empirical terms, our knowledge base to date is very limited when it comes to studies undertaken of the effects of donor interventions in local agglomeration economies in the Global South. This thesis has contributed some interesting insights from the particular context of Pakistan. However, as has also been argued in the thesis, national business environments are not identical across the developing world, and the ways in which these business environments interact with international, meso, and micro-level factors in shaping donor interventions are also likely to vary across the Global South. A key objective of future empirical research in this area would therefore simply be to expand the geographical scope of such studies across Latin America, Asia, and Africa. At the moment, our empirical evidence is simply too thin to make firm conclusions about the potential and limitations of donor funded interventions in industrial clusters in the Global South. Moreover, it appears as if there might also be significant scope for comparing and contrasting different donor approaches to extending such support. In the case of the IDA, the agency appears to rely very much on the use of cluster development agents (or rather change agents) in the field which can help SMEs in increasing their networking activities. However, other agencies, such as the Interamerican Development Bank, tend to employ other intervention methodologies. Hence, comparing and contrasting the use of such methods across different geographical contexts may be particularly helpful as part of future empirical studies in this area of research.

Policy Implications

Readers of the thesis might ask themselves whether the analytical frameworks or empirical findings generated through this thesis can usefully be generalized beyond the context of this particular study? As argued in the introduction, it makes sense to distinguish between analytical generalization and empirical generalization. The author has suggested that the national business system approach is helpful in relation to the articulating the role of national business environments in supporting and/or undermining donor interventions in support of industrial cluster development. Hence, the categories of political, labor and educational, financial, and

cultural aspects of the business system can be employed across country contexts. In fact, they may be helpful in undertaking comparative analyses of donor-financed interventions. However, the accompanying international-level, meso-, and micro-level factors will, as argued above, then have to be specified in the analysis. In terms of empirical generalization, the author does not believe that the exact identical findings will be possible to replicate in other national business environments where donor-financed interventions are taking place in industrial clusters. However, some of the factors identified in this study as being important for the sustainability of donor-financed interventions in industrial cluster in developing countries may well be found in other national business environments. We touch upon some of these below including the ways of which it is possible to think through these factors.

The author of the thesis has suggested that the use of multi-scalar analysis may be particularly useful, both in relation to theorizing and empirically investigating the sustainability of donor-financed interventions in support of SME cluster development. However, from a policy perspective, multi-scalar analysis is also helpful, because it may improve the design of such interventions. In other words, it is necessary to think through how global, national, industry, and local level factors influence the sustainability of donor financed interventions. At the moment, the sustainability aspect of such interventions is typically something that needs to be argued in funding applications. Or it is something that has to be documented in end-of-project reports. However, what comes in-between, or rather, what brings about or undermines the sustainability of donor financed interventions in support of industrial cluster development is rarely, if ever theorized in the literature on private sector development aid and industrial clusters. Or in the words of donor agencies, there is a lack of good theories of change that help explain what the factors leading to or undermining the sustainability of donor interventions in this policy area.

At the micro-level, the thesis has also pointed out that ensuring that SMEs have operate in the same or related markets/industries, that they are geographically closely co-located, and that they are led by entrepreneurs with a largely similar profile could be important factors in securing the long-term sustainability of donor-financed SME networks. Or at least, it would appear that such factors facilitate joint action amongst cluster-based SME entrepreneurs. At the same time, it is also important to pay attention to not only SME network characteristics, but also to SME

network dynamics. As the Sialkot article argued, it may not always hold true that SMEs benefit from engaging in collective action. In fact, internal dynamics and conflicts of interests may easily create disincentives for SME network members to engage in such forms of action. Particularly, if SME network members hold a negative view of the subject-issue (such as CSR in Sialkot) that they are supposed to be networking around. Clearly, if there is little internal will or interest in the subject at hand, the author would – in hindsight – have recommended that it might not be advisable to have undertaken the project at all. Ownership amongst local SME network members continues to be of vital importance in securing the success of their networking activities.

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Appendix – 2: Co-Author Statement

Co-author statement

Title of paper	Industrial clusters and CSR in developing countries: The role of international donor funding
Journal and date (if published)	Submission BUSI-D-15-01677 - accepted for publication in Journal of Business Ethics on November 2, 2015

1. Formulation/identification of the scientific problem to be investigated and its operationalization into an appropriate set of research questions to be answered through empirical research and/or conceptual development

This article contributes to literature on corporate social responsibility (CSR) exhibited by industrial clusters in developing countries. The authors conceptualize and empirically investigate the role of donor-funded CSR initiatives aimed at promoting collective action by cluster-based small and medium-sized enterprises (SMEs). A case study of the Sialkot football-manufacturing cluster in Pakistan indicates that donor-funded support of CSR initiatives in industrial clusters in developing countries may be short-lived, due to the political economy of aid, the national context of CSR implementation, tensions within SME networks, and negative perceptions of CSR by the cluster-based SMEs themselves. The findings and implications of this analysis can inform both research and policy making in this area.

2. Planning of the research, including selection of methods and method development

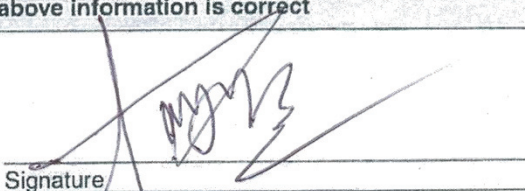
Planning of the research was done by the PhD student, Anjum Fayyaz with the help of his supervisor, Peter Lund-Thomsen. Even the selection of methods and method development was done with the help of his supervisor.

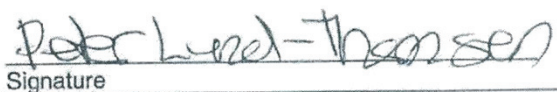
3. Involvement in data collection and data analysis

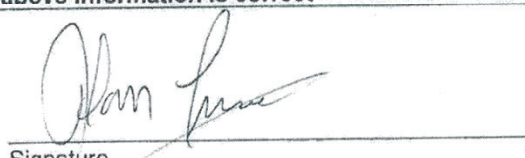
Theme-based interview guide was developed by the PhD student, Anjum Fayyaz in consultation with his supervisor, Peter Lund-Thomsen whereas data was collected and analyzed by the PhD student.

4. Presentation, interpretation and discussion of the analysis in the form of an article or manuscript

PhD student, Anjum Fayyaz, his supervisor, Peter Lund-Thomsen and Adam Lindgreen helped in converting the PhD thesis chapter into an article in order to present this article in the Journal of Business Ethics. They also helped in interpreting and discussing the analysis of this article.

1. Co-author (PhD student)	ANJUM FAYYAZ
I hereby declare that the above information is correct	
November 1, 2015 Date	 Signature

2. Co-author	PETER LUND-THOMSEN
I hereby declare that the above information is correct	
November 1, 2015 Date	 Signature

3. Co-author	ADAM LINDGREEN
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November 1, 2015 Date	 Signature

Appendix – 3: Co-Author Statement

Co-author statement

Title of paper	The Effects of Development Aid Interventions on SME Networking in the Lahore Garments Cluster in Pakistan
Journal and date (if published)	Not published

1. Formulation/identification of the scientific problem to be investigated and its operationalization into an appropriate set of research questions to be answered through empirical research and/or conceptual development

This article seeks to contribute to the debate on the effects of private sector development aid by investigating the sustainability of donor-financed SME networks in a developing country context, namely Pakistan. The article develops an analytical framework that sets out to explain the sustainability of such networks with reference to the literatures on private sector development aid, industrial clusters, and family business networks. This analytical framework is applied to the empirical analysis of two donor-financed SME networks in the Lahore Garments cluster of Pakistan. We argue that the framework is helpful in relation to partly explaining why one SME network was sustained beyond the expiry of donor funding while the other was terminated. However, our empirical analysis also leads us to revise our analytical framework to account for the influence of international and national business environments on the sustainability of such donor-financed interventions. The conclusion highlights the importance of multi-scalar analysis for future research and policy in the area of donor-financing to industrial clusters in developing countries.

2. Planning of the research, including selection of methods and method development

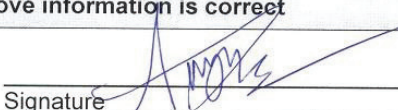
Planning of the research was done by the PhD student, Anjum Fayyaz with the help of his supervisor, Peter Lund-Thomsen. Even the selection of methods and method development was done with the help of his supervisor.

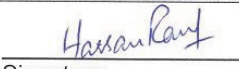
3. Involvement in data collection and data analysis

Theme-based interview guide was developed by the PhD student, Anjum Fayyaz in consultation with his supervisor, Peter Lund-Thomsen whereas data was collected and analyzed by the PhD student.

4. Presentation, interpretation and discussion of the analysis in the form of an article or manuscript

Presentation of the thesis was done by the PhD student, Anjum Fayyaz, whereas Hassan Rauf, Assistant Professor, Suleman Dawood School of Business, Lahore University of Management Sciences (LUMS) helped in interpreting and discussing the analysis of this article.

1. Co-author (PhD student)	ANJUM FAYYAZ
I hereby declare that the above information is correct	
October 26, 2016 Date	 Signature

2. Co-author	HASSAN RAUF
I hereby declare that the above information is correct	
October 26, 2016 Date	 Signature

TITLER I PH.D.SERIEN:

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