

Institutional Governance Tensions Within Global Value Chains: The Study of The Vietnam Textile and Garment Industry

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Abstract

Global value chain (GVC) analysis serves an important role in the global economy and development. Whereas research on governance is well documented in GVC research, only recently has the institutional context emerged as a new dimension of GVC analysis. This thesis integrates critical frameworks of governance, including the five types of governance of Gereffi et al. (2005) and institutional change theory with the four mechanisms of Beckert (2010), to develop further analysis of GVCs. These frameworks are fundamental for exploring the nature of problematic issues, such as tensions, in re-shaping GVC structures. The research employs method triangulation in both data collection (semi-structured interviews, observations and documents) and analysis (thematic analysis, discursive devices and institutional logics) to achieve the research objective of solving the institutional governance tensions within GVCs in the research setting of the Vietnam Textile and Garment Industry. The findings show that tensions stem mainly from two resources, symmetrical power and new circumstances. Although tension is often neglected or considered a negative factor in management, it can motivate creative responses and effectively serve as a motivational factor. In any form, the influence of tension on GVC structures occurs in both convergent and divergent trends but creates a new balance of power between actors in the chain.

TO MY PARENTS AND MY LITTLE ANGLE

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List of Abbreviations

VTGI	Vietnam Textile and Garment Industry
WTO	World Trade Organization
GVCs	Global Value Chains
T&G	Textile and Garment
ILO	International Labour Organization
OECD	The Organization of Economic Co-operation Development
UNIDO	The United Nations Industrial Development Organization
VCCI	Vietnam Chamber of Commerce and Industry
IDRC	International Development Research Centre
ETI	Ethical Trading Initiative
UNDP	United Nations Development Programme
MOLISA	Ministry of Labour, Invalids and Social Affairs
VITAS	Vietnam Textile and Garment Association
VCOSA	Vietnam Cotton and Spinning Association
MOIT	Ministry of Industry and Trade
TNCs	Trans-National Companies
FDI	Foreign Direct Investment
EVPTA	EU-Vietnam Free Trade Agreement
ITAs	International Trade Agreements
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
TPP	The Trans Pacific Partnership
MFA	The Multi Fibre Arrangement
ATC	The Agreement on Textile and Clothing
NGOs	Non-government Organisations
CSR	Corporate Social Responsibility
NAFTA	North American Free Trade Agreement
NICs	Newly Industrialised Countries
OEM	Original Equipment Manufacturer
OBM	Original Brand Manufacturing
CMT	Cut Make Trim
FTA	Free Trade Agreement
FOB	Free on Board
IDS	The Institute of Development Studies
WB	The World Bank
GCCs	Global Commodity Chains
GPNs	Global Production Chains
SASL	Scholars Against Sweatshop Labour
ACITT	The Academic Consortium In Institutional Trade

Chapter 1: Overview of Research Study

1.1. Background to the research

Global value chains (GVCs) have spawned important research clusters from East to West because of their crucial role in economic development (Coe et al., 2004; Humphrey and Schmitz, 2000; Barrientos et al., 2015; Gibbon et al., 2008; Sturgeon, 2013; Gereffi and Frederick, 2010a). This thesis focuses on global value chains (hereafter referred to as GVCs). The importance of GVCs is well documented in recent research and in reports issued by many organisations, such as the International Labour Organisation (ILO), the United Nations Development Programme (UNDP), the International Development Research Centre (IDRC), the World Bank (WB), the Institute of Development Studies (IDS) and the United Nations Industrial Development Organisation (UNIDO). In such research, governance is highlighted as the centre of GVC studies (Humphrey and Schmitz, 2001). The importance of GVCs has also been underlined in the academic literature, reflected in the publication of several special journal issues on the subject (see, for example, *Geoforum*, *Regional Studies*, *Global Networks*, *World Development* and the *Journal of Economic Geography*). Indeed, some would argue that studying GVCs is the only way to completely discover the attribution and features as well as the role of modern production fragmentation and trade in global development (Amador and di Mauro, 2015).

The transformation of value chains in the twentieth century has involved shifting from a country-level or regional activity to a globally scaled production activity (Azmeah and Nadvi, 2014; Humphrey and Schmitz, 2002; Bamber et al., 2014; Sturgeon et al., 2008; Barrientos et al., 2015). A significant driver of GVCs has been the linking and coordinating of manufactured components production in developing countries by Trans-National Corporations (TNCs) and retailers or brand owners (Bamber et al., 2014; Gereffi, 2005; Gereffi, 1995; Gereffi and Frederick, 2010a; Gereffi and Memedovic, 2003; Coe et al., 2008a; Humphrey and Schmitz, 2002). However, a question remains regarding how developing and low-income countries can gainfully participate in the global economy. Addressing this issue therefore requires an appreciation of how the GVC framework enables exploration of the organisation, structure and dynamics of global industries as well as the full range of actors involved in individual industries.

Theoretically, the concept of a GVC has increasingly drawn attention in the literature over the past twenty years or so, but particularly since the seminal work of Gereffi and colleagues (e.g. Gereffi, 1994; 1995; 2001b; Gereffi and Memedovic, 2003; Gereffi et al., 2005; Cattaneo et al., 2010; Bamber et al., 2014). GVC research has been diverse, carried out in a range of sectors including such commodities as apparel (e.g. Gereffi and Memedovic, 2003; Fernandez-Stark et al., 2011; Bair and Gereffi, 2003; Collins, 2009; Gereffi and Frederick, 2010a), electronics (e.g. Sturgeon et al., 2008; Rasheed and Geiger, 2001), agricultural products (e.g. Kaplinsky, 2006; Barrientos et al., 2003; Fearne and Ray, 2007) and even tourism (e.g. Wynne et al., 2001; Christian et al., 2011) and other services (e.g. Gereffi and Fernandez-Stark, 2010; Buttle, 2001). Some of this

research has explored the implications of GVCs for global trade, production and employment, especially in regard to how firms, producers and workers in developing countries are integrated into GVCs. The findings from such this research activity suggest that inclusion in a GVC is vital to industrial and consumer market development. Value chain research has also described GVC processes and examined how they work in reality, depicting a range of management implications, the associated advantages and disadvantages, and also economic and social implications (Nadvi, 2008; Azmeh and Nadvi, 2014; Barrientos et al., 2011; Bair, 2008; Abdulsamad et al., 2015). Most of those studying GVCs assume that they create surplus value which in turn helps low-income countries to build capabilities, generate more jobs and reduce unemployment and poverty (Coe et al., 2004; Navas-Alemán, 2011; Bair and Gereffi, 2003).

This long-standing assumption is reflected in GVC analysis examining the specific ‘upgrading’ practices associated with job descriptions, technologies, standards, regulations, products, processes, and markets in specific industries and locations (Barrientos et al., 2015; Bair and Gereffi, 2003; Giuliani et al., 2005; Gibbon, 2001b; Humphrey and Schmitz, 2000). Notwithstanding this much-acclaimed positive GVC ‘up-grading’ activity, there remain several key challenges regarding the nature of GVC governance and the complexity of integration of the various actors in global production networks (GPNs) (Andonova, 2005; Dolan and Humphrey, 2004; Nadvi, 2008; Gilliland et al., 2010; Ponte and Gibbon, 2005).

The term ‘governance’ refers explicitly here to the way a GVC is controlled and coordinated by many actors and considered as the central research in this field (Gereffi,

1995; Blyde, 2014; Dolan and Humphrey, 2004; Landell-Mills and Serageldin, 1991; Palpacuer, 2010; Neilson and Pritchard, 2011). GVC governance can vary depending on a number of boundary conditions, including whether some actors along a value chain have more power than others, the nature of the institutional context, how local, national and international requirements and policies shape globalisation, and the actual degree of a value chain's institutional maturity and stage of development (Gereffi, 1995; Neilson and Pritchard, 2011; Mayer and Gereffi, 2010; Nadvi, 2008). The institutional context has then emerged and is separated as one of the fundamental dimensions of GVCs analysis, notwithstanding that it has been under-theorised and under-studied (Gereffi, 1995; Gereffi, 1999; Humphrey and Schmitz, 2002; Gereffi and Fernandez-Stark, 2011; Neilson and Pritchard, 2011).

Most studies exploring the role of governance point to an 'uneven power context' (Bair and Gereffi, 2003; Gereffi et al., 2002; Taylor, 2011; Tokatli, 2006; Gereffi, 1994; Gereffi, 2001a; Altenburg, 2006; Ahmed et al., 2014; Humphrey and Schmitz, 2001; Palmer and O'Kane, 2007). Power asymmetries maybe a core reason for the generation of tension between actors within GVCs, however, such tension is not always obvious or visible in practice. In fact, many studies have drawn attention to ways tension is avoided, under-rated and considered a negative factor in operations (Fabian, 2000; Chen et al., 2007; Busco et al., 2008). Very little GVC research has explored how tension affects governance processes, particularly in relation to the way it implicates and impacts the practice of compliance. In this context, the overall aim of this study is therefore to explore the various institutional actors in the Vietnam textile and garment industry

(VTGI) and to understand how governance institutions generate tensions in associated GVCs.

1.2. Research problem and objectives

GVCs can be operated horizontally or vertically, and can follow any of the many governance models such as hierarchy, captive, rational modular, and market (Gereffi et al., 2005). These variations make the issue of GVC governance institutionally complex. Thus firms face the challenge of organising and governing their GVCs more effectively and efficiently. Value chain governance complexity is both market driven and driving markets (Jaworski et al., 2000; Gereffi, 2001a). However, the associated governance structures do not remain constant, as the governance patterns of a particular industry can evolve and transform from one to another at succeeding stages of production, and can even vary along a chain (Gereffi, 2001b; Ahmed et al., 2014; Dolan and Humphrey, 2004; Altenburg, 2006). The GVC governance question is therefore a messy research problem.

Notwithstanding this difficulty, the character of linkages between actors along a GVC and the associated processes remain important phenomena in GVC studies. Power is a centrepiece of governance research, and is considered the key determinant of the type of governance that a firm pursues (Gereffi et al., 2005). Since GVCs are significantly influenced by the policy environment, institutional actors can actively contribute to re-shaping processes of value-added and geographic production. Although studies of value chain governance have explored the characteristics of relationships between different

stakeholders and the structure of a chain, there is limited research on issues involving tension produced by institutional actors, particularly associated with interactions between GVC actors with unequal power and (non-) compliance in developing countries. Accordingly, this study is framed by the following four objectives.

Objective 1: To explore the institutional conditions governing the diffusion of compliant and non-compliant practices along the value chains of the Vietnam textile and garments industry.

Several sub-questions follow from this objective: What is the nature of governance in the diffusion of a value chain? What shapes and influences governance practices in relation to that diffusion and instituting compliance? What are emerging issues in governing value chains of the VTGI?

Objective 2: To explore institutional actors who govern compliance in GVCs.

Sub-questions following from this objective include: Who are institutional actors in governing GVCs? How can they impact to GVC structures? How are institutional actor's positions in systems of governance?

Objective 3: To explore how institutional tension emerges in GVC governance.

Sub-questions following from this objective include: What generates tension in governing GVCs? What are the driving forces and trends in tension between institutional actors?

Objective 4: To explore the nature of institutional tension in value chain governance.

Sub-questions following from this objective include: What is the nature of the tension that arises in governance practice? How do institutional actors recognise, respond to, control and utilise such tension as a motive force in value chain governance? How do institutional actors change under the pressure of tension, convergence or divergence?

The aforementioned research issues inform the study's data collection and analysis with the goal of bridging the research gap regarding tension between actors in GVCs.

1.3. Rationale and justification for the study

The findings from this research will add to existing theoretical knowledge pertaining to value chain governance, and it will also contribute practical implications for management in day-to-day operations. The rationale and justification for the focus and direction of this study falls under the following headings.

1.3.1. Increased importance of global value chains

Over the last several decades or so, research on GVCs has represented a range of multi-disciplinary perspectives, including business, management, economics, development, geography and international policy. Initially, the topic of value chains was related to the work of Michael Porter and the imperative to increase competitiveness (Porter, 1985). In the early 2000s, value chains became considerably more widely distributed and global in nature (Amador and di Mauro, 2015). The idea of value-added processes in a product-centric approach has acted as a catalyst for the participation of manufacturers from many

countries and regions. This has been significant in reshaping the global economy and the world supply base. Consequently, GVCs are increasingly important to a wide range of research, both theoretically and practically (Gereffi et al., 2005; Barrientos et al., 2015; Neilson and Pritchard, 2011; Abdulsamad et al., 2015).

The imperative of competition has seen GVCs being harnessed and in particular operations have been outsourced quite significantly in some sectors, such as apparel, footwear, electronics, automobiles, agricultural products, tourism and business services (Azmeah and Nadvi, 2014; Bamber et al., 2014; Amador and di Mauro, 2015; Elms and Low, 2013; Hamilton et al., 2011; Christian et al., 2011; Cucciella et al., 2012).

Evidently, GVCs create opportunities for developing countries to join global production networks and benefit development. However, developing countries lack the experience, institutional awareness and capital to capture such benefits (Abdulsamad et al., 2015).

In practice, studies undertaken by international organisations such as the World Trade Organization (WTO), the Organization of Economic Co-operation Development (OECD) and the United Nations Development Programme (UNDP) have called for more research on GVCs, especially with regard to their role in driving growth and increasing productivity across economies. This economic-driven argument is also evident in the academic literature – the effects of globalisation on productivity are due to the efficiency-enhancing effects of international competition, access to foreign knowledge and technology, scope for specialisation, and economies of scale (Buckley, 2009; Coe et al., 2004; Gereffi, 2005; Gereffi, 1995). However, the positive benefits of GVCs on employment are not as evident as the improved productivity they generate. Although we

find many studies on links between globalisation and employment, the results are relatively limited. An OECD (2013) report found that there was no systematic association between cross-country differences in international trade and unemployment rates, but the sample composition may have been affected by the movement and new challenges in an interconnected world. Benefits of GVCs for labour conditions are therefore still in question, especially regarding the centrality of compliance to effective GVC systems of governance.

Overall, the GVC framework and analysis become more and more important for understanding how global industries are organised, as researchers examine the structure and dynamics of the actors involved in a given industry at multiple levels of management, with both microeconomic and macroeconomic implications.

1.3.2. Importance of governance and institutional context in global value chain research

Governance plays a crucial role in GVC analysis because it helps when explaining the generation, transfer and diffusion of knowledge leading to innovation, which enables firms to improve performance and sustain competitive advantage (Humphrey and Schmitz, 2001). Based on governance structures government actors, donors, and other practitioners can obtain information and assist companies in upgrading their positions along the value chain (Humphrey and Schmitz, 2000). Governance processes also reveal market opportunities and improve labour conditions and environmental standards (Meyer-Stamer, 2004; Bartley and Smith, 2008; Hamilton et al., 2011). As a result, GVC

research has over the last decade been focused sharply on governance, which reflects the interest of many authors, including Gereffi, Sturgeon, Humphrey, Coe, and Gibbon, in sustainable development.

However, the governance approach is unable to clearly answer the complex questions about why and how particular industries come to be located in specific places or how the world production map alters over time (Meyer-Stamer, 2004). Therefore, institutional analysis of GVCs has become as important a research dimension as governance. Many researchers emphasise that institutional context plays a critical role in shaping GVCs. Institutional context reveals the rules, norms and behavioural vehicles that form the very essence of how production systems are organised. From an institutional perspective, social relations are essential to economic activities (DiMaggio and Powell, 1991; Tracey et al., 2011). An institutional perspective considers the progress, conduct, and outcomes of value chains in correlation with history, culture and geography (Coe et al., 2008a). Consequently, the institutional framework helps to explain economic change in the social and geographical domains.

Much recent research argues that governance and institutional context coexist in GVCs and have therefore incorporated the latter in GVC analysis (Coe et al., 2008a; Humphrey and Schmitz, 2002; Neilson and Pritchard, 2011). Neilson and Pritchard (2011: p.9) determine that ‘systems of value chain governance intermesh with the institutional life of territorially embedded production arrangements; institutions shape governance forms and governance is enacted through institutions’. There are three layers of the institutional context for GVCs: i) international trade policies, for example, the Multi

Fabric Arrangement (MFA), the Agreement on Textiles and Clothing (ATC), the North American Free Trade Agreement (NAFTA), the Trans-Pacific Partnership (TPP); ii) national policies, such as, wages and salaries, labour visas, investment and capital; iii) organisational policies, including internal organisation regulations, rules, working disciplines and standards. Such rules and regulations powerfully influence GVC actors and govern value chains from distinct perspectives and in turn actors can influence and reform these conditions (Jackson, 2010; Battilana et al., 2009; Meyer, 2010). Although institutional actors play a vital role in GVCs, the related research is limited.

Relationships between multi-institutional actors, in particular between non-firm institutions (e.g. government, associations, NGOs and communities) and firms (manufacturers, suppliers, vendors, retailers/brand owners) are neglected in GVC analysis (Bair, 2005; Neilson and Pritchard, 2011; McCarty, 2001; Wells, 2007).

According to institutional theory, tension naturally occurs between institutional actors in term of movements and changes (Oliver, 1992; North, 1990; Neilson and Pritchard, 2011; Mahoney and Thelen, 2010). As a result, this study focuses on the tension that arises in interactions and relationships between institutional actors in GVCs in terms of complying with regulations, and upgrading and changing practices under pressure, which is an under-researched area.

1.3.3. Tension-related issues in value chain governance

For the most part, GVC research has investigated production systems in terms of the growing importance of standards and (non-) compliance in the global economy (Gereffi, 2001b; Gereffi and Mayer, 2004; Gereffi et al., 2005; Lund-Thomsen and Nadvi, 2010a;

Ruwanpura and Wrigley, 2011; Moazzem, 2015). The scale, power and growth of the globalisation of value chains have also attracted research interest (Biersteker, 1998; Coe et al., 2004; Gereffi, 2005; Humphrey and Schmitz, 2000; Bair and Gereffi, 2003; Ponte and Gibbon, 2005). Both of these streams of research highlight issues related to tension between GVC actors concerning (non-) compliance and power dynamics. Tension in GVCs has been mentioned in several studies due to the unequal power and capabilities of relevant actors (Tokatli, 2006; Gereffi et al., 2002; Taylor, 2011) and the rise of ethical issues in value chain governance (Robinson, 2010b; Barrientos and Smith, 2007; Lund-Thomsen and Lindgreen, 2014). However, there is no research focusing on such emerging problematic issues in governance and institutional context regarding GVCs, in particular tensions between complex elements for achieving better performance in governing value chains such as labour exploitation, brand reputation, high returns and competitive input costs especially in today's rapidly changing environment. Tension has been recognised in cases of conflict of interest, reputational damage and disaster management (Winn et al., 2008; Chen et al., 2007), but without overall assessment in a global framework of possible determinants or drivers of governance levels.

In spite of the overwhelming interest in GVC governance we have seen in the last decade, academics remain surprisingly uninterested in exploring the actual layers of GVC tension. Dodd and Favaro (2006) note that most companies struggle to succeed in managing tension. Tension is often neglected or unacknowledged because of its invisible, ambiguous or hidden effects (Busco et al., 2008; Cunha, 2005; Ewing, 1964). It is considered a less efficient or negative factor in GVC structure, in both economic

and political terms (Reardon and Hopkins, 2006; Dicken, 1994). Although tension is not a new concept in management studies (Dodd and Favaro, 2006; Autio, 2005; Chen et al., 2007; Mudambi and Swift, 2009; Smith et al., 2010; Winn et al., 2008; Cunha, 2005), specific GVC issues arise from pressures applied by the various vested interests on institutional actors and in the stress of ‘up-grading’ governance, for example through compliance standardisation programmes (Jiang and Milberg, 2013). As tension in GVCs (e.g. the race to the bottom, standards control, employment and labour conditions, corporate social responsibility, switching behavior, the continuously change of national policies or the increase of international co-operation and co-ordination through the international trade agreements and partnerships) grows in importance, detailed research on the subject is needed to understand its nature and to recommend better practices in GVC governance.

1.4. Methodology

This section provides an overview of the study’s research methodology, which is described more thoroughly in Chapter 4. To address the research problem and answer the research questions, qualitative study was adopted with triangulation. Three methods are conducted for collecting data including 1) semi-structured in-depth interviews, 2) documentary analysis of internal and unpublicised reports, and 3) observations in industrial events such as fair, seminar, workshops, and meetings. Data sources mainly comprise sets of face-to-face interviews with multi-institutional actors in the case of the VTGI. Besides, documents (e.g. technical reports, internal organisation presentations, organisational meeting reports and so on) and observation diaries are complemented data

collection and are used to support and clarify respondents' statements and are considered in conjunction with interview transcripts in the analysis process. This study used the pyramiding method in sampling, which is based on a snowball approach to selecting interviewees, to recruit respondents. The fieldwork began by contacting a major industrial information gatekeeper in Vietnam – the VCCI (the Vietnam Chamber of Commerce and Industry). The researcher conducted interviews with 82 respondents from 36 firms, organisations and institutional bodies in the two largest production areas in Vietnam: Hanoi – the capital – and Ho Chi Minh City – the biggest city – in three months from September to November 2013. During the fieldwork period, the researcher also attended 9 different industry events, including workshops, meetings and seminars and observations, both during events and visiting factories, were recorded in diary notes. The data was, then, analysed by three methods, as follows: i) thematic analysis (Fereday and Muir-Cochrane, 2006), ii) discursive devices (Mueller and Whittle, 2011), and iii) institutional logics (Tracey et al., 2011; Thornton and Ocasio, 2008). The analysis circle is conducted separately as individual data sets of each single respondent and collective data sets of institutional actors that allowed the researcher to explore the various layers of tension and its effects on GVCs as well as to study the complexity of governance structures in practice and agents driving change in GVCs. The method of triangulation was adopted, in both sample selection and the analysis process, to minimise bias in interpreting findings due to multiple data resources as well as to increase validity of the research (Jonsen and Jehn, 2009; Golafshani, 2003).

1.5. Scope of the study

This research has three main delimitations in scope that restrict the findings: the concept of tension, research subjects (institutional actors in GVCs), and research methodologies.

1.5.1. The concept of tension

The complexity of GVCs, in which many actors contribute to global production and marketing, challenges anyone attempting to define tension (Busco et al., 2008; Winn et al., 2008). Since no original definition of tension arises in governing networks such as value chains exists, it is difficult to capture and assess its influence. Such tension is often considered a negative factor; as a result, it relates to challenges, abeyance and obstacles. Notwithstanding these difficulties, this study examines tension from the perspective of both motivating and demotivating effects. The conception of tension adopted in this research has three sources: i) institutional theory ii) sociology, and iii) organisational management. In institutional theory, tension occurs between integrity and responsiveness in the context of a changing environment (Hoffman, 2001) in which new problems, new forces, and new demands and expectations are generated (Dacin et al., 2002; Mahoney and Thelen, 2010). In a social system, tension management is one of four types of functional requirements for maintenance and it correlates to the stability of values and institutionalised systems (Parsons, 2013). In sociology, there is much concern about the relationship between tension and change (van der Velden and Jaffee, 2001). For example, in organisational management, three sources of tension are defined: i) profitability versus growth; ii) short-term versus long-term factors; and iii) the whole

organisation versus the parts (Dodd and Favaro, 2006). Therefore, when conducting the fieldwork, tension issues are hidden in questions concerning problems, challenges, or difficulties instead and sometimes in the thesis tension is mentioned as problematic issues or implicit issues. Finally, adopted from both management and institutional change theories, the concept of tension applied in this study reflects the gap in benefits, interests and objectives that can open between institutional actors in processes governing GVCs.

1.5.2. Research subject: Relationships between institutional actors in global value chains

Institutional context is one of the most significant dimensions in GVC research (Gereffi and Fernandez-Stark, 2011; Frederick, 2014; Neilson and Pritchard, 2011). Most of this research focuses on analysing change in the institutional context, in particular policies and international conventions, and assessing its effects on GVCs (for example, Bair and Gereffi, 2002; Mayer and Gereffi, 2010; Amador and di Mauro, 2015; Wells, 2007), whereas relationships between institutional actors in relation to the development of GVCs has received little attention.

Institutions are known as ‘systems of established and prevalent social rules that structure social interactions’ (Hodgson, 2006: p.2) that comprise the law, regulatory systems, firms, and other organisations (North, 1990). This definition implies that institutional actors in GVCs include more than actors involved directly in a given firm, such as materials suppliers, logistics service suppliers, agencies, producers, buyers and retailers

as well as government agencies, communities, civic associations and even other less organised actors such as citizens or customers. Institutional actors can be categorised in two ways, either simply as firm and non-firm institutions or as organised actor (institutional or organisational entrepreneurs) and unorganised actors (individuals) (Aoki, 2001; Jackson, 2010; Mahoney and Thelen, 2010; Furusten, 2013).

Many researchers have studied organised institutions, which are most well known as institutional entrepreneurs (DiMaggio, 1988; DiMaggio and Powell, 1991). Many believe that the idea of institutional entrepreneurship contributes primarily to new institutional theory (Garud et al., 2007; Levy and Scully, 2007; Battilana et al., 2009; Maguire et al., 2004; Beckert, 2010; Jackson, 2010). This highlights a surge of corresponding interest in the ways actors approach and achieve their strategic objectives (Garud et al., 2007; Doh and Teege, 2002; Heery and Frege, 2006). According to Ansari and Phillips (2011), institutional entrepreneurs are purposeful actors such as government agencies, professional and trade associations, and special interest groups, and most related research focuses on their role in operations as well as in change or transformation (DiMaggio and Powell, 1983; Bush, 1987; Scott, 2001). When addressing the role of organised institutional actors in institutional change and the resulting tension, such research adopts these actors as units of analysis. However, the effects of other actors (individuals) are also considered and reflected in those units.

Only a few researchers have explored the role of unorganised groups or individuals (Ansari and Phillips, 2011; Furusten, 2013; Aoki, 2001). These researchers primarily highlight the mobilisation of social groups, which means groups with common interests

or communities, as Cova and White (2010) show how such communities can co-create value. Actors they identify as ‘resource and product consumers’ constitute a ‘market’ and as such a market is a ‘contested and socially produced’ and ‘central institution’ to which the marketing literature has paid little attention (Ansari and Phillips, 2011; Cova and White, 2010). Although customers are considered as unorganised and non-purposeful and they do not participate in institutional entrepreneurs’ projects, consumers may provide the ‘scripts’ for changes in products and services through their everyday activities (Ansari and Phillips, 2011; Doh and Teegen, 2002; Levy and Scully, 2007). Consequently, in this research the ‘market’ cannot be absent from institutional actor cohorts, but it can be studied indirectly by focusing on more organised institutional actors, such as unions and local communities and considering individual actors’ reflections through such organisations.

1.5.3. Methods on research design

The chosen research design includes triangulation through in-depth interviews, observation, and documentary research for data collection and thematic analysis as well as discursive devices and institutional logic in data analysis. In-depth interviews comprise the main research methodology in the study; the research setting that influences data collection as well as the external and internal validity and reliability of the results is that of a case study. The case chosen is that of a single country’s sector; consequently, the macro- and microenvironments are considered in relation to a global perspective on value chains. The study’s results might be subject to limitations related to the research context, in particular factors involving culture, policies or historical and

behavioural issues. Since large retailers can create their own markets, not only consumer markets but also supplier markets, and relevant relationships will be examined with respect to these focal factors in developing countries. The Vietnam textile and garment industry is selected since it has been well researched and is considered a typical example for GVC analysis.

1.6. Thesis Structure

The thesis comprises nine chapters. The main themes that will be covered are as follows:

Chapter 1: This chapter introduces the research aim and provides the background to the research problems. The research questions are clarified, and the adopted methodologies are explained.

Chapter 2: A literature review on GVC research is presented in this chapter. The broad literature on GVCs with recent research themes is outlined. In addition, the chapter reviews research on systems of governance and related processes. Moreover, emerging issues associated with GVCs are highlighted.

Chapter 3: This chapter focuses on institutional context. Beginning with institutional theory in general, the chapter then focuses on the theory of institutional change, in particular regarding change agents and mechanisms. The nature of tension is clarified as one of the core conceptions in the study.

Chapter 4: A summary of research typologies and a rationale for selecting specific methods is given. Following that, the adopted methodologies are demonstrated. The

chapter focuses in particular on in-depth interviews with laddering techniques in the research setting of the VTGI. The sampling method and techniques used for analysing collected data are then described.

Chapter 5: This is the first chapter reporting the study's findings. A picture of VTGI value chains is highlighted while identifying the major emerging themes of current operations. Based on data analysis, the empirical evidence pertaining to diffusion, movement and evolution of tension is presented. Furthermore, the role of institutional actors is examined and positioned in relation to GVCs.

Chapter 6: This chapter analyses one of two main issues related to tension, namely tension generated by power asymmetry. The chapter explores how such tension arises and analyses mechanisms of institutional change under such pressure.

Chapter 7: Tension generated by new circumstances of 'rules of the game', which is mainly determined by the changes of national policies and forthcoming international trade agreements and partnerships, is the second emerging tension-related issue. First, changing circumstances are highlighted. Then the effects of new rules and regulations in operations are analysed.

Chapter 8: A synthesis of the findings presented in previous chapters is discussed in this chapter. The chapter focuses on the nature of tension in terms of governance and assesses how such tension affects institutional change. Various effects of tension on GVCs are analysed and discussed in this chapter.

Chapter 9: The final chapter concludes the presentation of the main findings of the research, how research objectives are met and how the research gap are filled as well as the presentation of the contribution this research makes. It summarises associated research problems and tension-related issues and discusses both the theoretical and practical implications of the study. The thesis closes by acknowledging the limitations of the study and offering suggestions for future research directions.

1.7. Chapter Summary

Chapter 1 has presented an overview of this study. The research is motivated by the need to understand the nature of GVCs and to address issues that emerge in connection with the transformation of global production and international trade. In particular, the chapter focuses on the institutional context, which has been considered the fourth dimension in GVC analysis, and governance, which drives research on upgrading of processes. In such an environment, issues related to emerging tension are identified as central concepts to explore, examine and assess in this research study. Against this background, the research problem and issues are developed and a rationale for the study presented. The chapter then introduces the research methodology adopted and highlights the scope of the research. Finally, the chapter describes the structure of the study's eight remaining chapters. To clarify the research gap the study fills, the next two chapters review the literature on governance and institutional context in connection with the implications of tension in GVCs.

Chapter 2: Global Value Chains and Emerging Issues

2.1. Introduction

Chapter 1 introduced the research problems and objectives of this study and presented the rationale supporting the research design. In Chapters 2 and 3, the literature is reviewed to establish the theoretical foundation for the research framework. The study explores the literature on two dimensions in GVC research – governance and institutional context – and adopts institutional theory, in particular institutional change theory, in addressing problematic governance issues. The relationship between the two dimensions and the corresponding research gap are clarified in chapter three. This chapter provides an overview and introduces features of GVCs, focusing mainly on crucial issues involving systems of governance and related processes.

The purpose of this literature review is to provide a comprehensive picture of GVCs by examining existing studies and theories that help to construct the framework for this research. Given the importance of value chains in globalisation (Humphrey and Schmitz, 2002; Gereffi, 1999; Porter, 1990), this chapter provides recent research evidence, both theoretical and practical, indicating the importance of understanding governance of GVCs and related processes. Also highlighted here are several problematic issues in GVC governance; as a result such governance, tension between different actors in the

chain can arise, affecting institutional actors and GVC structures, which will be demonstrated later in Chapter 3.

Sections 2.2, 2.3, 2.4, and 2.5 herein discuss the relevant theories that are essential to the exploration and examination of GVCs. In particular, the relevant current empirical research findings that pertain to various industries are summarised. This chapter does not cover value chains in all industries, focusing only on ‘key theories’ and ‘best practices’ or significant GVC topics. The studies reviewed provide a fundamental understanding of the major complex GVC-related issues with a critical concern for relationships between institutional actors and emerging issues in value chain governance. An outline of the literature review chapters (Chapters 2 and 3) is shown in Figure 1 below.

Figure 1: The main themes of the literature review in Chapter 2 and 3

LITERATURE REVIEW			
1) Global Value Chains	Definitions of value chains	2) Institutional Theory	Definitions of institutions
	Globalisation of value chains		Institutional Actors
	Research dimensions of GVCs		Institutional Change
	Governance: concepts and typologies		Change Agents
	Emerging Issues in GVCs		Institutional Context in GVCs
3) Tension			
Tension in multi-disciplinary research			
The Nature of Tension			
Tension in GVCs			

Resource: Author of the study

First, the literature on GVCs is reviewed to establish basic definitions of value chains and the evolution of GVCs (section 2.2). Second, governance types are explained and the elements of the process shown (section 2.3 and 2.4). Various multi-disciplinary

approaches are summarised for comparison to determine the most appropriate approach for this study. For example, the literature on governance types (e.g. Gereffi et al., 2005; Humphrey and Schmitz, 2000; Humphrey and Schmitz, 2001; Kaplinsky, 2004), governance processes (e.g. Gilliland et al., 2010; Gilliland and Bello, 2001), and other issues addressed in GVC case studies (e.g. Hughes et al., 2013; Robinson, 2010b; Tokatli, 2007; Haque and Azmat, 2015; Gibbon, 2003) are presented and discussed. Problematic issues (section 2.5) are drawn from emerging issues of governing global value chains and are later considered as sources of latent tensions that arise inside value chains and between institutional actors. The institutional theory literature, the definition of tension, and identification of relevant stakeholders are explained and developed in Chapter 3. Finally, this chapter is summarised and connections with the next chapter are described in section 2.6.

2.2. Global Value Chains

2.2.1. Value chain definition

The term ‘value chain’ was initiated by Porter (1985) and over the last several decades the value chain has become a ‘concept of survival’ for enterprises in many areas (Amador and di Mauro, 2015; Kaplinsky and Morris, 2001; Goto, 2011). First, it is important to understand what a value chain is before it is diffused and globalised. In *Competitive Advantage: Creating and Sustaining Superior Performance*, Porter (1985, p. 11-15) defines a value chain as ‘a model that describes a sequence of value adding activities of a single organisation’s supply side with its demand side and includes

supporting activities.’¹ Elsewhere Porter says that a value chain ‘divides a company’s activities into the technologically and economically distinct activities it performs to do business’ (Porter and Millar, 1985: p.150). Since value is what customers expect when making a purchase decision, a value chain is generalised as ‘a full range of activities which are required to make a product or service from conception, through the different phases of production (including a physical transformation and the input of various producer and services), delivery to final consumers and final disposal after use’ (Kaplinsky and Morris, 2001: p.4). Since it is described as a ‘whole process’ approach in evaluating competitive advantage, value chain analysis acts as an important framework in business studies, especially marketing, management and economic development.

During the last few decades value chain theory has been developed continuously by researchers and many different institutions. Most studies share the view that in practice value chains are much more complex than the definitions suggest, with many more links in the chain as well as a wide diversity of actors (e.g. Barrientos et al., 2015; Amador and di Mauro, 2015; Gereffi and Frederick, 2010a; Gibbon et al., 2008; Humphrey and Schmitz, 2002; Kaplinsky and Morris, 2001). One of the most important aspects of the value chain framework is that, beyond determining a list of activities, it necessarily focuses on links between such activities, which are not limited to intra-organisational

¹ Porter’s Value Chain framework is an analytical model which helps firms create value and competitive advantage through a full range of specific activities, which fall into two groups. Primary activities comprise inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities include procurement, technology and development (or research and development), human resource management, and infrastructure.
Source: Porter (1985)

relations but extend into the operations of many organisations. Based on Porter's definition, a value-added chain is broadly viewed as:

‘The process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed and distributed. A single firm may consist of only one link in this process, or it may be extensively vertically integrated’ Kogut (1985: p.15).

The involvement of multiple firms extends Porter's (1985) original definition to include not just functional activities limited to a single organisation, but activities that can be co-ordinated by multiple organisations. Such linkages are highlighted by Del Vecchio and Trigg (2000), who argue that a value chain is the linkages of many companies working together for the same purpose of target markets' satisfaction which can establish strategic business to business networks (B2B) or becoming global organisations. Under such a broader definition, a value chain includes activities that range from receiving raw materials to post-purchase operations that can involve many companies/organisations to deliver the final product and satisfy customers. These wider interfirm linkages in production reveal the role of immediate producers and outsourcing companies in value-added chains, also known as supply base, that derives the importance of B2B integration and relationships within the chain (Evans and Berman, 2001; Hamilton et al., 2011).

2.2.2. The globalisation of value chains

The various definitions explored above indicate that there are the three dimensions of a value chain, which include 1) value-added production (input-output), 2) a multi-geographical orientation, and 3) multi-actor involvement (Humphrey and Schmitz,

2001). Current definitions expand upon the nature and global characteristics of value chains. This section further discusses such issues and processes, which integrate value chains into the globalisation perspective of economic performance.

Globalisation started at the beginning of the eighteenth century and become a more and more significant phenomenon in the modern economy due to the development of transportation, communications and technology (e.g. automobiles, airplanes, the Internet, and information technology) (Cairncross, 2001). International trade dramatically surged from the late decades of the Twentieth Century and the increase in the number of export-oriented countries has transformed the world economy with the integration of most countries into a global production system (Bair, 2005; Buckley, 2009; Biersteker, 1998; Henderson et al., 2002; Hill, 2000). If internationalisation means the geographic expansion of economic activities across multiple countries, globalisation is a more efficient notion because it includes the functional integration of internationally dispersed phases of production (Dicken, 1998). Among the most significant factors contributing to globalisation is the lowering of trade barriers, in particular policy barriers (both tariffs and non-tariff barriers) (Bair and Gereffi, 2002; Appelbaum et al., 2005; Sanyal and Bhattacharyya, 2009). As a result of free trade policies, world commodities trading has expanded globally and world trade has surged more than 140-fold over the past two centuries (Maddison, 2010). Nonetheless, foreign direct investment (FDI), the global spread of capital, has expanded and accelerated the diffusion of technology, industrial production and management skills from the West to the East and vice versa (Sturgeon, 2013; Hamilton et al., 2011; Bair, 2005; Selwyn, 2011). These investments

are normally conducted by Multi-National Corporations (MNCs), who own much power in shaping production maps or also known as lead actors in GVCs.

GVCs were developed from global commodity chains (GCCs) and global production networks (GPNs) (Gereffi, 1994; Gereffi and Korzeniewicz, 1994; Bair, 2005; Bair, 2009). According to Hopkins and Wallerstein (1986), a commodity chain is ‘a network of labour and production processes whose end result is a finished commodity’ (Hopkins and Wallerstein, 1986: p.159). In the volume *Commodity Chains and Global Capitalism*, Gereffi and Korzeniewicz (1994) describe GCCs as ‘sets of inter-organisational networks clustered around one commodity or product, linking households, enterprises and states to one another within the world economy’ (Gereffi and Korzeniewicz, 1994: p.2). GVCs are considered the newest variant, drawing inspiration from the GCC predecessors (Bair, 2009). Under globalisation pressure, which can be seen as a changing scale of space and time, GPNs have been formed. In fact, GVCs were initially mentioned in the mid-1990s and considered an extension of Porter’s concept (Kaplinsky and Morris, 2001). The term ‘fragmentation’ is utilised to demonstrate the physical flow of the various parts of a production process (Arndt and Kierzkowski, 2001). Many functions in a value chain can be carried out by enterprises and other institutions located in many countries (Kaplinsky and Readman, 2001), which makes it possible to establish transnational production networks within or between organisations. Each phase of a value chain has become more specialised and the geography of production has been expanding, reducing costs and improving performance (Gereffi, 1999). In the contemporary context, the complexity of international business networks and operational

models has increased and this in turn accelerates the globalisation of value chains. Such an impact calls for further value chain analysis, including theoretical work and the exploration of the implications applied across different cultural contexts and in multiple sectors. In this respect, in-depth research has the potential to improve business performance, economic and social development.

2.2.3. Global Value Chain Analysis

As initiated by Porter (1985), value chain analysis (VCA) is an efficient tool for analysing a firm's strategic activities within an organisation before evaluating or improving its competitive advantage. Due to the pressures of globalisation, activities and linkages along a value chain maybe extendable and go beyond a specific firm in a particular location. The development of value chain theory, therefore, engages with B2B management, supply chain management and/or network theory (Hingley, 2001; Crain and Abraham, 2008; Vargo and Lusch, 2011; Hadjikhani and LaPlaca, 2013). Hence the notion of a value chain has a broader focus and greater scope for research (Kaplinsky, 2004). VCA does not only consider the relationship between buyers and sellers in industrial markets but this analytical tool also allows the discovery of customers/purchasers' needs (Crain and Abraham, 2008), which can therefore offer the potential to increase the strategic partnerships in value networks (Peppard and Rylander, 2006). Furthermore VCA can support industrial network upgrading and leads itself to the exploration of competitive advantage in a firm's extended supply chain (Humphrey and Schmitz, 2000; Humphrey and Schmitz, 2002). The analytical elements are then applied to the operational activities of collaboration and potential partnerships as

determined by the complexity of organisational behaviour and additional broader fields of enquiry (Wiersema, 2013).

It is suggested that a value chain is established through complex interactions, and as a result value chain analysis is considered an important tool that is applied within a full range of interdisciplinary research. Three aspects of the associated research include significant implications for value chain operations these can be viewed in terms of the processes involved, economic relationships, and potential competitive advantage (Kaplinsky, 2004; Kenta, 2007). Having an effective value chain contributes to the upgrading of internal organisational processes, from manufacturing to general management, and in particular, processes related to cost control. In other words, organisational performance can be more effective and efficient with higher returns when the value chain functions well. The relationship between stakeholders along the chain is widened and more focused. The efficiency of the relationship within the chain helps support the action of maximising market opportunities, due to the cooperation of multiple actors along the chain, which involves so-called 'governance', a topic that is analysed further in section 2.3. Finally, having a properly functioning value chain helps greatly in improving a firm's competencies and capabilities and thereby provides competitive advantage, which according to Porter (1985) is the fundamental idea of an organisation's market position. VCA therefore plays a critical role in establishing a framework for exploring the nature of and competencies involved in systemic competitiveness, which is an increasing concern for firms in the context of globalisation.

Since production linkages are no longer restricted to an area or region but have become global and their functions can be carried out in separate countries and continents (Ponte and Gibbon, 2005; Kaplinsky and Readman, 2001), the competition within a given market needs to be viewed between groups of companies or networks instead (Hadjikhani and LaPlaca, 2013). Activities and linkages along a value chain are, therefore, extendable linkages that go beyond a particular location and in many cases are especially created by multinational enterprises (MNEs), who also known as leading actors. These actors could be brand owners or retailers who have the power to create new markets and strongly influence and re-shape processes of value chain governance systems (Ponte and Gibbon, 2005; Kaplinsky and Readman, 2001; De Backer and Yamano, 2011; Hamilton et al., 2011).

The development in value chain theory therefore connects with supply chain and network theory but the notion of a value chain has a broader focus and greater scope for research activity (Kaplinsky, 2004; Brown et al., 2004; Hamilton et al., 2011). In fact, the implementation of such processes involves both domestic and international producers, suppliers, traders and retailers who are significantly influenced or controlled by other institutional actors, such as government agencies, associations, and NGOs (Gereffi, 1995; Gereffi et al., 2001; Humphrey and Schmitz, 2001; Vargo and Lusch, 2011). Therefore, business to business theories in creating and developing value relationships between stakeholders seems to be less efficient in examining governance structures of GVCs. This issue calls for a different lens for analysing the governance system in-depth and more comprehensively.

2.2.4. Research dimensions of global value chains

Since GVCs have been changing the world economy, many institutions and research centres (e.g. the OECD, the ILO, the UNIDO, the IDS and others) have continued to conduct research in this area. GVC approaches initiated by Gereffi in the mid-1990s and his series of GVC analyses formulated and contributed to establishing a foundation for GVC studies (e.g. Gereffi, 1994; Gereffi, 1995; Gereffi, 1996; Gereffi and Korzeniewicz, 1994; Gereffi, 1997; Gereffi, 1999). In fact, GVC research concerns the main issue of how to implement GVCs efficiently for higher returns and better economic performance (Gibbon, 2001b; Gereffi, 2005; Amador and Cabral, 2014). Much broad GVC research outlines a comprehensive picture of GVCs, describing development and upgrading activities, governance structures, mapping, and strategic frameworks, especially regarding supply chains in developing countries (e.g. Blyde, 2014; Amador and di Mauro, 2015; Gereffi and Frederick, 2010a; Sturgeon, 2013; De Backer and Miroudot, 2014). Other research focuses on particular case studies in a sector or a country and examines their GVC structures and practices (Christian et al., 2011; Fernandez-Stark et al., 2011). In such research, best practices are what practitioners are searching for through analysis of empirical evidence (Pietrobelli and Rabellotti, 2011; Humphrey and Schmitz, 2001). Many researchers have adopted four dimensions for GVC analysis, including: 1) input-output structures or operations; 2) geographical scope; 3) governance structures; 4) upgrade objectives; and 5) institutional context (Gereffi and Fernandez-Stark, 2011; Gereffi, 1994; Sturgeon, 2001; Gibbon, 2001a; Humphrey and

Schmitz, 2002; Coe et al., 2007). This section reviews research on GVCs along these five dimensions.

2.2.4.1. Research on input-output management

As a fundamental framework in GVC theory, the process moving from raw materials to final products has been the focus of GVC research, based on the group of activities in value chain management identified in Porter's work (Gereffi and Fernandez-Stark, 2011; Gereffi, 1994; Kaplinsky and Morris, 2001). Value chain performance can vary due to the specific industry and sectoral characteristics; however, it normally includes such activities as research and development, design, inputs, production, marketing, distribution, sales, and sometimes disposal of products after use or post-purchase services (Porter, 1985; Kaplinsky and Morris, 2001; Kogut, 1985). Such research typically cultivates deep knowledge of industrial organisations and evolution, especially B2B relationship between multi organisations who involve in value-added chains (Stadtler, 2015).

Researchers often present their work in diagrams, ranging from the T&G value chain diagram (Appelbaum and Gereffi, 1994: p.46) to country-level diagrams, such as an agricultural chain in The Netherlands – a chart of flower and potted plant chains (Van Plaggenhoef et al., 2007: p.35). International organisations (e.g. the UNIDO, the OECD, the WTO) have conducted studies of many industries to provide systematic information for implementations of production and whole chain operations in other countries. Researchers have pursued various areas of interest such as jobs, gender, salaries and

distinct stages in the value chain process (e.g. Collins, 2009; Coe and Jordhus-Lier, 2011; Pollin et al., 2004; Wells, 2007). These studies provide an understanding of value chain operations and of various value-adding activities as well as the role of various actors in each stage (Gereffi and Fernandez-Stark, 2011). As a result, companies can obtain industry-level information, identify where they are in a chain, and learn how the chain operates as well as how to participate in a given chain. Since GVCs are determined by many factors, in particular location and B2B relationships between actors, research on input-output management cannot present such elements, that shape each chain differently (Blyde, 2014; Kaplinsky and Morris, 2008; Amador and Cabral, 2014). Such research is useful for particular groups of practitioners in specific industries; however, it does not show the complexity or the variety of distinct chain systems in the global environment. Therefore, GVC analysis requires further research on the geographic scope of the chains, which can contribute a systematic map of world production as well as its development over time.

2.2.4.2. Research on geographical production – the mapping of global value chains

Developments in transportation and communication have effectively shrunk distance to ‘zero’ (Cairncross, 2001), enabling almost every stage of production to be carried out anywhere in the world. Due to the diversity of culture as well as economic and political features that significantly affect the performance of value chains, business success depends on understanding and comparing territorialities. Geographical issues in GVCs typically relate to how world production is (re-) located by specific lead firms, facilitating production connections in a global context through notification (Dicken,

2003; Amador and di Mauro, 2015; De Backer and Miroudot, 2014; Barrientos et al., 2015; Gereffi, 2001b; Tokatli et al., 2008). Information is typically extracted and analysed using secondary resources rather than primary resources. Such findings present the country-level positions within a GVC, providing effective references for developing countries, especially practitioners and policy makers who want to upgrade their value chains and improve their position in the global index (e.g. Amador and di Mauro, 2015; De Backer and Miroudot, 2014; Barrientos et al., 2015). The findings of this GVC research dimension contribute significantly to the development of world production, in which shifts in geographic areas are mapped and emerging trends are predicted.

2.2.4.3. Research on governance structures

Value chain governance research focuses on the relationships between actors and is of particular importance for effective and efficient value chain operation (Ahmed et al., 2014; Gereffi and Mayer, 2004; Humphrey and Schmitz, 2001; Gereffi et al., 2005; Messner and Meyer-Stamer, 2000; Humphrey, 2005). Such research reveals dynamic interactions and development in GVCs (Humphrey, 2005; Dolan and Humphrey, 2004). Research on governance types has developed in broad terms from ‘buyer-driven’ (e.g. Zara, Nike, H&M) versus ‘producer-driven’ value chains (e.g. technological companies, manufacturers, vertical value chains) (Gereffi, 1994; Gereffi, 2001a; Jaworski et al., 2000). Gereffi conducted a wide range of research in various sectors and found that lead firms can subordinate manufacturers/suppliers in sectors with robust competition, such as clothing or footwear. Based on sectoral observations, Gereffi et al. (2005) proposed an advanced typology that distinguishes five types, including markets, modular,

relational, captive, and hierarchy, which are shaped by three key determinants of the complexity of transactions, the ability to codify transactions, and supply-base capabilities (see section 3.3 for detailed discussion).

Since GVCs evolved and have been shaped by a range of factors, the type of governance needed depends on the characteristics and development of a specific industry (Ahmed et al., 2014; Dolan and Humphrey, 2004; Altenburg, 2006; Gereffi, 2001b; Rasheed and Geiger, 2001). Many authors assert that multiple types of governance can co-exist in a complex configuration (Altenburg, 2006; Gereffi et al., 2005). The emergence of each governance arrangement depends on the complexity of information and knowledge transfer in the focal industry, the extent to which such information can be codified, and the capabilities of existing and potential suppliers (Gereffi et al., 2005; Stadtler, 2015). Recent research shows the complexity of governance systems in GVCs, known as hybrid version which is mainly driven by compliance and standards (Bair, 2017; Locke et al., 2009; Bulut and Lane, 2011). Such structures seem to work efficiently in Asian countries, e.g. Vietnam or Cambodia, however, it is challenging for Central American countries, e.g. Nicaragua (Brown et al., 2014; Bair, 2017). Therefore, the strong correlation between governance structures and upgrading activities poses significant challenges to GVC development, in particular, in developing countries.

2.2.4.4. Research on upgrading of global value chains

In addition to governance, upgrading is another centerpiece in GVC studies in relation to development issues. Such research explains changes in actors' positions along chains.

Governance research in GVCs adopts a top-down approach; in contrast, upgrading research adopts a bottom-up perspective (Gereffi and Fernandez-Stark, 2011).

Humphrey and Schmitz (2000) show that certain types of chain governance favour certain forms of upgrading. In particular, producers operating with quasi-hierarchical or relational governance have more opportunities to engage in product and process upgrading but they face obstacles to achieving functional improvement (Humphrey and Schmitz, 2004; Humphrey and Schmitz, 2000). Such a situation is less likely to occur with non-hierarchical governance, for instance market- or network-based governance. The difference lies in the asymmetry of power between lead firms and producers. In quasi-hierarchical or relational governance, producers face a lead firm's threats of switching to other suppliers (Sturgeon and Lester, 2002). Consequently, they upgrade cautiously in view of their relationships with lead firms, often neglecting functional upgrading of design and marketing (Kaplinsky and Readman, 2005; Pickles et al., 2006).

Humphrey and Schmitz (2000) also classify upgrading in relation to several typologies: process upgrading (firms transform inputs into outputs more efficiently by reorganising the production system), product upgrading (firms move into more sophisticated product lines), functional upgrading (firms acquire new functions such as design and marketing), and chain upgrading (switching to a new value chain). Kaplinsky and Morris (2001) emphasise that upgrading must be considered in light of competitor behavior; in particular, firms must innovate more quickly than their competitors. Moreover, Meyer-Stamer (2004), developing Porter's competitive strategy, argue that upgrading does not necessarily move upwards, because firms consider themselves as upgrading when they

are merely ‘doing things differently, and doing different things – not different compared with previous practices in the same company, but compared with competitors’ practices.

The GVC literature pays considerable attention to upgrading by developing country producers (Schmitz, 2000). By looking sequentially at value-added activities that are contributing to the whole value chain and identifying possible effects of governance on local suppliers’ upgrading, the GVC approach is a relevant analytical tool for anticipating upgrading trajectories that developing countries can move on to achieve sustainable development (Giuliani et al., 2005). Several GVC studies of many researchers (Kaplinsky and Readman, 2005; Gereffi and Memedovic, 2003; Schmitz, 2000; Giuliani et al., 2005; Humphrey and Schmitz, 2002) investigate upgrading by developing country producers with various upgrading typologies at the firm level as well as at the industry level. Each different approach sheds light on a particular element of upgrading, meeting specific research objectives (Humphrey and Schmitz, 2000: p.12).

2.2.4.5. Research on institutional context in global value chains

Research on institutional context is first mentioned by Sturgeon (2001: p.11), who argues that value chains exist ‘within a complex matrix of institutions and supporting industries’. Gibbon (2001b) contributes to developing this dimension of GVC research by extending governance to ‘governance and institutional structures’. The regulatory component of an institutional context is considered in a way that ‘reflects the existing law and rules in a particular national environment that promote certain types of behaviours and restrict others’ (Kostova, 1999: p.314). Evidently, GVC analysis requires

understanding how local, national, regional and international conditions and policies affect successive phases of value chain activity; as a result, institutional context must be carefully considered in practice (Gereffi, 1995; Amador and di Mauro, 2015; Gibbon, 2003). In other words, GVCs are easily influenced by any change in the economic, political or social environment, where institutionalisation is dynamic (Elsner, 2012). It is important to examine the involvement and level of influence of stakeholders along a chain (Biersteker, 1998). However, due to the extreme complexity of multinational GVCs operating at multiple levels of production, institutional theory is often used in analysis and identifies the influence of a wide range of institutional elements (Plank and Staritz, 2014; Neilson and Pritchard, 2011; Barrientos et al., 2011). Although institutional issues have been highlighted as important factors influencing GVC governance, relationships between institutional actors have been under-researched in GVC studies (Neilson and Pritchard, 2011). As a result, this thesis attempts to fill the gap in GVC research by focusing on the problematic issue of tension in institutional relationships.

2.3. Global value chain governance

2.3.1. What is global value chain governance?

The concept of organisational governance, which is rooted in political science, was introduced by Schmitz (2005). The World Bank defines governance as ‘the exercise of political authority and the use of institutional resources to manage society’s problems and affairs’ (Landell-Mills and Serageldin, 1991: p.303). Other organisations define

governance as monitoring the achievement of goals. Most of these definitions appear rather detached from economic performance or competitiveness. Therefore, it is necessary to consider the links of these perspectives to research objectives and common rules of governance.

GVC governance can be considered a precondition of the business environment, in which actors along value chains interact and operate (Kaplinsky, 2004; Humphrey and Schmitz, 2002; Humphrey and Schmitz, 2004; Gereffi, 1999; Gereffi, 1994). Humphrey and Schmitz (2001: p.5) define governance in some cases as ‘inter-firm relationships and [the] institutional mechanism through which non-market coordination of activities in the chain is achieved’. They also highlight the power of lead firms and governments in governing GVCs, in which five parameters shape chain governance, including products, processes, quantity, timing, and price (Humphrey and Schmitz, 2001; Cashore, 2002; Mayer and Gereffi, 2010). Kaplinsky (2004) develops the governance concept by embedding rents and systemic efficiency. Firms control a particular set of scarce resources (tangible and/or intangible), so-called rents, to generate profit and to establish barriers to entry of competitors (Kaplinsky, 2004). In other words, governance is required to ensure product quality, timely delivery and efficient coordination and also to generate lead firms’ profits and protect their competitive positions. GVC governance therefore involves implications of control in a given value chain. In fact, the role of governance in GVC analysis is much important than any other research dimension as discussed in the earlier section. The table below is drawn from work of Altenburg (2007) that presented the development of governance concepts together with the development

of economic and development approach from supply chains, commodity chains to GVCs. In comparison with other approaches, systems of governance in GVCs again are considered as one of the most important framework in analysis the efficiency and effectiveness of value chains (Henderson et al., 2002; Coe et al., 2008a; Gereffi et al., 2005).

Table 1: The development of governance concept in different approaches

Economic Development Approach	Disciplines	Major Characteristics	Importance of Networked Governance
Supply chain management	Management science, supply chain management	Beyond the company level, but strictly focused on optimising single company interests or decisions on locational choice, logistics, outsourcing, just-in-time delivery, chain disintegration (Ponte and Gibbon, 2005; Sturgeon, 2001)	Low-focused on corporate governance
Commodity chains	Development studies	Used in earlier work of Gereffi and his co-authors (Gereffi et al., 2005; Gereffi, 1999; Gereffi and Korzeniewicz, 1994)	Medium
Theory of competitive advantage	Management science, Porter's value chain concept	Initially limited to the single company level, later focused on positioning in networks, analysis of location-specific conditions and linkages with related and supporting industries and external economies; i.e., value chain integration from the perspective of individual operators (Porter, 1985)	High
Global production networks	Development studies	Global production network replaces the metaphor of a chain (as a linear process) and conceptualises how inter-firm networks are embedded in society, how firms and individuals are influenced by overall power relations and sociocultural patterns (Henderson et al., 2002)	Very high
Global value chains	Development studies	In addition to the traditional notions of the input-output structure of chains and their spatial distribution, innovative contributions with focus on the governance structure of value chains (Gereffi and Memedovic, 2003; Schmitz, 2005; Altenburg, 2006; Humphrey and Schmitz, 2004)	Very high

Source: Adapted from Altenburg (2007)

2.3.2. Types of global value chain governance

In this section, the three approaches to classifying GVC governance arrangements are detailed, compared and justified, including 1) producer-driven versus buyer-driven governance (Gereffi, 2001a; Gereffi, 1994); 2) three forms of governance (Kaplinsky, 2004); and five types of governance (Gereffi et al., 2005). Then, the discussion of these approaches will be connected with other arguments pertaining to alternative governance typologies and practical applications of the findings.

2.3.2.1. Driving the market versus being driven by the market

In early stages of GVC research, Gereffi (1994) distinguished two poles of governance based on upstream and downstream positions of actors along the chain. Gereffi (1994) identifies two types of governance structures, the ‘producer-driven chain’ and the ‘buyer-driven chain’, as two primary control forms among GCCs, which can be considered a simpler, earlier form of a GVC. Gereffi (1994) contends that in buyer-driven chains the power and resources needed to maximize profit belongs to firms at the end of the chain, for example retailers and brand owners. On the other hand, in producer-driven chains barriers to entry in production are significant, so producers have more power in certain sectors such as high technology industries. Gereffi (1994) indicated that:

‘Producer-driven commodity chains refer to those industries in which transnational corporations (TNCs) or other large integrated industrial enterprises play the central role in controlling the production system (including backward and forward linkages) characterised by capital and technology intensive industries such automobiles, computer, aircraft and electrical machinery’ (p.97).

Gereffi (1994) noted that the shift from producer-driven to buyer-driven chains is a modern trend and in recent research it is defined in terms of ‘lead firms’, which can set and enforce parameters to control the activities of other participating firms along their value chains to ensure product quality, on-time delivery, and efficient coordination between actors along the chain. The difference between leading firms and non-leading firms is that leading firms can control access to major resources (for example, consumer demand, product design, high-quality materials, new technologies or brand names), by which they can generate the most profitable returns in comparison with other firms along the value chain (Gereffi and Memedovic, 2003: p.8). This trend again has been observed in current research that finds that lead firms (retailers and brand owners) are identified as ‘market makers’ who can significantly influence the structure of a market and even create a new market (Hamilton et al., 2011).

However, in today’s rapidly changing technological and dynamic business environment, new governance types are emerging. As complemented and criticised by Gereffi (2001a), the Internet has re-shaped value chains and set up a third governance type and governance structure in GVCs that is changing due to the transformational role of technological, institutional, and organisational innovation as well as the quickly changes of the business environment. In addition, the relationships that form between actors involved in creating and operating value chains is extremely complex and value chains are influenced by multiple environmental factors, not just firm-level decisions (Gibbon, 2003; Rasheed and Geiger, 2001; Gereffi, 2001b; Ponte and Gibbon, 2005; Gibbon et

al., 2008; Altenburg, 2006; Humphrey and Schmitz, 2001). Therefore, this framework seems too simple to explain value chain organisations, especially in the context of an ever changing global political and economic context. In addition, GVCs are shaped by a wider range of determinants from both internal and external chains, which the producer-driven/buyer-driven framework neglects to acknowledge.

2.3.3.2. Three types of governance

Extending Gereffi's (1994) concept of governance, Kaplinsky (2004) classifies three types of governance based on principles of civil governance and proposes the possible involvement of several actors (see table 2 below). He argues that various external and internal agents may engage in setting and enforcing each type of governance (Kaplinsky, 2004). In other words, governing activities are conducted and coordinated by actors both inside and outside the value chain (Gereffi, 2005; Bartley and Smith, 2008; Nadvi, 2008).

Table 2: Examples of legislative, judicial and executive value chain governance

	Exercised by parties internal to chain	Exercised by parties external to chain
<i>Legislative governance</i>	Setting standards for suppliers in relation to on-time deliveries, frequency of deliveries and quality	Environmental standards Child labour standards
<i>Judicial governance</i>	Monitoring the performance of suppliers in meeting these standards	Monitoring of labour standards by NGOs Specialised firms monitoring conformance to ISO standards
<i>Executive governance</i>	Supply chain management assisting suppliers to meet these standards Producer associations assisting members to meet these standards	Specialised service providers Government industrial policy support

Source: Kaplinsky (2004: p.13)

‘Legislative governance’ refers to basic rules and conditions for joining a chain, and such rules need to be audited, which is seen as ‘judicial governance’, and support for and assistance in applying those rules is ‘executive governance’ (Kaplinsky, 2004). This classification enables us to understand the wider picture of the value chain environment and process activities and highlights the involvement of multiple parties, both internal and external, in GVCs. However, the approach has not examined interaction between influencing factors in shaping a value chain. Thus, Kaplinsky’s approach yields good descriptions but falls short in GVC analysis and the investigation of economic development and changes in a given marketplace.

2.3.3.3. Five types of global value chain governance

The most popular GVC governance typology is proposed by Gereffi et al. (2005). This framework was developed from a fourfold classification schema of Humphrey and Schmitz (2001), including: 1) market relations, 2) networks, 3) quasi-hierarchy, and 4) hierarchy. Gereffi and colleagues have further developed an analytical model of governance patterns involving three factors: 1) transactional complexity, 2) the ability to codify transactions, and 3) the supply base’s capabilities (Gereffi et al., 2005):

‘The complexity of information transmitted between firms can be reduced through the adoption of technical standards that codify information and allow clean hand-offs between trading partners. Where in the flow of activities these standards apply goes a long way toward determining the organisational break points in the value chain. When standards for the hand-off of codified specifications are widely known, the value chain gains many of the advantages that have been identified in the realm of modular product design, especially the conversion of human effort through the re-use of system elements—or modules—as new products are brought on-stream’ (p.85).

In this model, the complexity of operations consists of the level of complexity regarding information and knowledge for a particular product and process specification that are transferred. The ability to codify transactions determines the extent to which this information and knowledge can be classified to transmit efficiently without specific investment. The supply base's capabilities reflect existing capabilities of suppliers to meet the transaction requirements. These combinations formulate the five governance patterns comprising:² 1) markets, 2) modular value chains, 3) relational value chains, 4)

² **Market:** This is the simplest way, in which actors (firms and individuals) exchange products with little extra interaction besides buy and sell activities. The central of governance is price and the linkages between activities are also simple as information and knowledge are exchanged relatively straightforward.

Modular: Modular governance is not different much from market type occurring when complex transactions are relatively easy to codify. In modular chains, suppliers provide products to a customer's specification. However, the linkages between actors in the chain are more complex than market type due to high flows of information exchange.

Relational: Relational governance is the structure in which there is much complex information that not easy to transmitted or learnt. Therefore, the linkages between suppliers and buyers and information exchange are complicated. Therefore, the costs of switching to new suppliers are likely high and it takes relative long time to establish a new value chain partners. In such governance type, suppliers tend to provide differentiated products based on quality, geographic origin or other unique characteristics.

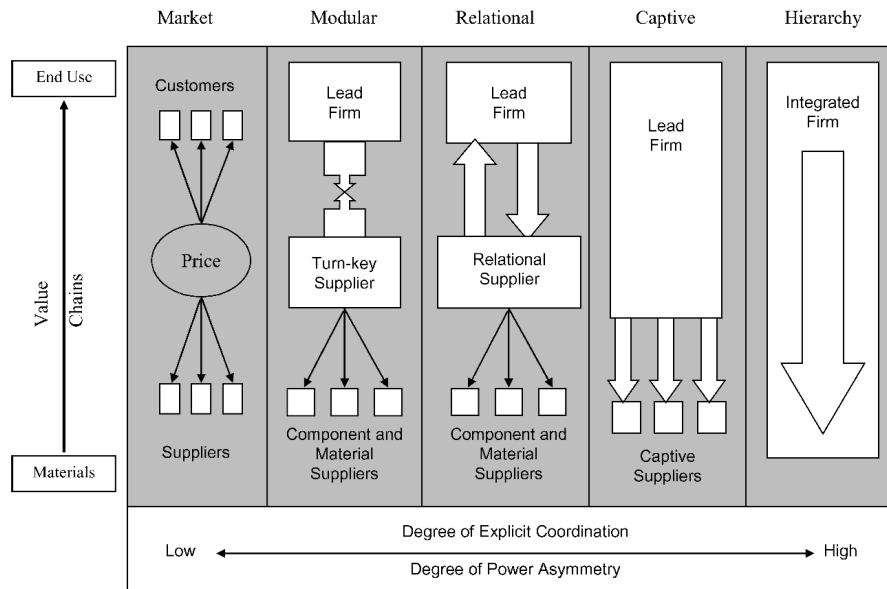
Captive: In captive governance, suppliers depend much on few lead firms, who highly control and monitor their operations as well as set all standards and conditions for products. Therefore, switching cost is very high for both parties in this governance type.

Hierarchy: Hierarchical governance is formed by vertical integration and managerial control within lead firms that develop and manufacture products in-house. This usually occurs when product specifications cannot be codified, products are complex, or highly competent suppliers cannot be found.

Source: Gereffi et al. (2005: p.81-90)

captive value chains, and 5) hierarchy as defined by Gereffi et al. (2005) (see the figure below).

Figure 2: Five types of value chain governance



Source: Gereffi et al. (2005: p.89)

This framework has advanced by filling the gap in an imperfect competitive environment with modular, relational and captive forms within the typical models of markets and hierarchy in relation to degrees of power as well as given the determinants that influence to GVC structures. The idea of producer-driven and buyer-driven GVCs is also recalibrated in this classification since it still focuses on relationships between lead firms and suppliers.

This categorisation provides a flexible approach to GVC governance and is widely applied in practices of specific case studies and industrial sectors. Many researchers (e.g.

Altenburg, 2006; Ahmed et al., 2014; Bamber et al., 2014; Gibbon et al., 2008; Neilson and Pritchard, 2011; Gereffi and Frederick, 2010a) apply this unique model and this study also adopts the associated ideas of value chain governance and it is determined that the typology of value chain governance as proposed by Gereffi et al. (2005) is a useful framework for GVC research because of the identical determinants of governance structures. One of the most important dimension indicated in this framework is the imbalance power in vertical relationships between actors. This phenomenon has been outlined and developed by the series of research by Gereffi and his colleagues last over two decades. However, it is not hard to see the limitations of this framework when it has not addressed integration between firms and external suppliers (whether vertical or not) and has not explained how explicit these relationships are (arm's-length market or non-market management). Altenburg (2006) argues that there are much more important factors influencing governance in GVCs, such as relationship-specific investments, transactional complexity, market structure and characteristics, consumer demand, institutional framework conditions and others. To draw a more comprehensive picture of governance than the framework of Gereffi et al. (2005) requires enormous resources and many extensive studies. Under the limitations of an individual project, this study adopts Gereffi et al.'s framework but integrates it with institutional theory since the institutional context remains an influential factor regarding economic performance (Neilson and Pritchard, 2011).

2.3.4. Global value chain governance remarks

Governance in GVCs is complex with multiple structures coexisting (Gereffi et al., 2005; Altenburg, 2006; Heide, 2003) which are continuously shift and develop (Gereffi, 2001b; Tokatli et al., 2008; Dolan and Humphrey, 2004; Ahmed et al., 2014) due to the movement and change of a business environment and the technology. Therein, such governance types in recent research are considered as formulated and driven mostly by power (Gereffi et al., 2005; Gilliland et al., 2010; Abdulsamad et al., 2015), whereby asymmetry is defined in different relationships between buyers (retailers) and sellers (suppliers) whilst at the same time acting as a motivational factor in re-creating balances/structures (Hingley et al., 2015; Abdulsamad et al., 2015). According to Heide (2003), such imbalance in power is also derived by different approaches to capture information between buyers and sellers, which is highlighted by the recent work of Hingley et al. (2015). Again, the role of the Internet and non-production actors (e.g. the state, NGOs or industry associations) highlights the need to re-examine the impact on co-creating or re-formulating value chain governance structures (Gereffi, 2001b; Wynne et al., 2001; Drezner, 2002). Therefore, not only vertical linkages between business participants need to be examined in constructing GVC governance structures but also other actors, influencing factors and potentially change agents involved in the shifting processes need to be evaluated (Ponte and Gibbon, 2005). These may include the new bargaining power of a labour force or the situation of labour in terms of the protest against unethical production by consumer communities, e.g. social activities. Although there are some recent studies that have examined other dimensions of governance

leading to a broader perspective beyond the vertical relationships between sellers and buyers in GVCs. These accounts explain sub-fields such as gender, environment and poverty through VCA as well as horizontal linkages that are formed by national or private standards and systems of compliance, which are still under researched. As a result, this study adopts an institutional lens in order to explore the ‘whole chain’ by examining both vertical and horizontal aspects of the chain whilst drawing upon the involvement of multi-actors who can initiate, negotiate and re-create governance structures by asserting power through the insistence of certain rules and/or standards (Tallontire et al., 2011; Rindt and Mouzas, 2015).

2.4. Emerging issues in global value chain governance

The rapid expansion of GVCs has been recognised due to the important role of such chains in economic development, in particular in economic growth, industrial structure and job creation (Jiang and Milberg, 2013; Goto, 2011; Nadvi et al., 2004). As a result, interaction in the chain between actors has become more dynamic than ever with significant development in production areas and in a global context the evolution of the supply base has continuously changed in terms of the political and economic environment. This section aims to highlight three significant issues that strongly affect governance structures that are well documented in recent research studies, including compliance, corporate social responsibility (CSR), and the development of GVCs.

2.4.1. Compliance and non-compliance in production

Lead firms recognise that effective GVC governance requires them to set up their own codes of conduct for suppliers (e.g. vendors/middlemen, manufacturers, exporters) to ensure that they comply with all the firms' standards (Kaplinsky, 2000; Phillips and Caldwell, 2005; Humphrey and Schmitz, 2001). This not only helps powerful actors (lead firms) ensure product quality but also contributes to better performance and the maintenance of brand reputation (Bekaert et al., 2007; Locke et al., 2009; Lund-Thomsen and Nadvi, 2010a; Ruwanpura and Wrigley, 2011; Humphrey, 2001; Nadvi, 2008; Phillips and Caldwell, 2005). Compliance in a global context requires extended involvement and influence of multiple actors in respect of following standards that maybe set by both legal and non-legal agreements (Humphrey and Schmitz, 2001). Legal agreements are written under the control of government and are compulsory, as they are backed by legal force (Nadvi, 2008; Ponte and Gibbon, 2005). On the other hand, non-legal agreements can involve a number of several unofficial agencies, such as NGOs and social institutions (Rainbird and Ramirez, 2012; Neilson, 2008; Powell and Skarbek, 2006). The influencing power of non-chain participants, especially NGOs, has generated a certain degree of pressure for compliance of systems and governance structures move generally (Humphrey, 2001; Amador and di Mauro, 2015; Kaplinsky, 2000; Lund-Thomsen and Lindgreen, 2014; Phillips and Caldwell, 2005).

The central issue is not legal standards (e.g. safety standards, certifications, labour laws and so on) or the quality standards that lead firm requires, but rather the standards are set by labour and ethical regulators. These are often the most important, and are largely

defined as codes of conduct (Humphrey and Schmitz, 2001; Kolk and Van Tulder, 2005). Codes of conduct consist of complete lists of regulations for socially responsible practices, such as labour standards and environmental norms for sustainable development (Kolk and Van Tulder, 2005; Barrientos and Smith, 2007; Perez-Aleman and Sandilands, 2008). Empirically, there have been attempts to assess the effects of codes of conduct on workers (e.g. Barrientos and Smith, 2007; Taylor, 2011; Wells, 2007; Pun, 2005; Locke et al., 2007; Barrientos et al., 2003) and most of these findings show that there are implications for the levels of poverty in developing countries where monitoring systems are weak. This is often described as a ‘race to the bottom’ and this trend is still dominant in GVC is that are competitive (Taylor, 2011; Appelbaum et al., 2005; Rudra, 2008; Mosley and Uno, 2007).

Although the processes associated with compliance maybe seen as a more efficient tool to employ with a firm’s supply base rather than a traditional arm’s length approach (Phillips and Caldwell, 2005), non-compliance still exists, as child labour and labour exploitation are common in developing countries, which feature sweatshops in the apparel industry and smallholder poverty in the agricultural sector (Powell and Skarbek, 2006; Pollin et al., 2004; Robinson, 2010a; Wells, 2007; Pun, 2005; Rainnie et al., 2011). Moreover, the right to work is not guaranteed in many developing countries, which often tolerate anti-union discrimination with no right to strike (Coe and Jordhus-Lier, 2011; Lund-Thomsen and Nadvi, 2010b). Even when there is compliance to a lead firm’s standards, workers still experience in poverty because of the low wages as well as the lack of work insurance or other incentive schemes (Robertson et al., 2011; Lund-

Thomsen and Nadvi, 2010a; Carr and Chen, 2002; Abdulsamad et al., 2015; Kaplinsky, 2000).

Non-compliance behaviour in GVCs results primarily from high production costs (Ruwanpura and Wrigley, 2011). Respecting labour rights might restrict flexibility in prices/wages, which is one of the most important competitive advantages in GVCs (Pollin et al., 2004; Mosley and Uno, 2007). The issue is that actors who are in charge of codes of conduct are typically not also in charge of production or price negotiations (Barrientos and Smith, 2007; Taylor, 2011; Rudra, 2008). Therefore, suppliers and manufacturers often do not favour commitments to codes of conduct.

Compliance regarding labour conditions and the working environment that set by powerful actors (lead firms) have become more and more important since poor monitoring practices result in disasters, such as the Rana Plaza collapse, that can cost many worker's lives (Reinecke and Donaghey, 2015; Taplin, 2014; Haque and Azmat, 2015). Therefore, lead firms (multinational corporations – MNCs – that are brand owners or retailers) are under intense pressure to monitor their codes of conduct in practice due to the uneven power between actors. As a result, the relationship between lead firms and NGOs emerges as a way buyers engage with CSR (Perez-Aleman and Sandilands, 2008; Wells, 2007).

2.4.2. The important role of corporate social responsibility

CSR can be considered the result of intense pressure on non-compliant practices. The main drivers of CSR are NGOs, who represent social responses to problematic issues,

such as poor living standards, or risky, unsafe working environments (Hirsch, 2004; Braun and Gearhart, 2004; Doh and Teegen, 2002; Palpacuer, 2010; Gereffi et al., 2001). The pressure NGOs exert on GVCs has been recognised in recent research due to serious problems from ignorance of powerful actors (Deegan and Islam, 2014; Braun and Gearhart, 2004; Doh and Teegen, 2002; Ilon, 2008; Hirsch, 2004; Ranis et al., 2012).

CSR programmes have become widespread for three reasons. First, lead firms are under pressure from media reports about poor living standards, child labour or dangerous working environments. Over the last several years, the rapid development of social media, especially sharing stories of unethical production practices on media strongly affects lead firms, in particular their brand reputation and image in the market (Winn et al., 2008; McWilliams and Siegel, 2010). Second, lead firms must confront the consequences of poor compliance, which often results in boycotts, such as the establishment of a group called Scholars Against Sweatshop Labour (SASL) or the Academic Consortium on International Trade (ACITT), in addition to the numerous reports filed by NGOs (e.g. ETI, Better Work, Oxfam). Furthermore, it is the emergence of labour and human rights associations and the power of collective that has developed together with the evolution of the supply base and labour forces in GVCs that has helped to reduce the power of lead firms in determining the outcomes of negotiation and collaboration (Brown et al., 2004; Cox, 1987; Reinecke and Donaghey, 2015).

Although ethical responsibility is rising in association with compliance in GVCs and is important for social development, the gap between theoretical missions and their

practical implications still remain an issue within CSR practices (Perry et al., 2014; Lund-Thomsen and Lindgreen, 2014). As a result, partnerships between lead firms and NGOs have become firmly established and the involvement of such non-governmental actors in GVCs is more proactive and significant (Doh and Teegen, 2002; Perez-Aleman and Sandilands, 2008; Hughes, 2001; Lund-Thomsen and Lindgreen, 2014).

2.4.3. Evolutions in global value chain governance

In addition to studying the effects of compliance on quality and labour standards on shaping the structure of governance and the rise of CSR, many authors examine the development of GVCs under other sources of pressure (e.g. Ahmed et al., 2014; Tokatli et al., 2008; Gereffi, 2001b; Barrientos et al., 2015; Appelbaum, 2008; Robinson and Rainbird, 2013; Dicken, 2003; Gereffi et al., 2005; Sturgeon et al., 2008). There are three significant trends that are re-shaping governance structures.

First, the development of advanced information technology, in particular the Internet, facilitates a free-border-access gate for participants in GVCs (Gereffi, 2001b; Wynne et al., 2001). Thanks to the Internet, lead firms can now easily connect with suppliers anywhere in the world and vice versa, for example via websites such as Amazon, Alibaba, and Ebay. Business transactions can, therefore, be very cheap and convenient. Technological innovation and infrastructure development also contribute to the evolution of GVCs since they reduce production and delivery time and improve product quality as well as productivity. Innovation leads to a more intense competitive

environment for value chain actors (Appelbaum, 2008; Chen et al., 2007; Goto, 2011; Plank and Staritz, 2014).

Second, the changing balance of power between actors is another issue in reshaping GVC governance structures (Tokatli, 2006). The power of lead firms to create new markets still remains in the modern context, but the emergence of the power of other actors, such as NGOs, and the collective power of customers and labour unions complicates matters (Mascarenhas et al., 2004; Braun and Gearhart, 2004; Lund-Thomsen and Nadvi, 2010; Franz, 2010). Uneven power in GVCs can result in disagreements, conflicts and other problematic issues, which may cause delays or switching processes in production and partnerships.

Changing policies and international regulations has shifted GVC governance structure (Drezner, 2002; Gibbon, 2003; Wells, 2007; Gereffi et al., 2002; Milberg, 2004; Schmitz, 2005; Meyer-Stamer, 2004; Miller, 2009). In a macro environment with powerful enforcement mechanisms, regulations significantly determine and strongly influence the re-locating process across the global production map (Dicken, 2003; De Backer and Miroudot, 2014; Amador and di Mauro, 2015). In following the trend towards globalisation, macro factors have defined sustainable development through international partnerships to upgrade GVCs and attract more investment (Amador and di Mauro, 2015). This also re-distributes the power of actors in GVCs and changes the competitive environment. Thus, regulatory changes can be considered the most transformative force in value chain governance.

2.5. Chapter summary

This first part of literature review has reviewed the literature on GVC analysis, clarifying extant notions of value chains, globalisation and GVC governance. The key research themes in GVC studies operate along five dimensions: 1) an input-output operational structure, 2) geographical scope, 3) governance structure, 4) GVC upgrading, and 5) institutional context. Governance and upgrading are well documented in much research on GVCs. While upgrading research largely concerns how actors re-position themselves along GVCs, governance research addresses relationships between actors. Therefore, the governance framework seems to generate a wider and deeper range of investigation and analysis for improving the efficiency of GVCs and the performance of relevant actors.

This chapter provides the arguments for the adoption in this study of the five-types-of-governance framework proposed by Gereffi et al. (2005). Despite limitations such as Altenburg (2006) noted, the framework of Gereffi and colleagues remains an important analytical tool in GVC analysis and is widely utilised by many researchers (e.g. Altenburg, 2006; Ahmed et al., 2014; Bamber et al., 2014; Gibbon et al., 2008; Neilson and Pritchard, 2011; Gereffi and Frederick, 2010a).

A collation of problematic issues regarding GVCs is conducted in this stage of the research. In recent studies, three GVC-related phenomena have been recorded in many papers. The first is compliance in GVC governance. Even though compliance is not new in GVCs, it is a crucial element that enables actors to organise and control value chains

globally. The second is the emergence of ethical issues, in particular the importance of CSR in GVCs. The third, notably, is the development of governance structures over time and future trends. In the literature, tensions hidden in those problematic issues are somehow revealed in relation to GVC determinants, especially the nature of the power factor in enforcement and alternation.

Overall, a picture of GVC analysis has drawn with the focus on the governance dimension. Still, a need to consider other factors in GVC analysis has emerged. As a result, institutional theory, in particular the theory of institutional change, will be integrated into this study to investigate tension-related issues that are emerging in current practice. Those themes from the literature will be discussed in the next chapter.

Chapter 3: Institutional Theory and Tension in Global Value Chains

3.1. Introduction

Following the view of a broad body of literature on GVCs, value chain governance structures, and emerging issues. This chapter will explore the themes of institutional theory and the rise of tension in GVCs (as highlighted in Figure 1). This will take the shape of a more institutionally oriented theoretical integration of the central issue in this study – tension in GVCs. The adoption of institutional theory in collaboration with GVC analysis and the nature of tension between institutional actors in governance are highlighted for the purpose of constructing a theoretical framework. Although much GVC research applies findings to an institutional context, the integration of institutional theory and change agents is rarely adopted in such studies. As mentioned in a previous chapter, the institutional setting is one of the most significant factors influencing GVCs (Gereffi and Mayer, 2004; Neilson and Pritchard, 2011; Gereffi and Fernandez-Stark, 2011) and it can shape and alter forms of governance in value chains (Dolan and Humphrey, 2004; Gereffi, 2001b). Considering the strong correlation between the and influence of institutional actors and systems of value chain governance, this study analyses GVCs based on the governing activities of various actors in the chain to explore the hidden effects of tension on GVC operations.

Institutional theory informs a complex body of literature in several research disciplines, including political science, sociology, economics and organisational studies. Section 3.2 presents an introductory of institutional theory, some principal terms and definitions in relation to organisational field and the GVC context. In particular, the notion of institutions in sociological institutional theory, institutional attributes, and institutional actors – categories and characteristics – are addressed. To integrate the introduction of institutional theory with GVC analysis, the selected institutional literature focuses mainly on institutional change theory, which is considered as one of the theoretical pillars in the analysis of the processes involved in shifting, restructuring, and relocating GVC patterns. Moreover, this thesis also incorporates the five types of governance identified by Gereffi et al. (2005) and the four mechanisms of Beckert (2010) into the research framework.

The effects of tension, which is a natural occurrence in interactive processes, is often disregarded, as few have recognised that it causes adverse effects on holders (Ewing, 1964; Autio, 2005; Dholakia, 1988; Beverland, 2005; Johnston and Pongatichat, 2008). However, at the institutional/organisational level, the nature of tension can be realised in several ways (Chen et al., 2007; Fabian, 2000; Dodd and Favaro, 2006; Isaksen and Ekvall, 2010). Tension has repeatedly been mentioned in much of the current research on GVCs; notwithstanding this recognition, studies offering in-depth consideration of its effects are rare. To understand such notions more fully, the definition and nature of tension are indicated first in Sections 3.4.1 and 3.4.2. The next section aggregates

tension-related issues in GVC analysis, in some ways helps to clarify the meaningful existence of tension between institutional actors in terms of GVC governance.

3.2. Institutional theory

Institutional theory is considered that important to development (North, 1990; Coase, 1992; Harriss et al., 2003) as similar as the nature of GVC with ‘governance’ and ‘upgrading’ processes. The role and application of institutional theory are widely thought to influence international business as well as GVC organisations (e.g. Palpacuer, 2010; Andonova, 2005; McCarty, 2001; Neilson and Pritchard, 2011; Henisz, 2000).

Many researchers address multiple issues related to institutional context in GVCs (Thomsen, 2007; Gibbon, 2001b; Neilson and Pritchard, 2011). In GVC analysis, institutional context is the most recent dimension to be considered but its role has become increasingly important as a complex determining factor in terms of governance and upgrading processes (Neilson and Pritchard, 2011). Therefore, it is useful to integrate institutional theory in a more comprehensive way into GVC analysis because institutional factors, such as culture and non-firm actors are still considered as externalities in shaping GVC structures (Hess and Coe, 2006). It is hoped therefore that this approach can fill the gap in GVC research, whereby i) the role of non-firm actors is not well considered in view of the relationship between institutional factors and GVC operations, and ii) where tension that is emerging and becoming more visible in light of disasters, strikes, and non-compliant behaviour, has largely neglected in GVC analysis.

According to Meyer (2010), there are four core themes emerging in institutional theory, in which modern world are characterised: 1) the emerge of other institutional actors and the construction of the expanded modern actor, 2) persons and groups adopting expanded models of actorhood, 3) decoupling of the relationships between actors and identity and practice, and 4) mobilisation in the modern system, reflecting attention paid to ‘actors’, ‘relationships’, ‘models’, and ‘change’ in institutional systems (p. 10-15). Following this direction, the research that underpins this study attempts to employ constructs to investigate the development of GVCs by examining the interactions between actors in governing chains where pressure of certain types of issues exist and consequently manifest in the form of tension.

Since institutional theory is adopted to complement GVC analysis, only conceptions that are relevant to GVC governance are selected for discussion. In addition to fundamental concepts of institutions, actors and attributes, institutional change theory and change agents under pressure of tension in terms of value chain governance and the continuous change in GVC structures are important foci of the study.

3.2.1. Institutions

3.2.1.1. Definitions

The term ‘institution’ has been widely used in many research disciplines. Therefore, its definition varies depending on the approach, reflecting disciplinary characteristics of history, sociology, politics, economics, organisations, management, and so on (Boliari and Topyan, 2011; Dacin et al., 2002; Greif, 2006; Scott, 1987; North, 1992). There are

many versions of institutional concepts in social science; however, they seem to share an underlying similarity (Hodgson, 2006). Since sociological institutionalism significantly influences global governance (Miller, 2007) and the important role of institutional entrepreneurs (Garud et al., 2002), sociological concepts of institutions are adopted instead of those applied in other fields, and are aggregated below.

Table 3: Definitions of institutions

Definition	Author
‘The rules of the game in a society; more formally, they are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic.’ (p.3)	North (1990)
‘The effective rules of a social game in which individuals and their organisations are the players, where the rules of the game (laws, regulations, norms) and their enforcement mechanisms create constraints and incentives that shape the behaviour of decision makers’ (p.1-5)	Eggertsson (2013)
‘The kinds of structures that matter most in the social realm: they make up the stuff of social life, and the rules of the game in society or, more formally, are the humanly devised constraints that shape human interactions’ (p.2)	Hodgson (2006)
‘Shared rules and typifications that identify categories of social actors and their appropriate activities or relationships [...] historical accretions of past practices and understandings that set conditions on action’ through the way in which they ‘gradually acquire the moral and ontological status of taken-for-granted facts which, in turn, shape future interactions and negotiations’ (p.96-99)	Barley and Tolbert (1997)
‘System of rules, beliefs, norms, and organisation that can jointly generate a regularity of behaviour in a social system’ (p.30)	Greif (2006)
‘Institutions are composed of formal rules created by human beings such as statute law, common law, and regulations; informal constraints such as conventions, norms of behaviour and self-imposed codes of conduct; and the enforcement characteristics of both’ (p.2)	Boliari and Topyan (2011)
‘General habits of action and thought, sustainable and prevalent way of thinking or acting which is embodied in traditions or customs of a particular group of people’ (p.268)	Nelson and Nelson (2002)
‘A structure in which powerful people are committed to some value or interest’ (p.107)	Stinchcombe (1987)
‘A compressed, commonly perceived representation of ways in which a game is played’ (p.202)	Aoki (2001)
‘Rules, norms, and beliefs that describe reality for the organisation, explaining what is and is not, what can be acted upon and what cannot’ (p.351)	Hoffman (1999)

Source: Author’s compilation for literature review of this study

It can be seen that there are some mutual ideas in defining institutions that formulated by rules/regulations and constrains/commitments. In much institutional research, North (1990) definition is used as the most credible interpretation of the word ‘institution’ (Boliari and Topyan, 2011; Greif, 2006; Eggertsson, 2013). Therefore, the concept of North (1990) is adopted in this research that institutions is who establish and change the ‘rules of the game’, bind institutional actors and influence decision-making processes with some degree of enforcement involved through written or unwritten rules. As a result, institutions continuously transform actors through interactive processes and power. Due to institutions are complex, coexistent norms of behaviour in an interactive context where organisations compete and develop to achieve legitimacy; some institutional attributes are drawn in the next section in order to distinguish their salient features.

3.2.1.2. Institutional attributes

In line with North’s (1990: p.3) definition, institutions can be analysed along three significant dimensions: 1) they are ‘humanly devised’, which contrasts with other potential fundamental causes, such as geographic factors, which are outside human control; 2) they are ‘the rules of the game’, setting ‘constraints’ on human behaviour; and 3) their major effects will be achieved through incentives. First, institutions are products of complex human interaction and in turn they shape behaviour (Hodgson, 2006; Eggertsson, 2013). Institutions therefore significantly affect negotiation and decision processes (Barley and Tolbert, 1997). Second, institutions involve ‘constraints

of rules' (Boliari and Topyan, 2011), whether formal (e.g. political systems, laws, tariffs, criminal codes, education regulations, and so on) or informal (e.g. culture, religions, norms of behaviour, values, customs, and so on). North (1990: p.6) points out that 'informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies'. Moreover, he identifies institutional features that can replace uncertainty with a more established and stable system of human interaction and emphasises the characteristics of continuous change of institutions for available alternative choices (North, 1990; 1992; 1993b). In other words, both formal and informal institutional rules function by allocating particular powers to govern actors in monitoring, controlling and changing their environments (Jepperson, 1991; Stinchcombe, 1987). Consequently, institutions possibly serve as one of the most important factor in explicating differences in economic efficiency and outcome (Yeager, 1998).

The allocation of power clarifies the relationship between organisations and institutions and how they operate in society (Lawrence, 2008; Phillips et al., 2004) and its balance is determined by incentives – the third institutional feature, which are also essential in business, economics and social development. According to Acemoglu and Robinson (2008), institutions are considered a key determinant of incentives and strongly affect economic outcomes such as growth, poverty reduction and so on. However, the notion of incentives is defined in terms of reflecting the complexity of culture, psychology, social structures and other conditions (e.g. economy, knowledge, information flows) in a given context. For example the existence of labour exploitation with minimum or

without extra payments and the possible effective voice of unions for negotiation is various across countries and regions. Nonetheless, the operation of institutions occurs at multiple levels of jurisdiction, from the global system to local interpersonal relationships. To answer the question how institutions can be positively effective, especially in economic development, incentives need to be considered in relation to a wide range of elements.

Institutions are typically regarded as having durability or fixity in sharing mental models (North, 1990) or ‘rules of the game’ (North, 1990; DiMaggio and Powell, 1991) or ‘taken for granted’ conceptions (Berger and Luckmann, 1967). Nevertheless, another important characteristic of institutions, which is also partly implied by certain authors, is stability – but that does not mean that institutions are not subject to change processes since change can be both incremental (institutionalisation) and discontinuous (deinstitutionalisation) (North, 1993b; Bush, 1987; Scott, 2001; Beckert, 2010; Tracey et al., 2011; Dacin et al., 2002). Institutions spread knowledge and ideologies to actors, meanwhile absorbing ‘rules’ that actors link to various ideas distributed in many contexts, and in turn actors find support in institutional change (Furusten, 2013; Blatter, 2003; Hayami and Kikuchi, 1981; Weyland, 2008; Seo and Creed, 2002). A change can happen when a common idea is rising among a majority of actors at the same time and change is a continuous process (Furusten, 2013). This attribute is analysed further in section 3.2.3, which addresses institutional change theory.

3.2.1.3. Institutional actors

Actors play a significant role in institutionalisation and institutional change processes (Fligstein, 2001; Maguire and Hardy, 2009). Institutions can regulate and ‘constrain’ actors’ behaviour as well as set specific boundaries on decision-making (North, 1990; Ingram and Clay, 2000). On the other hand, actors can influence institutional conditions and can be both ‘rule makers’ and ‘rule takers’ depending on research objectives and questions (Jackson, 2010). Therefore, actors and institutions have mutual relationships and it is particularly important to assess institutional actors on both sides of conducting and re-shaping institutional structures. As a result, deeper research on the interaction between institutional actors and the development of deinstitutionalisation is needed (Maguire and Hardy, 2009; Zilber, 2002).

There are various ways to identify institutional actors depending on study disciplines and contexts. Using institutional products, including information, rules and services, Furusten (2013) divides institutional actors into three groups: rules producers, information producers, and service producers. However, this perspective shows the tangled web among actors only with duplicated functions in institutional organisation and change, insofar as one actor can produce and deliver more than one institutional product. This categorisation therefore cannot reveal dynamic correlations between institutional actors. According to other authors, institutional actors are categorised into organised and unorganised groups in influencing deinstitutionalisation (Dacin et al., 2002; Ansari and Phillips, 2011; Cova and White, 2010). According to Furusten (2013), in an institutional environment actors can function as individuals (e.g. consultants,

researchers/lecturers, managers, politicians and others) or organisations (e.g. industrial associations, interest organisations, WTO, OECD, ILO so on). Whether such individuals are members of an organisation or not, they still can contribute to deinstitutionalisation and institutional change to some extent. For example, individuals in a community or social groups who are not instituted formally can co-create value and social change (Cova and White, 2010).

Much research in organisational field focuses on organised groups of institutional actors who take for granted systems with boundaries that limit organisations' ability to operate. Organisations are tangible, whereas the influence of unorganised institutional actors is often unclear. Thanks to information technology and the Internet, nowadays people can exchange and spread information, knowledge and ideas quickly and easily; consequently, the collective power of individual/community voices is becoming more and more significant (Nelson and Nelson, 2002; Garud et al., 2002). As a result, such actors stimulate further research to verify their nature. Especially in marketing research, it is the role of customers who create products and services and form a new 'market' (Hamilton et al., 2011). However, 'power' and 'enforcement', which can reform and establish institutional context, seem to belong to organisational actors in practice. This study therefore regards organised institutional actors as a key subject of investigation and analysis, even though the influence of unorganised actor groups, in particular customers and communities, still draws attention to integration and is reflected in/by other representatives (local councils, people's committees, and research institutions, etc.) (Ansari and Phillips, 2011).

One class of organised institutional actors, institutional entrepreneurs, act as predicted by new institutional theory (Dacin et al., 2002), functioning as an effective engine of economic growth and playing a crucial role in the functioning of the modern economy (Levy and Scully, 2007; Garud et al., 2007). Institutional entrepreneurs are considered actors who can ‘create a whole new system of meaning that ties the functioning of disparate sets of institutions together’ (Garud et al., 2002: p.196) and ‘leverage resources to create new institutions or to transform existing ones’ (Maguire et al., 2004: p.657). Such actors can explain the transformation of organisations that new institutional theory is unable to explain by defining organisations in terms of permanence and resistance to change (DiMaggio and Powell, 1983; Tracey et al., 2011). According to Garud et al. (2007), the concept of institutional entrepreneurs examines agency, interests and power dimensions in linkages between institutional and organisational analysis. Institutional entrepreneurs are innovative, dynamic and skilled actors and most relevant research has focused on their role in operations as well as in change or transformation (Maguire and Hardy, 2009; Ansari and Phillips, 2011). Institutional entrepreneurs are purposeful actors who are most likely firms, associations, governments, professional and other interest groups, or substitutes who capably influence certain sectors (Scott, 2001). In GVC context, actors can be defined as ‘key suppliers, resource and product consumers, regulatory agencies and other organisations that produce similar services, develop mutual awareness and see themselves as part of the same community and involved in a common enterprise’ (DiMaggio and Powell, 1983: p.143). Adopting the entrepreneur conception in the institutional context of GVC studies, actors in the research study are identified as manufacturers, materials and machinery suppliers, buyers, government

officials/agencies, local councils/communities (people's committees), NGOs, associations, labour unions, research institutions and others with GVC involvement of actors/supporting services.

3.2.2. Institutionalisation

Institutions are stable but the institutional environment is constantly evolving; therefore, institutionalisation is a dynamic process (Furusten, 2013; Dacin et al., 2002; Scott, 2001; Maguire and Hardy, 2009; Jackson, 2010). It is no less difficult to define institutionalisation than to define institutions. Scott (1987) mentions four sociological formulations that all claim an institutional focus: 1) Institutionalisation as a process of instilling values, 2) Institutional as a process of creating reality, 3) Institutional systems as a class of elements, and 4) Institutions as distinct societal spheres. In which, the third institutional formulation which Meyer and Rowan (1977) initially proposed was developed by DiMaggio and Powell (1983) in identifying three elements of institutionalisation, classified as coercive, memetic and normative, and this model has been adopted widely in institutional research (Ansari and Phillips, 2011; Tracey et al., 2011; Beckert, 2010).

At an early stage of its development as a theoretical construct, institutionalisation was defined in reference to several attributes, such as infusion, process, persistence and stability (Scott, 1987; Selznick, 1957; Hughes, 1939). Since then, researchers have confused the terms 'diffusion' and 'institutionalisation' (Colyvas and Jonsson, 2011) and much research has focused only on the establishments and stabilities of

institutionalisation without considering when and where institutionalisation is absent or has failed – change or deinstitutionalisation (Mahoney and Thelen, 2009; Maguire and Hardy, 2009). Institutionalisation processes are generated to explain institutional reproduction or change over time, as in encoding, enactment, and replication or in revision, externalisation and objectification (Barley and Tolbert, 1997). Developed by Berger and Luckmann (1967), three other institutionalisation processes are identified as habitualisation, objectification and sedimentation (Tolbert and Zucker, 1999). According to Colyvas and Jonsson (2011), institutionalisation is not only a process but is also an outcome and differs from diffusion, which can be ‘spread’ but cannot ‘stick’ and become persistent. For example, the production models and methods of GVCs are diffused only from developed countries to developing countries, and they can be institutionalised only with compliance and standardisation, trading regulations and production rules. ‘Diffusion’ and ‘institutionalisation’ are confusing terms, especially when exploring institutional change.

Table 4: Differences between diffusion and institutionalisation

Criteria	Diffusion	Institutionalisation
<i>As a process</i>	Contagion and reinforcement	Patterned activation and preproduction
<i>As an outcome</i>	Contingent on alignment with existing cultural and cognitive frames	Depends on actual integration into models of reproduction
<i>Emphasis</i>	The pace and pattern of an object that spreads	Depth and durability
<i>Feedback</i>	Information and exposure	The higher- and lower-order links that become mutually reinforcing

Source: Adopted from Colyvas and Jonsson (2011: p.29)

Aoki (2001) conceptualises institutionalisation as ‘a process of feedback mechanisms represented by the COASE box and its four elements’ (p.203-206, see table 5). Under the endogenous aspect, expectation (E) represents actors’ behaviour, which coordinates with individuals in terms of strategic choices (S). Under the exogenous aspect, Consequences (CO) derive from the technological and institutional environment, but such an environment ‘constrains’ and forms the capacities and abilities that make actors’ action possible. This conception has described the dynamic characteristic of institutionalisation as well as the active interaction between institutional actors; as a result, it has been adopted in much research on institutional relationships and actors (e.g. Dacin et al., 2002; Jackson, 2010; Tang, 2010; Kingston and Caballero, 2009). In this study, the COASE box shows the interaction between the micro- and macro-fields of institutional actors. On the basis of that, the research understands the correlation between two such dimensions of institutional actors, paying special attention to their role and integrating micro-institutional actors’ activities into macro institutional actors’ performances when designing the semi-structured interview questions, with four sections following suggestions of COASE box for collecting data as detailed in Chapter 4.

Table 5: A subjective game model of institutionalisation

	Exogenous	Endogenous
Micro (individual dimension)	(A) Capacities as active repertories	(S) Strategies as best-response choice
Macro (collective dimension)	(CO) Consequences through inference rules	(E) Expectations as private beliefs
	(I) Institutions as shared beliefs	

Source: Adapted from (Aoki, 2001) cited by Jackson (2010: p.7)

Since institutionalisation is a dynamic, on-going process (Aoki, 2001; Selznick, 1957; Meyer and Rowan, 1977), the opposite process, known as deinstitutionalisation, may occur. DiMaggio (1988) indicates that ‘institutional theory [also] tells us [little] about deinstitutionalisation: why and how institutionalised forms and practices fall into disuse’. There are two hypotheses to explain this phenomenon: 1) new practices can replace former ones, and 2) old practices can be eliminated, either voluntarily or by enforcement of norms or rules (Davis et al., 1994). In spite of the existence of two possible explanations, the term ‘deinstitutionalisation’ is rarely employed in institutional research because institutions tend to be durable, stable, and persistent. Instead, the notion of institutional change or the emergence of new forms is more widely adopted and applied in investigating and assessing the visibility and tangibility of institutionalisation in day-to-day operations in organisational fields (Elsner, 2012; Mahoney and Thelen, 2010; Kondra and Hinings, 1998; Roland, 2004; Evans, 2004). According to Scott (2001), the broad context of institutional change includes the deinstitutionalisation phenomenon. As a result, this study employs institutional change theory, in particular institutional change agents (power, attraction, mimesis, competition), to explore the effects of tension on institutional actors and governance structures. A more detailed exposition of institutional change theory is presented in the next section.

3.2.3. Institutional change

3.2.3.1. Theories of institutional change

Research on institutional change derives from the idea of isomorphism (DiMaggio and Powell, 1983) and the topic of institutional change has taken centre stage in organisational research (Dacin et al., 2002; Campbell, 2004; Brown, 1987; Chang and Nayyar, 2007; Mahoney and Thelen, 2010; Furusten, 2013; Kingston and Caballero, 2009). Bush (1987) stated that ‘institutional change takes the form of a change in the value structure of the institution’ and identifies two types of change, regressive and progressive. Regressive institutional change occurs through the displacement of behavioural patterns and this is quite similar to what occurs with deinstitutionalisation (Bush, 1987; Roland, 2004; Oliver, 1992; Maguire and Hardy, 2009). Progressive institutional change is caused mainly by the involvement and effects of technological innovation (Bush, 1987; Chang and Nayyar, 2007; Evans, 2004). Bush (1987) identified several limitations of institutional change including the availability of knowledge, the capacity for understanding and adaptation, and the principle of minimal dislocation. On the other hand, such limitations identified in the very early stage of institutional change theory somehow act as determinants of or conditions for changing occurrences (Bush, 1987). The distribution of benefits may be the main cause of institutional change (Chang and Nayyar, 2007; Kingston and Caballero, 2009; Mahoney and Thelen, 2009; Libecap, 1989; Elsner, 2012; Hoffman, 1999) and exogenous factors such as technological change as well as endogenous factors lead to institutional change (Ostrom, 2005; Aoki, 2001; Jackson, 2010; Mahoney and Thelen, 2009; Kingston and Caballero, 2009; Roland,

2004). Focusing more narrowly on the dynamics of institutional change, Greenwood et al. (2002) indicate that ‘changes in prevailing norms go through a critical stage of theorisation and legitimisation by existing or new actors’ (Cited in Dacin et al., 2002). On this view, pressure to change is interpreted and responded to by actors and diffused at a high level of legitimacy into a new institutionalised form (Dacin et al., 2002).

One of the major ideas of research on institutional change is that of a collective-choice process and the collective power of individuals and organisations engaging in collective action altering rules via collective power for their own benefit (Kingston and Caballero, 2009). An illustration of such research is the investigation of the origins of ‘property rights’ rules of Libecap (1989), which addresses the engagement of individuals and groups in bargaining activities as a result of pressure from varying configurations of property rights (Kingston and Caballero, 2009). Similarly, Ostrom (2005) approaches and distinguishes the collective-choice rules in a multi-layer nested hierarchy, including three levels in practice: 1) operational rules (used for day-to-day interactions), 2) collective-choice rules (applying to determining operational rules), and 3) constitutional rules (for deciding collective-choice rules) (Kingston and Caballero, 2009). Institutional change occurs as a process at different levels of institutionalisation. It may start at the lowest level and then influence the highest level or vice versa. In addition, on this approach institutional change processes are centralised by powerful moderating actors, in particular political bodies – such as the government, which can set the rules and enforce them in relation to conduct and practices (North, 1981; Kaufman, 2007; Hodgson, 2004).

Institutional theory also considers institutionalisation an evolutionary process (Kingston and Caballero, 2009; Mahoney and Thelen, 2010), in which the goal is success in selection and belonging to the majority. In this vein, a central mechanism does not exist, an assumption that diverges from the view of several researchers (e.g. Greif, 2006; Libecap, 1989; Ostrom, 2005); if this is true, change processes can occur randomly. In other words, institutional change with new rules, systems and behaviour is generated and spread from the uncoordinated choices of a large number of individuals instead of from a single, collective choice as discussed earlier. An illustrative example is transaction cost economics, which assumes ‘the bounded rationality and opportunism of the transacting parties’ and institutions involved to obtain minimal transaction cost and be the most efficient of institutional forms (Williamson, 2000a; Williamson, 2000b). Williamson (2000b) also named sets of rules in transaction cost economics ‘governance structures’ and explains changing purposes using the ‘discriminating alignment’ hypothesis. Under this approach, institutional change originates in competitive pressure between multi-institutional actors to achieve better outcomes by replacing inefficient institutions (Alchian, 1950; Eggertsson, 2013; Harriss et al., 2003; Yeager, 1998; Williamson, 2000b).

An extreme process of institutional change to which few researchers call attention is deinstitutionalisation, which has been defined as ‘the processes by which institutions weaken and disappear’ (Scott, 2001: p.182). The importance of deinstitutionalisation is underlined because ‘it is useful in a broader context of institutional change, since the weakening and disappearance of one set of beliefs and practices is likely to be associated

with the arrival of new beliefs and practices' (Scott, 2001: p.184). This approach is strongly influenced by pressure from the differentiation of groups, such as in functional, political and social aspects (Oliver, 1992; Greenwood et al., 2002; Dacin et al., 2002). In the twenty-first century, the high speed of technology development can quickly eliminate inappropriate institutional systems even at the macro level in a global context (Dacin et al., 2002; Roland, 2004; Kingston and Caballero, 2009; Mahoney and Thelen, 2009; Nelson and Nelson, 2002; Campbell, 2004). Therefore, this type of institutional change merits more attention in both theoretical and practical studies. In this study, institutional change theory is adopted to integrate with GVC analysis in order to explore tension in regard to the evolvement of systems of governance in a given context.

3.2.3.2. Types of institutional change

Institutional change can be generated from the most micro-interpersonal level (individuals) to organisational (and sub-organisational) levels and even diffuse to the most macro level such as the country and global levels (Dacin et al., 2002). At some levels, the process of institutional change can be rapid and irregular, for example at the level of culture, or slow and continuous, for example when it involves knowledge and technology (Roland, 2004). This study adopts the middle conception of institutional change, known as gradual change (Mahoney and Thelen, 2010). Developed from Streeck and Thelen (2005), the four modal types of institutional change are formulated, including displacement, layering, drift, and conversion (Mahoney and Thelen, 2010). They distinguish several types of institutional change based on assessing the role of

supporters and challengers, which are then divided into four stages for addressing the uneven occurrence of each type.

Table 6: Types of institutional change

	Displacement	Layering	Drift	Conversion
Removal of old rules	Yes	No	No	No
Neglect of old rules	-	No	Yes	No
Changed effects/enactment of old rules	-	No	Yes	Yes
Introduction of new rules	Yes	Yes	No	No

Source: Mahoney and Thelen (2010: p.16)

According to Mahoney and Thelen (2010), displacement does not mean the emergence of a rapid and suddenly changing process via replacing existing rules by new ones.

Change can involve a slow process undertaken deliberately to avoid negative consequences, such as the exit of the United Kingdom from the European Union.

Layering involves less dramatic change, when new rules are complemented or attached to existing ones. In other words, layering is not complete change but rather change in the form of justifications, amendments, revisions or additions to current rules. Drift means shifting under the pressure of external conditions (environmental changes). This type of change is considered unavoidable and an essential process in institutions. Conversion is perhaps the rarest type of institutional change but the most creative and dynamic since rules remain the same but are implemented in new ways. Such a change occurs because of the gap between theory (rules) and practice (instantiation) by actors and helps institutions become more efficient with limited resources.

In fact, there are many controversies regarding the classification of institutional change, but, connecting this study to the hierarchy model of institutional change of Ostrom (2005), the author finds that the layering approach to institutional change is bold and useful for this study's analysis.

3.2.3.3. Institutional change agents

In the research of institutional change, the question is crucially raised that who drives such change; therefore, the identification of change agents has been a central issue in explaining institutional change. These agents are distinguished in various ways. For example, in politic science four change agents are posited as insurrectionaries, symbionts (either paprasitic or mutualistic), subversives, and opportunist (Mahoney and Thelen, 2009), in organisational fields three identical forces drive institutional change process to isomorphic forms including coercive isomorphism, normative pressure, and mimetic processes (DiMaggio and Powell, 1983) or in broader context three main sources of pressure that affect institutionalised norms and practices are functional, political, and social resources (Oliver, 1992). Since the central subject of this research investigation is organised institutional actors – entrepreneurs/decision makers, who are also considered as the agent of change (North, 1993b; Maguire et al., 2004; Garud et al., 2007), the advanced framework which developed from DiMaggio and Powell's (1983) typology by Beckert (2010) is adopted because three reasons. First, this framework opens a broader approach to the complexity of changing processes that is more appropriate in the modern perspective where gloablisation can quickly change the world economy and impact or create new patterns and models (Prakash and Hart, 2000;

Campbell, 2004; Bartley, 2007). Second, both convergent and divergent forms of change are conceptualised as coexistence that allows the research can explore the different aspects of movements instead of focusing only one trajectory (Eisenstadt, 2000). Third, this explanation of changes is more pertinent to GVC analysis, especially in market-driven where outcomes is diverse under high pressure of competition (Jaworski et al., 2000; Gereffi, 1994). Therefore, the four mechanisms of institutional change that: 1) power (coercive isomorphism), 2) attraction (normative pressures), 3) mimesis (mimetic processes) and 4) competition are employed in exploring tension impacts in governing GVCs.

Power (coercion): This changing mechanism is the most characterised feature in institutional context as discussed in section 3.2.1.2. According to Beckert (2010), coercion can be impact directly such as the enforcement of law or indirectly like the some implications of compliance. Although power is often discussed as a homogenising force, the divergence is still existed and hidden in institutional logics (Beckert, 2010). The divergence is especially highlighted in the cross-national differences in term of state regimes, policies, cultures, economic conditions, and business environment that require Multi-National Corporations (MNCs) have to adapt with appropriate systems of corporate governance, working schemes and business models in spite of the mutual trends of globalisation processes (Mayer and Gereffi, 2010; Biersteker, 1998). Therefore, social structural and information conditions are defined as two determinants of the success of enforced homogenisation (Beckert, 2010). In global context, to be successful in a foreign market, lead firms (MNCs) need to have both enough ability and capability

as well as the support from local actors in implementation. Furthermore, the information technology help the diffusion process accelerated but also divert institutional structures (Gereffi, 2001b). It can be seen that this mechanism of institutional change is much more complicated rather than homogenisation as usually assumed.

Attraction: The attraction can change an institutional model when ‘institutional entrepreneurs actively seek to imitate because they are interpreted as attractive institutional solutions to the problems being faced’ (Beckert, 2010: p.155). Therefore the homogenisation is voluntary not enforcement. In fact, it is motivated by the expectation of attaining better performance results after adopting an institutional model. One of illustrations here is the learning from ‘best practices’ in GVCs in term of governance, upgrading and sustainability (Humphrey, 2001; Nadvi, 2008; Fearne et al., 2012). The diffusion process can occur in exchange ideas and information through institutional networks, such as in professional training courses, workshops, seminars or other industrial/institutional events (Beckert, 2010; Palmer et al., 2015; Hodgkinson et al., 2006). In the mechanism of attraction, only isomorphism is recorded as a possible direction in institutional change (Beckert, 2010). The motivation for following an attraction institutional rules depends on the distinct interests, incentive, norms, perceptions and evaluations of actors (Beckert, 2010; North, 1993a).

Mimesis: This mechanism is similar to attraction however it is simpler. It is not adopted based on complex process of mediation but ‘through which actors react to uncertainty with regard to the effects of institutional rules’ (Beckert, 2010: p.157). For example, the necessary responses of a firm when labour strikes happen due to low or late salary

payment and delay production are mimicked from what other firms done in that case for calming workers and maintaining their performance as targeted (Tran, 2007). This action is motivated by disorientation rather than based on carefully evaluation or superior of the model; therefore, both divergence and convergence can occur depends on the legitimation of these mimesis institutional templates (Beckert, 2010).

Competition: Beckert (2010) argues that the mechanism of competition operates in both convergent and divergent direction. First, under pressure of competition, institutional actors may adopt similar models due to tendency in selecting efficient institutional solutions and rejecting inefficient ones. An example for the institutional isomorphism is a ‘race to the bottom’, which likely dominate in GVCs’ operation (Appelbaum et al., 2005; Rudra, 2008; Taylor, 2011). However, empirical research also shows the impact of competition in institutional change that is divergent in rules or models for employing niches of comparative institutional advantages especially in across-national context of the global economy (Beckert, 2010). The homogenisation or heterogeneity under pressure of competition depends on levels of the differentiated product types, product market and the structural autonomy of firms in markets (Beckert, 2010: p.162).

According to DiMaggio and Powell (1983), once organisational models are institutionalised, they become popularised, which causes organisational structures to develop more and more alike; however, Beckert (2010) argued for two face of issues and the coexistence of both convergent and divergent directions in institutional change. Dacin et al. (2002) highlighted the trend towards mechanisms of institutional change at the transnational level and the importance of attention to governance mechanisms in

relation to institutional change. In the development of modern institutional change, not only new boundary systems but also new types of actors, interests, and behaviours have emerged and diverged, thereby stimulating further explorations of the diversity within and beyond the boundaries of institutional theory. As a result, this study is attempting to fill this research gap by revealing the extent to which tension affects institutional actors and governance structures in GVCs. The next section focuses on identifying tension in GVCs.

3.3. Institutional tension in Global Value Chains

3.3.1. Tension in multidisciplinary research

‘Tension’ is a popular term in a wide range of disciplines, for example in marketing (e.g. Hermens, 2001; Beverland, 2005; Smith et al., 2010; McKay and Tate, 1999), sociology (e.g. Lohan, 2000; Howson and Inglis, 2001; Lewis, 2012; Dodd, 1939), and organizational and business studies (e.g. Huxham and Beech, 2003; van der Velden and Jaffee, 2001; Isaksen and Ekvall, 2010). Tension is not unfamiliar in business management; however, most practitioners do not recognise or ignore tension where it matters most to an operation until it leads to conflict (Dodd and Favaro, 2006; Asakawa, 2001; Fabian, 2000; van der Velden and Jaffee, 2001). Even if managers do identify tension correctly, they usually make the mistake of designating a ‘lead’ objective within it (Smith et al., 2010; Busco et al., 2008). Tension in management can be shifted from one direction to others and this process is repeated and tension is never really resolved (Dodd and Favaro, 2007). As a result, research on tension has underestimated it in spite

of its natural existence from day-to-day operations to strategic implications in management as well as its role in institutional change (Dacin et al., 2002; Oliver, 1992; Mahoney and Thelen, 2010; Busco et al., 2008). Ewing (1964) defines three forms of tension:

- 1) Tension arising primarily from inner conflicts, e.g., neurosis – this form is closely connected with the psychiatric concept of anxiety.
- 2) Tensions arising primarily from external factors – this form may be created by hurdles in organisational structure, for those who seek to surmount them, by management goals, for those who seek to accomplish them, and by similar obstacles that delay the satisfaction of an individual's drives and desires.
- 3) Tensions arising primarily from a need to be creative – the gifted mind and the special talent need a matrix in which to realise their natural functions. This form can be subdivided in two aspects: a) tensions that prepare for, accompany, and sustain a virtuoso performance of any kind – from running a 100-yard dash to leading a crucial meeting; b) tensions of an intellectual or psychical nature which accompany and sustain a more prolonged act of mental creativity, such as analysing a complicated situation or writing a book. This form of tension operates best in the absence of other sources of tension.

Observations of tension have been conducted in many disciplines, in which studies focus on organisations and investigate tension from the perspective of actors' and organisations' success or failure. Most studies have investigated the role of tension in internal organisations, especially in working relationships between employees, incentive

systems, labour behaviour and satisfaction (McKay and Tate, 1999; Kelly and Hise, 1980; Hermens, 2001). From another perspective, researchers explore conflict or contradictory elements in organisations, for example standardisation versus flexibility (Hanseth et al., 1996; Ha and Thirumalai, 1997), resource efficiency and creativity (Autio, 2005; Isaksen and Ekvall, 2010; Asakawa, 2001; Dholakia, 1988) or operational measurements or tactics and strategies in practice (Johnston and Pongtichat, 2008; Dodd and Favaro, 2007; Lewis et al., 2002; Lewis, 2012). In the context of globalisation, tension emerges between global and local actors and during negotiations, due to differences between cultures and interests (Busco et al., 2008; Lee et al., 2006; Reardon and Hopkins, 2006; Dicken, 1994; Cunha, 2005). In inter-organisational relationships, tension is addressed by competition between firms and their rivals when an organisation is influenced by relative scale, a rival's attack volume, or a rival's capability to compete (Chen et al., 2007). Tension is also analysed in the non-profit sector since there is a gap between organisational identities, such as names, missions, visions, and strategies, positioning themselves in the market, and others (Smith et al., 2010). In recent research, tension is highlighted as a result of rules changes in international systems, in which 'internal tensions, contradictions and weaknesses interact with actual state behaviour and create political space for disputes over their interpretation and application' (O'Mahoney, 2013). According to such studies, the tension can be both the reason for and cause of institutional change processes.

Dodd and Favaro (2006) analyse the 20-year performance of more than one thousand companies from all over the world and conduct a survey of two hundred senior

executives as well as in-depth interviews with top managers to draw up the three systematic tensions in organisations, including 1) profitability vs growth; 2) short term vs long term; and 3) whole vs parts. They also observe that actors/managers do not recognise the existence of such tensions or the role of tension in influencing decision-making processes or business performance (Dodd and Favaro, 2006; Dodd and Favaro, 2007).

In collaboration, there are three inherent tensions, namely transactional versus relational collaboration, loosely versus tightly coupled collaboration, and static versus dynamic collaboration (Hagel, 2009). Three additional sources of tension are defined in globalisation, including individual choice versus societal choice, free market and government intervention, local authority and extra- or supra- local authority (Rothenberg, 2003). Such tensions raise the question whether tension is a good or bad factor not only in organisational operations but also in a macro-level phenomenon such as globalisation; this study is attempting to answer this question.

To summarise, tension is recognised in several research disciplines; however, it is hard to define the exact sources of tension as they are complex and intangible. This study addresses tension that derives from different gaps of conditions, intentions, interests and benefits between institutional actors and their conventions in global value chains, which may cause the transition or change of institutions/ organisations, their relationship or position (influential role, market driven or market creation) in governing activities.

3.3.2. The nature of tension in the institutional environment

The most important word in North (1990) definition of institutions is ‘constraints’ that reveals the existence of tension between institutional actors under pressure of formal and informal power in the context of institutional change (Oliver, 1992; Dacin et al., 2002; Seo and Creed, 2002; Blatter, 2003; Elsner, 2012; Roland, 2004; Wax, 1971; Townley, 2002). In other words, the role of tension is properly addressed in institutional theory as a function of changing resources. Many authors argue that institutional change occurs under pressure caused by tension. For example, Oliver (1992) distinguishes three sources of pressure on deinstitutionalisation, which is described in an earlier section. A distributional approach also suggests that dynamic tensions and pressures for change are built into institutions (Mahoney and Thelen, 2010). Tensions are inevitable in interactions between institutional actors, which necessarily contribute to the development of institutions. The effects of tension in practice, whether positive or negative, serving as motivation or demotivation, or productive or unproductive in change processes, still remains controversial and therefore calls for further research, especially studies that adopt a two-dimensional approach to tension (Ewing, 1964; Isaksen and Ekvall, 2010; Huxham and Beech, 2003; Fabian, 2000). This study aims to complement this body of literature from the GVC perspective.

Tension has been found to be a considerable influencing factor in organisations and should be accounted for and responded to by appropriate managerial action. In fact, tension is often considered unhealthy and even hazardous to organisational outcomes (Dodd, 1939; Edmondson and Smith, 2006; Jehn et al., 1999). Therefore, the nature of

tension is normally an elusive factor, especially in business and management, since many papers report tension related to wrongdoing, misfortune, human relations failures and neurosis (Dholakia, 1988; Beverland, 2005; Beer, 1997; Lee et al., 2006; Taylor, 1968). Tension can significantly disrupt operations, as in the case of Carrefour S.A.³ (Passariello, 2010), or it may lead organisations to regulate, limit and direct the actions of institutional actors (Dholakia, 1988; O'Mahoney, 2013). As a result, managers/actors often react to tension with avoidance rather than confrontation until it generates conflicts or disruption. The differences between the profit motive and the community service motive or between gentleness and harshness in managing problematic issues that lead to strikes or even riots or collapses drives negative opinions of tension (Chen et al., 2007; Dodd and Favaro, 2007).

In addition, tension can be turned to advantage in a variety of ways. Tension can have positive effects such as motivating learning, inspiring creative performance and stimulating self-examination (Ewing, 1964). According to Fabian (2000), there are many templates of healthy tension in organisations. For example, tension can have positive effects as long as managers identify the right strategies for resolving it and in that way can unlock better business performance (Dodd and Favaro, 2006). O'Mahony and Bechky (2008: p.426) indicate that 'the easiest way to forge collaboration is to tailor the object in such a way that it caters [to] people's explicit interests, as this creates a tension that enables actors to choose elements that meet their goals'. In addition, Isaksen and Ekvall (2010: p.73) state that 'useful newness implies a conceptual overlay that often

³ Carrefour is a French multinational retailer who experienced in disarray and disruption due to internal tensions.

includes a synthesis of opposites and a resolution of creative tension'. As a result, tension can be productive in fostering creativity and innovation to reach actors' targets (Autio, 2005; Beverland, 2005; Isaksen and Ekvall, 2010).

Recent studies that address tension in organisations from a social perspective outline whether it is a productive motivation or has an unproductive effect on organisational outcomes (Mudambi and Swift, 2009). These studies not only acknowledge the productive and unproductive effects of tension but also suggest that tension is necessary for institutional coordination (McDermott and O'Connor, 2002). In many contexts, tension both hampers and motivates the improvement of operations and performance. In the context of globalisation, tensions have arisen involving actors' fears of cultural differences and peculiarities, but such tensions can encourage improvement for more efficient cooperation (Busco et al., 2008). Bryant (2003) suggests that managers face the challenge of working effectively with others to benefit their customers and to cope with challenges in the global marketplace; therefore, understanding such tensions is important in developing networks, as in GVCs (O'Mahoney, 2013; Rothenberg, 2003; Hagel, 2009). Because tension is essential to competitive advantage and innovative strategies (Ghemawat and Ricart Costa, 1993), managing tensions does not necessarily require choosing between the two polarities of good or bad influence, but it does require an awareness of the simultaneity of good and bad influences and a determination to realise their potential.

3.3.3. Tension between institutional actors in global value chains

3.3.3.1. Tension in global value chains

This section adopts theoretical principles introduced above to collate phenomena related to tension between institutional actors (organisations) in GVCs. Evidence of tension in GVCs has been presented in recent research on value chains, according to which it derives mainly from non-compliant behaviour (e.g. Locke et al., 2009; Lund-Thomsen and Nadvi, 2010a; Moazzem, 2015; Oka, 2010; Ruwanpura and Wrigley, 2011), pressure to exhibit CSR (e.g. Boyd et al., 2007; Doh and Guay, 2013; Haque and Azmat, 2015; Lund-Thomsen and Nadvi, 2010b; Lund-Thomsen and Lindgreen, 2014; Perry et al., 2014), and changing rules in the macro business environment (e.g. Barrientos et al., 2015; Amador and di Mauro, 2015; Cattaneo et al., 2010; Elms and Low, 2013; Thomsen, 2007).

As Scott (2001, p. 57) notes, ‘compliance occurs in many circumstances because other types of behavior are inconceivable; routines are followed because they are taken for granted as the way we do these things’. Thus compliance-related behaviour is the most likely source of tension in GVC governance, deriving from the issue of compliance with the terms and conditions of agreements between buyers (retailers or brand owners) and manufacturers in the supply base in the global context where standards are critical to effective governance. This phenomenon has been documented in much recent research. Most emerging issues related to tension involve labour forces and conditions. Recent research on governance frameworks (Gereffi et al., 2005; Altenburg, 2006; Humphrey

and Schmitz, 2001; Nadvi, 2008; Ponte and Gibbon, 2005) finds that standards can help promote the codification of knowledge and thereby reduce transaction costs within value chains. In some cases, lead firms (retailers) are emphasising their specific codes of conduct as a marketing tool to underline their socially responsible, even ethical, sourcing practices (Hughes et al., 2008; Nadvi, 2008). The evidence from some case studies and empirical studies highlights the fact that even in the most well-developed multiple-stakeholder initiatives aimed at addressing standards compliance, non-compliant behaviour still exists, such as violations of labour rights and poor and unsafe working environments (e.g. Robertson et al., 2011; Moazzem, 2015; Locke et al., 2009; Barrientos and Smith, 2007; Knorrington and Pegler, 2006; Pollin et al., 2004; Reinecke and Donaghey, 2015; Pun, 2005; Wells, 2007). As a result, monitoring can very quickly become ineffective; this puts pressure on lead firms, who expect value chain actors to comply with their codes of conduct, to make monitoring work as an effective governance tool. Non-compliant behaviour stems mostly from the ‘race to the bottom’, where competition is based mainly on continuously lowering production costs, and this phenomenon is occurring with great frequency in the contemporary context (Rudra, 2008; Taylor, 2011; Appelbaum et al., 2005).

Yet ‘code of conduct’ implications are not the only sources of tension; the stress of protecting an organisation’s or brand’s reputation (lead firms/retailers), which manifests in pressure to embrace CSR, also produces tension. Such tension is defined in relation to or as a part of non-compliant behaviour in GVCs. Lund-Thomsen and Nadvi (2010a) examine CSR standards in South Asia (Pakistan and India) and identify challenges

regarding child labour. They also address the determinant role of international brand owners/retailers and strong collective action in monitoring and changing such a situation (Lund-Thomsen and Nadvi, 2010a; Locke et al., 2009; Ruwanpura and Wrigley, 2011). Such pressure has become significant because of negative media reports about disasters that strongly influence branded buyers' reputations, as in the case of Rana Plaza in Bangalore (Reinecke and Donaghey, 2015; Taplin, 2014). As a result, third parties, in particular NGOs, who attempt to balance compliance practices in GVCs, publicize the role and effects of compliance (Deegan and Islam, 2014; Braun and Gearhart, 2004; Hirsch, 2004; Ilon, 2008). Under such tension, the 'race to the bottom' may slow down or become less intense because purchasers are forced to choose good compliance partners rather than select suppliers based on price alone (Deegan and Islam, 2014; Brown et al., 2014).

Moreover, the relationship between lead firms (retailers/department stores or brand owners) and manufacturers in the supply base reflect an unequal power balance (e.g. Hassler, 2003; Thomsen, 2007; Coe et al., 2008b; Dicken, 2005; Tokatli, 2007; Tokatli, 2006; Coe et al., 2008a). As the power of lead firms has become a driving force in the growth of GVCs, as noted in chapter 2, such firms are empowered to dictate almost all conditions of market access and influence the organisation of production and the financial situations of brand owners. In other words, lead firms are 'rule makers', and as a result tension increases when the more powerful (in the macro environment) change and the collective power in the supply base strengthens (O'Mahoney, 2013; Kolk and

Van Tulder, 2005; Drezner, 2002; Cashore, 2002). Because tension is rarely addressed in GVC research it merits further empirical research and investigation.

3.3.3.2. The degree of tension in a conceptual matrix of five types of governance and four mechanisms of institutional change

Tension plays an important role in changing institutional actors and their relationships (governance) in GVCs. The table below draws up the possible degree of tension that emerges in GVC governance of change mechanisms.

Table 7: The degree of tension in the matrix of five types of governance and four mechanisms of institutional change

	Power	Attraction	Mimesis	Competition
Hierarchy	Low	Medium	Low	Low
Captive	Low	Low	Medium	Low
Relational	Medium/High	Medium	High	High
Modular	Medium	High	Medium	Medium
Market	High	High	High	High

Source: Synthesis of literature review of this study

From the hints from recent research and key determinants of GVC governance combined with change agents, I find that the level of tension associated with various types of governance is not the same in correlation with change factors. The varying degrees of tension are determined by the characteristics of dynamic GVC governance (Gereffi et al., 2005; Altenburg, 2006; Dolan and Humphrey, 2004; Humphrey, 2001) and institutional change (van der Velden and Jaffee, 2001; Beckert, 2010; Dacin et al., 2002; DiMaggio and Powell, 1983). For example, tension related to power enforcement in hierarchy systems is lower than in relational systems since actors in the former are often in highly controlled systems, in contrast to those in the latter. Similarly, tension

stemming from competition is higher in relational systems than in hierarchy systems where the order is stable and limited by lead firms. In practice, multiple types of governance co-exist in the same sector (Altenburg, 2006); therefore, the presence of tension between actors is complex and can be implicit or explicit but inevitably arises from institutional interactions related to change. In the relational governance type, it is hard to define whether power mechanism is the highly driving factor compared with attraction and mimesis ones. However, the significant changing mechanism here is competition, where price is the central issue. As a result, the table above is only a provisional analysis, as further empirical research is needed to examine and verify its accuracy. Nonetheless, the questions that we must answer are, to what extents do such tensions affect governance structures and how can institutional actors recognise and react to them? Answering these questions are the central objectives of this study.

3.4. Chapter summary

This chapter presents selected institutional theories for the purpose of integrating them into the GVC literature, in which research on institutional context is underdeveloped. The definitions of key concepts related to institutions, institutional actors and institutional change are demonstrated. The role of tension in relation to value chains and institutionalisation is also argued for and highlighted in this chapter to fill the gap in GVC studies. Institutional actors are classified into several categories and their role in and correlation with the development of institutional contexts is discussed. Theories of institutional change come into focus to discover the most appropriate approach and change agents. Four change agents, initially proposed by DiMaggio and Powell (1983)

and developed by Beckert (2010), are selected as fundamental factors for analysis. Furthermore, research on tension is indicated by comparison across research disciplines. Owing to the multiplicity of conceptions of tension across a wide range of fields, a combination of definitions of tension from multiple disciplines is issued and adopted as key concepts for this study. Tension is typically considered unhealthy in management and organisational studies as well as sociology, but it is the centrepiece of institutional change. Although the direction of influence of tension remains under debate, it deserves attention, especially in a global institutional context.

Finally, several issues related to tension in global value chains, which have been mentioned only briefly in recent research, are outlined as undeveloped subjects of study, revealing a gap in the relevant literature. Tension between lead firms and manufacturers has been highlighted in much research, but institutional context has not been implicated or considered. The next chapter presents the research design and methods used in this study to explore and analyse tension and its influence on institutional actors and GVCs more deeply, with reference to the case study of the VTGI.

Chapter 4: Methodology

4.1. Introduction

Chapter Two and Chapter Three reviewed the literature on GVC governance and institutional theory in relation to the emergence of tension-related issues, which sets the context for the research study undertaken. This chapter describes the methodological approach adopted, and begins by presenting the research philosophy, the research approach and the research paradigms that informed the study. The methodological approach adopted for this study is informed by the philosophical underpinning of the research paradigm, in particular realism approach. The research methods employed to fulfil the aims of the study are considered in the context of achieving triangulation in terms of both the collection and the analysis of the data that showcases the empirical setting. The research design is then described with reference to three key research activities: 1) in-depth interviews, 2) content analysis of internal reports following the interview stage, and 3) observations of corporate meetings, workshops and industrial events such as exhibitions and seminars, to which the hybrid approach of inductive and conductive research processes was applied.

Qualitative research methodology is adopted for this study and triangulation is considered an efficient research structure for coordinating multiple sources to increase the reliability of the findings. The triangulation strategy is applied not only in the

research design through the adoption of three stages of data collection but also through the sample selection of respondents and the process of data analysis. Pyramiding is adopted for selecting respondents, as the research concerns three levels of management: low (workers), middle (managers) and high (decision makers). The details of the primary fieldwork activity and core research activities are explained in this chapter, which together with the process of data collection and analysis demonstrates how the research findings are interpreted. In the analysis phase of the research, three techniques were used for developing an understanding of the anatomy of the data, including thematic analysis, discursive devices, and institutional logics, and as such enabled a more in-depth investigation of tension-related issues and their effects on GVC governance. Following that, the validity and reliability of the study is discussed and ethical considerations in relation to conducting an empirical study of this nature are considered.

The above section has briefly clarified the structure and the nature of the research undertaken and the next section will outline the research philosophy, approach and paradigm, whilst also presenting an evaluation of the implications for the adoption of the research design that guides this study.

4.2. Justification of the research paradigm

This section examines the most appropriate research paradigm that was adopted as a foundation of research design and operation in this study, to determine the research methodology used to meet the research objectives. It is important to understand the

philosophical assumptions or theoretical paradigm because an empirical study is about the nature of reality, which is crucial for research construction—the way knowledge is studied and interpreted. According to Guba and Lincoln (1994: p.107), a paradigm is a ‘basic belief system based on ontological, epistemological, and methodological assumptions’. Sobh and Perry (2006: p.1194) clarify that ‘ontology is “reality” and epistemology is the relationship between that reality and the researcher, and methodology is the techniques used by the researcher to discover that reality’.

Methodology is the only element that is either explicit or implicit; and methodological approaches depend on various epistemological (e.g. positivism or interpretivism) and ontological (e.g. objectivism or constructivism) positions (Terreblance and Durrheim, 1999). In other words, a paradigm can also be simplified as a ‘basic belief system or world view that guides the investigator or action’ (Lincoln and Denzin, 1998; Guba and Lincoln, 1994) since it acts as an overall framework within which to conduct research.

Several theoretical paradigms have been discussed in the literature and it is difficult to determine how many research paradigms exist in various fields, such as positivism, postpositivism, constructivism, pragmatism, transformative, critical theory, realism and so on (Mackenzie and Knipe, 2006). Notwithstanding the great number of possible research paradigms that may be adopted, the four main paradigms established in the process of conducting research in a business environment—positivism, realism, constructivism and critical theory—all of which are strongly supported by philosophical assumptions in a wider range of research are considered here (Perry et al., 1999). In particular, based on research by Lincoln and Guba and others, these four research

paradigms have distinctive features and are pertinent to a range of research studies, suggesting that realism provides the most appropriate underpinning for this study (Sobh and Perry, 2006; Guba and Lincoln, 1994). The table below provides a comparison of four research paradigms in research, based on that the justification of realism adoption is clarified.

Table 8: Alternative research paradigms

Element	Positivism	Constructivism	Critical theory	Realism
Ontology	Reality is real and apprehensible	Multiple local and specific ‘constructed’ realities	‘Virtual’ reality shaped by social, economic, ethnic, political, cultural and gender values, crystalised over time	Reality is ‘real’ but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it
Epistemology	Finding true—researcher is objective by viewing reality through a ‘one-way mirror’	Created findings—researcher is a ‘passionate participant’ within the world being investigated	Value mediated findings—researcher is a ‘transformative intellectual’ who changes the social world within which participants live	Finding probably true—researcher is value-aware and needs to triangulate any perceptions he or she is collecting
Common methodologies	Mostly concerned with testing theory. Thus mainly quantitative methods such as surveys, experiments, or verification of hypotheses	In-depth unstructured interviews, participant-observation or action research	Action research and participant-observation	Mainly qualitative methods such as case studies and convergent interviews

Source: Adapted from Perry et al. (1999)

The above table summaries the existence of an extensive body of literature that is available for comparing, contrasting and distinguishing research paradigms and their

implications support to the selection of the right paradigm for the research. Therefore, it helps to clarify the research position undertaken by this study, the rationale behind the paradigm adopted, and the research strategy adopted. The dominant philosophical influence on the research design for this study is realism Perry (Perry et al., 1999) et al., 1999, which aims to generalise theoretical propositions and enables for exploring implicit phenomena, such as tensions (Fabian, 2000; Sobh and Perry, 2006), to explore the effects of tension on institutional change rather than simply identifying tension in the relationship between institutional actors in GVC governance. The four research paradigms are discussed and evaluated in this section to justify the appropriateness of realism as a paradigm for this research study.

4.2.1. Positivism

The positivism paradigm has been the most popularly applied in business studies and social science for several hundred years (Sobh and Perry, 2006; Orlikowski and Baroudi, 1991). Positivism considers studying the social world in the framework of factual knowledge or the natural way, with knowledge to be obtained through observation, and reality is assessed by viewing the world through a one-way, value-free reflection (Perry, 2000). Collins (2010) states that:

‘as a philosophy, positivism is in accordance with the empiricist view that knowledge stems from human experience. It has an atomistic, ontological view of the world as comprising discrete, observable elements and events that interact in an observable, determined and regular manner.’ (p.38)

The presumed aim of research under positivism is simply to test theory or describe an experience by observation and measurement (O’Leary, 2004) rather than to discover dimensions of inquiry or consider the under-determination of theory (Guba and Lincoln, 1994). However, for more complicated social science phenomena, such as marketing and management, which require to investigate experiences, cognitions or implicit issues, this paradigm seems unsuitable (Sobh and Perry, 2006). Sobh and Perry (2006) also point out that positivism’s view is incomplete regarding social science, especially regarding such issues as deep behaviour and thinking (e.g., on the part of managers or executives). Therefore, with respect to many emerging phenomena involving complex relationships between participants, this paradigm seems not appropriate for research in the construction of realities (Cook et al., 1979; Collins, 2010).

4.2.2. Constructivism

Constructivism, which is different from positivism, rejects this view of human knowledge but accepts multiple realities in the mind (Gray, 2013). In other words, constructivism views knowledge as socially constructed and assumes that reality appears in the form of multiple realities that are created by a subject’s interactions, which are socially and experimentally based, intangible mental constructions of individual persons (Guba and Lincoln, 1998). Hence, participants’ views of a situation being studied and the effects of their own backgrounds and experiences are focused on by constructivists (Creswell, 2013). Crotty (1998) explains constructivism as follows:

‘The view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context.’ (p.42)

Constructivism was not considered an appropriate paradigm for this study because the research is not concerned solely with a social phenomenon but with economic dimensions, especially with research on organisations/institutions (Sobh and Perry, 2006). This study requires examining both internal and external factors; in fact, the external institutional environment is much more important than the internal environment.

4.2.3. Critical theory

Critical theory assumes that realities ‘are apprehendable [and] are shaped by a congeries of social, political, cultural, economic, ethnic, and gender factors’ (Guba and Lincoln, 1994: p.110). While positivism and constructivism do not really concern values, critical theory focuses on the role of values in investigation. In particular, critical theory views the world through a political lens and a historical perspective, especially regarding power relations and patterns of dominance (Myers, 2013; Guba and Lincoln, 1994). In organisational research critical researchers can consciously investigate changes in social and economic circumstances. Nevertheless, like constructivism, critical theory is limited and less appropriate in marketing and management research or general business research since it concentrates on emancipation of the oppressed (Sobh and Perry, 2006; Perry et al., 1999). Therefore, this study adopts a mixed paradigm, a so-called realism paradigm as justification in the following section.

4.2.4. Realism

Realism is a mix of positivism and constructivism (Healy and Perry, 2000) and has been known, under other names, as critical realism or postpositivism (Guba and Lincoln, 1994; Lincoln and Denzin, 1998). Realism is explained as ‘the view that entities exist independently of being perceived, or independently of our theories about them’ (Phillips, 1987: p.205). It is further clarified that ‘scientific realism is the view that theories refer to real features of the world. Reality here refers to whatever it is in the universe (i.e., forces, structures, and so on) that causes the phenomena we perceive with our senses’ (Schwandt, 1997: p.133). The importance of realism is hotly debated, but there are many advocates claiming the dominance of realism as a serious position in recent marketing and management research (Perry et al., 1999; Sobh and Perry, 2006; Creswell, 2013). Leplin (1984: p.01) argues that ‘scientific realism is a majority position whose advocates are so divided as to appear a minority’. Over the past several decades, many researchers found realism a more suitable worldview in connection with social science phenomena (Cook et al., 1979; Creswell, 2013; Myers, 2013; Krauss, 2005).

The appropriateness of realism as a basis for the research methodology employed in this study is discussed in this section. Realism is, first, considered more appropriate in this research because the phenomena under study ‘concern multiple perceptions about a single reality’ and require readers to ‘be conscious of the values of human systems and of researchers’ (Krauss, 2005). Under this approach, perception contains a degree of plasticity (Guba and Lincoln, 1994). Second, under realism, realities exist independently of the researcher’s cognition (Healy and Perry, 2000). Since the ‘reality’ is only

‘imperfectly and probabilistically apprehendable’(Guba and Lincoln, 1994: p.109), realists seek ‘an [understanding] of the common reality of an economic system in which many people operate inter-dependently’ (Sobh and Perry, 2006: p.1199-1200). In addition, realism accepts the differences between reality and perceptions of reality as well as examines multiple examples for analysis, as a result, it can avoid of merely observations of the tip of an iceberg (Healy and Perry, 2000; Sobh and Perry, 2006). From that, knowledge of reality is related to surrounding conditions and cannot be separated from the social actors involved in the knowledge foundation process (Krauss, 2005), therefore, realism is really suitable for the study of tension between institutional actors in a given context.

Overall, realism, adopted in this research, enables the author to discover a deeper, unobserved and unobservable reality. Since common methodologies of realism are qualitative methods, such as case studies, unstructured or structured in-depth interviews (Guba and Lincoln, 1994; Perry et al., 1999; Sobh and Perry, 2006), it is more pertinent to achieving a deep understanding of reality. Moreover, the involvement of triangulation of several data sources and their interpretation is important under realism because of multiple conceptions of reality (Healy and Perry, 2000). Owing to the complicated and hidden features of tension between actors in GVCs, realism is considered as the most appropriate paradigm to be adopted in this study with triangulation design, which is described further in section 4.4 and 4.5, to explore the nature, existence and effects of tensions in the system of governance.

4.3. Research settings: Vietnam Textile and Garment Industry

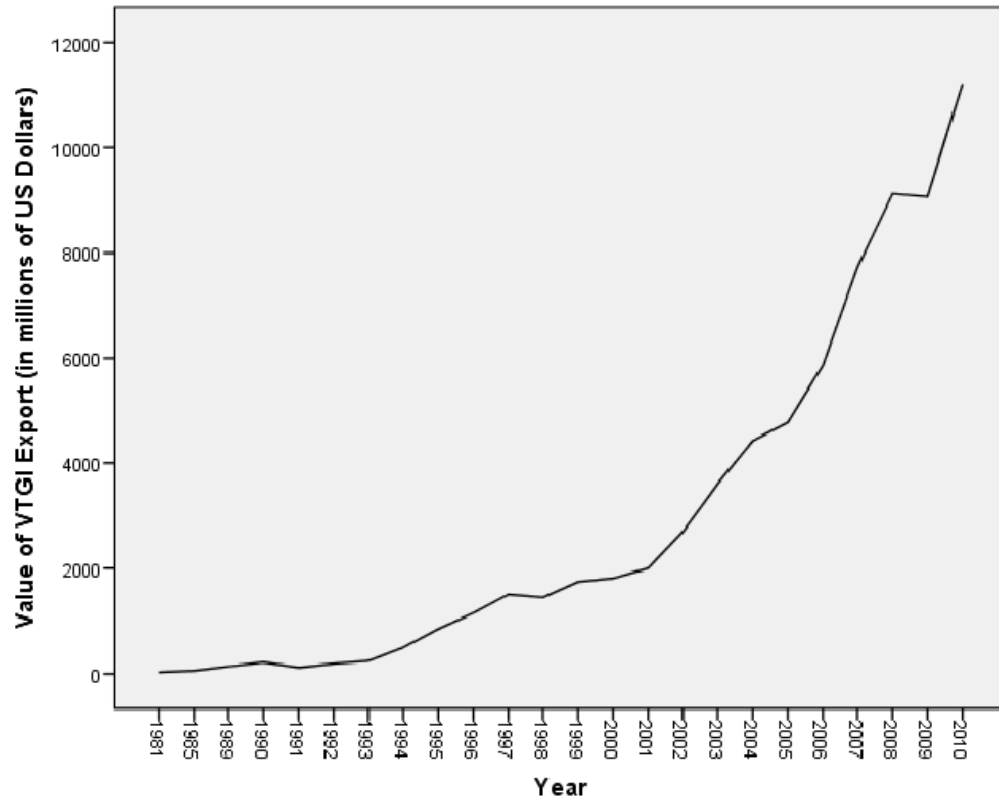
This section provides arguments for the case study on the Vietnam textile and garment industry (VTGI) as the research context in the study and it highlights only the key points involved in selecting the research setting. The term of the Textile and Garment value chains here is understood that is clothing/apparel value chains. The Textile industry means the supporting industry or production of materials and accessories for garment production. Additional supporting evidence of the current dynamic movement and attractions related to this case study is presented in Appendix 1. Two critical issues are discussed to clarify the representativeness of the VTGI that makes it possible to contribute valuable findings regarding changes and trends in GVCs, including: 1) the importance of GVCs in developing countries, 2) the representative characteristics of the VTGI; 3) accessing sources for the investigation.

As the number of developing countries that are involved in GVCs keep increasing, the research on GVC recently engages much in the context of such third world markets (Bamber et al., 2014). Much research shows how the economy has transformed thanks to participating in GVCs (Abdulsamad et al., 2015). However, most of developing countries' production remains as the least value-added phase in GVCs and is characterised by sweatshops with the hazardous working environment and low wages as well as other unethical issues (Coe et al., 2004). As a result, when it comes to research on GVCs, developing countries are considered as the most concerning locations, where make up more than a half production of products and services in the global market (Altenburg, 2007). The main issues of GVC governance structures also lie in such

context due to uneven development and power symmetry as well as the flexibility/vulnerability of such markets (Brown et al., 2004; Rudra, 2008; Haque and Azmat, 2015). Therefore, this research has chosen a developing country as the research context in order to explore tension in GVCs.

Many researchers have conducted studies on the VTGI (e.g. Knutsen, 2004; Brown et al., 2014; Kenta, 2007; Luong, 2001; Nadvi et al., 2004; Thomsen, 2007; Trần, 2012; Hill, 1998). Vietnam has become a promising, rapidly growing market in Asia, especially in export-oriented production (Schaumburg-Müller and Chuong, 2010). And the VTGI is also mentioned as one of the most significant cases in GVC analysis due to the high speed of transformation, insertion in global economy and the contribution to economic growth (Freeman, 2002; Hill, 2000; Luong, 2001; Kenta, 2007; Schaumburg-Müller and Chuong, 2010). The impressive development of the VTGI in the past three decades has been impressively demonstrated by the statistics shown below.

Figure 3: Vietnam textile and garment exports 1981-2010



Source: Aggregation of Trần (2012: p.126) from statistical yearbooks in various years

Table 9: Vietnam's total textile and garment export value during 2011-2015

Year	Export Value (Unit: million USD)
2011	15,831
2012	17,018
2013	21,092
2014	24,692
2015	27,000

Source: Synthesis of Vietnam trade promotion agency data (Vietrade, 2015) and updated results from the 2015 Annual Report of Vinatex (Vinatex, 2016) with the statistical source being the General Department of Vietnam Customs.

The performance of the VTGI has been soaring rapidly, especially in the second decade of the twenty-first century. After only five years, from 2011 through 2015, the export

volume of the VTGI more than doubled since 2010 and increased more than 13 times compared with 2000 – when significant growth began. Since 2006, the VTGI has been among the world’s 10 largest garment exporters. In 2014, it ranked fifth after China, Turkey, Bangladesh, and India. For the national economy in Vietnam, the VTGI is the core industry, the second strongest contributor to GDP. In 2010, Vietnam was the second largest textile and garment exporter to the United States (US) market, and third into the Japanese and Europe (EU) markets. At the beginning of 2011, although demand from major markets such as the US, the EU and Japan dropped, textile and garment export turnover in the first four months still reached about US\$ 4.5 billion according to the Vietnam Textile and Apparel Association (VITAS). As a result, such incredibly successful global expansion serves as a good example of value chain upgrading and participating in world production.

Vietnam’s textile and garment sector has witnessed rapid and sustainable growth in the past several decades and this has played a critical role in national socio-economic development; as such, it serves as one of the most representative cases of global value chain participation (Kenta, 2007; Hill, 1998). Labour demand in the sector is substantial; every year, the sector employs 2.2 million people (Bui, 2014; VITAS, 2016). The export value of textile and garment products in the last decade has ranked number two in terms of the country’s total export revenue, constituting a major source of foreign exchange and contributing significantly to Vietnam’s gross domestic product (Bui, 2014). The table below provides a statistical overview of Vietnam’s textile and garment industry.

Table 10: Overview statistics of Vietnam's textile and garment industry

Indicators	Unit	Value
Number of companies	Companies	6,000
Enterprise scale	People	SMEs of 200-500+ account for a large proportion
Company structure based on ownership		Private (84%), FDI (15%), State-owned (1%).
Company structure based on operation		Sewing (70%), spinning (6%), weaving/knitting (17%), dying (4%), ancillary industries (3%)
Geographical allocation of company		North (30%), Central and plateau (8%), South (62%).
Number of employees	People	2.5 million
Average income per worker	VND	4.5 million
Number of working days per week	Day	6
Number of hours worked per week	Hour	48
Number of shifts per day	Shift	2
Value of textile export in 2013 (excluding fiber)	US\$	17.9 billion
Value of textile and apparel imports in 2013	US\$	13.5 billion
Main export markets		United States, EU, Japan, South Korea
Main import markets		China, South Korea, Taiwan
Major export products		Jackets, shirts, pants
Method of production		CMT (85%); others (15%)
Lead time	Day	90 – 100

Source: Reported by Bui (2014: p.11)

Since becoming a member of the World Trade Organization in 2007, Vietnam has garnered tremendous opportunity for preferential trade, which has made the world market more accessible for national production and exports have increased (VITAS, 2016). The textile and garment industry immediately took steps in its development, becoming a top-10 country in textile and garment exports since 2008 (VITAS, 2010). Despite the recent global economic downturn, the sector has continued to experience strong export performance. Export revenue exceeded US\$11 billion in 2010, up 24% from 2009, and US\$14 billion in 2011, accounting for 16.5% of the country's total export revenue and up 38% from 2010 (VITAS, 2010). From 2011 to 2015, Vietnam's textile and garment exports have increased nearly 20% annually (VITAS, 2016).

Before achieving such great performance figures, the VTGI had a long history of development. It started in the late nineteenth century with the first factories established in Nam Dinh province, in the north (Kerkvliet, 2010). After liberation and reunification of the country in the mid-1970s, a new period of VTGI development began and exports, mainly to Eastern European and Russian (Soviet Union) markets, grew. Thanks to the transformation of the economy that began in 1986, open international trade policies have supported VTGI growth following the crisis caused by the collapse of the Soviet Union. In this phase, quota agreements have played an important role in increasing VTGI exports to the EU and Canadian markets. Since late 1998, the end of quota regulations and the significant development of bilateral international trade agreements, in particular free trade agreements (FTAs), as well as the potential of future partnerships, for example the TTP and the EVFTA (expected to take effect from 2018) has promoted the VTGI with steep export growth. The change in the industrial context as defined by such emerging FTAs has been to attract a large potential of investment into the VTGI, especially foreign resources (see more in Appendix 1).

The VTGI is considered one of the most representative cases for studying GVCs since the development of the industry has fully reflected recent phases of global change. Nonetheless, the VTGI is rich in skilled but relatively inexpensive labour, which is a competitive factor in the ‘race to the bottom’ in GVCs (Tran, 2007). The VTGI also exhibits several traits of a developing country and an emerging market, such as limited logistics services, infrastructure and technology (Thomsen, 2007; Kenta, 2007; Luong, 2001). The sector faces the bottleneck problem as well, in which the underdevelopment

of fibre and accessories production is an obstacle to chain governance (Robinson, 2015; Bui, 2014; Van and Huong, 2005). In addition, the Vietnamese economy features a diversity of components following the transformation that began in 1986 (Nadvi et al., 2004). Export-oriented enterprises include state-owned enterprises, joint ventures, private enterprises, foreign firms (FDI companies) and other smallholders, the complex correlation of which is rarely considered in apparel industry research (Perez-Aleman and Sandilands, 2008; McCarty, 2001). The involvement of government, unions and local communities is active and significant in relation to the development of the sector. The VTGI, with multiple stakeholders, is therefore open to dynamic interactions between actors along changing value chains.

The case of the VTGI is not only considered as one of the most representative of the integration process into the global economy from the lowest position in value-added chains (Tran, 2007) but it also has the typical characteristics and emerging issues of a developing countries (Ellis, 2000) in term of governing value chains in the global economy. For example, the Vietnamese culture and social structure as well as business environment are quite similar to many other countries in the region, such as China, Thailand, Laos, Cambodia or Myanmar (Wilkinson, 1996). Recently, Cambodia, following Vietnam, emerged as one of ten largest garment export countries in the world (Natsuda et al., 2010). Another example is Myanmar, a new outward looking country opening its market, which also attracts greater investment in the T&G industry, similar as Vietnam after Doi Moi. It can be seen that the transformation pattern of developing

countries in the region are diffused due to certain similarities of cultures and the business context (Gereffi and Frederick, 2010b; Gibbon et al., 2008).

In addition to the striking performance of the VTGI, the researcher has advantages in accessing research resources in Vietnam for the deep analysis of the case study (Trần, 2012). First, the researcher has worked for international projects focusing on industrial development in Vietnam, especially the VTGI. This has provided me with several contacts prior to undertaking this study and a basic idea of how to conduct the research and collect data from that sector. Second, the researcher enjoys the support of my colleagues, who are researchers in other projects, in selecting the right respondents as well as approaching them efficiently. Third, the good understanding of the Vietnamese environment and culture enables for the deep interpretation of the data collected and integrated with other observations of expression and behaviour in interviews. Overall, my experience in Vietnam will support me insofar as the sector provides for relatively good data collection for reliable results. The next section presents the research strategy and research design adopted to approach the research subjects – institutional actors – to conduct the research and collect data.

4.4. Research strategy

A research strategy is important to ensure adequate resources for completing a study in a limited time frame (Denscombe, 2003; O’Leary, 2004). The research strategy needs to determine the direction for the project and it is built on a study’s philosophical approach – realism paradigm. As an appropriate strategy and design can contribute significantly to

achieving the study's objectives (Creswell, 2013; Crotty, 1998; Myers, 2013), qualitative research and triangulation are justified as the most appropriate methods for undiscovered or implicit reality like the existence of tensions (Sobh and Perry, 2006; Corbin and Strauss, 2007). Based on this critique, this study aims to explore the operational structures of the GVC governance system, which is a broad picture defined by multiple dimensions and complex factors and as such it is hard to define variables to examine and impossible to cover all determinants in quantitative surveys (Bryman, 2006). Furthermore, organisational behaviour or institutional logics are critical issues in this research in terms of determining tension occurring within the relationships of multi actors (Creswell et al., 2003; Teddlie and Tashakkori, 2003). The existence of tension in governance structures, therefore, cannot be identified and examined in a quantitative survey but can only be revealed in deep linguistic and psychological analysis (Minichiello et al., 1990). However, in the Vietnamese culture interview is considered as serious diplomatic issues, respondents are often sensitive with direct or too investigative questions. Therefore, the semi-structured interview has designed and adjusted based on advices of experts from VCCI and mistakes of few first interviews.

From this perspective, a qualitative research methodology is adopted for this study in a mixed-methods design, including semi-structured in-depth interviews, observations and documentary research. This research strategy employs a convergent methodology and convergent validation, which is known as 'triangulation' (Sechrest et al., 1966; Denzin, 1978; Mathison, 1988; Webb et al., 1966). Triangulation involves the application and combination of more than one method or several research methodologies in one study

(Mathison, 1988; Jick, 1979). Denzin (1978: p.294-307) indicated that there are four popular types of triangulation, including: 1) data triangulation that involves time, space and persons; 2) investigator triangulation which uses multiple observers; 3) theory triangulation that uses more than one theoretical perspective to interpret the phenomena under study; and 4) methodological triangulation, which involves using more than one methodological strategy during data collection. This study is unable to adopt any of the first three listed types of triangulation because of limitations of time and resources. Instead, the study adopts methodological triangulation, which involves the use of multiple sources and methods in fieldwork to ensure higher quality data collection, validate the findings, and increase the depth and value of the results (Jick, 1979; Mathison, 1988). In other words, a combination of methods makes it possible to ensure the consistency and accuracy of the data and, from that, the findings are able to present a more complete picture of the phenomenon under study (Strauss and Corbin, 1990; Creswell, 2013; Crotty, 1998). In this study, several research methods are adopted in three stages, as explained in the research design section.

4.5. Research design

4.5.1. Research methods

The research design for this study is based on a triangulation strategy and the central method is the use of semi-structured in-depth interviews. To complement interview-based data collection the study uses workplace observations (at factories in two industrial parks) and industrial events (seminars, workshops, and corporate meetings)

and documents provided by respondents. The study therefore involves three stages of research:

Stage 1: In-depth interviews. Semi-structured in-depth interviews constitute the primary research method of this study. In order to structure key themes in interviews, the focal issues are problems in operation/business or production, challenges and compliance practices in the VTGI when participating in GVCs as well as institutional actors' interactions and reactions to 'difficult or headache issues'. Since in-depth interviews make it possible to extend data collection from participants (Creswell, 2013; Berg, 2012), which is very helpful in examining multiple aspects of respondents' answers without being limited by an interview formulation consisting of prepared questions. The sections formed the semi-structured in-depth interviews only act as guidelines for directing and ensuring the completely investigation of the research topic. As a result, a fuller picture of respondents' experiences and viewpoints can be generated. Besides, this method allows participants to 'speak for themselves', thereby enhancing the validity of the data.

Although the in-depth interview is one of the most popular qualitative methods, it requires sophisticated techniques in practice since bias can occur and negatively affect research validity (Saunders, 2011). One way to control bias is the critical incident technique, which is applied to research objectives and sample selection (Flanagan, 1954), although it is criticised by some for its susceptibility to the problem of rationalisation and evaluation after interviews (Easterby-Smith et al., 2002). Therefore, observation is also adopted at this research stage. Interview questions were initially

constructed by COASE box (Aoki, 2001) with four sections of capacities, strategies, consequences and experiences in two dimensions (an individual viewpoint and a collective one) and then built up based on post-interview evaluations that detailed in the Appendix 4. The semi-structured interview questions are developed based on the research objectives. Initially, the first and second sections of the interview constructed mainly aim to explore the institutional setting and define the multi institutional actors in GVCs in the case of the VTGI (objective 1 and 2). Section three mainly examines the relationship further and somehow reveals hidden problematic issues related to tensions (objective 3). The fourth interview question structured to investigation of actors' awareness of the existence of tension as the linkage to their responses to questions in section five further resolve the problems (objectives 4). Since tension is implicit issues, non-direct questions are proposed with common key words, such as 'problems', 'challenges', 'difficulties' or so. In fact, the order of questions across sections were placed due to the flow of the interview. After that, they will be re-organised in the template of four sections as presented in Appendix 4. During interviews, both verbal and non-verbal information was recorded (e.g. emotional expressions, tone of voice, attitudes). Observation was applied in the business environment in visits and is carefully considered in relation to cultural context and the business environment in the research settings.

Stage 2: Documentary collection for content analysis. Content analysis of reports on value chains, especially internal and unpublicised reports collected after the in-depth interview stage, was conducted. A content analysis of the key words used in a range of

reports could be used to categorise information patterns supporting later thematic analysis (Guthrie and Abeysekera, 2006). Reports for analysis include annual reports, industrial development issues in research projects, statistical reports and other public interviews involving participants or relevant stakeholders. Content analysis is another channel through which to collect the viewpoints of institutional actors along value chains through analysing rhetoric and exploring institutional logics in terms of reactions and thinking about issues related to tension.

Stage 3: Observations in the VTGI events, including seminars, workshops, exhibition and meetings. The study of business workshops has emerged as an important topic for academic research across several management fields. Business workshops have been recognised as a critical element in the establishment of new ideas (Whittington et al., 2006), they have been highlighted as an integral part of strategic practice (Johnson et al., 2010), and they have been acknowledged as a fundamental aspect of the ability of organisations to strategically influence their environments (Lawrence, 1999). Most business workshop research activity is attentive to disruption – for example, locational displacement (Johnson et al., 2010) precipitating change (Hodgkinson et al., 2006). Research has paid attention to the manner and emotions of participants in which value chain activities are constituted and reproduced through business workshops. Workshops are considered significant events within organisational behaviour because they act as a platform on which ‘experts from organisations share their occupational knowledge to inform their collective consideration, negotiation and evaluation of options to tackle an

issue' (Shaw, 2003: p.692). Diaries and notes were used to record dialogues and issues in such events (including seminars, conferences, workshops and meetings).

4.5.2. Units of analysis

In some qualitative interview-based research, units of analysis are sentences or paragraphs (Milne and Adler, 1999; Gray et al., 1995), but this study focuses on 'arguments', 'ideas', and the 'weight of voices' in analysing data due to the implicit attribute of tension in conversations. First, the 'arguments' and 'ideas' expressed by management respondents makes it possible to explore the hidden tension in practice when confronted with challenges and problematic issues (Unerman, 2000). In particular, arguments and ideas engage with issues that are meaningful in examining organisational/institutional change (Dutton et al., 2001). Then, the use of alternative qualitative research methods and interviewing techniques provides a collection of 'voices' from multiple positions in an organisation/institution and between multiple institutional actors, which helps to draw a fuller picture from the various viewpoints and verify the emerging issues (Jonsen and Jehn, 2009).

4.5.3. Sampling selection method

In qualitative research, screening is often utilised when adopting the convenience sampling approach (Berg, 2012). Here, however, the study adopts the pyramiding method, which is an extension of the snowball method (Von Hippel et al., 2009). There are three reasons that the researcher utilised pyramiding in the study. First, pyramid searches require much less effort than mass screening methods. Von Hippel et al. (2009)

found that pyramiding increases efficiency considerably since the portion of potential participants contacted is on average only 28.4%, a lower percentage than is required in screening. Second, pyramiding allows researchers to incorporate learning processes at each step in the search chain; thus, after each node of the chain, the researcher can modify the population and the questions used in interviews. This helps greatly in searching for knowledgeable experts who are highly respected. Third, this sampling method has a major advantage in setting population boundaries and enables researchers to ‘jump to higher hills’ in collecting data. Poetz and Prügl (2010) also proved that pyramiding searches are highly effective in application, especially in the case of research on advanced analogue fields. The differences between the screening and pyramiding methods can be seen clearly in the table below.

Table 11: Comparison between Pyramiding and Screening

	Screening method	Pyramiding method
Cost	Expensive	Cheap
Search	Parallel	Sequential
Requirement	None	Subject’s reputation and subject’s personal interest
Number of contact	Large	Small

Source: Adaption from Von Hippel et al. (2009)

When applying the pyramiding method, interviewees are not selected randomly as in screening or snowballing. Instead, the researcher initially contacted an information gatekeeper – the Vietnam Chamber of Commerce and Industry (VCCI), a state body. This organisation maintains a database on VTGI stakeholders and is in charge of support trading activities. The researcher was able to obtain VCCI support thanks to the introduction of Professor Pham Hong Chuong, the co-ordinator of Vietnam

Development Forum (VDF). After the first contact, the VCCI referred the researcher to reputable manufacturers and experienced researchers in the target industrial field and pyramiding started from this phase. First, the researcher could approach the biggest textile and garment group in Vietnam (VINATEX) and two associations, the Vietnam Textile and Garment Association (VITAS) and the Vietnam Cotton and Spinning Association (VICOSA). After interviewing those three actors, the researcher acquired more references and contacts through which to approach other experienced respondents. The approachable respondents then were carefully considered based on the structure of the VTGI. Therefore, the more SMEs and FDI companies were aimed to interview as it makes the majority contribution in export. Eventually, with support and references from the VCCI as well as recommendations and justifications from the three key actors, the researcher was able to approach various actors from multiple types of firms directly involved in value chains such as manufacturers, vendors, suppliers, and also non-firm actors such as NGOs, research institutions, and local communities (the representative voice of citizens). Most respondents are expert, experienced managers or decision-makers in the sector under research and endorsed as occupying influential positions or as information keepers by their colleagues and peers.

4.5.4. Fieldwork Outline

From September 2013 through November 2013, fieldwork was conducted in Vietnam, focusing on semi-structured in-depth interviews supported by observations in both interviews *and* at other events. Observations were recorded based on the length and

location of each interview. The two largest cities in Vietnam were selected due to the concentration of VTGI factories and organisational offices.

The number of participants interviewed was 82, with 41 from textile and garment firms, 8 from garment firms, 14 from textile firms, 7 from NGOs, 8 from state institutions (include communities and associations), and 4 from supply and vending firms. The list of interviewees is presented detail in the Appendix 5. The majority of participants and interviewees are staff members or employees who have been working in the textile and garment (T&G) industry for more than five years, ranging from chief executive officers and directors to senior, middle managers, team leaders (or labour union leaders), experts, and researchers. Besides, the research also had opportunities to interview three actors from state bodies. Interviewees were predominantly middle-aged Asian males, so cultural understanding was considered in recording details of both interviews and observations for accurate analysis. The transcriptions were then anatomised based on 11 discursive devices for interpreting hidden meaning of their linguistic information. The interviews were conducted in Vietnamese. Interview locations were flexibly set at the convenience of participants based on prior contacts. Most appointments were set in offices and factories in industrial parks. In addition, there were several interviews conducted in a textile and garment industry fair in October 2013 and some were held in seminars and conferences. Relevant industrial reports were requested after each interview for content analysis as well as referencing to more experience actors in the value chain for conducting further interview.

4.6. Data collection

The interviewer initially proposed recording an audio version of each interview supported by hand-written notes. However, in many cases, due to specific circumstances or participant preferences, interviews were sometimes recorded by hand-written notes only. The researcher put considerable effort into obtaining high-quality stenographers. A research diary also helped record interviews in greater detail, including emotional cues and the contexts of interview locations. The transcripts were then re-written, organised and translated into English. The researcher classified collected data into 36 sets of transcripts based on the number of institutional/organisational respondents. The number of interviews in each set depended on the size of the institution involved (number of employees or staff members, capital, range of products, and so on). Recording the interviews was challenging because scrupulousness is a characteristic of Asian culture and management. However, the researcher always attempted to be as precise as possible with vivid illustrations of interview contexts and emotional expressions to enhance the reliability and validity of the data collected.

Data collection was organised in two ways, first by institutional sets (institutional voices), and second by job position sets (constructive voices). Single transcripts of interviews were coded by four criteria for presentation of quotations in findings chapters that includes: 1) categories of institutions (or the function of an institution in its value chain), 2) the number of interview (in the time order), 3) management level (the capability to develop, reflect on, or change institutional operations), 4) the location of

study (the North or South of Vietnam). The interview code is provided in the Appendix 6.

4.7. Data analysis

The challenges of analysing qualitative data are significant. The difficulties include the volume and complexity of the data and the indistinct boundaries between the data collection and data analysis phases, and require a good research plan and sound research design (Bryman and Burgess, 1994). The key issues lie in the lack of clarity and transparency in coding and data analysis; therefore, it is necessary to have a clear explanation of an analysis to ensure the reliability and validity of the research. Hartley (1994, p220) noted that ‘how researchers get from the recording of their data to their interpretation and conclusions is the part of (especially qualitative) research which is least well described in research methodology’. In addition, Bryman and Burgess (1994: p.224) stated that ‘it is still not absolutely clear how issues or ideas emerge to end up in the finished written product’. In an attempt to cope with these challenges in conducting qualitative research, the data analysis criteria and process as well as techniques employed in this research are presented below.

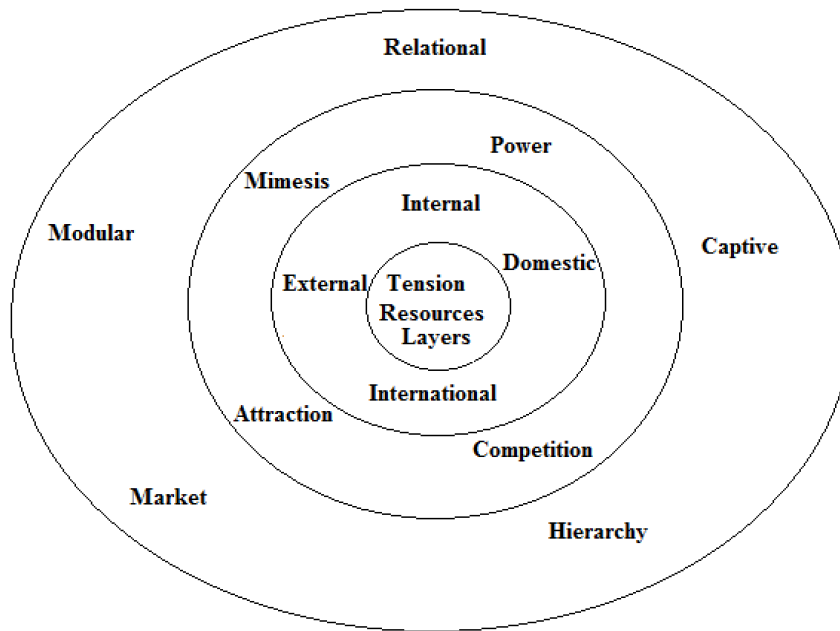
4.7.1. Analytical criteria

In much qualitative research, an analytical framework needs to be determined as a platform and direction for the development of the analytic process. Strauss and Corbin (1998) point out the procedure for analysis beginning with the use of ‘analytical tools’ – such as finding key phrases or words in documents and experimenting with meanings: 1)

‘open coding’ – a process through which concepts are identified and their properties and dimensions are discovered in data; 2) ‘axial coding’ – creating subcategories and associating these with properties and dimensions; and 3) ‘selective coding’ – integrating and refining the theory by using categories and their associations with subcategories to create a type of case study of a particular sub-phenomenon. Following guidance of realism paradigm, analytical criteria need to base on the research framework rather than in other paradigm (Sobh and Perry, 2006). Herein, analysis elements are basically five types governance by Gereffi et al. (2005) and four mechanism of institutional change by Beckert (2010). In fact, the complexity and simplicity of tension require further constructs for analysis besides the adoption of the conceptual framework of these categories of structures and mechanisms. Therefore, three coding stages are conducted as follows.

First, the data collection is initially divided in two different sets of codes, 1) governance types – Market, Modular, Relation, Captive and Hierarchy – and 2) institutional change agents – Power, Attraction, Mimesis and Competition. The former set of codes help to explore the relationship between actors in the VTGI based on their public documented missions and actual implementations. This set is also used to investigate the experiences and practices of GVC arrangements. The latter provides the analytical constructs for explaining the movement of the system of governance in GVCs. These criteria especially support for the stage of analysis – thematic systems of emerging issues as demonstrated in the figure below.

Figure 4: Initial analytical criteria



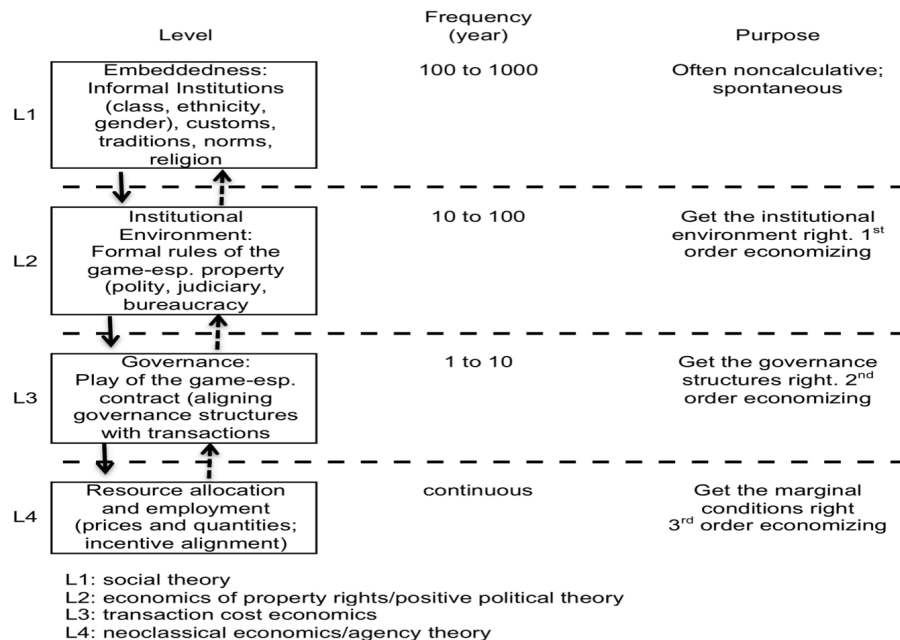
Source: Research theoretical framework of the research

Second, the deeper analysis and comparative findings are assisted by the determinants of the two key theories. They are three factors in the four kinds of transactional linkages in Gereffi et al.'s (2005) framework that determine the structure of governance in GVCs, including: 1) the complexity of information and knowledge transfer to sustain a particular transaction, especially with respect to product and process specifications; 2) the extent to which this knowledge can be codified and, therefore, transmitted efficiently and without transaction-specific investment between the parties to the transaction; and 3) the capabilities of actual potential suppliers in relation to the requirements of a transaction; and the two key concepts of institutional change theory is considered: 1) a set of rules (regulations, terms and conditions, applied standards or compliance), and 2)

institutional actors – their interaction and relationship in (re-) shaping systems of governance (DiMaggio, 1988; North, 1990; Jackson, 2010; Tracey et al., 2011).

Third, due to the significant correlation and mutual purpose of institutional theory and GVC analysis, the research mainly explore the data set in term of tension in the relation between systems of governance and institutional change. The figure below explains for different level of institutional change in the economic field – the operation of GVCs – these are considered as guidelines in layering tension issues for exploring their existence, creation, their impact to systems of governance as (de-) motivating factors (Autio, 2005; Chen et al., 2007; Winn et al., 2008) and re-shaping them in convergent or divergent trends (DiMaggio, 1988; Beckert, 2010).

Figure 5: The economics of institutions



Source: Williamson (2000a: p.597)

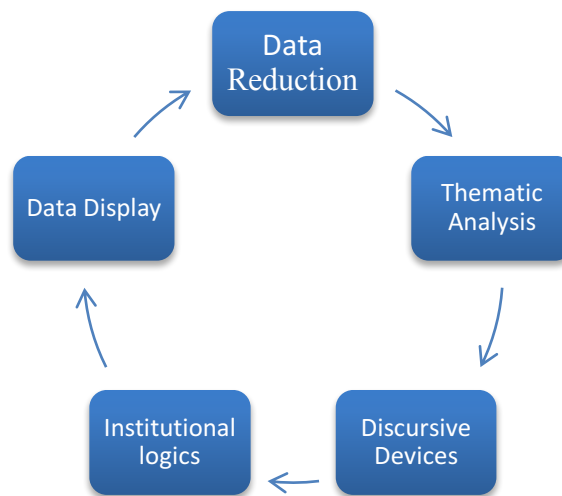
The model of the economics and institutions above is used as a reference to analyse the existence of tension in different levels, 1) internal firms (working relationships, problems and pressures in production and operation) – layer 1 which is compatible with L4 (resource allocation and employment), 2) inter-firm relationships (competition, partnerships, collaborations) – layer 2 which is compatible with L3 (play of the game), 3) the interaction between firm and non-firm actors (e.g. association, NGOs) – layer 3 which is compatible with L2 (formal rules of the game). In the modern business environment, under the high speed of globalisation processes, the change in institutional context is accelerated in just few years (Amador and di Mauro, 2015; Prakash and Hart, 2000; Gereffi, 2005; Drezner, 2002), therefore, the nature of these three layers can be investigated and examined in the same time and clarified by discursive devices. The psychological analysis from both verbal and body languages as well facial emotional was one of important parts in interpreting findings. Thanks to discursive devices, the different opinions, arguments as well as the weight of the voices were distinguished to construct the findings that is demonstrated further in next section . Overall, these criteria of analysis help to reduce the data from large transcripts of interviews, observation notes and documentary for ready to analytic processes started.

4.7.2. Analytic process

Since tension is normally a hidden element and it is significantly challenging to identify its influence as well as measure their effect, the data collection is excised in multiple layers analysis for discover movements in the VTGI. This approach was highlighted in section 3.2.3.2 regarding types of gradual institutional change (Mahoney and Thelen,

2010) and this orientation is integrated with the three layers of institutional change as discussed in section 4.7.1 above. In this respect, the researcher is trying to extract abstract concepts from the data both inductively based on research framework of institutional change and GVC governance and deductively in order to discover emerging aspects in current practices. The circle of analytic process is presented in the figure below.

Figure 6: The circle of analytic process



Source: Data analysis (2014)

Stage 1: Data reduction. The first stage of data analysis is refining data sets based on initial codes of analysis criteria as described above section. In fact, this stage was exercised in each individual transcript of interview in the same time with the fieldwork after each interview. The reduction of data to exact key information and eliminate non-information contribution texts also helped the researcher in examining the quality of interview and requesting further information if necessary. After the fieldwork, the data is reduced again in 36 sets of institutional actors.

Stage 2: Thematic analysis. First, as in other studies adopting the grounded theory approach, several themes are developed through verbal interactions (e.g., interviews and meetings), written texts (e.g., emails, presentations and reports) and other forms of communication (e.g., observations in factories, offices, and industry events) (Fereday and Muir-Cochrane, 2006). Similar issues are coded in groups as so-called main themes and then more complete details are categorised to identify and formulate sub-themes (Aronson, 1995). The activities and ideas in each emerging theme are, then, classified into four mechanisms of institutional change in order to examine the movement of governance structures. In addition, such themes support for the analysis of actors' position in governing the chain as well as reveal the groups of tension in the case of the VTGI.

Stage 2: Discursive devices analysis. Transcripts of interviews are dissected and the corpus of data is categorised into discursive devices to provide respondents' insights as well as their full reflections on systematic issues in T&G GVCs based on analysing discourses (Maguire and Hardy, 2009; Phillips et al., 2004; Mueller and Whittle, 2011). In other words, discursive device analysis provides a more fine-grained translation of ideas and meanings as well as helping to move beyond diffusion and implementation. Thus, this process enables the identification of ideas in both questions and speech acts. The eleven discursive devices distinguished by Mueller and Whittle (2011) are adopted for analysis in this section. Combined with thematic analysis, the devices provide more correlations between analysis variables and issues in defining roots of problems. In analysis application, only 9 out of 11 devices are found in transcripts of respondents.

The sample of quotation extracts for analysis in this stage is presented in the Appendix 7.

Stage 3: Institutional logics (qualitative comparative analysis). Due to institutional changes is often related to a new logics (Ansari and Phillips, 2011), the institutional logics instruct behaviour of actors in the context and comprehensively and predictably explain for their responses (Tracey et al., 2011). The data sets are analysed by listing and counting institutional key words, which emerge in connection with tensions or issues due to the different viewpoints and directions of development as well as interests of various actors in the VTGI. After that, rules of logical inference (institutional logics) are applied to determine which implications the data support (Blatter, 2003). The most concerning issues of different group of actors are highlighted. Consequently, the impact of tensions in re-structuring GVCs in different ways, convergence or divergence, is able to explained. Through these, correspondence between institutional actors reveals whether their logics are relevant or irrelevant, negative or positive, similar or different, after which their interaction and its results can be analysed in light of these relationships (Jones et al., 2013; Thornton et al., 2012). The most frequent words of institutional logics are produced and presented in the Appendix 7.

Stage 5: Data displays. It is the final stage of the analytical process on each set of data. The most frequent meaning problems, experiences, ideas and actions in transcripts are exacted and counted. The explanation of structures and mechanisms of observations and supporting notes (e.g. emotions, attitude, atmospheres) is linked with themes and

emerging issues from previous analytic stages. Quotations of different respondents are issued for evidently support findings' presentation.

The circle is conducted in 36 data sets, after that, it is started again in anatomy higher level of relationships for comparing and interpreting different layers of tension influencing GVC movement. The contents of interviews combined with the extra information from observations generate findings in systematic presentation in the next four chapters. Here the researcher attempts to combine both deductive and inductive reasoning to draw deeper inferences on the nature of tension, which is often avoided, hidden or blurred even to relevant actors, in particular in the case of VTGI participation in GVCs (Fereday and Muir-Cochrane, 2006).

4.8. Reliability and Validity

Validity and reliability are common terms in quantitative research but are also applied in qualitative research (Golafshani, 2003; Easterby-Smith et al., 2002; Bruce and Berg, 2001). Since qualitative research takes a naturalistic approach to investigation and understanding phenomena in specific contexts or research settings (Patton, 2002), confirming reliability requires testing the purpose of 'generating understanding' (Stenbacka, 2001). On the one hand, the notion of reliability can also be misleading and irrelevant in qualitative research; (Stenbacka, 2001: p.552) stated that 'if a qualitative study is discussed with reliability as a criterion, the consequence is rather that the study is no good'. However, validity and reliability must be considered in designing research, analytic processes, and examining research quality because the two concepts are

correlated and cannot be separated (Lincoln and Guba, 1985; Patton, 2002). Here, establishing reliability and validity means testing the trustworthiness of the research presentation and ensuring the confidentiality of the findings (Lincoln and Guba, 1985).

Triangulation has been promoted as a research strategy to strengthen the validity and reliability of a study (Golafshani, 2003; Patton, 2002). Healy and Perry (2000) noted that under realism multiple perceptions and data sources as well as their interpretations of a single reality support the validity and reliability of this approach. According to Mathison (1988: p.13), triangulation is also a test for increasing the validity and reliability of research evaluation:

‘Triangulation has arisen as an important methodological issue in naturalistic and qualitative approaches to evaluation [to] control bias and [to establish] value propositions because traditional scientific techniques are incompatible with this alternate epistemology’ (Mathison, 1988: p.13)

Triangulation in research is also considered ‘a valid procedure where researchers search for convergence among multiple and different sources of information to form themes or categories of study’ (Creswell and Miller, 2000: p.126). Consistent with this literature and the arguments of many researchers, this researcher believes that the use of mixed-methods approaches and multiple data sources, not only primary interview transcripts and observation notes (on interviews, workshops, seminars and meetings) but also secondary data from documents, reports, economics forums and websites, provides the needed reliability and validity. Relating pertinent issues in the case of institutional actors in the Vietnamese context to other countries in GVCs, reflecting on other countries’

stories (e.g. Hongkong, Myanmar, India, Turkey, and so on) during interviews and in content analysis of documents, is also a way of validly situating the research settings.

Reliability in the context of this study is based on cross checking between methods of data collection. For example, the reliability of in-depth interviews and observation-based findings can be tested by content analysis with secondary data collected from reports, papers and statistics. In fact, the reliability of qualitative research remains controversial and it is difficult to control for and eliminate all bias and errors. As a result, the researcher made use of multiple records, including a fieldwork diary, records, hand-written notes, photographs and emotional side-notes. In cases in which respondents declined to be recorded, notes were carefully made on details regarding key issues and were completed by further personal contact. Therefore, the findings of the study exhibit adequate quality and trustworthiness.

4.9. Ethical considerations

Establishing the research ethics of the study is important because the study involved interviews with information holders/institutional actors both inside and outside the textile and garment chain. Obtaining permission to collect data from an organisation/institution can present ethical dilemmas. While the approach to multi-institutional actors along value chains eliminates a mistake defined by Easterby-Smith et al. (2002: p.73), and ‘official access is only part of the story, the next problem is to obtain co-operation and trust inside’. To maintain confidentiality in building the database, which was supported by the VCCI, the researcher was able to obtain open

access to multiple levels of management in only a few participating organisations. This access was managed with the assistance of gatekeepers or key contacts at the involved institutions, which in most cases were senior managers who assumed the role of co-ordinating general operations where appropriate. The gatekeepers were interviewees as well as references to more experienced interviewees focusing on relevant issues in the research. As research questions were refined based on each job position and categories of institutional actors, data collection was enriched after each interview.

In addition, an information sheet that introduced the research was given to respondents before the interviews along with a consent form to be signed (refer to the Appendix 2 and 3). In this way the researcher gained informed consent from all participants. For participants with a limited understanding of English, a Vietnamese version was provided and participants were invited to ask questions relating to the research before signing the consent form. The participants were advised of their right to withdraw from the study for no reason and this right was also clearly presented on the consent form. Although none of the interviewees withdrew from the study, some (including the main contact in the information gatekeeper institution) did leave their institutions during or after the fieldwork phase to hold other positions in other institutions; as a result, some contacts after interviews are missing.

Since interviewees came from several managerial levels in organisations/institutions and the context of Vietnamese business and culture, the researcher had to cope with many rejections of audio recording during the interviews. The hierarchical system in Vietnam also reflects a wide distance between managers and workers, which leads to observable

internal organisational tension as well as many difficulties during fieldwork to approach and appoint respondents. In connection with ethics, the conflicts manifesting in the interviews between different levels of management were kept confidential and anonymous in the findings report.

The research complies with ethical protocols for doctoral research at the University of Birmingham. A 'PhD Application for Ethical Review', which is provided by the institution, is completed and the ethical issues pertaining to this particular study were detailed, as described in this section. With regard to storage, access and disposal of the data, as mentioned in the consent agreement between the researcher and respondents, the interview transcripts have been archived by the researcher in both Vietnamese and English versions and were used only for the purpose of analysis in this study. The collected data will be stored for five years after completion of the study and then will be destroyed as confidential waste.

4.10. Chapter Summary

The methodology of the research has been demonstrated in this chapter and the methodological approaches discussed. Triangulation was adopted as a research strategy to meet the objectives of the study. The philosophical motivation for forming a methodology was discussed in comparison with other paradigms. The research design was also illustrated in detail regarding the sampling method, the fieldwork plan and stages of the research. The sampling method of pyramiding was critically selected as an efficient method for achieving reliable data collection for analysis. Triangulation was

applied in employing multiple sources of data. The ability of the researcher to approach the information gatekeepers and selected actors in the research context was described. The multiple stages of data collection as well as data analysis are presented and their contributions to generating proper results are discussed herein. The validity and reliability of the methodology was justified to support the research design. Finally, certain ethical issues were addressed before moving to the next chapter, which presents the first stage of analysis with key emerging themes in the case of the VTGI and the results of the critical examination of the roles of institutional actors along the value chain.

Chapter 5: Emerging Issues and Tension in The Vietnam Textile and Garment Industry

5.1. Introduction

The findings from analysis of the data collected during fieldwork at the end of 2013 in Vietnam are addressed in the next four chapters, as follows. First, the general findings are presented here in chapter 5 with four key themes related to changes in value chains in the research context of the VTGI. Then, two significant sources of tension are explained in greater detail in chapters 6 and 7: 1) symmetrical power and 2) regulatory reform. Following that, the effects of tension in the VTGI on actors and value chain structures are examined and clarified in chapter 8.

This initial chapter of analysis attempts to draw a picture of today's VTGI based on the data collected from three main sources, which includes primary interview data, secondary data from industrial and internal organisational reports, and observation notes pertaining to several relevant events (e.g., meetings, workshops, exhibitions). Although semi-structured in-depth interviews are considered central to triangulation, the support of content analysis of unpublicised papers and reports provided by respondents as well as observations of the emotions and attitudes of multiple actors in certain contexts is extremely helpful in completing the analysis.

The results of the analysis underscore, again, the rapid development of the VTGI, which is more dynamic than ever under heavy pressure from changing regulations and conditions that present both implicit threats and potential opportunities. The position of the VTGI, as defined in relation to GVCs as well as the governance structure of the research context, are discussed in section 5.2. Section 5.3 merges the themes relating to the VTGI and attempts to classify practices on the basis of the four change mechanisms of Beckert (2010). Then, the roles of institutional actors are analysed and their actual practices are compared with the theoretical goals and mission in section 5.4. A brief discussion of tension-related issues in the VTGI is presented in section 5.5 before two crucial sources of tension are detailed in the following two chapters. Finally, the chapter is summarised in section

5.2. Dynamics of Vietnamese Textile and Garment Value Chains

Although overviews related to this case study are readily available, after collecting primary data the researcher found several significant issues that previous studies had overlooked. Therefore, this section focuses on those features that complete the picture of the VTGI, its characteristics, structures, and development. A synopsis of the VTGI is necessary to better understand tension-related issues in the research context, which are analysed in greater detail in the following sections.

The findings from the fieldwork stage of the research assert that there was significant development of the VTGI during the last two decades and open a broad perspective for change and innovation. The transformation of the industry is reflected in the magnitude

of export volumes and the stability of industrial growth, at nearly 20% per year (VITAS, 2010; 2016; Bui, 2014). The VTGI can be seen to consolidate its role in term of a global market as the second largest clothing exporter to the US market and the fifth largest exporter to the EU market (VITAS, 2010). In addition, it is seen as one of the safest business sector for investment (Vietrade, 2015). This was asserted by many respondents in the interview, for example, a foreign expert below.

“Vietnam has a friendly business environment, in which they are welcome FDI with supportive policies [...] it – culture – is quite similar with other East Asian countries [...] I do not see it much different in communications or social structures [...] It is the good point to easily access this market as well as connect with other territories”
(M.26.m@North).

The case of the VTGI is a vivid example for showing the flows of the diffusion of business patterns and production methods in Asia. The development of T&G value chains started from Hong Kong, Taiwan, Korea – known as newly industrialised countries (NICs). In Vietnam, the shifting production is rapidly developing from urban areas to rural ones, where labour costs are cheaper as it continues to spread to other countries in the region, such as Laos or Myanmar (see further detail in next analysis sections). The case of the VTGI therefore indicates evidence of the mobility of garment production between countries in the region. However, the most crucial feature is the dynamic mobility of the VTGI in the context of changing conditions and business environment, which are regulated by global partnerships and national policies. The majority of interview respondents assert that they are in a period of high pressure of change due to the business environment that is re-shaped by expected changes in rules and regulations of FTAs. The impact of such international partnerships has caused much

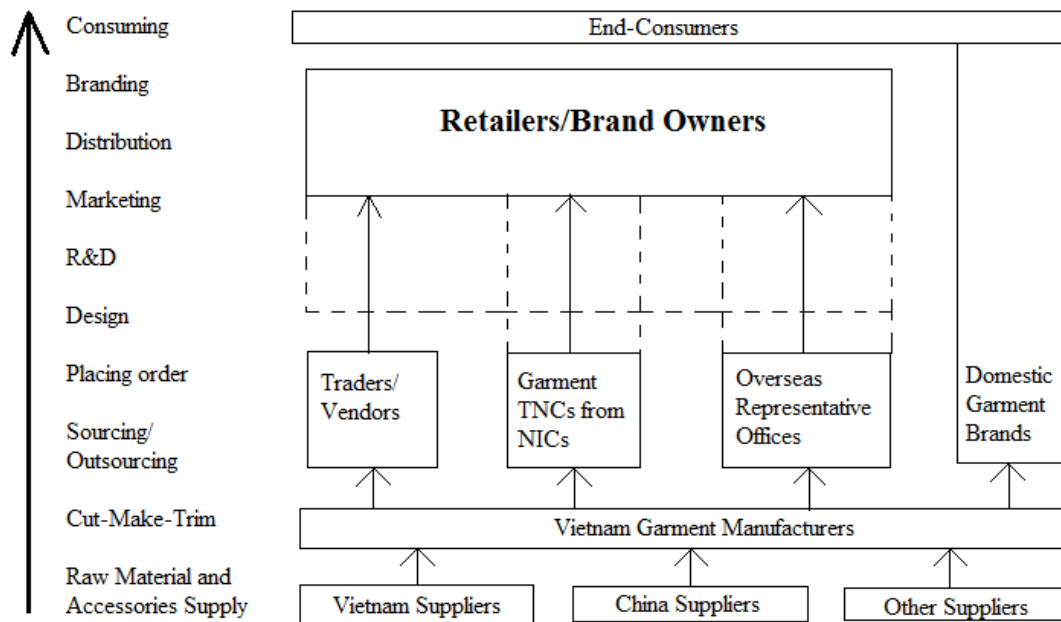
controversy whether it is positive or negative. Such issue will be detail in next two chapters.

The governance structure in the VTGI is complex since the constituents are numerous and heterogonous. As findings in several VTGI events – workshops and semiars, it indicated that state-owned enterprises (SOEs) represent about 15% of all T&G firms while FDI companies make up 25% and the rest are SMEs. In addition, traditional production methods that operate independently of compliance controls remain in a parallel existence in the context of the modern value chain, with smallholders obscured in SME production, according to the fieldwork undertaken in this study. Therefore, the governance structure may retain a trace of captive and hierarchy types here and there along the value chain. As a director especially highlights that:

“Multiple Vietnamese companies involve in global value chains [...] the complexion of size and structures helps to fill orders better since it features the production of the country as sub-contract characteristics [...] acquisition is the development trend [however] the contribution of SMEs remain significant” (M.62.h@South).

The initial data analysis provides the groundwork for constructing the operational structure of the way the VTGI is integrated into GVCs, providing an overview of governing activities in the research context. The current value chain governance of the VTGI is detailed in figure 7.

Figure 7: Vietnamese textile and garment production insertion in global value chains



Source: Author of the study

In interviews from September to November in 2013, 90% respondents highlighted the highly promising potential for VTGI growth in the near future under international partnerships. In fact, despite these opportunities much controversy remains about challenges and difficulties with which the industry must deal when it is not yet ready for an intense competitive environment after joining free trade markets. A key point to note with respect to this case study is that, while the same problems have remained in place for a long time, such as the trade deficit in materials resources (cotton, raw materials, yarns, fabrics and accessories), labour protests due to the gap between incomes and living standards, and the poor business environment caused by conflicting government policies, the growth of the VTGI continues unabated. Therefore the goal of this research

is to investigate the hidden reasons for this success by examining the effects of tension on value chain governance.

5.3. Key themes related to Vietnamese textile and garment industry governance

The export volume of the VTGI has increased significantly in the last ten years (as shown in statistics provided in section 4.3). Combined with globalisation, multilateral cooperation, and free trade areas, this growth has led to changing business patterns and models as well as rearrangement of entire value chains. The thematic analysis of the data collected reveals four key themes pertaining to current value chain operations: 1) the organisation of the value chain, 2) inequality along the value chain in practice, 3) the pressure of meeting challenges, and 4) trends in value chain growth and development. A summary of these key themes, integrated with actors' actions in relation to the four change mechanisms, is presented in the table below.

Table 12: Key themes of the Vietnam Textile and Garment value chains

Themes	Power	Attraction	Mimesis	Competition
1) The organisation of the GVC 1.1. Database 1.2. Information and instructions 1.3. State planning and directions	Applying targets in production annually and quarterly National monitoring and support	Comparing and forecasting activities Accessing resources for assessing the competitive position	Conducting industrial seminars, workshops and other knowledge exchange events	Researching and evaluating the competence of the chain Increasing ability to approach target markets
2) Inequality in practice 2.1. Differential policy treatment along the chain 2.2. Wages versus living standards 2.3. Capacity and ability of local versus international firms	Limiting polluted industries (textile) Increasing minimum wages and salaries	Compliance assurance and commitments Building a good image and reputation in society	Concerning the effectiveness of unions Expanding resources and production	Moving to new locations to reduce costs Approaching feasible and appropriate orders
3) The pressure of challenges 3.1. New requirements and rules 3.2. Decreasing competitive advantages 3.3. Emerging competitive markets	Accelerating international partnership negotiation and limited time for effectiveness	Opening opportunities for investment in weak supporting industries	Switching to higher value-added production Learning from successful case studies (firms and countries)	Controlling input costs Reducing times from production to delivery Preparation for meeting new conditions
4) The trends in value chain growth and development 4.1. Extensive investment 4.2. Increasing alliances and partnerships 4.3. Switching behaviour	Adjusting national policies for investments	Obtaining greater bargaining power Stabilizing resources and orders	Increasing comparative capacity, ability and resources Promoting knowledge and technology exchange	Completing comprehensive chains and improving standards of management as well as the quality of final products

Source: analysis of the study

5.3.1. The organisation of the value chain

The VTGI has not experienced as long a history of development as similar industries in other countries in the region such as Hong Kong and China. This means that the arrangement of the chains, including information flows and the function of each stakeholder or supporting resources, still lacks professionalisation and systematisation in archiving, organising and providing statistical data. In fact, to cope with new requirements and consolidate the sustainable development of the VTGI, the linkage between institutional actors, especially through exchanging and sharing knowledge and information, is extremely important in constructing efficient chains. At all the events that researchers attended in Vietnam, the most important emerging issues concern the organisation of the chains for catching up by exploiting forthcoming opportunities and upgrading for to approach and compete on new markets.

According to many manufacturing decision makers, the prerequisite for upgrading Vietnamese T&G value chains is building a completely new database system for the entire industry in which access is open to firm actors to assess their production schedules to meet buyers' requirements more efficiently. The demand for a complete industrial database has become urgent since COO (country of origin) standards have changed and are changing under new trading agreements with the EU (the EVFTA) and the US (the TPP) during the next few years. For example, to benefit from the TPP, which is expected to take effect in 2018, products must achieve a localization

rate of 40% of the total value of final products. In the past several years, controversy about the percentage of localisation of clothing products in Vietnam has increased dramatically in all T&G industrial events. One respondent from a trade association remarks:

“We must complete the database for the localisation index before completing the negotiations. Otherwise, it will be too late to catch those opportunities [... However...] It is difficult to find the exact statistics in the past when recording was neglected and management skills in the general statistical office of Vietnam and related bodies was limited [...] It is a very challenging job for the government to constitute such a comprehensive system in a short time” (A.19.h@North).

Manufacturing firms once neglected the importance of the indexes in specifying the origins of material resources until recently, when rules changes strongly affected their performance and competitive advantage. In this case, firm actors, especially SMEs, show marked anxiety in the new export environment because so far they have operated independently of the state management system and rarely receive support from or interact with other institutions. In these circumstances, most firm respondents worry that the new requirements will emerge as obstacles rather than opportunities due to the lack of guidance or instruction from the government. As the deputy director of an SME indicates:

“We do not have any support from government in order to understand what we need to do now. It is so confused and doubtful for oriented production [...] we are frustrated that our interests are seriously affected by hasty decisions of the government [...] seminar or workshop events are organised for large [...] not suitable and target SMEs” (M.50.m@South).

And even in large firms the situation is no better. A manager of a lead company asserts:

“Even in a big organisation like us, the control of the localisation index is very difficult without the support of clear records on raw materials provided by suppliers. It needs the consistency and the integration of the whole industry; no single organisation can do it [...] the role of government is more important than ever before” (M.40.u@North).

Many firm respondents complain about the delay in receiving government guidance or instruction and the lack of supportive policies. They point out that the state started their projects to develop a database and invest in materials for clothing production in 2005; however, according to 13/21 T&G firms in interviews, such strategic projects are progressing unevenly at a slow pace and do not yet meet demand for dynamic production in the VTGI. As a director puts it:

“Vinatex—the largest textile and garment group, used to be a 100% state-owned corporation, but is undergoing an acquisition process with major state control—enjoys numerous benefits from governments projects, which seems to be unfair and even adverse for SMEs” (M.70.h@South).

In addition, policymakers believe that they need the consent and active cooperation of enterprises in developing the database as well as implementing assistance projects. According to respondents from state bodies, the export volume of SOEs represents only 20% of total exports; therefore, power in the VTGI belongs mainly to non-state enterprises. They also emphasise that information travels widely and is open, but enterprises need to be more proactive to obtain such resources. A respondent asserts:

“The central planning system was eliminated a long time ago and now it is time for fair competition. Enterprises need to improve their information accessibility [and] be more active in linkage activities” (M.70.h@South).

In general the government publicizes its effort to provide supporting information and improve the database system. In contrast, their role in such activities is barely recognised by firm actors, who leverage the benefits. The gap between the standpoints of these two institutional actor groups seems to be the main reason for the limited performance in constructing a viable information platform for VTGI organisations.

5.3.2. Inequality in value chain practice

As mentioned above, inequality along the value chain is very much in evidence. Three significant inequalities are highlighted here, including: 1) uneven capabilities of dissimilar business forms (SOEs, private firms, FID firms); 2) living conditions for the labour force; and 3) conflicts in policies to support VTGI development.

The differences between types of enterprises in relation to their capabilities are clear due to differences in the level of experience and financial resources. The disparity is more apparent in a highly globalised context, where FTAs and partnerships change the ‘rules of the game’. In this environment, even large firms are in danger of losing competitive advantage. A deputy director expresses confusion about his organisation’s position in the new circumstances compared with other enterprises:

“I doubt the benefits of the TPP or the FTA [...] it requires too many conditions which cannot be instantly met. Of course, the TPP is an inevitable process; however, if possible, the government should consider it more carefully and offer adequate time for preparation instead of pushing enterprises into intense domestic competition, especially with FDI companies who have better knowledge and higher management skills than us [private companies]” (M.63.u@South).

Another notable issue here is the disparity between the incomes of workers in the VTGI compared with living standards in other areas. The fact that most T&G production is located in or nearby the two biggest cities in Vietnam, Hanoi and Ho Chi Minh City, where the cost of living is high while wages of workers in factories and workshops in the VTGI are just around national applied minimum wages led a representative of a labour union to admit:

“The lives of workers are still struggling. The accommodation of the company is always overloaded and not enough for the demands of workers, especially when labour comes from other provinces [...] Hospitals and nursery schools are not convenient for workers in industrial zones” (M.37.l@North).

This problem is also highlighted in several NGO studies, such as those from Oxfam and Better Work in Vietnam. However, the situation is improving slowly in some places while being completely ignored in others, leading to many strikes in the industry. A state expert observes:

“More than 80% of strikes occur because of wages, payments and insurance and the lack of incentive schemes and it is most popular in the textile and garment industry and the leather and shoes industry [...] most strikes occur in FDI companies since their payment is much lower compared to other companies and insurance policies are poorer. In addition, the labour union activities in such enterprises are weak or unavailable” (G.81.h@North).

Another expert from a NGO also warns that:

“Although wages and salaries are increasing, however, its pace is not compatible with inflation, and therefore the living standards of labour forces have not improved much. In fact it seems to have decreased recently” (S.17.1@North).

The most significant imbalance in the VGTI value chain structure, as mentioned above, is the materials deficit in garment production. While the garment industry has achieved considerable success on the global market, the textile industry has been charged with being an underdeveloped industry that pollutes the environment. Local communities in two satellite production zones determined that they would never approve of any proposal to build textile factories in their areas since the next generation—their grandchildren—would have to grow up in a noxious environment (S.65.hh@North and S.64&75@South). This opposition conflicts with the government’s proposed development plans for the textile industry but the power remains in the hands of local committees. In recent years, the government has begun plans for developing the textile industry with financial packages and support, but the plans focus on integrating big textile and garment organisations and it seems to omit the role of SMEs in the value chain.

According to two third of respondents, the government has pursued an irrational allocation of resources to T&G production, causing to industry to depend heavily on imported material resources while domestic materials are for export. This is a result of conflicting policies for organising and developing GVCs, according to FDI investors’ viewpoints. Nevertheless, respondents from state bodies argue that the

problem is recognised and under control, arguing that remedies are being discussed to make the industry compatible with the new circumstances of international cooperation despite many challenges and difficulties. To many actors, both firm and non-firm, the effects of such a governmental change are still unclear on improving relations between enterprises and the labour force and increasing operational efficiencies. Inconsistency in policymaking is the central issue, raising concern about implicit instabilities and imbalances in the VTGL.

5.3.3. The pressure from challenges

The forthcoming international trade agreements and partnerships, expected to be effective in 2018, have created new sets of rules for the reallocation of the supply base's power and have reorganised value chains in some countries. The advantages and disadvantages of such changes is a matter of much debate, but the most visible result is the higher level of competition in value chain governance. As a result, challenges in production and management are mentioned by nearly hundred percent of respondents in interviews.

According to respondents representing enterprises, the challenges the industry faces are the consequences of a poor business environment and the absence of appropriate domestic policy designed to implement open-door policies to support international cooperation. Many respondents, who are in charge of production activities, spoke of the resulting operational tension because of a significant increase in competition in growing markets following the new context of free trade partnerships—the EVFTA

and the TPP. As a result, enterprises are coping with losing competitive advantage—chiefly low production costs—and are still struggling with the import of material resources. In particular, a manager asserts:

“Compared to other supply countries, we enjoy lower labour costs, for example 1/5 of Korea’s, 1/4 of China’s and 1/2 of India’s. However, wage and salary policies are changing, which is the most negative impact on our production” (M.54.m@North).

Another respondent from an association adds that, in general, the competence of Vietnamese manufacturers in international competition is still lower than that of their competitors:

“The competition increases in a wide range of production and services [...] It is not only the price competition but also the quality of products and the short timing for delivery of final products [...] None of those can be as good as other competitors’, in particular, China and India [and] the situation has not changed much in production over the last ten years” (A.20.h@North).

The problems remain in the lack of a policy platform for expanding investment in supporting industries, especially in the spinning, weaving and dyeing sectors. The pressure derives from challenges posed by the localisation rate and other standard requirements for attaining tax-free export benefits, while at the same time attracting more buyers through enjoying better competitive advantage in terms of retail pricing. However, in practice, preparations for implementing new policies are just at the beginning. An expert confirms:

“More attention to textile production investment is very important for the independence of material resources and increasing capacity for serving domestic markets; [however], textile production remains too low and represents only 1%-2% of garment manufacture demand” (S.78.m@South).

In addition, in the case study, the government seems unsure about settling on one direction and providing guidance for enterprises, while enterprises, associations and social institutions keep complaining about problems and difficulties. For example, a SME managers complains:

“We do not know where to find the information [...] in order to increase the volume of orders. The limitations of capability impact to the production, we know it, but we cannot do anything without reliable information resources and financial support [...] The related policies to garment manufacture in term of tax, payment and environment have been continuously changing while there are long procedure to announce and give guidance for small companies like us [...] we did had troubles because of this lack of information” (M.57.m@South).

And this is compatible with the response of a state representative when was asked about detail of action in supporting SMEs. He was hesitated to state that:

“We are trying out best to support enterprises especially SMEs who make up about 60% in total garment manufacturers [however] current support programmes is not much effective with the number of participants is low due to the government aims to develop the economy more evenly between provinces while most of textile and garment companies gather in two biggest cities and surround areas” (G.16.m@North).

The challenge the government faces is balancing the interests and benefits of stakeholders as well as maintaining the current pace of development in the VTGI. As a result, improvements in the business environment in changing circumstances have been limited, falling below the expectations of enterprises.

5.3.4. Trends in value chain development

The growth of the global production map and international cooperation systems has been significantly reshaping the value chain structure and such processes put significant pressure on value chains in developing countries such as Vietnam. To maintain competitive advantage and positioning in GVCs, several trends in the VTGI are emerging as solutions to adapting to the new environment and circumstances.

First, the most significant trend is extensive investment in raw materials and textile production as the main target for sustainable development. To catch up with the new conditions and rules in global production, sustainable sources of raw materials and accessories have become fundamental to the future of the VTGI. Investment is, therefore, one of the survival strategies in every enterprise of every type (SOEs, private, domestic or FDI enterprises) and size (large, medium and small enterprises). These activities are also recognized and supported by the government, but effective results have been limited to certain groups of manufacturers, as discussed above.

Consequently, a trend towards alliances and acquisitions has emerged as a solution for dealing with obstructive policies and unequal treatment in accessing financial resources and winning state permits and licenses. Firm respondents understand that they need better capabilities and resources to achieve success in the global market. In fact, the machinery and technology in the VTGI are provided mainly by Chinese suppliers therefore the production is still heavily dependent on this supply base. While the input costs and trade policies there are disadvantages compared with those

in Vietnam, the flow of investment, especially through joint venture models, is accreting in a short time. Moreover, the role of associations has improved in terms of negotiations and bargaining power.

As a leftover of the old centralised economy, institutional actors in the VTGI are quite passive about changing their organisational systems and business methods. However, globalisation, with new rule settings, has created a motivation to engage in switching behaviour in governance to be more cooperative and proactive. The evidence of this positive change is easily observed at VTGI events at multiple organisational levels.

Overall, these four key themes pertaining to the current VTGI are correlated. They can be both reasons for and results of changing processes depending on interactions between institutional actors. To clarify the relationships of the actors involved in constructing and reshaping value chain structures, their role is discussed in the next section before summarising the groups experiencing tension in the VTGI.

5.4. The role of institutional actors in the Vietnamese Textile and Garment Industry

Institutional actors in the VTGI GVC can be classified into five groups, comprising manufacturers, associations, government agencies, NGOs/communities (social representatives), and buyers (ordering actors, known as importers, vendors or traders). In the case of the VTGI, the role of each group of institutional actors is

slightly different compared with their original established missions. This circumstance is collated in the table below.

Table 13: The role of groups of institutional actors in the case of the Vietnam Textile and Garment industry compared with their original missions.

Institutional groups	Mission	Actuality	Outcomes
Buyers (Importers, Vendors, Trader)	Finding appropriate sellers or manufacturers who are able to provide standardised products at competitive prices and comply strictly with codes of conduct.	Maximizing profits with cheaper inputs and shorter time from order to delivery to retail markets.	Preferring lower prices and quicker responses under high pressure of deadlines, and thus sometimes ignoring compliance.
Manufacturers (textile and garment companies)	Good revenue generation. Managing and control production. Attracting highly skilled workers.	Moving to areas with lower costs. Training non-skilled workers and improving productivity. Balancing orders in different seasons.	Depending greatly on orders from vendors. Losing competitiveness in the near future, such as low wages.
NGOs and communities (social representatives)	Influencing exporters and importers in terms of ensuring fair trade, compliance with standards and other ethical issues.	Mainly conducting research, presenting reports and organising workshops and seminars.	Providing more up-to-date information for other institutional actors.
Associations	Interconnecting manufacturers in the industry. Supporting price stability and improving the value contribution of products.	Hosting annual industrial meeting events. Publishing data under the direction of the government. Representative/spokesperson role	Playing a blurred role in governance processes. Receiving orders irregularly.
Government	Promoting investment, trade and management. Guiding policy implications and providing information. Organising and publishing industrial database and statistics.	Creating tension due to conflicting policies. Passive in providing information for other institutional actors, in particular manufacturers.	Slow and asynchronous development of the textile industry compared with demand in the garment industry.

Source: Analysis of data collection in the study (2014)

The extract table is based on the feedback and mutual evaluation of operational activities from the objective standpoints of other actors. Each institutional actor group

has shown its specific role in influencing governance structures of T&G value chains in the research context. The most powerful actors who are able to shape the main formulation of the chain structure are government agencies. They act as central moderators in arranging and upgrading chains and can be considered the most powerful actors in this case study. Even the activities of associations are under the coordination and control of the government, as a member indicates:

All industry events are organised or hosted by state bodies or need to be licensed by authorised agencies [...] association activities are basically related to such events and are sponsored by government projects. (M.51.u@South)

The actual activities of institutional actors highlight the lack of linkage in governing the chain as well as in developing orientations. In fact, the role of leading actors seems to be fully functioning in promoting the development of the VTGI. Confusion and inconsistency in orientation and information creates more difficulties and complicated instructions for enterprises in practice. This also creates more visible tensions and conflicts along the chain, with strikes and protests in recent times, as an expert states:

The government has attempted to adjust policies for compatibility with the growth of the domestic economy under global pressure; however, it needs more comprehensive activities to achieve the target of sustainable development. (M.38.m@North)

Moreover, NGOs, considered social institutions, are deemed to hold a certain amount of power in influencing labour conditions and the working environment; in fact, they are working on a limited basis in coordination with domestic companies, including

SOEs. To SMEs, the nature of NGOs is unknown. Most VTGI operations are characterised by sub-contracted production, in which buyers or vendors are in charge of checking, monitoring and supervising the compliance standards for brand owners/retailers. In many cases, managers confess that this checking process is relatively superficial under high pressure from the volume of orders and deadlines in peak seasons. Therefore, the role of such actors in practice needs to be re-examined and reassessed by third parties. Overall, the gap between the actual and the expected role of institutional actors in the VTGI exposes the limitations of designing and controlling capabilities for upgrading value chains as part of a global market.

5.5. Types of tension in the Vietnamese textile and garment industry

Tension-related issues have emerged notably in operations and relationships between institutional actors in the VTGI context. They have been created by the gap between the interests of and benefits to various actors along the chain. This section aims to define types of tension hidden in value chains and briefly describe them in the research context before conducting a deeper analysis in the next two chapters.

Tensions in the VTGI can be classified into four types:

Production tensions: These are the most vivid and easiest to recognise tensions in manufacturing operations, which are highlighted by firm actors who are very concerned about them. Such tension arises from a variety of sources, ranging from day-to-day tasks to seasonal stresses, the pressure of deadlines and input-output cost

management. Such tensions directly affect the performance of enterprises and their business models; however, it does not heavily influence the value chain arrangement.

Labour tensions: Relationships involving the labour force in production processes harbor tension. In the case of the VTGI, it is the unfair payment systems and incentive schemes for employees, in particular tailoring workers in factories, who must work hard under high pressure of deadlines and productivity targets. In addition to the unavoidable tension arising from policies, labour tension is considered a controllable issue, but in fact in practice labour conditions and the working environment are relatively poor. Therefore, such labour tensions seem to have increased during the last several years.

Policy tensions: Unequal treatment under policies applied along entire T&G chains strongly affects the arrangement, improvement and development of value chains and creates a bottleneck for the VTGI with the underdevelopment of the textile industry. Even though the government pushes for negotiations over open-door policies with the expectation of improving export performance, supporting policies for preparations remain at a low level of effectiveness. Because it requires enforcement, other institutional actors are obligated to follow, so such tensions seem to be highest compared with other types. Moreover, this is also considered the root of or the motivation for promoting creative management since it is compulsory and will be evidenced in the next chapters.

Competition tensions: This could be the central piece in the development of governance structures. In the domestic context, competition lies in the race to approach buyers to increase the quantity of orders. In the global context, this is the race involving complex indexes, such as costs, labour conditions, management capabilities, quality, and productivity. Changes in policies and the global context have created a more intensely competitive environment along the value chains, attracting more participants with promising opportunities created by new rules. As a result, T&G value chains may be restructured in the case of the VTGI and in diffusing operations along GVCs.

Those four types of tensions are recognised to some extent by managers and practitioners, but their response to and treatment of such issues show that different actors assign different weights in considering the effects of tension and solving the corresponding problems. Although tensions are rising, that is just the surface of the problem. Utilising discursive devices and institutional logics in analysis reveals that there are two drivers of tension in the institutional context of the VTGI, namely power and international trading conditions, which are discussed in relation to changing structures and models in the VTGI as a part of GVCs.

5.6. Chapter summary

The VTGI, which has become integrated into GVCs since the early twenty-first century until the time of conducting fieldwork, essentially has followed a CMT model—the lowest value-added phase in T&G GVCs, which operates mainly through

subcontracting. Although the framing structure has not changed much, movement deriving from interactions between actors participating in the chains occurs in the mobilisation of production, investment and switching behavior in the context of expanding cooperation. Under certain pressures, manufacturers are investing in more proactively building raw materials and accessories resources. With that development, new patterns in T&G value chains are forming. This chapter also highlighted the four key themes of change in value chains in the context of the VTGI. Although the organisation of GVCs in the research context seems incomplete under the new circumstances and conditions related to forthcoming FTAs, several trends, in particular investments in the textile industry and collaborations in production, are emerging and contributing solutions to the need for adaptation. The chapter also compares the influence of various institutional actor groups on governance and upgrading processes. Several types of tension in the case of the VTGI are briefly presented. Such tensions are classified into two sources, symmetrical power and the new globalised environment, which are discussed in detail in the next two chapters.

Chapter 6: Tension from asymmetrical institutional power

6.1. Introduction

Chapter 5 highlighted the relevance of the current picture of the research context, governing activities, and correlations between institutional actors along value chains. Following a detail overview of the study setting – the Vietnam textile and garment industry (VTGI) – the anatomy of data collection was in the first stage of analysis – thematic analysis and groups of tensions in the VTGI was identified. The next two analytical stages using discursive devices, and institutional logics helps to reveal deep roots of issues – why tension is occurring along value chains and how tension influences governance processes as well as other institutional actors. The two significant tension-related issues that have emerged are 1) tension from asymmetrical institutional power, and 2) tension from new circumstances. This chapter explores the first of two main sources of tension in GVC governance, in which several powerful actors can control and set the rules along the entire chain. Evidence from semi-structured interviews and observations in the case of the VTGI suggests that the existence of tension affects institutional change and governance processes in GVCs.

This chapter is divided into three main sections. Section 6.2 describes the powerful institutional actors who are involved in governing activities in GVCs. The section

determines the various functions and power levels of institutional actors in value chain governance. Lead firms, who can oppress manufacturing suppliers with their brand power, are considered the main creators of tension; however, they also must cope with pressures from other institutional actors, such as NGOs or the state. The complexity of unequal power institutionally affects and motivates changes in manufacturing firms and other actors in GVCs; therefore, such complexity also influences governance systems along the entire chain. Section 6.3 shows how tension occurs in GVCs. The institutional logics reveal the different viewpoints and impact possibilities of actors in governing a value chain. It demonstrates how existing tension between institutional actors arises at unequal managerial levels, both inside institutions and manufacturing firms and along value chains. Finally, the impact of such tension on manufacturers is highlighted in section 6.4 before synthesising their effects on institutional change and governance processes in chapter 8.

6.2. The power of institutional actors in global value chains

As mentioned in chapter 5, five organised institutional actor groups are identified in the case study of the VTGI, including buyers (vendors, importers and traders), manufacturers (textile and garment companies), associations, the government, and NGOs or social institutions. Each actor performs its role wielding its own level of power in influencing value chain governance. Some actors can set requirements or rules for production and even reshape value chain structures, such as buyers and the government (Gereffi and Fernandez-Stark, 2011). Many firm-level actors show that they are influenced and attracted by opportunities to expand their businesses and

realize benefits and growth in profits. Lead firms or powerful actors can influence other actors' business models or patterns, long-term strategies or temporary tactics, and create new markets (Hamilton et al., 2011). Moreover, commitments to social development are required by rigid implementation of fair working conditions and environmental protection under pressure from NGOs and other institutions. The shift of GVCs from a given region to new locations has been recorded and reveals the dynamic relationships between institutional actors that are involved in re-mapping global production (Dicken, 2003; De Backer and Miroudot, 2014; Amador and di Mauro, 2015). This section therefore demonstrates findings pertaining to the unequal power level of actors along GVCs in the study context of the VTGI.

6.2.1. Dominating actors and following actors

In GVCs of textile and garment products, the dominant institutional actors are usually lead firms—brand owners or retailers—who are also known as market makers. A large body of research describes the role of these actors along an entire chain (e.g., Hamilton et al., 2011; Tokatli, 2013; Tokatli et al., 2008; Tokatli, 2006; Tokatli, 2007; Hassler, 2003; Gereffi et al., 2002; Thomsen, 2007; Scott, 2006). The VTGI is no exception in this regard. Lead firms participate in creation and evolution processes in value chains since they have deep understanding of market needs and close relationships with end-users (customers). This enables them to generate orders for manufacturing actors in developing countries. Depending on the industry, innovations in information technology the degree of development of a supply base, orders can easily be placed anywhere (Hamilton et al., 2012). However, in the case of the VTGI,

orders are not placed directly by retailers or brand owners but through traders or headquarters located in NICs, known as vendors. Such actors, then, act as purchasing representatives and also are in charge of compliance monitoring. The following statement is an example of many interview responses regarding the characteristics of the VTGI:

“We cannot contact buyers directly [...even...] if we do have representative offices overseas. I am sure that 99% of orders in the VTGI are taken through vendors. The representative offices in Paris and California aim to approach such middlemen (vendors) since the current ones we are working with are from Hong Kong, Taiwan, China and recently Korea [...] We only can take more orders through contacting different vendors” (M.33.u@North).

Indeed, vendors are accustomed to working with manufacturers who have long-term relationships with retailers or have experience in the global textile and garment sectors to help brand owners in auditing production capacity and market conditions to meet codes of conduct and other terms of agreements. In the case of the VTGI as well as T&G sectors in neighbouring countries (Cambodia, Laos, Myanmar), they wield considerable power as retailers or brand owners in selecting manufacturing suppliers to work with, as a respondent underlines:

“The compliance codes are provided and examined by vendors. It is compulsory if we want to work with them [...] It depends on different orders of different brand names, then the paperwork and processes of agreements will be implemented by vendors [...] The crucial factor to win new orders is experience of working with vendors. They have rich experience and information in the industry [...] it is easy for them to compare the capability of each manufacturer to meet their clients’ requirements” (M.01.h@North).

These competencies give vendors more power than buyers (brand owners or retailers), and they actually set terms and conditions in contracting agreements with manufacturers. This is certainly not surprising in an emerging market such as Vietnam, where production is almost entirely in CMT mode. Manufacturers in this supply base normally do not know who drives production except for the names on labels, for example H&M, Zara, Next, Mango, Barbour, Uniqlo, M&S, and so on. In fact, manufacturers seem to focus narrowly on how to increase order quantities and maintain them over time for optimal performance. Many manufacturers seem to be satisfied with the benefits they earn from following driving firms, e.g. who make decisions in placing orders, and are happy to succeed in such chains. The respondent below highlights this point:

“We (the manufacturer) have no research about market demands [...] We only get the orders [...] Only the number of orders in summer is concerned because orders normally are low at that time [...] we believe that our operation is better than other companies who invest in market research, it is unnecessary and wastes both human and capital resources [...] generally, I think taking orders is wiser than focusing on design and retail like some companies are trying to do” (M.08.m@North).

Further supporting evidence adds to the point:

“The agreements follow international law and conventions, so it is compulsory to follow it if we (the manufacturer) want to launch in the international market [...] I think it is fair and we respect it [...] We are proud to be their (vendors) partners” (M.63.u@South).

Manufacturers in the supply base must follow rules set by lead firms through vendors, and compliance naturally becomes compulsory as the gateway to global markets. The role of lead firms (vendors) is well documented in previous research (for example,

Gereffi, 2005; Gereffi et al., 2002; Thomsen, 2007; Smith, 2003; MacCarthy and Jayarathne, 2010; Hassler, 2003). However, lead firms' rules are often implemented incompletely and inaccurately because of capacity and resource limits or under deadline pressures associated with large order volumes. As a result, tension occurs because of the gap between literal agreements and practice. Such issues will be clarified further in section 6.3 in the discussion of how tension is created.

6.2.2. Controlling and orienting actors

Multiple actors are engaged in value chains, so governance structures are shaped not only by chain participants, from raw material suppliers to manufacturers to retailers, but also by other institutional actors, such as state bodies. They strongly affect manufacturing activities as well as upgrading processes as production actors strive to improve their competitive positions in global markets. In the case of the VTGI, value chain effectiveness is significantly determined by such institutional power.

This study finds evidence that the Vietnamese government, using policies and international trade agreements or partnerships, can reshape GVCs to a considerable extent. All participants in interviews asserted that government and international partnerships have great power in renewing GVCs, especially in re-mapping manufacturing areas, re-allocating business functions and even altering other institutional power along the value chain. Many directors and senior managers indicated that the power of the state to affect value chains, as supported by the two

managers quoted below – the first is from a big company and the latter is from an SME. The deputy director of a large firm asserts:

“The government thinks that their partnerships with other countries will bring more opportunities for national manufacturers but I disagree. It does not bring good benefits like people say [...] we do not have any benefit from the TTP because our accessories and materials are imported. We cannot find alternative resources, which is ‘made in Vietnam’. Thus, WTO or TTP just creates threats of a tougher competitive environment instead” (M.51.u@South).

The respondent from an SME says:

“The national policy is very confused [...] while they (the state) said that the garment industry is the key industry in Vietnam based on the high contribution to the national economy, we did not get any support or benefit from them [...] policy even restrict the development of the textile industry because of its pollution [...] they (the state) pay more attention to the electronics and oil industries and nowadays investments in such industries are more promising [...] It is harder for us to approach the financial resources for expanding production as a result” (M.72.u@South).

Regarding the VTGI, manufacturers also confirmed that these influences act more like controllers than supporters of their businesses. The law applied to the T&G industry also orients development and generally covers major issues for production operations to a greater extent than private standards or compliance required by lead firms. Because of unsupportive policies for T&G value chains, manufacturing firms have been struggling to adapt to the new circumstances. As a result, tension exists between manufacturing actors under such enforcement conditions and other disadvantages; for example, it is more difficult for SMEs in approaching financial resource rather than large firms as well as in capturing benefits from new regulations and policies applied. Reflections of these actors reported in section 6.4 reveal how

this tension motivates or demotivates the development of their businesses and the growth of their value chains.

6.2.3. Moderating actors

Associations in the VTGI case study seem not to wield much power or influence in governing value chains, but they have a moderating effect. In other words, the two main associations included in the case study are attempting to develop an industry-wide database to support manufacturers with reliable references to Vietnamese COO Percentages in final products—a compulsory index for exporting in new circumstances. Association actors also aim to operate as centres for information exchange and contacts across the whole T&G sector. However, their role in practice faces many controversies. A deputy director underlined that:

“We (manufacturers) do not have any support from VITAS, they host events, like seminars and annual meetings, but I do not think it is very helpful for our quest for orders and bargains” (M.59.u@South).

Many other respondents make similar comments; however, they seem hesitant to talk about their associations’ activities. In contrast, one association representative confirms their efforts to support members and their important role in connecting enterprises to improve performance across the industry by confronting changing policies as a transforming environment. A chairman of an association asserts:

“We (association) are trying to complete the industrial database as soon as possible with the support of related state bodies [...] it is a hard job because a lot of data was missing [and] the response of members is slow [...] hopefully, we can accomplish it in the end of

next year before the TTP (Trans-Pacific Partnership) becomes effective” (A.19.h@North).

Compared with other case studies in other countries, the role of associations in the VTGI is relatively weak in terms of its effects on T&G value chains according to most of respondents who are experts in manufacturing firms. This information was revealed by an expert in a garment company, who has engaged with the VTGI from the very beginning of the economic transformation:

“In my country (Japan), the association can help firms in balancing orders as well as negotiations [...] It is very good to be a member of the association to get more support from government, such as management and finance [...] They (the association) collect information and report as a proposal to government” (M.14.m@North).

A manager also shares his personal experience:

“I wish the system in Vietnam could be as effective as in China. [As I have witnessed on a business trip] their association is really effective and efficient in connecting firms in the industry and coordinating resources [...] They (the association) serve as a representative for negotiation power for the whole industry” (M.55.u@South).

To be sure, associations contribute to a certain extent to supporting members, e.g., by re-allocating orders, improving bargaining power, accessing information resources and advising on government policies. Associations in the VTGI loosely couple together members because of a low level of trust in the business culture and tight government control. Although there is little evidence of the influence of associations in the case of the VTGI, associations do play a connecting role as information

providers. This study finds that they perform as ‘moderating actors’ with limited effects on other members or value chain structures.

6.2.4. Supervising actors

If the power of government in supporting or restricting industrial development is significant, the influence of NGOs or communities on reshaping GVCs is unclear.

With the exception of the influence of NGOs and other ethical institutions on formulating codes of conduct for clothing production, such as SA 8000 and ETI, many firms still doubt the role of NGOs in value chains in terms of their efforts to influence labour conditions, fair trade policies or environmental protection. In contrast, it is worth noting that communities are considered important actors in firm operations, as one manager observes:

“We are working with a couple of NGOs and research institutions [...] We got quite good information from seminars and workshops they host [...] however [...] Although we find their research quite valuable for us, I don’t think it can impact much on policy makers even if their consultancy is quite accurate” (M.21.u@North).

Although NGOs’ power in value chains is often limited and is rarely recognised by production managers, NGOs are attempting to increase their sway to ensure that the upgrading of GVCs achieves sustainability. A senior researcher in an NGO describes how they are trying to influence upgrading activities in value chains:

“Our mission is consulting on industrial policies for government [...] we work closely with manufacturing firms [...] we listen to manufacturing companies and we understand what they want and what they need to do [...] we are like a bridge to connect enterprises and policymakers to find out better policies for development in general [...] one of the

most effective channels we have created is the annual workshop for exchanging and updating information” (S.77.m@North).

Another organisational officer reveals that:

“Workers’ salaries in the clothing industry in Vietnam are not low compared with other sectors [however] the standard of living is what concerns us [...] they have to work under high pressure and for a long time, thus, payments are not rational [...] Even working hard, they still have minimum living standards and cannot pay for their children’s education [...] that is why [...] we proposed several projects to government to improve workers’ lives” (S.18.l@North).

Local communities and domestic social organisations also play a significant role in value chain arrangements. The voice of local communities is presented through formal state bodies, where referenda are conducted based on proposals from a majority of citizens. An officer from a community committee also confirms that:

“Communities are much concerned about their living environment, so weaving and dyeing factories are not welcome [...] It is very hard to convince the crowd and they are easily out of control in order to protect their land” (S.64.l@South).

A manager warns about the power of communities:

“Local communities have relative power in a council’s decision [...] We cannot establish a factory if people there disagree [...] they will hinder us by strikes or even violence. It did happen before [...] they are not officially established but they have a representative and that person is normally very conservative” (M.29.l@North).

Clearly NGOs or communities are observing instead of directly joining in value chain governance processes. No matter how effective or formidable their activities or influence, whether global or local, in general their influence targets both powerful actors such as the state and leading firms and the following actors (manufacturers and

their labour force) who are submissive and passive in implicating rules and standards set by the leaders in a given supply base. Their activities are akin to supervising governance processes in value chains. The power anatomy of the five institutional actor groups in the VTGI case study is summarized in the table below.

Table 14: The functions of institutional actors in global value chains

	Dominant actor	Following actor	Supervising actor	Controlling actor	Moderating actor
Institutional actors	Retailers/ Brand owners Vendors/ Middle men	Manufacturers Suppliers	NGOs Communities Research institutions	Government International partnership	Associations
Activities	Setting codes of conduct, other requirements and standards	Meeting the rules for obtaining orders	Research on the reality of forming agreements and implementing policies	Launching policies for supporting or restricting production and exchange	Offering information, contacting and distributing orders
Power level	High	Low	Medium	High	Medium

Source: Analysis of data collection in the study

6.3. Creating Tension

The varying power levels of institutional actors and the gaps between their objectives are probably the main roots of tension along global value chains. On the one hand, actors in the supply base must follow the rules of the end-product sellers (retailers or brand owners), who remember customers' needs and demand information and manage the gateway to the consumers. On the other hand, all value chain participants must obey the law and international conventions related to their industry. Tension occurs inside firms under pressure of maintaining and improving production or

business. It then diffuses along the entire value chains and seems to alter the balance of power of institutional actors as they adapt to new circumstances.

Tension began emerging in internal organisations under pressure of their own natural stress in production and management. First, tension arises from strikes, which seem to be occurring at an increasing rate as in the report of VITAS recently (VITAS, 2016) not only in the VTGI but also in other sectors, such as the footwear and leather industries (Tran, 2007; Clarke, 2006). These sources of tension have been highlighted and acknowledged in many industrial reports with serious effects that spread across an industry. A specialist in an association explains that:

“The cause of strikes is the labour regime, in particular wages, salaries and incentive schemes, although compared to other sectors payment in the garment industry is quite good [...] Strikes normally happen in FDI companies because they do not understand much about their labour forces or Vietnamese culture [...] they apply rigid working regulations, which is the same in their home countries, so conflicts naturally happen” (A.20.1@North).

Many other respondents agree with the above statement. Domestic companies assert that their labour unions are working well in assisting the labour force, while FDI companies do not have such organisations involved in their operations. Although internal tension is unavoidable, it arises not only from business disruptions but also from concerns about inequality and, in some cases, irrational issues such as the riot in a province and hundreds of strikes recently (Tran, 2007; VITAS, 2016). Such tension provokes the involvement of other institutional actors striving to protect their labour rights. Therefore, another source of tension pressures manufacturers in the supply base such as the more terms and standards in compliance or the strictly require further

evidences for qualified conditions in practices, such as, ISO 9000 or SA 8000. To two third respondents from manufacturing firms complain that such requirements increase in-put cost and reduce productivity and they want to avoid it if possible.

In addition, business culture, which is based on hierarchy in Vietnam, also generates tension between managerial levels in an organisation. There is a big gap in the relationships between different managerial levels within an organisation that was revealed thanks to discursive devices for analysis. The emotional reaction of lower management levels show that hidden disagreements do exist within organisations, however, it can be control by the good organisation of labour union/guild. Due to these internal conflicts, tension happened in many companies. As a result, decision-making processes and strategic plans stagnate, as suggested by a middle manager:

“We do have our own conflicts in terms of point of view [...] It depends on the personal target and purpose [unfortunately] the broader view is used to be limited [...] we need to have long-term strategies for development, not just maintain current clients and orders [...] they (other managers on the managing board) have taken too many risks when collaborating on investment in new technology and production, after which a proposed project cannot move forward” (M.26.m@North).

This point was also supported by a firm officer:

“Projects and plans are verified and approved by the directors [...] the reports and suggestions are only general procedures. I do not think that our proposals can value their decision-making except for issues related to labour unions [...] so... normally I keep quiet in meetings [...] I think because they (the company) are under supervision of the national labour union they must follow the policy of incentives” (M.36.l@North).

Business structures should adapt to culture to prevent such disruption. At the same time, a more effective business model needs to be developed to replace old

procedures and methods that are no longer effective or productive. This point is analysed further in the next section. Tension as found in the case study of the VTGI CVG does not arise directly from relationships between leading firms and manufacturing firms. Instead, tension derives from the enforcement of agreements and contracts or standards; it is therefore hidden in production processes. As a manager points out:

“Approaching prestigious buyers is really difficult [... even...] if we want to expand our production and work with big brands, there are several requirements and standards which we cannot meet in terms of the working environment [...] It is too costly for us [...] If we cannot meet their standards, we will lag behind since competitiveness is rising higher and higher in the industry” (G.MS.c.H.08).

Nevertheless, higher tension seems to derive from national policies, which are able to modify the advantages and disadvantages of value chain participants. One illustration of such tension lies in requirements regarding labour conditions and the need to extend production. Two respondents below, who occupy high managerial positions in their companies, describe such issues:

“It is not easy for us to approach new clients and orders, especially orders from famous brand names, such as Zara or Uniqlo [...] the significant difficulty is investment in the machine and workshop environment. Since we are located in urban area, it is nearly impossible to expand space for production as well as storage” (M.12.h@North).

“The way to improve working conditions is moving factories to rural areas, where everything is cheaper [... however...] it is difficult for experts travelling to the factories and not many people want to do so [...] The density of clothing workshops in urban areas is too high; therefore, it is hard to improve working conditions [...] moreover, it is too expensive there” (M.62.h@South).

Even in big organisations, the commitment to codes of conduct is sometimes unfulfilled or temporarily broken because of seasonal or fashion features of T&G production. Since clothing production varies seasonally and depends on fashion, in peak times orders can exceed capacity while at other times there are very few orders. Facing deadline pressure, some unqualified and unauthorised factories are rented to meet short-term production needs. This sometimes involves cheaper labour because productivity is not as strong as with long-term contract workers. This is a short-term tactic to address temporary difficulties and hence leading firms will never know about such activity. However, accidents occur sometimes and manufacturers have been facing two sorts of pressure, one that may result in strikes and labour force protests and another that comes from leading firms whose brand reputation are affected by poor execution in terms of production process management and quality control. In the end, manufacturers may be stuck between expanding production and satisfying their workers and clients. An experienced manager observes:

“It is hard to keep the number of orders over off-peak season [... Thus...] when orders are plentiful, especially in autumn and winter, we try to manage to take all the orders they offer [...] Besides extending the number of working hours as well as recruiting short-term workers, absolutely, we need a mobile production force in this case [...] they are tailors from local households who have been working a long time in making clothing [...] some of them work at home but normally they own a small workshop with their own workers [...] they themselves train their workers, we only care about the quality of ordered products” (M.54.m@South).

Regarding CSR, especially labour conditions, in global value chains the tension between the supply base and leading firms on account of production standards has concerned both value chain participants and researchers (for example, Robinson,

2010b; Boyd et al., 2007; Doh and Guay, 2013; Lund-Thomsen and Lindgreen, 2014; Perry et al., 2014; Winn et al., 2008; Haque and Azmat, 2015; Lund-Thomsen and Nadvi, 2010; Lund-Thomsen and Nadvi, 2010a). From this point of view, NGOs plays a certain role with respect to labour conditions and the working environment, so they might create tension by pressuring lead firms to protect their reputations and maintain the good images of their brand names in the mind of their customers (Winn et al., 2008). Under heavy pressure due to public communication channels and many reports that expose poor working conditions, such tensions are clearly increasing and have been mentioned in recent studies (Winn et al., 2008; Tokatli, 2006). In the case study of the VTGI, an NGO respondent indicated the effects of NGOs on GVCs:

“ The main channel we use to approach producers and reflect their situation to related ministries of government is publications. We collated useful information to help producers better understand their current markets as well as the way to approach new markets [...] we focus on regulations and standards for export products to the EU and the US [...] One of our most important missions is ensuring correct labour practices and improving living standards” (S.80.l@South).

And further evidence is provided:

“Our publications and seminars are attempting to deliver the message of changing policies [...] apparently, a good policy offers a clear direction for all actors in the chains. They (producers) will know how to utilise their capability more effectively and efficiently, where they should invest and focus on, especially how to coordinate with other actors in the chains” (S.18.m@North).

Even when they share the same target of upgrading value chains, a gap in practice exists between NGOs and state actors due to diverging viewpoints and interests. NGOs aim to influence development policies while decision-making bodies seem conservative and hesitant. In the case study of the VTGI, government projects and

policies are oriented to support the development of the industry but in fact inconsistency and gaps between policies lead to considerable confusion regarding investment, in particular in polluted industries such as textile manufacturing. Policies conflicting between those that support and those that restrict growth have generated much pressure on manufacturers. An officer explains the situation:

“We are considering the new policies for the textile industry as requirements in negotiating the TTP [...] We are coping with objections from local councils when appointing the mission of textile development [Thus] we are hesitate in launching new decrees [...] we are testing several provinces first with such policies before applying them officially” (G.16.m@North).

Policy adjustments regarding VTGI development are also constrained by ongoing negotiations over new international trade agreements and partnerships, such as the TTP and other FTAs. Slow progress on policies makes manufacturers worry about their future when they need to compete with new rivals with limited resources and this strongly argued in most of industrial events that the researcher attended. Even an officer from a state body propounds:

“The immediate adjustment of policies is necessary along with negotiation processes; otherwise [we] will lose opportunities or lag behind competitors [...] Currently, high-level meetings are organised to discuss appropriate change in terms of policies, especially on financial support and investment for potential sectors” (G.17.l@North).

Beyond general policies, the most influential policy regarding both short-term and long-term production strategies is the annual increase in wages and salaries. In the case of the VTGI, this is the biggest concern, and it creates unavoidable tensions between firm actors. A director of a big company voices this concern:

The biggest stress we have to face is the increase in the minimum wage policy. Every year, the government adjusts it [and ...] the price of production in Vietnam will be higher than other neighbouring countries in the region, such as Cambodia, Laos and Myanmar. (M.12.h@North)

The crux of the problem that the T&G industry is facing is highlighted as an urgent need for localisation of textile production and failure to develop this industry in Vietnam. Because of risks to the environment, the development of the textile industry is not supported robustly. The government is coping with many challenges from local communities in winning wide acceptance of textile production. As a manager in an industrial park notes:

“Yarning and dyeing causes too much pollution. The living environment will be destroyed [...] we have to have responsibility of the next generation. I think the government is right to limit the number of textile factories [...] Moreover [...] textile production will balance the whole industry for the independence of materials but it is not in the interest of all province committees [...] the careful consideration and selection as well as rigorous check of implications are necessary but difficult” (S.74.m@South).

The state seems to be the most powerful actor that has been creating significant tension for manufacturers in Vietnam compared with pressure from buyers’ regulations and standards and NGOs’ corporate responsibility pressure. Confusing policies have saddled T&G value chains in Vietnam with bottlenecks caused by the textile industry and limit available solutions to this obstruction. In contrast, lead firms, including retailers with famous brand names and big manufacturers with large capacity, also generate competitive tensions due to unequal capacity, resources, and market access. In the new circumstances of the VTGI as a part of GVCs, tensions between institutional actors will be demonstrated in the next chapter.

6.4. Institutional views and reflections on the effects of tension

In response to questions asking ‘what do you think about challenges, difficulties, problems, threats or opportunities?’ and ‘how does your organisation response to them?’, respondents reveal their views of and reflections on the stressful situations with which they have been coping in VTGI participation in GVCs. This section explores the nature of tension in GVC systems of governance, which is also discussed in further detail in chapter 8.

6.4.1. The boundaries of and opportunities for production

This study finds that the value chain upgrading process faces many challenges under pressure of varying power levels in governance processes. These challenges manifest in manufacturers’ operations for sustainable and expandable production in both positive and negative ways. First, tension might create a boundary in production. In other words, it might be an obstacle that limits operations to a certain extent. Many manufacturers indicate that they feel stuck between government policies and cannot take advantage of opportunities for development or compete with other actors along the value the chains in which they participate. One manufacturers’ typical view is expressed by a director:

It is very difficult to find a domestic resource for accessories and materials [...] The textile industry actually must be supported strongly by government, but unfortunately, policymakers go the opposite way. That is why 99% of materials for production are imported as I believe and it gives us very limited power in deciding what to produce and how to produce it. (M.36.l@North)

A state officer also confirms this:

Textile production is too polluting and in the future it will not be considered a key industry in the national economy [...] it definitely creates tension in production however it is not only a story of supportive policies in investment but also technology requirements, which are met by foreign companies and not the strength of domestic companies [...] If a company can ensure pollution controls and contribute to regional development, especially in poor areas, it is absolutely welcome. (G.16.m@North)

Given that manufacturers cannot initiate production because of scarce material resources, they depend mostly on supplies provided by vendors or buyers. The operation is basic Cut-Trim-Make (CMT) work; as a result, their influencing power in GVCs seems the weakest of all actors. Policy restrictions and uncertainty are major reasons for being in such a weak position. This powerlessness leads to difficulties in formulating plans and strategies and reducing tension in the work environment. Many mid-level managers find that they depend too much on foreign textile suppliers and it is a significant limitation on production. By way of illustration, a manager from a big company asserts:

“Production time depends almost entirely on shipping services [...] Delay happens as lack of materials. We cannot be as efficient and quick as China or India since they have developed domestic textile supply bases, and therefore they easily reduce the time to finish orders [...] Absolutely, we have to cope with big problems when materials arrive late [...] Unfortunately... there is no substitute resource here, and that is why production has been delayed and un-productive compared with other competitors” (M.61.l@South).

The bottleneck of the T&G industry resides in the underdevelopment of the textile industry, which seems unable to contribute any raw material inputs for clothing manufacture. Under pressure from communities to apply pollution control measures during production, textile manufacturers conclude that their operations must be greatly limited due to onerous policies and the scarcity of investment opportunities

while they are expected to achieve equal production to support the garment industry.

A director at a textile company argues that:

“Currently, our products are for export, however, in the near future they will become valuable products in the domestic market after the TTP or the EVFTA are applied [...] we need to expand our production and invest in technology to meet demand, but it is very hard to convince local communities to place a textile factory when their concepts are set by media reports that textile production is a polluting industry. They worry much about being out of control and the consequences of environmental contamination [...] The current policy is an obstacle to development of both the textile garment industries, I believe” (M.24.h@North).

The existence of conflicting policies slows T&G development because of the bottleneck in textile production. In addition to negative production boundaries, tensions also motivate manufacturers to find solutions for the problem of catching up to benefit from new international trade partnerships. Most actors state that they see major opportunities for Vietnam in the new business context. Owing to limited capabilities and resources, however, it is mostly experienced FDI firms that are attracted to investing in the textile industry for large-scale production.

6.4.2. The control of collective power

Significant tension due to inadequate labour policies visibly shows in strikes, consequently placing heavy pressure on firm actors in production. To minimise non-compliance in the VTGI, labour unions serve an important role in coordinating the activities and interests of workers. First, manufacturers confirm that companies with labour unions have fewer problems with strikes and production interruptions. Labour unions are normally responsible for taking care of workers' standards of living as

well as training programs. Unions also help to manage the labour force by ensuring incentives for their production abilities. In this way, tension from internal sources is solved and controlled. A respondent indicates:

“The difference between local companies and FDI companies is labour unions [...] we can control the situation better [...] Because we have a social channel for understanding workers and by that way we build trust each other [...] That is why our production is always smooth and meets deadlines” (M.13.l@North).

Nevertheless, FDI companies do not have the same view of labour unions. Many FDI companies consider labour unions as too costly and unnecessary to efficient operation. A manager argues:

“We need to follow the system of the mother company, we don’t have labour unions just for entertaining workers. It is personal issues [...] I don’t think it is important in my company” (M.06.m@North).

In fact, strikes affect production and bring good negotiation results and higher payments. Whether companies recognise the role of labour unions in controlling the rise of collective power or not, it seems to be an important part of local business culture and definitely needs to be considered for releasing tension in internal operations and ensuring compliance with buyers’ requirements.

6.4.3. Adjusting business models and patterns

Manufacturers in the case study indicate that they have been suffering from rules applied by powerful actors. Leading firms in the supply base are attempting to adapt GVC processes and, at the same time, are searching for better business methods to

maintain their business advantages. Since the main problematic issue in the VTGI is that of poor financial capability and scarce resources, the trend towards significant equalisation in SOEs and other private enterprises as well as the development of joint venture business models indicate efforts to increase competencies and competitiveness. A manager states that:

“In order to cope with the new competitive environment, we have been negotiating partnerships with two China companies, who have experience in weaving and dyeing [...] they can help us complete our production with higher value in final products [...] their technology can meet new requirements of standards and quality [...] which [...] we do not have” (M.30.u@North).

Higher productivity might compensate for the disadvantage of increasing wage policies, but the state and many manufacturers recognise that the design, marketing and retail phases offer more value-added production. As a result, manufacturers have invested in branding their own designs to cultivate the domestic market and other markets in the region. As a director notes:

“Building our own brands is a debate topic in industrial events [...] it is quite costly [...] and [...] did not have much profit return [...] Although some companies still stick with traditional assembly methods, I believe that in the near future we need more value and stable business [...] investing in designing and retailing our own products will help us have better competitive advantages in the future” (M.60.h@South).

Facing the pressure of unfavourable policies, enterprises are endeavouring to achieve self-reliance. While SMEs aim to join alliances and collaborations, large firms seems to be more active in investing in textile production by self-supplying textiles and accessories for garment production as well as investing in design and marketing

activities. In that way, they can shorten production time and increase their bargaining power. A manager claims that:

“Only being independent from material resources can help us control manufacturing processes. We can reduce the time of production cycles, decrease input cost and then have more power in negotiations” (M.54.m@North).

Overall, tension in this sense is likely to act as a motive for changing an enterprise internally and will therefore help to diffuse tension throughout the entire governance process. This may result in re-mapping of global value chains and lead to the generation of more powerful actors. These changes occur in both large firms and SMEs, however, in the past this change process was quite slow compared with broader Vietnamese economic growth because of cultural elements. Nevertheless, in these new circumstances of partnerships and trade agreements, it is being strongly and more proactively pushed.

6.5. Chapter summary

In this chapter, the role of tension that is created by asymmetrical power between institutional actors in GVCs has been explored. The main objective has been to identify the effects of tension between institutional actors on their governing activities and changing business patterns and concepts in the case of the VTGI. The main aspects of the roots of tension through data analysis and the influence this has on institutional changes has been discussed. Particular attention has been paid to the wider context of GVCs outside the main case study through drawing on experts’

experience and knowledge. The first part of this analysis considered the institutional actors' functions in governing value chains of the VTGI. The latter part of the analysis process examined the roots of tension, and examined why and how it occurs. The final part of this chapter focused on the influence of tension through reflections by institutional actors, mainly manufacturers – those actors that can be considered as 'following' actors – and in this sense are deemed to be nearly powerless and the most vulnerable actors in value chains.

The discussion here demonstrates that unequal power acts as an important motivation for institutional change and it generates changes in institutional patterns and operations, which can make a process more effective and efficient. Although in the short term tension maybe viewed as an annoying factor in organisational activities, in the long run it can motivate and evolve into more creative operating systems through adaptation to new circumstances and by raising awareness of institutions, their rights and responsibilities, in both business and society. In certain ways the supply base has tended to capture power in negotiations with the support of certain institutions, especially state and NGO involvement in GVC governance. These findings will be discussed further in chapter 8 by synthesising institutional change agents and governance types under the influence of tension. The discussion will continue through the process of analysing other tensions, which have emerged in GVCs when coping with threats and challenges from new circumstances in a given market sector.

Chapter 7: Tension from new and emerging circumstances in the textile and garment value chain

7.1. Introduction

New circumstances represent another driver of tension in addition to asymmetrical power in relationships between institutional actors in GVCs. In the case of the VTGI, the business context has been significantly altered by prospective international trade agreements (ITAs) and partnerships, in which the ‘rules of the game’ change with the new balance of power together with increasingly intense competition and new compliance requirements. If tension that derives from asymmetrical power can influence production methods and labour relationships in GVCs, tension that arises from new circumstances and conditions seem to have a broader effect, especially in re-shaping governance structures with the potential for competitive advantage and the re-mapping of global production locations. As a result, tensions from such changing situations can be much more intense and can act as both a motivating and demotivating factor in creating opportunities and threats for enterprises and economic growth.

To present this second driver of tension in the VTGI, this chapter comprises three main sections. The first section demonstrates trends in the globalisation process and

the intensification of the competitive environment around GVCs and discusses the new rules and the resulting re-allocation of competition and production in GVCs. How an industry becomes inserted in global production is also revealed by the characteristics of the VTGI. The following section reveals how tension occurs with illustrations extracted from data provided by multiple institutional respondents, showing how, in the more fiercely competitive environment, threats arise, especially from newly emerging countries under new arrangements of GVCs controlled by international trading agreements and partnerships. This section also clarifies the correlation between tension arising from internal organisational issues and tension arising from national issues that also become global issues. After that, the chapter analyses institutional perspectives and actions, which are stimulated under tension-related pressures, to examine how tension affects GVC actors' operations and business models.

7.2. Trends in globalisation

As described in chapter 2, globalisation is an on-going process in a changing environment, which constantly attracts more participants and becomes more comprehensive. Therefore, the global business environment is actively shaped by international trade agreements and partnerships (Kaplinsky, 2000; Sanyal and Bhattacharyya, 2009; Amador and di Mauro, 2015; Bamber et al., 2014; Campbell, 2004). In the expansion of trade in the global context, competitiveness in and regulation of GVCs are also altered and hence lead to new types of governance, which depend greatly on decisions regarding the form of government policy

adjustments and cooperative agreements that can benefit economic growth. As a participant in GVCs, the VTGI is strongly affected by complex trends in globalisation. This section does not focus on analysing technological or capital changes or trade expansion but instead concentrates on the emerging issues globalisation create in respect of components and sources of tension which impact business.

First, in the global business environment, competitiveness has been evolving through regionalisation brought about by international trade agreements and regional partnerships. The case study suggests that the EVFTA and the TPP are the two main international agreements with the potential to dramatically reshape the VTGI. Such agreements facilitate significant changes in GVC governance processes, including manufacturing and production, in which Vietnam plays a key part. These new circumstances have been forecasted and debated by many institutional actors along value chains, who question whether the terms and conditions of such agreements benefit development and upgrading processes in the VTGI. There is a gap between the state perspective and enterprises' experiences and expectations. More than a half of respondents who are firm actors believe that they will need to cope with greater difficulty rather than benefit from such prospective change. Open-door policies lead to more challenges, disadvantages and threats of heightened competition rather than opportunities. As one manager observes:

“Government expedites the process of negotiation without adjusting policies for the textile and garment industry; thus, we have to face many difficulties and risks from the more competitive environment, especially from foreign competitors who have richer

financial resources, higher technology, longer experience and better relationships with dealers, buyers and vendors [...] actually this decision of government can kill local production” (M.43.l@North).

Conversely, several large companies, especially TNC and FDI companies, find that the new circumstances shaped by the TPP and the EVFTA offer a big investment opportunity. For example, a deputy director of a top textile and garment company notes:

“The estimation of order volume will be triple compared with the current level after the TTP [...] Although there are many things needed to be prepare before the TTP, we believe that we have enough capacity to meet new requirements and better exploit potential markets like the USA [...] Absolutely there are more competitors wanting to join the value chain but we definitely have our own advantages” (M.07.u@North).

FDI companies are interested in the potentially larger scale for exports in expanding markets that have more attractive schemes (e.g., zero taxes), since they already have the experience and resources needed for competing in such markets:

“Investing in yarn production is now our action plan. We need to do it quicker than other companies in order to catch up to opportunities. Because without the localisation of clothing materials, the benefit from the TTP will be zero [...] Although ‘Made in Vietnam’ will be a competitive label with lower prices under the new partnership, not all companies in Vietnam can earn benefits like us” (M.31.m@North).

Many critical issues arise when it comes to the new circumstances surrounding such partnerships. This study suggests that such partnerships benefit only a few firms because the main problem with the industry has not been solved. Conflicts, therefore, occur when firms are not prepared and unequal treatment under policies occurs, as

mentioned in chapters 5 and 6. In contrast, new circumstances for SMEs also mean competing with stronger competitors with a little protection and minimal support. A respondent gives a hint on this issue:

“New agreements and partnerships create a more fair competitive environment in global value chains since Vietnam has been at the bottom of the value-added chain [...] It motivates the transition of the T&G industry to become more independent in materials and accessories resources. However, this does not mean that is no risk or challenge [...] Small companies in garment production will find it hard to compete in such a new context” (M.30.m@North).

A researcher involved in investigating such issues provides further insights on this shifting position in GVCs:

“In terms of value-added products, production in Vietnam contributes very little to the final price of a product [...] Following the agreements, production will be more sustainable in the future with higher value-added in export products. [However] the industry needs at least five years of preparation before joining large competitive markets like the US or the EU” (S.79.m@South).

As a result, a new ‘race to the bottom’ has begun, with new rules and regulations, causing the shifting of production from urban areas to rural areas or from one country to a newly developing country which is premised on such places offering cheaper prices (Appelbaum et al., 2005). The most important issue is the competitive price in the value chains (Rudra, 2008). All of respondents highlighted the importance of the national minimum wage policy to their production and competitive advantage, as discussed in chapter 5. Nevertheless, new regulations applied in forthcoming ITAs (e.g. TPP and EVFTA) can bring new power balance in GVCs, in particular, the role of price as a central factor can be reduced and replaced by the rate of country of

origin (COO) or compliance issues (Stewart, 2014; Ruwanpura and Wrigley, 2011).

In practice, therefore, this changing direction of competition in GVCs is not the dominant trend.

Beyond the international business environment, the domestic business context has been affected by the need to adapt to new structures and regulations. Actors in the VTGI admit that in the near future it could lose the advantage of low manufacturing costs as the development of the national economy and therefore regional partnerships can to some extent add other competitive advantages to the current low cost of labour. This is an unavoidable challenge to manufacturing actors, as a secretary of an association reports:

“At the moment, manufacturing costs in Vietnam are still lower than in China—a main competitor of our industry; however, after the Vietnamese government announced that the country had become a middle-income country, there is great pressure on the industry [...] We all understand that policies of minimum salary and wages will be definitely increased. It only depends on time—how long we will lose this competitive advantage?” (A.20.m@North).

This statement is also supported and confirmed by an officer from a state agency:

“Sooner or later, we have to increase standard salaries and wages. Skills and experience in the labour force have been significantly improved over the last decade, so there is no reason to maintain the same labour costs while the economy is shooting up. We (the state) believe that it will have good effects in general” (G.81.m@North).

Nonetheless, to play a role in a GVC, firms must meet certain terms and conditions in production and management standards. After many disastrous accidents in other producer-driven countries (Reinecke and Donaghey, 2015), compliance has

increasingly become an issue in VTGI GVCs. Since Vietnam is one of largest participants in global clothing chains, it is under pressure from the need for stricter control by vendors who represent major global retailers and brand owners. An executive manager from a vendor asserts that:

“Working conditions are very important to order placement. It is not difficult with large firms with whom we have long term partnerships. We also want to work with SMEs because they are more flexible in production and some of them have highly skilled tailors who can produce more luxury products rather than basic production in big firms. Unfortunately, most SMEs cannot meet buyers’ standards requirements, such as SA8000 or ISO 9000. It is not because of their competencies but their recognition of international certificates. They think it is unnecessary and costly in management” (B.75.h@South).

The most vulnerable actors in the case study are, however, SMEs, which make up 80% of the VTGI. These companies are coping with heavy pressure from both national policies (as discussed in chapter 6) and international trade partnerships in light of their limited capacity, ability and resources to compete with TNCs or FDI companies. Although in terms of adapting to new rules and requirements, SMEs have their own advantages in managing sustainable resources and better production controls due to the small scale of production and targeting niche markets, they are yet again at a disadvantage in GVCs.

Overall, there are two significant trends affecting GVCs, including new rules and standards and heightened global competition. As a result, tension occurs at various junctures, inside organisations, between organisations, and across countries. The next section analyses in greater detail how tension is created under the pressure to change and adapt to ever evolving market conditions.

7.3. Creating tension

In a changing environment, challenges occur and require organisations to adapt to survive. Like tension that stems from asymmetrical power, tension that stems from the new business environment also begins internally as an organisation confronts new rules and regulations, and then these are diffused into the external environment by the response of organisations, which finally impact GVCs due to competitive tension across multiple countries. However, this source of tension seems to affect institutional actors more extensively whilst also influencing the mapping of GVCs in global economy.

Much controversy remains around the benefits of international trade agreements and partnerships. In general, trade agreements seem to open positive opportunities for the VTGI to approach new markets with more export benefits, such as quota-free contracts and lower taxes. The benefits of which are tariff barriers between countries are removed in international agreements and partnerships. However, an example of participation in the WTO and the result of the economic deceleration following the six-year period from 2007 to 2013 compared with the period of 2001 to 2006 has raised worrisome issues over the ineffectiveness of international trade agreements (WEF, 2016; Pham, 2014). According to one expert, participation in free trade zones is not effective for Vietnam in general:

“Vietnam joined the WTO in 2007, but the economy grew significantly only in that year. Not much has changed since that day [...] the national reports only show higher competition or the negative impacts on several sectors, such as agriculture [...] I do not believe that the TPP or the EVFTA can be much different and we cannot employ a big

market like the USA better when we have not had good preparation to meet all beneficial requirements [...] The TPP only creates more tension and conflicts between firms and the government because of their precipitation when the economy is not yet ready” (A.19.h@North).

The disappointment again is highlighted by the inefficient role of the state in configuring and controlling value chains. As a director remarked sharply in a workshop:

“The government wants to proceed with the negotiation process of partnerships to join the global market. However they did nothing to protect or support current production, in particular for domestic companies [...] consequently, in the future, the industry will have to face new challenges when too many FDI companies enter the industry. It is not a good structure for the economy [...] without careful consideration, basically, participation in the global economy only creates more and more tension, particularly from competition, and an unequal business environment for enterprises in the industry” (M.62.h@South).

Moreover, as a result of the industry’s unhealthy dependence on imported raw materials, the difficulties in changing production to benefit from new rules and conditions will be hard to resolve for several years. This tension was significantly revealed in the industrial seminars and workshops, in which participants show much emotion in term of such bottle neck issues due to poor material resource management. The time frame for negotiations is approximately five years, but reforming the textile industry to meet demand from the garment industry will take several decades, according to a complain of an expert from a consulting firm (S.76.m@North). The long time required for textile development is also confirmed by a government report on the T&G industry that the development of production and improvements to this system is likely to take up to 2030, by which time the textile and garment industries

are projected to have reached the same state of development. Therefore, when agreements that make sense only when the two industries are in balance, which is forecast for 2030 and are likely to be implemented in 2018, heightened tension results. The tension was described by a deputy director that:

“Currently, they only have estimated the percentage of ‘made in Vietnam’ in a clothing product. They (the government and state research departments) said that it is about 20%. But according to my experience, it is definitely about 1 or 2 percent [...] No stable textile and accessories resources also mean that we (the manufacturer) cannot compete even in our traditional markets like the USA or Japan [...] I wonder whether the TPP is a really good opportunity for us? I believe that the answer is no. We need more time to catch up to other countries in productivity, quality and technology” (M.55.u@North).

A representative from an association also anticipated tension in the VTGI under the forthcoming rules and conditions:

“Because of the reluctant supply base of the textile and garment industries, many enterprises propose their aspirations for government through VITAS and wish to slow down the process of negotiation [...] They worry much about competitive risks if regulations for partnerships are executed, but the government is promoting the negotiation process” (A.20.m@North).

Agreements and partnerships could be the golden key for accessing rich potential markets, but they need to be pursued with careful consideration and preparation. In this research, there is evidence that shows the time-gap between preparation and implementation caused tension and made value chain governance less effective. As a result, it can be seen that tension occurs and strongly impacts firm actors along value chains.

After the transformation in 1986, the remarkable growth of the VTGI from 2000 to 2010 has been acknowledged, as in figures presented in chapter 4. A similar story happened in Myanmar when it began opening its market and promoting increased international trade in 2012. Two neighbouring countries, Cambodia and Laos, had been rising rapidly as formidable competitors in exporting clothes at a cheaper cost in the same geographical region. A director of a large firm shows much worry that:

“We will lose our competitive advantage in the textile and garment industry soon because of increasing costs [...] Many people asked me about opportunities of investment in other countries in Asia and I also see several countries that have better business environments than in Vietnam, such as Cambodia, Laos and Myanmar. Labour costs there are much cheaper. Export products also enjoy more benefits to the EU or the US as from the least developed countries” (M.59.u@South).

Another head of an export department confirms:

“The minimum wage is the biggest concern in our production [...] we cannot stop the government from increasing salaries and wages but we can increase productivity to reduce the labour costs of production [...] In the near future, it will be hard to compete with neighbouring countries such as Cambodia and Myanmar because the cost of manufacturing will be higher” (M.56.m@South).

Other research on neighbouring countries suggests that both business enterprises and state bodies in Cambodia, Laos or Myanmar have been assessed as much more proactive than in Vietnam as they strive to transform their economies (Freeman, 2002; Beresford, 2009; WEF, 2016). Already Cambodia, in 2015, replaced Vietnam in the top five clothing exporters to the EU market (VITAS, 2016). An expert who is also a government consultant confirms the rise of other neighbouring markets, but he still believes that the situation is under control and the government is prepared:

“We know that after opening, some countries can grow fast and they can be our competitors in global value chains [...] I believe that we have a good plan for coping with such a situation since we have more experience and a number of traditional customers [...] We have different advantages in approaching the global market, so the development of the textile and garment industry is quite sustainable in Vietnam” (S.17.m@North).

In addition, technology, skills and capital can be transferred anywhere, much like goods and services in the age of globalisation. Production therefore can be located anywhere in the world. As a result, competition has increased dramatically, as noted by a respondent:

“Nowadays, it easy to place an order from anywhere [...] exhibitions are not important channels for us to approach clients [...] It is much easier to connect with customers online, via websites and e-mail, rather than in exhibition and trade fairs” (M.26.m@North).

Tension is generated primarily due to the pressure of a highly competitive environment. To maintain its competitive advantage in GVCs, the VTGI faces many challenges as it tries to sustain and even enhance its position in global production. Inconsistent government policies and weak economic growth after participating in the global market have raised suspicion in many actors’ minds about the effectiveness of ITAs. These tensions seem to affect actors at both high levels of power in the governance structure, such as state agencies and associations and at lower levels, such as manufacturers and suppliers, in terms of the potential of transforming value chains and consolidating the industry’s competitive position.

7.4. The institutional perspective and reflections on the effects of tension

In this case study, tension from new circumstances seems to involve two main issues:

1) how to maintain the competitive advantage of low production costs whilst wages increase annually under national policies; and 2) how to take advantage of forthcoming ITAs, in particular the TTP and other FTAs. No matter which actors recognised or did not recognise tension along the value chain, they reveal unique views and assessments of new circumstances influenced by the international agreements. In all three sets of data collection including interview, observations and documentary, firm actors have proposed different dynamic plans and creative strategies in operational production for coping the new environment. This section analyses the responses of institutional actors in the changing business environment in the given context of the VTGI.

7.4.1. The mobility of production

The most competitive aspect of GVCs is input costs. Under pressure from the ‘race to the bottom’ strategy in potentially new circumstances, the mobility of production is significant with respect to location and input resources. Where the power balance is uneven, moving production facilities to cheaper regions is a strategic plan for increasing an organisation’s position in GVCs, as this offers with greater negotiating power. Conversely, under the pressure of a changing business environment, production must move to places where input costs are more competitive.

Under the requirements of lead firms in terms of price and labour conditions, new production locations can be established. In these more turbulent times, a shift is taking place not only from urban areas, to rural areas but also from country to country, as actors seek business environments that offer greater potential for growth. A deputy director in a SME claims that:

“We plan to move our production to another province [... where...] everything is cheaper. With the minimum wage, people are happy and we do not have to worry about strikes at the moment” (M.24.h@North).

In big firms, production mobility is restricted in countries where production capacity has been nearly maximised and there are limited additional benefits from low wage policies. The opportunity is clear when a new market opens with more attractive policies and business conditions. A senior manager below claims:

“We are going to place new factories in Myanmar because this market seem to be a very promising place for investment [...] it is not expensive in order to set up a factory and the government supports foreign investors with attractive tax policies” (M.72.u@South).

Another manager from an FDI textile company also confirms:

“We found big opportunities for investment in Vietnam since the textile industry in Vietnam cannot meet garment production needs [...] I believe there is more and more FDI in textile production [...] even though policies are quite strict, I still think there is much potential” (M.31.m@North).

Lead firms have the power to select production areas where they can find the best competitive production prices. In reality, manufacturers in the supply base also know that they need to find a better place for expanding business when urban areas or

developed cities are no longer attractive because of high input costs. Under those conditions, tension acts like a motivating agent in changing the map of GVCs.

Nevertheless, many SMEs find it difficult to move from urban areas to rural areas; they cannot access financial resources for moving or expanding production. All of respondents from SMEs show that they must cope with greater challenges and threats rather than opportunities. Many SMEs indicate that they feel stuck in trying to find sustainable resources for competition, especially as there are scarce resources in logistics services and a poor infrastructure in rural areas of Vietnam, as a manager from an SME notices:

“We do not think moving factories to other provinces is a good idea for us. It is very inconvenient for logistics and needs a lot of money for switching [...] The labour force in rural areas is also low skilled, so they cannot meet our clients’ requirements and we do not have experience in education and training. Here, we have experienced workers who have been engaging with the company for long time [...] at least we can ensure the quality of the product for current customers” (M.47.h@South).

Such difficulties have been proposed and discussed at many industry events, such as workshops, forums and seminars, but available solutions are in limited supply.

Because of operational inefficiencies, some SMEs are forced to merge or be acquired by a larger company. Nonetheless, one interviewee expressed the intention to leave the industry and switch investment to other sectors. This shows a certain of convergence in value chains.

7.4.2. Long-term strategies and the role of associations

To adapt to the new circumstances, firms must prepare based on their own strength in order to capture opportunities and minimise risks and threats. This currently causes great tension in the VTGI. There are two opposite viewpoints regarding how the new circumstances will affect the industry. Many manufacturers said that there are more disadvantages than advantages, but if actors are well prepared with relevant knowledge, technology and capital, a very large market with promising turnover projections will open. Therefore, the VTGI can be attractive to a firm with good preparation and a sound strategic plan. Unfortunately, few companies are able to meet the requirements and regulations in the new circumstances. Except for FDI companies, which are supported by TNCs' resources, the rest are struggling to identify resources and therefore face the problem of a bottleneck in the industry, which has existed for a long time with no apparent solutions. The statement below is a typical response from a manager confronting the new business environment:

“We are in a rush to prepare for new opportunities of production for a big market like the USA [...] however, even this association is struggling with the question of how to identify the percentage of product that is made in Vietnam. Without government guidance, we cannot do anything to prove that our products meet their standards and can benefit from zero tax applied” (M.27.u@North).

Preparing for the new circumstances should include connecting firm actors in order to build a database as well as spreading and sharing information across the industry. As the most disadvantaged actors, SMEs realise that they can work together in different ways rather than just acting alone in taking orders as though they are being swept

along by a current. Associations have recently begun to matter more to SMEs, not only in terms of providing information but also connecting them to new and different opportunities. SMEs ask for more support from associations and want to promote collective bargaining power through them. In this way, the function of associations as evidenced in the case study has also changed under pressure from their members. A chairman from an association outlines that:

“At the beginning the association had only around a hundred members, but now we have almost a thousand members [...] We are also influenced by our members. The function of the association is more and more to provide better support for member companies in the industry” (A.19.h@North).

Another manager complements these remarks:

“The association not only acts as a helpful information resource but is also very efficient in supporting companies in searching for new orders as well as approaching new clients [...] before the WTO and now the TTP, the association helped us identify requirements to meet standards and gave us instruction to meet them but they were not involved directly in order-taking and allocating resources [...] We are trying to the push associations to influence the government in terms of joining the TTP [...] it is not to refuse to join the global market but to delay the process for better preparation” (M.09.u@North).

In general, under the new circumstances manufacturers must recognise the importance of increasing their bargaining power and the role of associations in connecting actors to have greater influence with policymakers. This process is also supported by NGOs as information providers. Yet the reaction of manufacturers has been quite slow and depends greatly on other institutional actors such as state agencies and associations. Many manufacturers blame the state for creating too much competitive pressure in the new business environment, when they actually have good,

responsive solutions to offer. The business model, therefore, is often transferred from other countries, such as China, Taiwan, Hong Kong and Korea, through FDI flows.

7.4.3. The rise of social responsibility in production standards

In the new circumstances, the role of NGOs is becoming more and more important in examining, assessing the reality of, and informing other actors about the reality of value chains, as is often mentioned in the literature (Deegan and Islam, 2014; Hirsch, 2004; Palpacuer, 2010; Perez-Aleman and Sandilands, 2008; Ranis et al., 2012). In that way, NGOs contribute to the upgrading and governance processes of GVCs, especially in the new circumstances when CSR is becoming more and more the norm.

A director of a big company confirms this:

“Charity campaigns and social development programs are very meaningful to the organisation [...] We also ensure that living standards and the working environment are in good condition. Only in that way will the labour force be maintained and be able to increase productivity” (M.12.h@North).

If lead firms want to protect their reputations and persuade customers with their CSR campaigns, they cannot ignore the effects of their ethical practices on business, in particular their contribution to social development. A researcher indicates that this is a growing priority for business:

“After the disaster of the collapse in Bangladesh and poor working conditions in China was revealed, we needed to consider the fact of production in developing countries [...] the age of sweatshops must end [...] the main responsibility belongs to lead firms, who are buyers [...] and [...] because of their competition for cheap production costs, working conditions have been ignored, putting thousands of lives in danger” (S.78.m@South).

Although no workplace disaster has ever occurred in Vietnam, sweatshops with long working hours and poor working conditions do exist and operate largely beyond retailers/buyers' control (Tran, 2007; Kerkvliet, 2010). Many manufacturers show that they are aware of the importance of CSR and compliance to their own reputations for maintaining orders. A manager asserts:

“All our workers have insurance and extra payment for overtime work [...] their satisfaction has a strong relation with the company's performance, however it depends on the positions in the company then different incentive schemes are applied for motivating people” (M.55.h@South).

However, in many cases, firms have not been flexible enough in their production operating to meet manufacturing targets and deadlines (exhibiting non-compliant behaviour). They also agree that complying with codes of conduct helps them in sustaining growth with a stable labour force and certain prestige in their communities. This helps them enhance their position in the bargaining process and provides additional competitiveness for their business. Yet without the involvement of NGOs, the conception of CSR as shown in the literature and is usually ignored in practice, mostly due to situation where the cost of production is more important than ethical conduct.

7.5. Chapter summary

This chapter has analysed the second source of tension revealed in the case study of the VTGI, which has emerged globally and expanded to re-shaped GVC structures.

The new organisation of global business, which is based on partnerships and trade agreements, is drawing a new map and segmentation of production orders; as a result, tension has powerful effects at both the country level and the global level of value chain governance. Actors in governing processes in various functions and at various levels of power must cope with diverse pressure from the business environment, both internationally and domestically. Tension, then, diffuses from internal sources under the pressure of maintaining and developing a business to external sources as the industry struggles with its national position in term of competition with other countries in the new circumstances described above. The research findings determine that the most vulnerable actors, who suffer the greatest disadvantages from tension, are SME manufacturers in the supply base. Given that institutional actors in the VTGI are very active and responsive to changes in the global context, the analysis herein also provides evidence of how tension occurs and how strong it is in the VTGI as a participant in GVCs.

The discussion presented in this chapter demonstrates that tension which derives from the new circumstances seems to be a great motivation for organisational change. Such changes are caused mostly by the heightened competitive environment, especially with the entry of big, rich and experienced foreign investment companies (TNCs). Beyond the attraction of potential competitive advantages for penetrating bigger markets there is another motivation for local manufacturers to improve their positions in GVCs. The involvement of other institutional actors in value chains, such as state bodies or associations, can significantly determine the changing circumstances and, at

the same time, reduce tension in a positive way. These actors in particular play an important role in improving the negotiating power and competitive competencies of manufacturing actors.

Institutional actors' awareness and responsiveness to the changing environment are nonetheless divergent in nature. Some actors try to protect national production and want to postpone international agreements whilst others support the globalisation process and believe it can open up big opportunities for future growth. As a result, the response of business and renewed firm strategy which emerges as a result of pressure from the new circumstances, will be in multiple ways and in various respects, depend on the institutional perspective and competencies of the state.

Consistent with the perspectives on and institutional responses to tension as discussed in chapters 5, 6, and 7, a synthesis of the research findings is presented in chapter 8 in a matrix of tension in institutional change mechanisms. The next chapter discusses tension in light of its effects on institutional actors and GVC governance processes.

Chapter 8: The role of tension in re-shaping governance structures in global value chains

8.1. Introduction

This chapter evaluates emerging analytical themes associated with tension to facilitate the further in-depth evaluation of the effect of tension in GVCs. The two previous chapters addressed questions pertaining to how tension arises and how institutional actors experiencing tension react to it. The discussion herein will assess how tension affects the transformation of GVC governance, whilst more clearly situating the nature of tension, the two main causes of which are unequal power and changing circumstances. By drawing together the synthesis from the two previous empirical chapters, the four sections below will address the fourth research objective of this study.

Firstly, in the following section, the concept of tension will be explored in its separate phases of GVC operations – from suppliers to lead firms and other actors and governing institutions or controllers – on a country, regional and global network basis. Multiple aspects are covered, such as compliance, policies, competition and ethical issues. Secondly, as discussed in several sections in the literature review chapters (e.g. sections 2.2, 2.4 and 3.2) and demonstrated in the research context in chapter 5, diffusion processes regularly occur in GVCs due to new technology,

information systems and policies. Therefore, in section 8.3, these effects are considered in two ways – the core themes being divergence and convergence under the pressure of tension. To evaluate the effects of tension, which is shown to motivate change, section 8.4 focuses on how tension can transform governance structures in GVCs. Finally, the evolution of governance systems detailed in section 8.5 is further examined so as to underline the outcomes of tension in governance processes. The following section discusses the complex layers of tension in GVCs, from a micro to a macro view, and starts with the internal managerial activities of actors.

8.2. Phases of tension in global value chain governance

This section describes the generation of tension in various phases of GVC operation and governance, in particular in the garment industry in developing countries. From an analysis of the semi-structured interviews conducted as part of this research study, it has been determined that tension influences actors in two ways: i) the initial phase – the bottom-up way (price setting; input/transition cost control; ethical issues for protecting/enhancing reputation) and ii) the enforcement phase – the top-down way (achieving compliance; policies, international trade agreements and partnerships). In the first phase, actors take decisions and actions to cope with, eliminate or simply avoid tension. In later stages, actors cannot ignore tension and must develop appropriate strategies to address and resolve potential problems. In this regard, these two phases can be considered the micro and macro levels of tension as a result of the involvement of certain actors in creating tension.

8.2.1. Initial phase

The ‘Initial’ tension that is most familiar to organisations and other institutional actors in value chains manifests itself in the form of more frequent strikes or labour force complaints over low wages and is highlighted in many reports of NGOs and other social institutions warning about the poor living standards of factory workers – this directly affects day-to-day business and production. Tension in the initial phase of production can be defined as the lowest level in terms of influencing relationships between different actors in the chain and can be easily recognised by the people involved. As indicated below in a statement by a manager that clearly shows his awareness of such tension:

“A mid-manager like me has been suffering a lot of pressure at work [...] Absolutely it is that working pressure because of production targets [but also] about working relations [...] I have to deal with workers who need to be monitored and report issues to the management board [in some events]. It is very stressful in peak production season [and] every time vendors conduct checking or reviewing the condition of factories. We have to prepare it a month in advance and adjust as needed with new requirements and standards” (M.32.m@North).

Initial tension occurs in continuous waves, and as yet there is no obvious solution to eliminate it in the operational aspects of everyday business life. Such tension is identified initially as resulting from day-to-day management control. It emerges from production management team that is with pressurised to meet targets and deadlines and control input costs in order to achieve the best performance and overcome other operational issues. Compared with the tension that arises in other phases, its effects on GVCs are quite weak, as an expert argues:

“Even strikes or problems in production and operational processes can raise more concerns in ethical and compliance issues in labour conditions and the working environment; [however] it does not impact much on labour relations or governance structures [...] it is purely implementing issues in organisation [...] compliance and standards are already set, it is again about the practice in reality” (M.38.m@North).

In this phase, actors can respond quickly to emerging issues. For example they can immediately calm a strike action that resulted from tensions between the labour force and enterprises due to inappropriate interests and benefits, with the promise to pay extra compensation for workers. All respondents from manufacturing firms confirm that they recognise this pressure every day; however, there is no indication that tension in this phase can have much of an effect on the GVC governance structure in GVCs, since the value-added portion of a product or business model cannot change much under such pressure except through increased productivity and contemporary compensation or repayments. In the long run, such tensions still exist. At the level of day-to-day management, those tensions stimulate tactics and short-term strategies in manufacturing operations and in turn reconfigure an organisation in terms of production and management.

Tension in the initial phase is also quite simple, normally based on a common reason, such as wages and salaries, which is controllable by firm actors. As a labour union leader claims:

“Conflicts involving the labour force have been increasing in the peak time of production when they have to work excessively over time and under high pressure of productivity [...] it is labour exploitation to them because the salary remains not enough for average living conditions. They work more for nothing [...] In general, living conditions of

employees are poor and lack basic social services like health and education services” (M.37.m@North).

Such tensions also repeat. As argued above, organisations seem to lack the power to eliminate or are not seriously concerned about eliminating initial-phase tension. As a result, it spreads and produces other types of tensions, such as the loss of a firm’s reputation or competitive advantage, at least to some extent. Many manufacturers interviewed in this study admit that they know how conflict arises internally in organisations and that it can affect their reputation and prestige. For example, a director observes that:

“Strikes not only strongly affect production but also our reputation with customers [...] vendors now are concerned much with labour issues and they prefer working with companies who can control their production well. [Moreover] strikes present negative corporation images to society, weakening the prestige of the company in recruiting highly skilled workers in manufacturing” (M.49.h@North).

Tension in this phase also generates problems for non-firm institutions, which in the case of the VTGI include state bodies, especially local councils, since it requires support and intervention from more powerful actors to control strikes and manage the risk of riots. Such consequences of tension negatively affect both society and organisations; therefore, this links to the influence on changes in policies designed to ease conflicts of interest and control such situations. In fact, the government wants to prevent or end strikes through satisfactory policies and regulations, but doing so will likely reduce the benefits of low prices for competitiveness. Hesitation over decisions addressing such problematic issues therefore only creates additional tension and

increases the severity of tension in governance. For example, in these circumstances firms experience heavier pressure from NGOs to comply with codes of conduct, protect labour rights and support the collective bargaining power of labour. As a respondent in a seminar highlights:

“The neglect of strikes due to low wages and a poor working environment will lead to more involvement of international organisations in protecting labour rights [therefore] compliance and standards requirements will be more and more strict [...] so we need to solve our problem first” (S.77.m@North).

Given the relatively simple and initial impact of tension in this phase, the problem absolutely can be adequately controlled if the relevant actors pay more attention to issues earlier on possibly at the base of production. The findings reported in the previous two chapters also indicate that an organisation with strong labour unions can manage its problematic issues related to labour disputes better than an organisation without such bodies. The relationship between labour and business is also another way to build manufacturers’ and brand owners’ reputations, as suggested by several practitioners. However, this approach needs to be supported by instruction and advice from actors who have more information and experience in the business and cultural environment, which is often suggested as the role of consultancies. Owing to conflicting policies that apply to the VTGI, such tensions seem to be spreading and producing various new tensions.

Tension in the initial phase may naturally indicate the existence of tension in GVC governance. As it occurs in the ‘initial’ phase, it involves beginning tensions that are

activated from the bottom and diffused vertically into governance systems of value chain. Even if actors aim for a more harmonious working environment, there is still the unavoidable existence of tension in production and governance structures.

Responsive actions undertaken by institutional actors are stimulated further by the competitive environment and pressure from rivals in terms of pricing, timing and production volume. The study's findings suggest that addressing initial-phase tension requires continual evaluation and adjustment, especially co-ordination, of policies and working regulations to completely eliminate obstacles to the future growth and development of the VGTI. There is little evidence of coercion to make structural changes to address such tension; however, institutional actors, in particular, firms, should be proactive in changing day-to-day production and management processes with creative tactics and strategies.

8.2.2. The enforcement phase

The role of the 'enforcement' phase as a source of tension is less active in day-to-day operations, but it can be more influential and compulsory in requiring a long-term survival strategy as opposed to tension arising in the initial phase of GVC governance. In other words, in the enforcement phase, tension is more powerful and may threaten to run out of control, sometimes not being recognised by manufacturers at certain junctures, such as alliances with larger companies or institutions, taking orders from famous brand names, or simply joining a new market, so manufacturing actors need to follow other rules and regulations to manage enforcement-phase tension.

Initially, in this phase, tension is determined largely by competition, which generates issues in various ways. The findings of this study show that competition is the central element influencing GVC governance structures and institutional actors, not only manufacturers but also associations and the government, a theme that emerged in the research as more than 50% of respondents expressed concern about losing the industry's current competitive advantage in a global market. This concern drives tension in the enforcement phase, as indicated by a deputy director:

“Higher and higher competition is what makes me worry and feel stressful mostly. We have to improve our productivity, invest in modern technology, and do training for workers while the financial resource are limited [...] competitive advantages are very important to our export activities, therefore, it will be a disaster if a change in policies and international cooperation negatively impact them” (M.27.u@North).

Only powerful actors who can significantly reshape governance structures can create tension in the enforcement phase. The case study of the VTGI indicates that the government plays the main role in this respect. As presented in chapter 7 where analysed new circumstances as a source of tension, tension in this phase entails unavoidable challenges and diffusion from the top down into day-to-day operations, impacting labour conditions and other relevant issues. Evidence of such ‘enforcement’ tension is the featured business culture, traces of the centralised economy and the power of legislative and executive authorities. An expert outlines that:

“The government acts as the key actor in promoting or demoting each sector in the economy as a characteristic of the Vietnamese social and politic system [...] even some SOEs started equitisation after joining the WTO in 2007, but the number of SOEs that

have completed this process is very limited [...] the government still mainly intervenes in the economy and targets production with central plans [...] the national projects almost support and patronise SOEs” (S.17.m@North).

The flow of tension generated in the enforcement phase runs first to associations, who are controlled by the government, and then to local authorities. These actors are responsible for disseminating information and providing instructions to assist enterprises in their implementation. To many firm actors, such enforcement-related tensions are extremely annoying. As discussed in chapters 6 and 7, inconsistent policies and unequal treatment produce unnecessary tension, which negatively affects competitive advantage as well as the sustainable development of the VTGI. A manager clarifies this issue:

“We are limited not because of resources but the national policy in textile investment [...] it takes too long a time to get approval for projects. The procedure is also very confusing and hassled. It delays our expansion in preparing sustainable resources for garment production [and] strongly impacts the effectiveness of capital and performance” (M.52.u@South).

As representatives of manufacturers, associations are also subject to change if they want to increase their power in GVC governance, especially their role in improving the bargaining power of Vietnamese manufacturers. This change has emanated from other countries in the region, in particular from China, Taiwan, Japan and Korea, where associations play an important role in coordinating orders, controlling standards and complying with codes of conduct (Pun, 2005; Taylor, 2011; Kolk and Van Tulder, 2005; Wells, 2007). Importantly, Vietnamese manufacturing

organisations recognise that competitive tension diffused externally can originate from other countries, regions or even continents. As a respondent indicates:

“The mobility of textile and garment production leads to new challenges in nascent markets [...] our production is under pressure from headquarters coordination located in Hong Kong which means that our orders are quite stable; however, more competition is generated from new emerging markets where labour is cheaper. Headquarters has a plan to move part of production to Cambodia, where is just five hours when driving from the current factory” (M.56.m@South).

In seminars and workshops during the fieldwork stage of the study, the researcher found that the role of associations had grown and they act during the initial phase to generate tension with greater responsibility for negotiations and supporting members in making proposals to the government and even applying pressure on the government to adjust policy. States are not involved in the ‘race to the bottom’, which has arisen as the main driver or determinant in competition between global garment firms and suppliers, but national competition exists with respect to export volumes and scale as well as other development indexes. Nevertheless, in general tension from industrial development in general versus tension that arises from a particular industry’s development leads the state into wider competition to enter into free trade agreements, intercontinental partnerships and global integration production, which amounts to a race to maximise market opportunities.

In addition, tension in the enforcement phase is generated by the need for compliance, which is established by lead firms (e.g. standards and codes of conduct). Compliance helps lead firms govern supply chains; however, manufacturers, who

comply with such production regulations, do not recognise benefits they achieve, and so see them as obstacles and creating difficulties in their operations. This viewpoint of some manufacturers is based on the cost of compliance, which increases input costs and is a mandatory requirement and, not a voluntary or optional, commitment. A respondent complains that:

“Compliance has increased management costs, especially when we deal with different clients. Each client has a different set of rules, unique codes of conduct and special standards requirements [...] Although some international certificates can partly help, in fact we still have to respond exclusively to each customer. It consumes a lot of time and expense” (M.11.m@North).

Tension from compliance enforcement is mentioned frequently in recent studies. Nevertheless, according to many manufacturers, its presence leads to certain problematic issues, for example non-compliance behaviour at peak seasonal times of production. In turn, breaking rules affects the reputation of manufacturers in their relationships with buyers/vendors. Tension in the initial and enforcement phases has complex correlations. Tension in the enforcement phase can emerge from group interests established in the initial phase, and vice versa; day-to-day issues are generated under pressure to enforce policies, follow governmental developments and assume diplomatic orientations. Although in the enforcement phase tension can control and influence the reshaping of entire governance structures and the remapping of locations of world production, the final results are determined by tension in the initial phase, which depends on the degree of stress that exists in the decision-making process in the day-to-day production and management activity.

8.3. Deviations under the pressure of tension in GVCs: convergence or divergence?

The phenomenon of diffusion in GVCs is well documented in much recent research, in particular in the global clothing industry. The effects of tension can occur along various dimensions in line with diffusion processes; however, as a changing source of tension it deviates in two directions of institutional change, namely isomorphism and heterogeneity. This case study of the VTGI confirms the presence of these two deviation trends and provides evidence of more actively effects of tension that are more positive, which these aspects of tension are discussed in greater detail in the following section.

8.3.1. Convergence

A significant part of governing power converges under state and lead firms' monitoring actions. In other words, operational power seems to be centralised in the activities of certain actors who drive GVCs in an isomorphic direction towards a more cooperative environment, that way have lower barriers to flows of capital, technology, labour and skill transfer. The diffusion process in garment production from developed countries and NICs, which have more experience and wealth, is likely to be continued by developing countries, who have gained experience in manufacturing and managing T&G value chains for several decades. Business models and patterns are transferred and learnt from textile and garment production in

advanced-developed countries as suggested by a respondent in a lead manufacturing organisation:

“Production methods are influenced by holding companies or FDI investors, and then it quickly pervades local enterprises [...] It is no surprise when similar technology and production lines are found in factories [...] even SOEs also use technological consultancies and suppliers from China” (M.07.m@North).

The intrusion and spread of business models in the VTGI is broad and not limited to large firms. The number of garment manufacturers has significantly increased in the private sector with SMEs following potential opportunities opened by international trade agreements and their owners are experienced managers with many years working in large T&G firms. Such SMEs can operate separately from large firms or act as satellite companies in processing orders. Unsurprisingly, their operations are affected and patterned similarly to those of large firms, in both production processes and buyer-approaching methods. A respondent reveals the fact that:

“That company’s director is my boss’s brother [...] they provide different parts in T&G production [...] we do use their supply as it is stable and sustainable for the long term [...] it helps increase the strength of our production because their procedure is quite consistent with ours” (M.36.l@North).

Convergence is a progressive trend under the orientation and control of the government. To prevent strikes, which derive from conflicts between the labour force and manufacturers, labour union campaigns initiated by state bodies have influenced T&G manufacturers. In the beginning, such influence seems to have been limited to

SOEs or Vietnamese companies because operating regulations of FDI enterprises are mainly under management of TNCs. However, signs of change are seen in workshops and seminars, where a respondent shared the idea that:

“We do care about workers and our employees and continuously improve our management systems in supporting the labour force not only in payment but also in living conditions [...] Labour unions are a good reference group which help us to understand the aspirations of workers in better ways” (M.82.m@North).

In general, convergence as observed in the VTGI case study is framed by policies influenced by ITAs. The evidence found in the research suggests that isomorphic models and processes are promoted by promising opportunities; as a result, firm actors proactively pursue change to find new markets and production locations to enhance competitiveness. National workshops and annual meetings have indicated that a learning process is actively occurring between local and foreign organisations. However, for long-term development, expansion is necessary and even compulsory to improve competitive capacity, in both production and non-production firms in the continuously changing business environment in terms of rules, conditions and regulations; this leads to various types of investment and development orientations. These directions in GVC governance are presented in the following section.

8.3.2. Divergence

Since competition in the business environment is continually changing, the capability and adaptability of each actor is limited, especially in SMEs. Several firm actors in

the VTGI expressed the view that they are looking to switch investments to other sectors because their competitive advantage is disappearing under new regulations and rules. In addition, significant conflict in policies hampers them from cultivating their ability and capacity to expand and develop their businesses appropriately in order to confront the new circumstances of rules and regulations, or to secure potential opportunities in promising nascent markets. Although the switching process does not yet register as an emerging trend, it also affects the overall governance structure of the value chain. A manager states that:

“The consideration in switching production is on progress [...] I am not sure about it yet; [however] I think it is better to focus on trade instead of manufacturing with increasing costs” (M.72.m@South).

Another trend in the response of firm actors in the increasingly competitive environment is the mobility of production, as demonstrated in three earlier analysis chapters. Production mobility is characterised along with globalisation and diffusion from country to country. As in the case of the VTGI, a small portion of production has begun being diverted to other countries where labour costs are lower and trade regulations are more beneficial which largely means they are weaker, as noted by the respondent below:

“The business environment has changed much and remains poor and disadvantageous for us in the last decades, while the Cambodian government has launched more open policies for FDI [...] Myanmar is also a promising country in the near future” (M.33.h@North).

Despite this, the most divergent trend lies in the difficulty of securing the necessary capital and financial resources, combined with confusing instructions and support from the state in the investment in the textile and supporting industries for garment production. As a result, benefitting from many opening opportunities in other emerging markets, such as Myanmar and Cambodia, the promising incentive sections of the TTP, which are not easy to obtain because of excessive limitation of local investment, seems to be less attractive to many large organisations. In the domestic market, some small firms therefore deviate from the state's advised direction by supporting projects through NGOs and other international funding sources. As a manager in SMEs comments about a supporting programme that:

“Recently we have worked closely with Japanese development projects in supporting industries [...] We found that investment in relevant production is also the opportunities and the company is considering about investing in one of them” (M.40.u@North).

Compared with convergence, divergence occurs less frequently in the VTGI. The mode of movement is concentrated in governmental development orientations, which are directed by policies and partnerships. Institutional actors in clothing GVCs are attracted by preferential treatment and incentive systems. Although the business environment and policies pose more challenges for all institutional actors, both firms and non-firms, thanks to the remarkable diffusion of knowledge and technology most respondents show confidence in approaching and employing such changes, treating them as opportunities rather than destructive in nature or as a major threat. Consideration of the nature of tension is given in the following section.

8.4. Tension as a (de-) motivational factor in institutional change in global value chains

An attempt to answer the question whether tension is a positive or negative factor in governance is made in this section. Much other research (e.g. Huxham and Beech, 2003; Dholakia, 1988; Fabian, 2000; Isaksen and Ekvall, 2010; O'Mahoney, 2013) has claimed that tension affects organisations in both ways, with both constructive and destructive effects. However, this study found that tension in the VTGI acts as a productive rather than a destructive factor.

Firstly, tensions in the VTGI cause unavoidable and annoying issues, including strikes, threats to competitive advantage, and the risk of non-compliant behavior, which therefore the relationship with the lead-firm. These events are considerable obstacles to the maintenance of the efficiency of production and management.

Tension occurs in a circle of relations of conflicting interests between value chain participants and other governing institutional actors and is accelerated by conflicting elements in the policymaking process. For example, stressful issues are related to wage and salary policies generated by the state under the pressure of thousands of strikes annually. This causes, in turn, difficulties for manufacturers because of increased input costs. As a result, such tension becomes a bothersome factor in governing T&G value chains. A deputy director angrily responds in a workshop that:

“Enterprises are under too much pressure because of the inappropriate policies which lead to so much confusion in practice. It directly impacts the effectiveness of production in enterprises [...] internationalisation is a good process but cannot be rushed. We see only disadvantages instead of advantages in export at the moment” (M.51.u@South).

Secondly, tension can affect governance processes positively, especially after tension increases and becomes more visible. All GVC actors are motivated to improve their business models and trade patterns, in particular regarding management and production. These actions are discussed in sections 6.4 and 7.4 in the two previous chapters. Many firms claim that they innovate to become more efficient and effective in production after being placed under strain. In turn, the state, under the pressure of collective bargaining power, is influenced to adjust policies and make more appropriate decisions to reduce tension and resolve conflicts. In addition, problematic issues with the labour force encourage the idea of building better relationships in the working environment for sustainable development. In terms of the macro view, contemporary tensions can lead to more equal power between actors and better create a balance in the value chain structure. Additional evidence is found in statistics indicating the rapid growth of the VTGI, which remains for 2 years and a half after the fieldwork. Furthermore the significant increase on textile production reduces some tensions in the VTGI. As a result, tensions identified in the case study seem to be more productive factors that positively affect growth and stimulate greater creative strategies in terms of competition. For example, the same deputy director quoted above, in an interview following the workshop, describes the effects of negative issues in the VTGI differently:

“I mentioned them (issues) as critical considerations [...] in fact, it does not matter for us, the potential of the VTGI development in the future is probable [...] problems are normal things in business. It is the way it is. The most things we concern are about the ability of

human resource. If we have good employees then all problems can be solved”
(M.40.u@North).

Overall, tension can be viewed as a productive or unproductive factor depending greatly on organisational leaders’ understanding and broader viewpoints as well as firm’s strategic direction and competencies. In the case of the VTGI, tension does exist at multiple levels and its expansion is increasing but even to the effects seems positive rather than negative. Therefore, in this case study tension likely acts as a creative factor in governing value chains, especially in resolving problems, which derive tension issues and this supports for the recommendations of Autio (2005) that considered tension as creative motivation in operation. The response to tensions in the VTGI is summarised in table 15 below.

Table 15: Impact of tension on institutional change in global value chains

	Power	Attraction	Mimesis	Competition
Tension from symmetrical power	Controlling chains in a better way Defining the world map of production	Motivating alliance and partnership processes Growiung the collective power of associations	Diffusing patterns from place to place	Increasing bargaining power Maintaining reputation
Tension from international trade agreements and partnerships	Improving the balance of the production structure	Attracting more investment, improvement and expansion	Learning from ‘best practices’ in managing resources	Adjusting responsive tactics and strategies

Source: Data analysis in the study.

It is difficult to decide whether tension is a motivating or demotivating factor, because responsive activities will determine its role in the operations function of GVCs. In other words, tension can change from having a positive impact to having a negative one, or vice versa, because of decisions made by managers striving to survive in an increasingly hostile competitive environment. However, although many managerial problems derive from tension, it reminds organisations of the gap in the interests of stakeholders, and stimulates more creativity in business, especially in resolving problems.

8.5. Evolution of GVC governance structures

Based on the primary data collected from interviews, this study finds that governance practice in the case of the VTGI is based on growth and change in the effort to conform to new rules and regulations in GVCs and to cope with the pressure of conflicting interests and benefits in inter-organisational relationships. In fact, the VTGI governance structure is more complicated than indicated in the research of Gereffi (1994, 1999, 2001) and his colleagues (2005, 2011). Depending on the features of the cultural and historical economic environment, practices can vary, such as the coexistence of multiple governance types in the case of the VTGI, which are mainly a mixture of relational types as well as a small number of captive and hierarchical parts of governance systems.

The mode of change in governance structures in the VTGI is based on convergence and synchronisation in production methods and strategic orientations. Findings in the

three previous chapters suggest that the production of garment will move towards greater integration between raw materials and the final product to meet the requirements of catching up with expanding market opportunities. The changing environment demands more adoption, rather than adaptation; it is not a question of complete transformation, but of alteration and shifting of power and relocation of production along the chains. A framework for governance change is presented in table 16.

Table 16: Framework for governance change

Elements	Power	Attraction	Mimesis	Competition
<i>Domain of actions</i>	Enforcement	Penetration	Adoption	Reformation
<i>Objective</i>	Standardisation	Development	Improvement	Advantages
<i>Dominant logic</i>	Care/support	Expansion	Modification	Reduction in costs
<i>Organisational capability</i>	Reshaping and adapting	Developing alliances and partnerships	Learning from 'best practices'	Making acquisitions
<i>Mechanisms</i>	Assessing, monitoring and controlling	Searching for and investing in new markets	Recruiting, learning and adopting	Finding cheaper resources
<i>Quotes illustrating entrepreneurial mindset during change</i>	"We try to be in the top 10 of textile exporters" "Standards and effectiveness are what we are most concerned about"	"The database is the most important work we need to do to assess the position and improve it"	"India, Bangladesh and even Cambodia succeed with it; Vietnam can also"	"Increasing productivity and investing in technology can help us compete with other countries"

Source: Data analysis of this study

This study has shown that tension is a central element that moderates the four mechanisms of change. It drives the development of governance structures in several directions under the pressure of gaps between planned objectives and possible

outcomes. First, power acts as an enforcement mechanism in change processes and targets better coordination between proposed criteria and actual managerial practice. Under the power of lead firms (compliance) and the government (policies), governance processes become more standardised and move towards uniformity in production. Second, attraction persuades actors to employ and utilise their capabilities to expand production and obtain additional competitive advantages as well as cultivate nascent markets from alliances and partnerships. Even manufacturing actors who are limited in capability and financial resources are able to copy success stories and search for ‘best practices’ which are closest to their conditions and firm abilities. Finally, all actors must cope with challenging pressure from competition, which is considered the centre of the evolution of governance change. Competition influences and transforms the picture of GVCs, including governance, reshaping structures and upgrading efforts. It gives actors, in both firms and non-firm organisations, the responsibility to satisfy brand owners’ objectives, resources and production objectives, and especially to satisfy final customers.

The study’s findings show consistency in the development of manufacturers in the supply base and the orientation of the state and policymakers in governing the value chain and its integration into global production. Consistent with this, governance structure here is affected mostly by enforcement groups in the trend towards isomorphism in business models and patterns. This is also a result of diffusion processes in searching for, learning from and adopting ‘best practices’ seen in other cases of world production. Consequently, the separation and combination processes

occur under pressure to upgrade and develop following the orientation and actions of the state. Some firms want to switch or focus on more promising parts of value chains; in the case of the VTGI this is spinning and weaving cloth production, which has been under-developed. Other firms think it is still more beneficial and efficient to concentrate on CMT. The contradiction in their opinions depends greatly on their scale of production as well as capital conditions, which inherently determine the capability of manufacturers. In addition, this also is represented by a firm's bargaining position; therefore, a firm can be a driving agent or a driven one in reshaping value chain processes.

The business environment is a significant consideration in this debate, one that has clearly been highlighted in the findings reported in the three previous chapters. The rules and regulations that influence the reform and reshaping of GVCs are changing rapidly. Confronting these challenges requires actors to continuously update information and technology to maintain their positions in a given value chain. However, this is very difficult, and acquisition is becoming more popular than ever as a means of strengthening a firm's capability in international competition. This is one of the significant reforming structures of governance. In other words, the 'race to the bottom' under the new circumstances seems to be joined by bigger and bigger firms rather than SMEs. Key actors, here large organisations, are the main drivers in shaping the structure and constituents of value chains. There is significant involvement of FDI firms, who often have better resources, stronger financial abilities and richer experience in GVCs than local firms. Therefore, a new structure

of governance generated by partnerships or alliances between local and foreign actors is growing and being replicated. This creates a more convenient system to comply with, monitor, and adjust to the standards of production and management processes.

In this study, it is understood that the presence of tension is recognised more clearly by SMEs than by large organisations. SME respondents emphasise that they are relatively sensitive to changes in the business environment and policies. Therefore, tension is more important to them as they strive to maintain or expand their businesses or switch to another sector, since SMEs are quite flexible in confronting changes in the environment. This movement affects the governance system in GVCs, with the hypothesis that in the end competition is not only driven by large firms but also becomes the game for large firms with the ambition to complete in clothing production chains by themselves, which is achieved by extending investment into raw materials, accessories and other resources, rather than SMEs, who seem to have too few advantages and too little power in the field.

Overall, the structure of governance found in the case study, as in many other successful cases in the textile and garment industries such as in Hong Kong, Taiwan and Korea, tends to become detached from the central governance of the state and become more independent in setting operational plans and developing orientations. In addition, the evolution of governance structures is producing more equitable systems between actors. Nonetheless, technology and database-building and management are other must-do actions for upgrading which signals a significant trend in the governing process of VTGI value chains.

8.6. Chapter summary

This chapter has discussed the effects of tension within the context of the VTGI. It has attempted to reveal and confirm the forms of tension arising in different phases of value chain operations, which influence institutional actors in governing and changing structures. The various dimensions of tension that affect diffusion processes in the clothing industry have been revealed and analysed in terms of convergence or divergence. The nature of tension has been clarified, based on the findings reported in the two previous chapters and the link with chapter 5. To enrich the contextual background of the discussion, some differences between the case study of the VTGI and other case studies in the ASEAN region are given to clarify the arguments. In the discussion, the outcomes under pressure from tension are presented in connection with distinct phases and levels of impact. The nature of tension is also discussed in terms of its two extremes, positive and negative effects. Finally, the role of tension in motivating dynamic changes and restructuring governance types and patterns has been shown. The following chapter summarises and concludes the study.

Chapter 9: Conclusion

9.1. Introduction

This chapter presents the final conclusions of the study. The first chapter introduces the research background and objectives. The research aim of understanding how institutional change is integrated in GVCs in relation to tension and the literature review are detailed in two chapters. Chapter 2 presents the literature on GVCs, including definitions of value chains and the globalisation of value chains with reference to five key dimensions proposed in GVC studies. Governance is, then, defined as an important dimension whilst the role of institutional context in GVCs seems to remain an under-researched dimension. Following this, various types of GVC governance are compared and discussed before introducing the emerging issues in GVC governance at the end of chapter 3. Chapter 4 clarifies the notion of institutions in institutional theory and focuses on institutional change with reference to four mechanisms for embedding change in GVCs in terms of a common issue—tension. Institutions naturally exert a ‘constraining’ force that may lead to tension, in particular in the context of institutional change, while such issues also naturally arise in relationships involving multiple actors. The literature on tension is then reviewed in the chapter. The literature on tension in GVCs in some recent research is also outlined. Chapter 4 presents the methodology and adoption of triangulation with

pyramid sampling in qualitative research. The semi-structured in-depth interview as a research construct is the central method of data collection, supplemented by observations. The data then are processed on the basis of thematic analysis, discursive devices and institutional logics. Findings are illustrated in chapters 5, 6, 7, and 8. The current role of tension in the case of the VTGI contributes to painting a contemporary picture of T&G value chains in Vietnam. Chapters 6 and 7 detail further evidence pertaining to two sources of tension, symmetrical power and new circumstances, which can re-shape GVC structures. Chapter 8 complements the discussion of the nature of the effects of tension on GVC governance change, both positive and negative. Finally, this chapter summarizes the findings and highlights the study's contributions to the literature and practical implications. The chapter concludes by presenting the limitations of the study and making recommendations for overcoming the limitations in future research.

9.2. Synthesis of the findings

The complexity of issues related to tension in the institutional context of GVCs needs to be clarified before presenting the contributions of the study. Tension raises several problematic issues related to institutional operations; however, its nature is often overlooked or assumed to be a negative factor in management, collaboration and globalisation (Ewing, 1964; Dodd and Favaro, 2006; O'Mahoney, 2013; van der Velden and Jaffee, 2001; Rothenberg, 2003; Chen et al., 2007). Tension, which forms the centre of this research, has emerged as a phenomenon of GVC governance and institutional context. As underscored in the literature review, governance plays a

significant role in upgrading as well as adopting value-added processes and improving performance in GVCs (Gereffi and Mayer, 2004; Ponte and Gibbon, 2005; Gereffi, 2005). Tension arises under ‘constraining’ rules set by the institutional context (Gibbon, 2003; Cashore, 2002; Bartley and Smith, 2008). Adopting four institutional change agents—power, attraction, mimesis, and competition—the study reveals dynamic shifts in the balance of power between institutional actors. The findings suggest that tensions naturally occur as features of growth in GVCs and produce complicated effects on institutional actors, including both convergent and divergent shifts in change processes.

9.2.1. The picture of the case of the Vietnamese textile and garment industry and tension

The research outcomes complement the contemporary picture of the VTGI as a participant in GVCs. First, key themes related to the VTGI are defined and presented: 1) the organisation of GVCs, 2) power inequality in practice, 3) the pressure of challenges and 4) trends in value chain evolution. The thematic analysis presents a dynamic picture of the VTGI in upgrading and attaining higher performance, but it also discloses hidden problems and tensions in relationships between stakeholders, in particular when constrained by regulations and policies. The findings from observations and analysis of institutional actors’ activities indicate a gap between actor’s expectations and actual operations. Therefore, tensions are generated from the ineffective structuring, promoting, supervising, monitoring and controlling of the activities of institutional actors.

Following key themes and institutional ineffectiveness in the VTGI, several forms of tension have been identified, including: 1) production tension, 2) labour tension, 3) policy tension, and 4) competition tension. All four of these forms of tension are evidenced more by domestic concerns than international concerns; however, the main drivers of tension come from two sources, asymmetrical power and new circumstances (new rules and regulations).

9.2.2. The two tension sources: asymmetrical power and new circumstances

Emerging themes and issues related to the VTGI are further analysed on the basis of discursive devices and institutional logics, which show that the two sources of tension derive from asymmetrical power and new circumstances. GVC governance is structured by asymmetrical power, which is also reported in many GVC studies (Gereffi et al., 2005; Dolan and Humphrey, 2004; Ahmed et al., 2014; Altenburg, 2006; Nadvi, 2008; Tokatli, 2006). This study analyses practices at the bottom of garment value-added chains; therefore, the influence of lead firm power in creating a supply base is explicit since manufacturing actors depend heavily on standards and compliance requirements set by lead firms, which are most often monitored by third parties known as vendors or traders. Moreover, the government, through trade organisations/partnerships, has considerable power in influencing the competitive advantage that maybe captured and can re-allocate the distribution of power among firm-level actors. This powerful institutional actor is in a sense a product of Asian culture, which features centralised power systems (Trần, 2012; Thomsen, 2007). Such uneven power distribution creates tension because of inequalities in the practice of

law and compliance enforcement, intensifying competition and encouraging non-compliant behaviour. Tension also occurs at a higher level because of labour strikes and protests over low wages and poor living standards.

The new circumstances brought on by ITAs has altered the map of GVCs and influenced competitive advantage in production and trade at a higher level. The central problematic issues deriving from the new rules and regulations involve competitive tension. As such challenges pressure not only firm actors but also the government, which is primarily in charge of the growth of the entire industry. Those two drivers of tension have also led to a range of responsive strategies, which are also outlined in the findings chapters. These include production mobility, an increasing role for associations and labour unions, the shifting of business models and patterns as well as production methods, and a rise in corporate commitment to social responsibility and higher standards.

9.2.3. The nature of tension in shifting global value chain governance

Tension becomes active in practice in two phases of operations, the initial and enforcement phases. In the initial phase tension arises at the bottom of the value chain, through day-to-day production activities, and then diffuses to other institutional actors and higher levels of management and governance. Although its effects are quite weak in shifting GVC structures, its effects are evident in day-to-day production operations. Another feature of tension in this phase is its pervasiveness;

properly and fully assessing its influential power will require further research across multiple cases and different country contexts.

Tension that arises in the enforcement phase of operations starts at the opposite end of the value chain, at the level of governance through policies and compliance requirements, and it can powerfully re-shape the structure of GVCs. The role of tension in this phase is explicit, but research findings have also confirmed the notion that other institutional actors, such as NGOs, unorganised communities (e.g. end-consumers, net-citizens and so on) and local people/local communities, act as a counterweight to tension generated in the enforcement phase.

Arising from these two sources, tension changes in two directions, convergence and divergence, which exist in parallel in the development of GVCs. Although governmental power seems to orient GVC development and growth towards convergence (DiMaggio and Powell, 1983), research findings reveal certain deviations in value chains, such as switching behaviour on the part of small enterprises and the development of production support services (Beckert, 2010).

The findings of this study also support arguments that tension is a creative factor rather than a negative one (Dholakia, 1988; Isaksen and Ekvall, 2010; Autio, 2005). Although all firm respondents complain about the pressure they feel and call for more supportive policies and tools, the VTGI's performance has improved continuously over the years. Therefore, tension seems to act as a motivating rather than a destructive factor.

9.2.4. Trends in GVC evolution under tension-related pressure

The analysis of GVC development stretches over four chapters of this thesis. Value chain development began as a strategic response on the part of firm-level actors to build and strengthen competencies and maintain competitive advantage. This trend is illustrated by increased investment and growth in strategic alliances and partnerships. These actions expanded the supply base, grew the scale of production and multiplied order contacts. GVC structure developed in a more balanced way wherein manufacturers became more independent in managing input resources. The bottleneck caused by the T&G industry will most likely be opened in the near future. The production map is shifting under the pressure of low prices in competition. In general, the evolution of GVCs is likely to trend towards convergence with the diffusion and adoption of similar technologies and business models from advanced countries to developing countries and then to the least developed countries. The aim of the clothing GVC is to upgrade from CMT production to FOB and then OBM.

9.3. Research objectives revisited

This study was guided by a central research question, which aimed to explore the nature of tension between institutional actors in GVCs in the context of the VTGI. The research problem was justified by the increasing importance of compliance rules set by buyers/lead firms in the governance structure of GVCs whilst the institutional context influenced by policies and FTAs in re-shaping global production in the garment sector.

Objective 1: To explore the institutional conditions governing the diffusion of practices as measured by compliance and non-compliance along the GVCs of the VTGI.

Objective 2: To explore institutional actors who govern compliance in GVCs.

Objective 3: To explore how institutional tension emerges in GVC governance.

Objective 4: To explore the nature of institutional tension in GVC governance.

This researcher attempts to achieve the above objectives by employing a qualitative research design using triangulation in both data collection and data analysis (Jonsen and Jehn, 2009). The research was conducted on the basis of a pyramiding sampling method, which makes it possible to collect richer information from multiple managerial levels and increase the validity of data collection. Using semi-structured in-depth interviews supported by observation and secondary data from unpublished reports and documents provided by interview participants, a wide range of data on multiple institutional actors and enterprise types has been collated. After conducting three stages of analysis, the dynamic characteristics of the VTGI and its value chains were analysed in relation to four key themes, as well as the exploration of the missing role of institutional actors in governance. Combined with the literature on institutional theory – on institutional actors and institutional change – these findings have been applied to meet objective 1 and 2. The insights gleaned from this study reveal four types of tension in the research context, including 1) production tension, 2) labour tension, 3) policy tension, and 4) competition tension.

Tension has drawn little attention in recent studies (Abdulsamad et al., 2015; Elms and Low, 2013; Kaplinsky, 2000; Lund-Thomsen and Lindgreen, 2014; Tokatli, 2006; Robinson, 2010b; Winn et al., 2008); however, this research has provided a deep analysis of the drivers of tension beyond merely classifying them. The two sources of tension identified in GVCs are symmetrical power and new circumstances (new rules and regulations). The two phases in which tension influences GVCs are identified and their influential power is assessed. The discussion of three additional aspects of tension meets objective 3. Finally, the findings reveal that tension acts as a creative factor in GVCs (Autio, 2005; Dholakia, 1988; Isaksen and Ekvall, 2010) rather than as a negative factor (Dicken, 1994; Kelly and Hise, 1980; Cunha, 2005; Winn et al., 2008). The study also analyses the trend towards convergence or divergence in GVC development as well as switching and changing of GVC structures in the new balance of power as a result of tension. These outcomes meet the requirements' objective 4.

9.4. Research contributions

This research connects GVC theory focused on the dimension of governance in a given global production chain with the evaluation of the institutional context and institutional change agents. Considering the broader institutional theory literature as proposed demonstrates that there is a lack of attention to the institutional context in GVC research (Ahlstrom and Bruton, 2006; Chang and Nayyar, 2007; Delmas and Montes-Sancho, 2011; Neilson and Pritchard, 2011). Moreover, tension is often viewed as a topic to avoid in management research because it is considered to be a

negative factor (Winn et al., 2008). This study has conceptualised institutional change mechanisms (Beckert, 2010), which are driven by pressure related to relational types of governance identified in the GVC framework (Gereffi et al., 2005) and applied in the case study of VTGI. In doing this, the study addresses several implicit assumptions in the GVC governance literature, especially the elements of compliance and bargaining power and in particular, the growth of GVCs and the ever-changing map of global production (Biersteker, 1998; Bartley and Smith, 2008; Fernandez-Stark et al., 2011; Nadvi, 2008). Although tension causes stress, it is also a motive for transformation and change in relational governance and business patterns (McCarty, 2001; Nadvi, 2008; Zürn, 2004; Gereffi and Mayer, 2004). The findings support for the isomorphism (DiMaggio and Powell, 1983) but also reveal the complex coexistence of both convergent and divergent trends in systems of governance in GVCs as argued by Beckert (2010). Finally, several contributions of this research are highlighted below.

9.4.1. The role of institutional actors in governing global value chains

The institutional field in GVC studies is an under-researched area, as mentioned in chapters 1 and 2. Upgrading and governing activities are well documented in recent research; however, they consider only relationships involving value chain participants or firm actors who are directly involved in value-added chains. Some recent research also examines the nature of other actors, such as NGOs with respect to ethical issues and labour conditions (Deegan and Islam, 2014; Doh and Teegen, 2002; Hirsch, 2004; Palpacuer, 2010), social institutions with respect to supporting the upgrading

process (Rainbird and Ramirez, 2012), unions with respect to increasing collective bargaining power (Reinecke and Donaghey, 2015; Braun and Gearhart, 2004), and the role of the state (Amengual, 2010; Thomsen, 2007; Trần, 2012). These studies have provided a broader perspective on GVC governance with reference to multiple actors, including manufacturers, the government, associations, buyers/vendors, NGOs, and even the role of labour unions in influencing the design and function of value chains. The ability to influence governing activities is also examined and compared to clarify its function in GVCs.

9.4.2. Tension between institutional actors in global value chains: phases, types and drivers

Although tension is mentioned only briefly in other research studies (Tokatli, 2006; Robinson, 2010b; Winn et al., 2008; Ruwanpura and Wrigley, 2011; Locke et al., 2009), this study more extensively focuses on relation a wider set of aspects of GVCs that involve multiple institutional actors. In addition to determining four types of tension in the VTGI, the research focuses more sharply on sources of tension that produce and drive these problematic issues. Findings pertaining to tension in GVCs resulting from asymmetrical power and new circumstances are also consistent with institutional theory, wherein institutional attributions are defined as constraints with enforcement power for implementing rules (North, 1981; North, 1990; Tracey et al., 2011; Barley and Tolbert, 1997; Jackson, 2010). Finally, the analysis of the effects of tension identifies two phases in which tension arises, namely the initial phase and the enforcement phase, which are described from the point at which tension begins to

diffuse and spread to become a common phenomenon to its potential for changing entire value chains.

9.4.3. The nature of tension in influencing change in global value chains

Tension is often considered an unhealthy factor in business and management (Busco et al., 2008; Dodd and Favaro, 2007; Ewing, 1964; Fabian, 2000; van der Velden and Jaffee, 2001). On the contrary, however, in this research tension has been found to act as a positive factor that leads to creative responses to solving problems and maintaining growth and performance as well as competing successfully on global markets (Autio, 2005; Isaksen and Ekvall, 2010; Busco et al., 2008). The period of fieldwork supporting this study and the statistics collected indicating patterns of growth in VTGI CVGs which demonstrate the health of these GVCs, and demonstrate a stable growth in export volumes and a greater balance of power between actors along the chains. Moreover, under the pressure of tension, convergence rather than divergence seems to dominate. Nevertheless, the divergence of small enterprises suggests that the situation can shift at any time in terms of the context of institutional change. Therefore, the findings support the view of Beckert (2010) instead of those of DiMaggio and Powell (1983).

9.4.4. The reconfiguration of the institutional context and the new balance of global value chain structures

Since globalisation is a continuous process, the findings contribute to our understanding of GVC growth under tension from interactions and commitments

between institutional actors. Changes in the business environment are as inevitable as tension between actors. As argued by some researchers, the institutional context is more and more important in shaping GVC structures (Neilson and Pritchard, 2011), and as a result this study reveal the complex co-existence of GVC governance structures and a range of determinants (Altenburg, 2006). This analysis also complements the shifting process of GVC structures (Ahmed et al., 2014; Gereffi, 2001b; Tokatli et al., 2008) with an additional determinant – tension. The problematic issues then create a new power balance between institutional actors, such as the rise of collective bargaining power, CSR and greater bargaining ability; however, its effectiveness in practice is still relatively minor in shifting value chain governance.

9.5. Research implications

After identifying gaps in the GVC literature and studies in this domain, this research incorporates institutional theory, in particular institutional change. The implications for this research relate to how institutional actors respond to high-pressure issues regarding power and the business environment and the nature of tension in transforming actors as well as value chains. The findings support suggested implications for both firm and non-firm actors who engage to GVC activities. This section, therefore, highlights the contribution of the research for utilising in practices.

The literature on GVC governance examines how value-added production and distribution is created under various models and patterns (Andonova, 2005; Cashore,

2002; Gereffi, 2005; Gibbon, 2003; Gereffi et al., 2005). The results of this exploration of tension-related issues in governing practices and the examination of their effects on institutional actors can potentially add to the growing field of GVC studies and governance types. Early empirical work in the area mainly supports the relational model of governance.

The findings from this research make three important contributions in this area. First, in any industry more than one governance type exists. This can include multi-layer production, especially in subcontracting production as in the VTGI case study. Second, evidence reported and discussed in chapter 5 illustrates that governance is increasingly being replaced with negotiations and relational cooperation. The rise of bargaining power with initial resources and designs is one example of this. Finally, it is evident from the research that there is a diffusion process in governing GVCs, as practices move from more experienced organisations to new locations or markets. It is proposed that firms can improve their positions in GVCs from their experience and knowledge.

This research contributes to overall understanding of institutional change (Blatter, 2003; Battilana et al., 2009; Dacin et al., 2002; Mahoney and Thelen, 2009; Wax, 1971) in GVCs. In addition to change due to enforcement power, institutional actors also evolve because of attraction and mimesis. However, the evidence strongly supports the proposition that the main reason for GVC change is competition. Traditionally, to compete, here in the case of the T&G industry, price is the most important element; changing a business model or a governance process must make

operations more efficient and effective. Instead, it is suggested here that organisations should improve their negotiating power rather than ignore labour conditions.

Moreover, firms can complete the production process with their own materials and resources to improve their positions in value chains.

The findings of this research support the theory of isomorphism rather than non-isomorphism in institutional change due to the central role of price and the limitations of production ability that make manufacturers cannot be independent in managing input resources and approaching customers. Four mechanisms that lead to institutional change move in multiple directions at the same time but in this case homogenisation is likely dominant rather than heterogeneity (Beckert, 2010; Battilana et al., 2009; Delmas and Montes-Sancho, 2011). The examination of institutional actors in the case of the VTGI shows that diffusion processes are actively occurring beyond borders and regions. The empirical evidence provided here shows for a growing trend towards homogenisation; however, the existence of heterogeneity must be considered under certain conditions, such as inexperience and financial competence. Admittedly, the extent to which tension affects institutional change is still relatively unclear and needs to be examined at various levels of influence; therefore, further empirical research is needed to explore deeper attributes of tension.

This research also contributes to tension theory, as tension is normally considered stressful and inhibiting. In light of previous research on tension (Chen et al., 2007; Reardon and Hopkins, 2006; Smith et al., 2010; Cunha, 2005; Fabian, 2000; Winn et al., 2008), it needs to be identified as a naturally unavoidable issue like competition

and should be considered a motive for change rather than a harmful obstacle. To control internal tension, practitioners should build better working relationships and information systems as well as develop a better understanding of the labour force. Similarly, external tension can also be addressed with collective bargaining power to have a representative voice for negotiating and influencing change processes driven by rules and regulations.

The adoption of two theoretical frameworks, five GVC governance types, and four institutional change mechanisms fills the gap in institutional research on GVCs. The findings indicate that the four mechanisms are likely to steer institutions in one direction (homogenisation) rather than another direction (heterogeneity) when coping with tension in GVCs. This claim is strongly impacted by the influence of powerful institutional actors, including lead firms and the government. Therefore, GVCs have been created, governed and altered by certain institutions, and not only in the case of the apparel industry.

9.6. Limitations of the study

Limitations of the present study have been identified to some extent in the main body of this thesis. However, the principal limitations are now discussed in greater detail. There are two main limitations of the study. The first pertains to the specific theoretical nature of tension and its effects. The second relates to the methodological consequences of utilising a case study and pyramiding sample selection. The following sub-sections explore these in more detail.

9.6.1. The concept of tension

It is difficult to clarify what tension is and how institutional actors create, recognise and react to it (Purdy and Gray, 2009; Winn et al., 2008; Fabian, 2000). There is no explicit, concrete definition of tension, particularly in institutional research. Tension is simply recognised by actors as problematic and as a factor that brings the risk of threats and disadvantages. Moreover, the definition has not categorised the level of influence of distinct types of tension with respect to distinct sources of tension (Chen et al., 2007). There has been little research on institutional tension, and as a result the researcher needed to employ tension issues from a multi-disciplinary perspective to adopt an appropriate conception for this study. There are many controversies regarding the nature of tension in organisational change. However, it is still too early to determine whether tension is a productive or unproductive factor in GVCs or governance processes, and further research in various fields is required to confirm its positive or negative effects. Owing to discursive devices and institutional logics, the roots of tension were clarified, but the question remains how strong it is in influencing institutional change (Isaksen and Ekvall, 2010).

9.6.2. Methodological limitations

Some methodological limitations are involved in this study. Given the nature of a case study, certain limitations are well known. First, the case study approach can result in overly complex theories lacking simplicity. Second, the difficulty of ensuring the external validity of case study research threatens the generalisability of

the findings. The researcher must try to overcome such factors. Prior theories have attempted to formulate the main research issues and this allowed the researcher to focus the direction of the research whilst making it possible to generate unexpected findings. Although multiple and independent sources of evidence were used to corroborate the interview data, there is always a danger of obtaining biased views from one group associated with governance processes. The researcher employed three conceptual research lenses: 1) the lens of macro governance, which is conducted and controlled by the government; 2) the lens of entrepreneurs' opinions; and 3) the lens of experts and researchers' viewpoints, which is based on rich experience and knowledge in the field. This triangulation provided insights into the actual or 'back stage' realities of the decision-making process from a broader perspective (Mathison, 1988).

Prior theory can be viewed as additional evidence that can be used to triangulate the external reality involved in adopting realism as the study's research paradigm (Perry, 1998). The aim is to expand and generalise theory by providing comparisons with the existing relevant literature, and the researcher's goal is to expand and generalise theories, not to establish the frequency with which a phenomenon is likely to occur in a population (Jonsen and Jehn, 2009). It is considered more appropriate to treat representativeness in terms of a qualitative logic for the selection of study cases rather than the quantitative logic of sampling from a population. As argued in chapter 4, the selected case study should be evaluated in terms of the adequacy of the theoretical inferences that are generated.

Finally, the findings of this research demonstrated that multiple methodologies must be adopted to go beyond problematic issues and analyse hidden tensions from challenges and institutional logics. This study triangulated the views and opinions of multiple perspectives in GVCs with multiple institutional actors. Thus, this study has made a contribution to a methodological approach that enables the discovery of actual practice from the bottom line of GVCs.

9.7. Recommendations for future research

The research focused on the effects of tension on institutional actors in GVCs, examining evidence pertaining to how actors react under the pressure of compliance, requirements, and standards as well as the rapidly changing global business environment. Inevitably, a study that attempts to understand the complexities of the effects of tension on governing methods in GVCs leaves some issues in need of further exploration. This section of the thesis summarises some of the questions arising from the study as potential areas for future research. Following the findings discussed in detail in chapter 8, several research gaps are revealed with several closely related areas that need to be developed in further research.

The present study explored tension between institutional actors in GVCs. Although multiple and independent sources of evidence were used to corroborate the interview data, there is often a danger of obtaining biased views from one group associated with GVCs. Future studies may expand the scope to directly examine other stakeholders along value chains, as outlined in chapter 2. For example, comparison across multiple

case studies or between industrial sectors can be considered to discover more levels of tension between institutional actors in more extensive governance structures.

Further research is needed to more fully examine the role of communities and markets in creating tension. Although this study attempted to explore the role of social communities, the voice of such actors is quite weak in reshaping value chains. However, in more highly developed markets, communities have a stronger voice; in particular, Internet users who have formed a large community can strongly affect the decision-making of end consumers by seeding and spreading information via reviews on forums, Facebook, YouTube, and other channels or web pages. The importance of such informal institutional actors in determining and influencing chains is clear. As this research demonstrates, the evolution of governing processes is itself an on-going process and at times converges on relational governance. Because scant research attention has been explicitly paid to this feature of GVCs, it remains for future research to explore this area.

Throughout the study's discussions of the VTGI case study, processes that create tension that derives from the conflicts inside the policy system were explored. In addition, policies related to enforcement power, which is unavoidable and powerful in reshaping governance structures, was also discussed. Thus, further research may be conducted to compare various political economies, business environments and development orientations to discover mutual issues in tension control and governing patterns. This research argues that, even under high pressure from changing regulations and conditions, tension likely acts as a healthy motivation in terms of

restructuring to help institutional actors adapt, compete and survive. Yet tension also causes temporary problems, which require quick responses to minimise loss and delays. These aspects of tension in GVCs should stimulate deeper research for better understanding other institutional actors, such as labour unions and associations.

The concept of ‘best practice’ has been frequently discussed throughout this thesis and its definition, implementation, and attainment is accepted as straightforward, particularly in connection with GVC governance. As shown in this study, however, the dissemination and implementation of best practices are far from straightforward. One line of inquiry could explore and expand on the sources of best practices and explore the extent to which institutional actors detect and react to the reality of unequal development and power along GVCs. Overall, in the process of resolving research problems and meeting research objectives, more research gaps are revealed and as a result further research is suggested as above to stimulate researchers to continue GVC analysis.

9.8. Chapter summary

This research has addressed an area related to GVCs that is normally avoided and is usually considered an unhealthy factor in governance. Despite several limitations involved in conducting research in the context of the VTGI case study, analysis of the data has revealed certain valuable findings pertaining to emerging tensions in governing GVCs. The findings from this study reveal the nature of tension in GVCs and governance that supports knowledge of the interaction between institutional

actors from local contexts to the global context. Such tensions actively influence the progress of diffusion in the growth and development of GVCs' shapes and structures. Furthermore, the research has substantiated the appropriateness of the convergent interviewing technique and the case study methodology for theory building in research on a contemporary value chain. The cumulative effect of tension has motivated institutional change to enhance the competency and efficiency of governance rather than acting as a de-structuring factor in GVCs. From this perspective, this research presents several valuable opportunities for further research on GVCs in multiple sectors.

Appendices

Appendix 1: Vietnam's Textile and Garment Industry in the change of the international trade agreement

In order to capture the benefits of ITAs, the VTGI has been experiencing significant development which benefits from massive FDI resources. In this appendix, the dynamics of such investment activities are indicated to see the impact and the potential of the industry.

In the first six months of 2016, Vietnam's textile and garment exports increased 5.1% to US\$10.7 billion, the slowest pace since 2010, which industry insiders have attributed to the rise of new suppliers in the global market (Nguyen, 2016b). The downturn means that the industry, which accounted for nearly 14% of the country's exports last year (Nguyen, 2016b), is facing several challenges. Although buyers are not cutting back on purchases altogether, they are increasingly shifting to other suppliers, such as those in Bangladesh, Cambodia, Laos and Myanmar to obtain lower import tariffs and, thus, lower prices (Nguyen, 2015)

In general, Vietnam still has high potential to invest in the garment global market. According to Trường Lê, General Director of the Vietnam National Textile and Garment Group, in terms of exports Vietnamese textile and garment products now rank second to the US, sixth to the European Union, third to Japan and second to South Korea, all countries with high tax levels (e.g., 17%–18% in the US, 8%–12% in the EU) (Vinatex, 2016; Nguyen, 2015). Currently, Vietnam's textile shipments are also subject to a relatively high tax level, and therefore the Free Trade Agreement represents a good opportunity for advancing the economy of Vietnam to a whole new level. One of the most important parts of the Free Trade Agreement is the Trans-Pacific Partnership (TPP). The TPP is a trade agreement between twelve countries (the US, Brunei, Singapore, Malaysia, Mexico, Vietnam, Australia, Japan, Canada, Chile, New Zealand and Peru) on various aspects of the economy that grants

permission for free trade between members. The textile and garment manufacturers in Vietnam will thus gain access to the two largest markets in the world—the US and Japan. According to the Ministry of Industry and Trade, for trade to the US, 95% of the tariff will be removed or reduced from 35% to 50% when the TPP agreement takes place (Vietrade, 2015). This means that about 63.5% of the imported tax the US collects for textile and garment products from Vietnam will be eliminated (equal to US\$1.1 billion) (Vietrade, 2015), though a caveat is that Vietnamese products must follow the Rules of Origin to receive the tax reduction. For example, one of the provisions in the TPP, known as the “yarn forward” rule, requires a member that exports apparel to other TPP markets to use textiles that are either made locally or imported from other TPP member countries. While Vietnam is one of the world’s top garment manufacturers, it has sourced about 88% of its textiles from China and South Korea, with Vietnamese factories cutting and sewing the fabric in the final stage of production before exporting finished garments (VITAS, 2016). Signing on to the TPP means that Vietnamese garment exporters will technically no longer be able to import their materials from China if they hope to benefit from lower tariffs under the TPP. The yarn forward requirement was put in place in part to protect US yarn and textile producers, which have lobbied the US government to maintain stringent rules of origin as part of the TPP (Robinson, 2015). Conversely, US retailers have argued that textiles and garments are part of the global supply network and thus, like so many other goods, should not be burdened by such provisions. Vietnam’s apparel industry has for some time been concerned that it will have trouble complying with the rules of origin in the TPP, given that this would require the textile industry to make significant capital and technological investments up front (Nguyen, 2016a). Vietnamese negotiators had pushed for a “cut and sew” rule of origin, which, as its name suggests, requires only that final cutting and sewing takes place in a TPP member country (Cory, 2015).

Once ratified, the TPP will grant Vietnamese companies tariff-free access to the US, with which it does not presently have a free trade deal, along with other large

markets, including Japan and Australia. This will boost demand for Vietnamese exports and create a wealth of new jobs at home. The sectors that stand to benefit the most are apparel, footwear and textiles, which together accounted for 26% of Vietnamese exports in 2014. These industries have grown rapidly in recent years (Vietrade, 2015). At present, US import tariffs on Vietnamese-made footwear can be as high as 48%, while certain items of clothing can face tariffs of 20%, according to the World Trade Organization (Robinson, 2015). The TPP will cut these tariffs to zero or close to zero, depending on the goods. This new agreement promises to accelerate an already steady increase in Vietnamese exports to the US of footwear, which was up 23% in 2015, and apparel, which was up 14% (Robinson, 2015). Currently, only China ships more of these goods to the US. Moreover, the reduction of tariffs will provide further incentives for Chinese footwear and apparel producers to relocate or expand across the border to Vietnam. In the past decade, rising labour costs in China have encouraged lower-value-added industries to move production to the Mekong region, with Vietnam receiving the lion's share (Cory, 2015; Nguyen, 2015). In combination with the tailwinds from Chinese investment and existing growth momentum, the TPP could help Vietnam's share of garment and footwear imports by the US double to 30% by 2020, according to FT Confidential Research, an investment research service from the Financial Times (Robinson, 2015). The trade deal could trigger significant new auto manufacturing investment, as Vietnam will become a more attractive location from which to source components and manufacture, given its preferential access to other signatory markets (Robinson, 2015).

According to Nikkei Asian Review, Vietnam's competitive advantage has strengthened to become the world's export centre, attracting foreign investment flows, including those from Japan. Many manufacturers hope to have stronger motivation to invest more in textile production after the TPP (Atsushi, 2016). Experts have argued that the TPP will help boost production and exports in Vietnam and enhance its maritime trade with the US (Nguyen, 2016a). For textile companies,

Vietnam's skilled workers are a plus even though labour costs are higher than those of Bangladesh and Myanmar (Atsushi, 2016). Speaking at the Vietnam–Japan Investment and Trade Promotion Forum held last year, Mukuta Satoshi, senior managing director of Keidanren (Japan Business Federation), said that 'Japanese firms had invested a total of US\$37.3 billion in Vietnam as of the end of 2014, the second highest among all countries and territories investing in the country' (Pham, 2014). Kuraray Trading, an Osaka-based trading house under synthetic fibre maker Kuraray, will spend 300 million yen (US\$2.51 million) this year to install a production line for sportswear at an affiliate in Da Nang, the largest city in central Vietnam (Atsushi, 2016). This company will produce sportswear-using fabric imported from Japan and export the finished products to the US. Its factory in Vietnam will account for more than 60% of the total sewing work, up from the current 55% (Atsushi, 2016). Kuraray Trading is also considering investing billions of yen in textile operations, such as weaving and dyeing, in Vietnam's largest city Ho Chi Minh City. Itochu, another Japanese firm, has been building its presence in Vietnam since well before the TPP began gathering steam. In 2014, the company established a weaving mill in Vietnam with a monthly capacity of 500,000 meters of fabric (APLF, 2016).

Vietnamnet has reported about the investment of many companies in textile production in Vietnam, especially in Ho Chi Minh City and surrounding provinces, for example, the Japanese fibre maker Toray Industries or Japanese cotton spinner Shikibo (Nguyen, 2016). Ho Chi Minh City and surrounding areas, such as Binh Duong or Dong Nai Province, are the most important investment destination in Vietnam for foreign direct investment (FDI) because of the major textile and garment companies operating there (Nguyen, 2015). Many companies consider Vietnam as a gateway from Japan to ASEAN markets, as the establishment of the ASEAN Economic Community by the end of 2015 should enhance the role of Vietnam as a business base in the global supply chain strategy. In 2015, many large foreign-invested projects in the field of textile garments were licensed and implemented. For

example, Binh Duong Province was awarded an investment certificate to Polytex Far Eastern Co. under Taiwan's Far Eastern Group to develop a US\$274-million clothing project. This project covers 99 hectares at Bau Bang Industrial Zone and produces supporting items for the apparel sector. It is designed to have an annual capacity of 43,200 tons of polyester, 127 million square meters of knitted fabric and 96 million square meters of cotton fabric (Nguyen, 2016). The group plans to invest an additional US\$700 million to US\$1 billion in the second phase of the project. Dong Nai Province has approved a US\$660-million project of Hyosung Istanbul Tekstil, which will make industrial fibre at Nhon Trach 5 Industrial Zone. This is a Turkish-registered project, but the actual investor is South Korea's Hyosung Group. Hyosung Vietnam Co. has become a familiar face in the textile and garment sector in the province, with total registered capital of more than US\$995 million. Hong Kong's Worldon Vietnam Co. also received approval to carry out a US\$300-million project in the apparel sector in Ho Chi Minh City. The project covers more than 50 hectares at Dong Nam Industrial Zone in Cu Chi District. With huge textile and garment projects, the nation's manufacturing and processing sector received the highest new FDI commitment of US\$4.18 billion in the first half of 2015, making up 76.2% of the total FDI approvals in the period. The garment and textile sector is regarded as one of the industries that will benefit the most from TPP. According to the industry's insiders, Vietnam's garment and textile export turnover to countries joining the TPP agreement is expected to double in the coming years. By participating in TPP's negotiations, Vietnam hopes to gain many benefits from the growing demand for apparel and footwear in the agreement's member countries (APLF, 2016). The US market, the largest importer of Vietnam's garment products, is a good example. When the TPP comes into effect, the tariffs on Vietnamese garment products could be reduced to nearly zero from the current 17.5%. Experts also predict that the TPP will likely raise Vietnam's garment and textile exports to the US to US\$55 billion by 2025. In the Vietnam Customs newspaper, US Fashion Industry Association President Julia K. Hughes indicated that many US companies would be willing to

seek supply sources from countries joining the TPP agreement after it takes effect (ITA, 2015).

Vietnam was ranked highest in terms of its ability to attract new businesses among garment exporting countries (Robinson, 2015). However, experts have said that it will not be easy for local enterprises to take advantage of the opportunities brought by the TPP. That is, despite its many advantages, the TPP poses its own set of problems for the local Vietnamese garment sector, according to a Vietnamese newspaper (Pham, 2014). Owing to the clauses in the pact, Vietnamese garment manufacturers, which primarily import raw materials from non-TPP countries, will be forced to source from local producers. The local raw materials industry is largely under-developed and will require significant investments for producing sufficient, good-quality raw materials. Sustainability requirements during production are also difficult for local producers to match. As mentioned, the yarn forward rule requires that TPP member countries source raw materials for garment production either locally or from other TPP members. However, approximately 60% to 75% of the total raw materials used in garment production in Vietnam are imported from non-TPP countries (VITAS, 2016). Vietnamese apparel manufacturers will not be able to take advantage of the benefits of TPP if they do not work towards the development of the local supply chain. The local supply chain remains largely under-developed. Sustainability issues plaguing the local supply chain also remain a major concern in the international community. In addition, Vietnam has seen the highest amount of foreign investments in recent years. Non-TPP countries such as China, Japan and South Korea are investing in manufacturing in Vietnam to benefit from the pact. This may result in the majority of the tax benefits being received by non-TPP countries, while the local supply chain continues to remain under-developed. The implementation of TPP will take until 2018, as member countries seek approval from their respective governments. Meanwhile, Vietnam will need to pay attention to all the concerns to take full advantage of the pact.

Will Vietnamese garment contractors win with the TPP? In some situations, notably Vietnam's textiles, clothing, leather and footwear sector, most experts agree that the country will benefit from the creation of thousands of good-paying middle-income jobs (APLF, 2016). An increase in middle-income jobs will increase the standard of living for these workers and their families and grow their savings in the banking system, thereby restoring its liquidity. The nation can then use this liquidity to resolve its bad debt problem and allow banks to make loans to local businesses in other sectors, in turn helping them retool, modernise and build their competitiveness. However, other commentators note that many Vietnamese contractors in the textiles, clothing, leather and footwear sector will most likely be left out in the cold when it comes to benefitting from tariff reductions set out in the TPP (APLF, 2016). Stanley Szeto, the chief executive of Lever Style, a Hong Kong-based firm that manufactures shirts and pants for brands from Hugo Boss to J.Crew, indicates that he is not very excited about the TPP because, though the TPP is expected to eliminate tariffs between member countries on items such as clothing, many contract manufacturers in Vietnam are likely to see little of those savings if the pact goes through (Pham, 2014). The reason is that, in general, global brands, not manufacturers, pay the cost of import duties under the contract arrangement; after that, responsibility for the goods passes to the buyer after the products are shipped. Technically, this is called the FOB (free on board) shipping point, which means that the brand takes title to the goods in Vietnam and therefore is responsible for all costs of transportation and risk of loss for the goods from the delivery point forward. Therefore, the brand is considered the importer into the foreign country, and no tariff reductions are available under the TPP. This would require manufacturers to renegotiate their contracts with brands for FOB destination contracts, which may be impossible or impractical in many cases, driving the cost of imports from these Vietnamese contractors substantially higher. Consequently, these Vietnamese contractors, under any scenario, would be less price competitive with their foreign-invested counterparts in the sector operating in a South-east Asian country. Also, TPP would most likely drive up labour procurement costs in Vietnam because competition for labour would be more competitive. Costs

will go up, and it will be more difficult for manufacturers to reach capacity at factories, indicating that manufacturing capacity in Vietnam would be limited and therefore bump up costs. Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi, a membership group for representing US companies, argues that despite higher costs, Vietnamese contractors will still benefit (Nguyen, 2015). As global brands will be sourcing increased volume of product from Vietnam, international buyers will still likely choose to source more from Vietnamese contractors and absorb the extra cost. There is also widespread agreement that Vietnamese consumers will benefit from the TPP because they will be able to buy a wider variety of foreign goods at lower prices, which in and of itself raises real wages and helps families purchase more with their current incomes. Beyond that, there is little agreement between experts on who benefits from the agreement, and the debate does not appear likely to be resolved anytime soon (APLF, 2016).

Mr. Vu Duc Giang, chairman of Vietnam Textile and Apparel Association (VITAS), indicated that Vietnam still have several years – at least two years for preparation before its free-trade agreement with the EU (EVFTA) and the Trans-Pacific (TPP) become effective (Phan and Phan, 2016). According to VITAS, the strategy for development of Vietnam’s textile and garment industry for 2015–2020 is as follows: “(i) production growth from 12-14% a year, (ii) export growth at 15% a year, (iii) providing employment to 2.75 million people in 2015 and 3.0 million people in 2020, and (iv) export revenue attaining US \$18 billion dollars in 2015 and US \$25 billion dollars in 2020” (VITAS, 2016: p.29). However, to achieve these targets, there are still many challenges that will require better cooperation between actors, especially state bodies and firms.

Appendix 2: Research Information in English and Vietnamese

UNIVERSITY OF
BIRMINGHAM

Research information

Research title: The impact of tension between institutional actors in global value chains: the case of the Vietnam textile and garment industry.

1. An invitation

I would like to invite you to take part in my PhD research project. Before you decide I am pleased to introduce my research to you why the research is being done and what it would involve for you. I would to introduce to you verbally and you can keep a copy of this research information leaflet for record. Please feel free to ask me questions if anything is not clear or you would like more information.

2. The purpose of the study

The main purpose of this study is to explore tension issues between actors in the textile and garment value chains. The study also wants to find out how such issues impact to organisational operations then influence to governance structures and institutional change. The responses from participants will help to develop information to discover deep hidden intangible issues – tension. This source will fill the gaps of research on global value chains.

3. Why were you selected to take part?

This study is looking for participants who are experts in the textile and garment industry. The researcher aims to collect viewpoints, attitudes and behaviours of multi institutional actors in governing value chains (textile and garment production).

4. The interview procedure

It is face-to-face interview in a convenient location of participants, e.g. factories, offices, or exhibitions/fairs. This interview is expected to last approximately one hour. During the interviews, the topics related to tension issues will be explored in detail.

5. Benefits of participation

Participants may find that discussions with the researcher provide both support and some new and useful information. The exchange knowledge can be one of the benefits of your participation. In addition, the research findings can be helpful for your decision-making in the future with broader view and more information about competitiveness for business development.

6. Confidential/anonymity and data security

If you consent to participate the research project as a respondent, your personal details and your responses to the interview will be completely confidential at all times accordance with the 1998 Data Protection Act. Your name and contact details will not be passed to anyone other than the researcher. All those information will be disposed after three years of thesis submission. Participants can withdraw from the research project at any time without giving a reason. If so, all your information will be deleted from the study.

7. Result of the study

The main results of this research will be sent to participants, if requested, after it is submitted as full-thesis. All the data will be anonymous and none of participant's identity will be revealed in any report or publication.

8. Funding resource

Since it is a personal research project as a part of my PhD programme. It is solely organised and self-funding by the researcher. Under limited of resources, I wish to have your understanding and support as much as possible in order to complete the study successfully.

9. Further information

If you have any enquiries about the research, please do not hesitate to contact me:

Linh Truong, Email: [REDACTED], Tel: [REDACTED] or [REDACTED].

Thông tin về nghiên cứu

Tên nghiên cứu: Ảnh hưởng của các vấn đề căng thẳng giữa các tổ chức trong chuỗi giá trị toàn cầu: bối cảnh ngành dệt may Việt Nam.

1. Lời mời

Kính mời ông/bà tham gia chương trình nghiên cứu tiến sĩ của tôi, Trương Thị Diệu Linh. Trước khi quý vị có thể đưa ra quyết định, tôi xin phép được giới thiệu về nghiên cứu của mình và các thông tin liên quan nếu quý vị tham gia nghiên cứu của tôi. Những điều này sẽ được tôi giới thiệu trước các buổi phỏng vấn và tờ thông tin này sẽ được đưa cho quý vị để lưu lại. Quý vị có thể hỏi thêm bất kỳ thông tin nào mà quý vị quan tâm.

2. Mục đích nghiên cứu

Mục đích chính của nghiên cứu này là tìm hiểu các vấn đề gây căng thẳng giữa các tổ chức trong chuỗi giá trị may mặc. Nghiên cứu mong muốn tìm ra sự ảnh hưởng của các yếu tố này tới doanh nghiệp và cấu trúc tổ chức chuỗi giá trị nói chung cũng như sự thay đổi của tổ chức dưới tác động của nó. Những phản hồi của quý vị sẽ giúp phát triển các thông tin liên quan để tìm ra những vấn đề tiềm ẩn vô hình. Điều này sẽ giúp lấp đầy lỗ hổng nghiên cứu về chuỗi giá trị toàn cầu.

3. Lý do lựa chọn quý vị

Nghiên cứu cần sự tham gia của những chuyên gia có kinh nghiệm lâu năm trong ngành dệt may. Người nghiên cứu hy vọng có thể tìm hiểu quan điểm, thái độ và hành vi của các tổ chức trong chuỗi giá trị (cụ thể là chuỗi giá trị của ngành dệt may).

4. Quy trình phỏng vấn

Buổi phỏng vấn diễn ra trực tiếp giữa người nghiên cứu và người phỏng vấn tại địa điểm thuận tiện cho người phỏng vấn ví dụ như tại nhà máy, văn phòng hoặc các buổi hội chợ triển lãm. Buổi phỏng vấn kéo dài khoảng 1 tiếng đồng hồ. Trong quá trình phỏng vấn, những vấn đề liên quan đến sự căng thẳng trong quản lý sẽ được thảo luận chuyên sâu.

5. Lợi ích cho quý vị

Trong quá trình trao đổi, có thể quý vị sẽ có những thông tin thú vị mà quý vị quan tâm liên quan đến ngành dệt may trong nước và quốc tế. Việc trao đổi thông tin này có thể rất có ý nghĩa với quý vị. Thêm vào đó, kết quả nghiên cứu có thể sẽ giúp ích cho quá trình ra quyết định của quý vị trong tương lai với góc nhìn rộng hơn và nhiều thông tin hơn về cạnh tranh để phát triển doanh nghiệp.

6. Bảo mật thông tin

Nếu quý vị tham gia nghiên cứu thì tất cả các thông tin liên quan sẽ được bảo mật tuyệt đối dựa trên luật bảo vệ dữ liệu năm 1998 của Anh Quốc. Tên và thông tin của quý vị sẽ không được tiết lộ cho bất

kỳ tổ chức nào khác ngoài người nghiên cứu. Những thông tin này sẽ được lưu lại ba năm sau khi nghiên cứu được trình bày. Quý vị có quyền rút khỏi nghiên cứu bất kỳ lúc nào trước khi nghiên cứu được hoàn tất và các thông tin của quý vị sẽ được xóa toàn bộ trong nghiên cứu.

7. Kết quả nghiên cứu

Kết quả của nghiên cứu sẽ được gửi tới người tham gia dựa trên yêu cầu sau khi nghiên cứu hoàn tất. Các dữ liệu sẽ được ẩn danh và không có thông tin cá nhân nào được tiết lộ trong bất kỳ báo cáo nào.

8. Nguồn tài trợ

Vì đây là dự án cá nhân nên không có nguồn tài trợ nào khác ngoài nguồn của cá nhân người nghiên cứu. Vì vậy, tôi rất mong nhận được sự ủng hộ từ quý vị để có thể hoàn thành nghiên cứu một cách thành công nhất.

9. Thông tin liên lạc

Nếu quý vị có bất kỳ thắc mắc nào liên quan đến nghiên cứu, xin vui lòng liên hệ với tôi, Trương Thị Diệu Linh, Email: [REDACTED], Đt: [REDACTED] hoặc [REDACTED]

Appendix 3: Consent Form in English and Vietnamese

UNIVERSITY OF
BIRMINGHAM

Consent form

Research title: Institutional Governance Tensions Within Global Value Chains: The study of the Vietnam Textile and Garment Industry .

This study aims to explore problematic issues in export-oriental production of the textile and garment industry in Vietnam as a part of global value chains. Interviews of practitioners provide information for collating significant patterns of tension between actors in the chain. Based on that, findings can contribute for implications of better governing activities in developing countries like Vietnam.

This consent form is for Ms Linh Truong, who is currently a PhD researcher at University of Birmingham, in conducting interviews as a part of Linh's personal research project with the title above supervised by Dr Pamela Robinson and Professor Mark Palmer in the Business School at the University of Birmingham. The information that you supply and that which may be collected as part of the research project will be entered into a filing system or database and will only be accessed by the researcher. The information will be retained by the researcher for three years after thesis submission and will only be used for the purpose of research and synthesis and audit purposes. By supplying this information you are consenting to the researcher storing your information for the purposes stated above. The information will be processed by the researcher in accordance with the provisions of the Data Protection Act 1998 in the United Kingdom. No identifiable personal data will be published.

Please answer the following:

The procedures regarding confidentiality have been clearly explained (e.g. use of names, pseudonyms, anonymisation of data, etc.) to the participant. Yes ☐ No ☐

The use of the data research, publications, sharing and archiving has been explained to the participant. Yes ☐ No ☐

Have you been given the opportunity to ask questions about the project and your participation? Yes ☐ No ☐

You may withdraw from the study at any time and that you will be entitled to any agreed reward up to the point where you withdraw. Do you understand this statement? Yes ☐ No ☐

You may ask for your data to be destroyed at any point prior to the publication of the research findings based upon it. Do you understand this statement? Yes ☐ No ☐

Do you consent to record the interview? Video ☐ Audio ☐ Note ☐ No ☐

May I refer to your data in print using your initials? Yes ☐ No ☐

Do you consent to take part in this study? Yes ☐ No ☐

Participant:

Name of Participant

Signature

Date

Researcher:

Name of Researcher

Signature

Date

Office use only:

Code of interview: _____

Thư đồng ý tham gia nghiên cứu

Đề tài nghiên cứu: ảnh hưởng của những căng thẳng giữa các tổ chức trong chuỗi giá trị toàn cầu: bối cảnh ngành dệt may Việt Nam

Mục tiêu nghiên cứu hướng tới những vấn đề phát sinh trong sản xuất xuất khẩu dệt may Việt Nam với tư cách là một phần của chuỗi giá trị toàn cầu. Việc phỏng vấn những chuyên gia đem lại thông tin cho người nghiên cứu tìm ra các mẫu chung về sự căng thẳng giữa các thành viên trong chuỗi giá trị. Dựa vào đó, kết quả nghiên cứu đóng góp cho ứng dụng quản lý chuỗi giá trị được tốt hơn trong bối cảnh các nước đang phát triển như Việt Nam.

Trân trọng mời quý vị tham gia nghiên cứu của bà Trương Thị Diệu Linh, hiện đang làm nghiên cứu sinh tiến sĩ tại trường đại học Birmingham, để thực hiện các phỏng vấn trong khuôn khổ nghiên cứu nêu trên dưới sự hướng dẫn của Tiến sĩ Pamela Robinson và Giáo sư Mark Palmer của trường Kinh Doanh trong Đại học Birmingham. Những thông tin mà quý vị mang lại sẽ là một phần trong nghiên cứu và được lưu lại trong hệ thống thông tin được sử dụng duy nhất bởi người nghiên cứu. Các thông tin sẽ được lưu lại ba năm sau khi người nghiên cứu hoàn thành luận án tiến sĩ và chỉ được dùng cho mục đích phân tích và nghiên cứu. Bằng việc tham gia phỏng vấn, quý vị cho phép người nghiên cứu lưu trữ các thông tin đó như vừa đề xuất. Thông tin sẽ được người nghiên cứu bảo mật dựa trên bộ luật bảo vệ thông tin năm 1998 ở Anh Quốc. Các thông tin cá nhân của quý vị sẽ không được tiết lộ.

Để làm rõ hơn, mời quý vị trả lời các câu hỏi sau:

Quá trình đảm bảo tính bảo mật thông tin của quý vị đã được giải thích rõ. Có ☐ Không ☐

Quý vị đã hiểu về việc sử dụng dữ liệu trong nghiên cứu, chia sẻ và lưu trữ. Có ☐ Không ☐

Quý vị đã được giải đáp thêm về nghiên cứu và phương thức tham gia. Có ☐ Không ☐

Quý vị có thể rút khỏi nghiên cứu bất kỳ lúc nào. Điều này có rõ ràng? Có ☐ Không ☐

Quý vị có thể yêu cầu hủy dữ liệu mà quý vị cung cấp bất kỳ lúc nào trước khi luận án hoàn thành. Điều này có rõ ràng? Có ☐ Không ☐

Quý vị có cho phép ghi lại buổi phỏng vấn? Quay lại ☐ Ghi âm ☐ Ghi chép ☐ Không ☐

Tôi có thể được dùng chữ cái đầu tiên trong tên quý vị trong nghiên cứu? Có ☐ Không ☐

Quý vị có đồng ý tham gia nghiên cứu này không? Có ☐ Không ☐

Người tham gia:

Tên

Ký tên

Ngày tháng năm

Người nghiên cứu:

Tên Ký tên Ngày tháng năm

Ghi chú của người nghiên cứu:

Mã số của phỏng vấn: _____

Appendix 4: Semi-structured interview questions

Section I: Company Profile

- 1) Please tell me brief about your company
 - Sector? Size? Employee quantity? History of development?
 - Where are you in the textile and garment value chain?
 - How to compare your competencies to other manufacturers?
 - How about your capacities, productivities, labour and management skills?
- 2) What are your company's main markets?
 - What is your target market?
 - Is it difficult to penetrate in such market?
 - Which fashion brands are you working with?
 - How about compliance and standards in production and operation?
- 3) How does your company operate?
 - Do you think it reached the best effectiveness?
 - What kind of production methods are you using?
 - How is your production and general business?
 - Do you have any difficulty or problems? Can you tell me more about them?
 - How is working environment in your company?
- 4) Is your company a member of vitas or vicosa or other associations?
 - How do you find about these associations?
 - Are they helpful and supportive?
 - How do they impact to your operation?
- 5) How do you position your company in supply base?
 - Your relationship with partners? Buyers? Suppliers?
 - Your contacts? The negotiation ability?
 - Do you want to upgrade or change it?

Section II: Respondent's experiences

- 1) How long have you worked in the company?
 - What impressed you most?
 - How has your company changed?
 - What are your strategies/trends of development in the future? Short-term? Long-term?
- 2) How do you find about the textile and garment industry in Vietnam over the last decade?

- What is the most significant change in the industry?
- How about production methods and the relationship between organisations (including governmental institutions and NGOs)?
- How the modern Business model? Production methods
- 3) What are your most memorial events in the Vietnam textile and garment to you?
 - How important are these events?
 - How did it transform/impact to the industry and your company?
- 4) Is your work stressful?
 - Where is stress from?
 - How much do you feel stress?
 - Is it annoying you? How do you cope with it?
- 5) Have you experienced tension in dealing with partners and other institutional actors? E.g state bodies, NGOs, communities,...
 - Do you have much interaction with other institutions/organisations besides your operational partners?
 - Do these activities impact to your company's performance?
 - Do you think stress in dealing with other firms and organisations is serious and strongly impacts to your operation? What are they?

Section III: The relationship between actors in the value chain of the VTGI

- 1) Who is the most active third-party (institution/organisation) in supporting the development of your company?
 - Is their operation effective?
 - Do you want to change? In detail?
- 2) How do you think about social responsibility and the relationship with customers/people in the society?
 - How does it impact to your performance?
 - How to improve it?
- 3) Who impacts on your performance mostly?
 - Which parts of operation do they influence to?
 - Is it directly impact? The level of its impact?
 - How to improve it?
- 4) Are you an active member in associations?
 - How do you think about association role and activities?
 - How do you think about their role in coordinating and supporting the chain?
 - What do you want to change?

- 5) How about the contact between policy makers (state bodies) and your company?
 - How frequent? Is it effective and positive?
 - What do you want to change?
- 6) How do you govern your value chains?
 - Is it easy to establish a new system of supply? Or replace current supply?
 - Is it easy to find a new buyer? How can you approach them?

Section IV: The awareness of challenges and problematic issues

- 1) What are the biggest problems that your company is coping with?
 - Is it related to other parties?
 - How does it affect to your company and the chain?
 - How did you recognise them?
 - Where are they from? How serious are they?
 - Does it drive from environment issues? From working condition issue? Is it from other reasons?
- 2) What are challenges of the VTGI in general?
 - What is the significant one that requires alternation or change in operation?
 - How does your company response to the change of the sector?
 - Do you think it will have a significant change? How is it?
 - How does it impact?
- 3) Is compliance one of challenges?
 - Do you comply strictly? Is there any flexibility? Do your buyers know about these?
 - Why is it difficult to comply? Particularly?
 - Is compliance efficient and effective for your company's operation?
- 4) Are you worried about losing competitive advantages?
 - What changes the situation?
 - How can your compete with rivals when losing current advantages?
 - How do you feel about such issues? Do you feel stress?
- 5) Do you think the business environment is changing quickly?
 - Is it impact to your company?
 - What is your opinion? Is it likely negative or positive?
 - Do you think your company can adapt quickly?
 - Is there any barrier, obstacle or difficulty for adapting in new environment?

Section IV: Solutions

- 1) How has your company solved the problematic issues?
 - What are short-term and long-term strategies?
 - How to deal with urgent issues in operation and production?
 - Do you think your tactics and solutions are effective?
 - Will problems happen again?
- 2) How to maintain your competitive advantage?
 - Do you have vision for development?
 - Who will attain more benefits/advantages?
 - How to compete?
- 3) How will your company prevent tensions (problems/challenges) in the future?
 - What are your responses?
 - How do you evaluate them?
 - How to sure about their effectiveness?
- 4) How do you/your company deal with risk of crisis, for example labour protests or strikes?
 - Do you give promise and keep your promise?
 - Are you under pressure from third parties? From customers? From local communities?
- 5) What are your company/institution's strategies in next 5 years/ 10 years?
 - How is your position in GVCs the future?
 - How confident are you to achieve these targets?

Section V: Other information and references

- 1) Can you share with me some documents and reports about the Vietnam textile and garment?
- 2) Who do you think I can interview for further information?
- 3) Can you introduce me to them?

Appendix 5: Data collection

List of respondents

No	Method	Title/Description	Division	Unit	Level	Date
1	Interview	CEO of T&G Group	Apparel manufacturer	1	High	09.13
2	Interview	Director of a subsidiary	Apparel manufacturer	1	U-Mid	09.13
3	Interview	Chief of Office	Apparel manufacturer	1	Mid	09.13
4	Interview	Head of export division	Apparel manufacturer	1	Mid	09.13
5	Interview	Officer of export division	Apparel manufacturer	1	Low	09.13
6	Interview	President of labour union	Apparel manufacturer	1	Mid	09.13
7	Interview	Deputy Director of a subsidiary	Apparel manufacturer	1	U-Mid	09.13
8	Interview	Production Manager	Apparel manufacturer	2	Mid	09.13
9	Interview	Deputy Director	Apparel manufacturer	2	U-Mid	09.13
10	Interview	Officer of export division	Apparel manufacturer	2	Low	09.13
11	Interview	Officer of production division	Apparel manufacturer	2	Low	09.13
12	Interview	Director	Apparel manufacturer	2	High	09.13
13	Interview	Representatives of labour union	Apparel manufacturer	2	Low	09.13
14	Interview	Consultant/Expert	Apparel manufacturer	3	Expert	09.13
15	Interview	Deputy Director	Apparel manufacturer	3	U-Mid	09.13
16	Interview	Officer	Government	4	Expert	09.13
17	Interview	Former Rector	Institution	5	Expert	09.13
18	Interview	Officer	NGO	6	Expert	09.13
19	Interview	Chairman of association	Association	7	High	09.13
20	Interview	Secretary of association	Association	7	Mid	10.13
21	Interview	Deputy Director	Textile	8	U-Mid	09.13

			company			
22	Interview	Head of Department	Textile company	8	Mid	09.13
23	Interview	Vice President of Labour Union	Textile company	8	Mid	09.13
24	Interview	Director	Textile company	9	High	09.13
25	Interview	Officer	Textile company	9	Low	09.13
26	Interview	Expert	Textile company	9	Mid	09.13
27	Interview	Deputy Director	Apparel manufacturer	10	U-Mid	10.13
28	Interview	Officer of Export Division	Apparel manufacturer	10	Low	10.13
29	Interview	Representative of Labour Union	Apparel manufacturer	10	Low	10.13
30	Interview	Head of Export Division	Apparel manufacturer	11	U-Mid	10.13
31	Interview	Consultant/Expert	Apparel manufacturer	11	Expert	10.13
32	Interview	Production Manager	Apparel manufacturer	11	Mid	10.13
33	Interview	Deputy Director	Apparel manufacturer	12	U-Mid	10.13
34	Interview	Head of Export Division	Apparel manufacturer	12	Mid	10.13 G
35	Interview	Representative of Labour Union	Apparel manufacturer	12	Low	10.13 G
36	Interview	Officer of Operation Division	Apparel manufacturer	12	Low	10.13 G
37	Interview	President of Labour Union	Apparel manufacturer	12	Mid	10.13
38	Interview	Consultant/Expert	Apparel manufacturer	12	Expert	10.13 G
39	Interview	Officer of Export Division	Apparel manufacturer	12	Low	10.13 G
40	Interview	Deputy Director	Apparel manufacturer	13	U-Mid	10.13
41	Interview	Head of Export Division	Apparel manufacturer	13	Mid	10.13
42	Interview	Officer of Labour Union	Apparel manufacturer	13	Low	10.13
43	Interview	Operation Leader	Apparel	13	L-Mid	10.13

			manufacturer			
44	Interview	Consultant/Expert	Apparel manufacturer	13	Expert	10.13
45	Interview	Deputy Director	Apparel manufacturer	14	U-mid	10.13
46	Interview	Officer of export division	Apparel manufacturer	14	Low	10.13
47	Interview	Director	Apparel manufacturer	15	High	10.13
48	Interview	Deputy Director	Apparel manufacturer	16	U-Mid	10.13
49	Interview	Director	Apparel manufacturer	16	High	10.13
50	Interview	Head of Export Division	Apparel manufacturer	16	Mid	10.13
51	Interview	Deputy Director	Textile and garment manufacturer	17	U-Mid	10.13
52	Interview	Deputy Director	Textile manufacturer	18	U-Mid	10.13
53	Interview	Officer of Export Division	Textile manufacturer	18	Low	10.13
54	Interview	Production Manager	Textile manufacturer	18	Mid	10.13
55	Interview	Deputy Director	Apparel manufacturer	19	U-Mid	10.13
56	Interview	Head of Export division	Apparel manufacturer	19	Mid	10.13
57	Interview	Head of export division	Apparel manufacturer	20	Mid	10.13 G
58	Interview	Officer of export division	Apparel manufacturer	20	Low	10.13 G
59	Interview	Deputy of Director	Textile and garment manufacturer	21	U-Mid	10.13
60	Interview	Head of Export Division	Textile and garment manufacturer	21	Mid	10.13
61	Interview	Technician/Consultant	Textile and garment manufacturer	21	Expert	10.13
62	Interview	Director	Apparel manufacturer	22	High	10.13
63	Interview	Deputy of Director	Apparel	22	U-Mid	10.13

			manufacturer			
64	Interview	Officer of city council	Community	23	Rep	10.13
65	Interview	Officer of city council	Community	24	Rep	10.13
66	Interview	Vice President	Association	25	Expert	10.13
67	Interview	Sale Manager	Supplier	26	Mid	10.13
68	Interview	Technician	Supplier	26	Low	10.13
69	Interview	Sale Manager	Supplier	27	Mid	10.13
70	Interview	Director	Apparel manufacturer	28	High	10.13
71	Interview	Head of export division	Apparel manufacturer	28	Mid	10.13
72	Interview	Deputy Director	Apparel manufacturer	29	U-Mid	10.13
73	Interview	Head of export division	Apparel manufacturer	29	Mid	10.13
74	Interview	Former Vice Director	Community	30	Expert	10.13
75	Interview	Officer	Trader/Vendor	31	Expert	11.13
76	Interview	Researcher	Institution	5	Expert	11.13
77	Interview	Researcher	NGO	32	Expert	11.13
78	Interview	Researcher	Institution	33	Expert	11.13
79	Interview	Researcher	Institution	33	Expert	11.13
80	Interview	Officer	Association	34	Expert	11.13
81	Interview	Head of Department	Government	35	Expert	11.13
82	Interview	Development Manager	Textile company	36	Mid	11.13

Observation

No	Event	Division	Unit/Code	Level	Times	Date
1	Corporate meeting	Apparel manufacturer	2	Internal	1	09.13
2	Seminar	Association/NGO	6	Association	2	10.13
3	Seminar	Government	4	National	1	10.13
4	Seminar	Apparel manufacturer	vtc	Association	2	10.13
5	Corporate meeting	Apparel manufacturer	10	Internal	1	10.13
6	Expo	Suppliers	vtc	Association	1	10.13
7	Seminar	Government	4	National	1	11.13

Appendix 6: Interview code

Institutional actor	Code
State Bodies	G
Social institutions /NGOs	S
Manufacturers	M
Buyers	B
Associations	A
Suppliers and supporting firms	O

Level of management/impact to decision-making processes	Code
Low (workers, officers)	L
Mid (Managers, Experts)	M
Upper Mid (Deputy Directors)	U
High (Directors/Chairmen/CEOs)	H

The formulation of interview code for presenting in extracting quotations:

Institutional actor + Number of interview + Level of management + Place of interview. For example: M.28.1@North

Appendix 7: Discursive Devices and Institutional Logics' key words

Discursive Devices

Discursive Device	Example quotations
1. Empathy/Sympathy	<p>'...understand that minimum wages must be increased annually...'</p> <p>'...it [TTP] is undeniable and natural process...'</p> <p>'...[no one] welcome polluted industry even it brings huge benefits for regional development...'</p>
2. Stake Attribution	<p>'the benefits of TTP is a question...'</p> <p>'Financial ability is weak [in domestic private companies] compared to FDI companies'</p>
3. Stake Inoculation	N/A
4. Footing	<p>'I hope the government invests in serious national projects...'</p> <p>'We invest 20 million USD in textile industry last year...'</p>
5. Externalization	<p>'A French expert said... EU vendors... searching for business partners'</p> <p>'After TTP, Vietnam T&G export can earn more markets share in US market'</p> <p>'I have worked in Vietnam since 1996... the market changed significantly...'</p>
6. Categorization	<p>'we [company] focus in textile investment'</p> <p>'we [association] play the role of coordinating members...'</p>
7. Concession	<p>'Strikes happen... basically... because of wages'</p> <p>'Instruction of origin report are unclear and lack of information'</p>
8. Authenticity	<p>'Our competitiveness is decreasing due to the increase of cost and price'</p> <p>'The orders are shared in pick seasons...sometimes not meet standards of buyers'</p>
9. Spontaneity	N/A
10. Formulation	<p>'interest rate is too high for expanding production'</p> <p>'receiving orders is passive... depends mainly on traditional customer... cannot approach buyers directly'</p>
11. Nominalization	<p>'who [textile companies] will be in charge of future pollution?'</p> <p>'I don't think they [government] care about the contribution of SMEs'</p>

Key words of Institutional logics

Logics	Business	Profession	State	Multivalent
Key words	Branding	Resources	TPP/ FTA/ ITAs	Markets
	Materials/ Accessories	Training	Textile development	Competitive advantage
	Labour wages	Experience	FDI/China/Japan	Locations
	Deadlines	Challenges	Living Standard	Pollution
	Labour force/skill	Associations	Supporting industries	FOB
	Productivity	Compliance	Care	CMT
	Price	Competitive Advantages	Considering	Value
	Seasons	Supporting industries	Planning	Investment
	Experts			Project
	Contracts			Minimum wages
	Financial approach			
	Alliance/ Partnership			

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