

## **'FURNITURE VALUE CHAINS (FVC)'**

### **The impact of Collective action in small-scale producers of furniture in Jepara, Indonesia**

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#### **Abstract**

In the locality of Jepara, Indonesia, the furniture industry has historically constituted one of the main livelihoods among its population. Recently, inefficiencies in the value chain and a lack supportive institutions and policies have generated distribution inequalities in the value chain and overexploitation of resources. Small-scale producers are conditioned to the demand and prices from the market. In 2008, the Jepara small-scale Furniture Producers' Association - APKJ was established as a social network to facilitate the access to market and to join efforts with other stakeholders aiming to upgrade the small-scale producers' status. APKJ has been enhancing collective actions to gain support from the government and to enhance the conditions of the producers. This collective action approach seems to be a key element to foster empowerment of small-scale producers. This study centers on the impacts of collective action driven by APKJ and how this work can empower small-scale producers in the furniture value chain. For doing that, participatory observation and semi-structured survey were conducted to board members and members of APKJ. Results reflect that APKJ is considered a medium through which small-scale producers feel represented and where they can share their concerns, needs and expectations. APKJ has been active on facilitating opportunities to enhance human and social capital among members. However, some weaknesses are perceived within the association. APKJ has failed on three aspects considered as key to empower producers: 1. Communication and transmission of information between board members and members. 2. Participation of members in the decision-making process inside APKJ and 3. Creation of a participatory long-term planning for the management and development of APKJ. As a result of these deficiencies, empowerment of small scale producers is not tangible yet since APKJ is still struggling in terms of building a strong and structured association. Finally, this study describes some recommendations to tackle the three found deficiencies.

## 1. Introduction

In the locality of Jepara, Indonesia, furniture industry has constituted as one cultural activity among its population. Moreover, furniture is one of the main globally marketable products, sustaining the life of many local people there. Inefficiencies in the value chain of the furniture industry have provoked poor incentives to producers and over exploitation of resources (CIFOR-CGIAR. "The FVC Project"). For addressing environmental and social issues, the project 'Furniture Value Chain - FVC' has been developed by CIFOR to enhance local work of small-scale producers looking for the implementation of sound socially practices to undertake distribution inequalities in the value chain and to enhance livelihoods the people who work in the furniture industry (CIFOR-CGIAR. "FVC Background"). Beyond that, social and environmental actions have been tackled to avoid market inequalities and to improve local livelihoods and environmental friendly practices.

Currently, the FVC project is evaluating the furniture value chain and developing plans and actions to sustain forest resources and to improve efficiency and sustainability of the furniture production (CIFOR-CGIAR. "FVC Background"). The Jepara furniture industry embodies a series of different actors within the value chain: from raw material producers, product producers, retailers to exporters. However, power inequality in the furniture value chain has produced an unbalanced distribution of benefits to the small-scale stakeholders (Purnomo et. al 2009). Small-scale producers receive the 3.6% of the total value added to every cubic meter of teak used to make furniture, many of them living in poverty (Purnomo et. al 2009). Moreover, businesses are decreasing in terms of volume and value exported and employment (Purnomo et. al 2009). In that sense, analysing the value chain, the FVC project expects to "enhance incomes for small-scale producers and give a greater role in the value chains for small-scale producers and their organizations vis-à-vis large scale actors" (CIFOR-CGIAR. "FVC Impacts"). To tackle this inequality issue, one of the objectives of the FVC project is "to enhance the structure and functions of the furniture industry to benefit small-scale producers" (CIFOR-CGIAR. "FVC Objectives"). Moreover, CIFOR has been working on enhancing capacity building through several workshops and collective action among small-scale producers to create local cooperation and generate mutual benefits. This collective action approach seems to be a key element to foster empowerment of small-scale producers (Bingen et al 2003; Florin and Wandersman 1990) since studies have shown that empowerment of people can be reached by strengthening community organization and development (Florin and Wandersman 1990).

The present study centers on the impacts of collective action among the small-scale producers. The objective of this study was to assess how collective action on small-scale producers can empower them in the furniture value chain. For doing that, I addressed the collective work of the 'Asosiasi Pengrajin Kecil Jepara' - APKJ, an association of small-scale producers of furniture. Analysis conducted among the

members of APKJ suggests that the small-scale producers consider that APKJ is one of the strength for the small-scale producers in Jepara; therefore, collective action undertaken by APKJ can generate more benefits for the members. In that sense, this study focuses on how the establishment of APKJ has enhanced the position of its members in the furniture industry. Moreover, this study will contribute with some information to address one of the scientific questions raised in the 'Furniture Value Chains' project: "What type of organization, institutional arrangement, and communication approach are likely to enhance the benefits of small-scale producers and under what conditions?".

The research questions of this study are:

- How does collective action contribute to the empowerment of the small-scale producers in the furniture value chain?
- Can small-scale producers influence furniture industry policy-making processes? How and under what conditions?

## **2. The Furniture Industry in Jepara**

The furniture industry in Jepara has a long cultural and social history. Furniture always has been the main livelihood in this village. In 1998, the boom of the Jepara furniture industry reached its peak. The economic crisis of 1997, which led to the depreciation of the Rupiah, raised the export competitiveness of the furniture in Jepara since prices were valued in USD dollars (Loebis and Schmitz 2005). As a result of the economic crisis, furniture production and exportation increased prominently (Purnomo et. al 2009). Jepara livelihoods turned around the furniture industry, producing social structural changes and brand new wealth. As a consequence, inefficiencies in the furniture production and value chain started to appear and created power imbalances. Furniture producers received fewer incentives along the value chain (Purnomo et al. 2007) and they were not in the capacity to prepare long-term strategies to strengthen their business. Quality of the furniture decreased due to a lack of proper control; investments were not wisely allocated and wood resources were overexploited due to excessive furniture demand. After the boom, the furniture industry in Jepara collapsed due to a lack of well structured management practices (Purnomo et. al 2009).

Nowadays, the furniture is still the main commodity in Jepara. The furniture industry produces around US\$150 million a year (Purnomo et. al 2009). However, the industry is experienced a slowdown caused by the lack of clear institutions, policies and prices (Melati et. al 2010) and also the emergence of other industries enterprises from China, Malaysia and Philippines who are competing for new spots in the market. Moreover, the furniture industry is encompassing many difficulties in relation to their production and commercialization; managerial ability of local producers is low, together with the low product quality, lack of quality standards, expensive production costs, scarce supply of raw material and difficulties in the transportation. In addition, small-scale producers do not receive enough market

information and the government has not permanently supported them on enhancing competitiveness (Melati et. al 2010).

In that sense, small-scale producers show a slow adaptation to the market demands. On the one hand, the type of governance in the value chain that dominates the furniture industry in Jepara has a hierarchical nature. Furniture production is driven by buyers or retailers according to a type of directed network relationship between small-scale producers and buyers (CIFOR Newsletter 2010). Producers receive specific designs and standards for their production, they do not decide on the final product specificities (Melati et. al 2010; Purnomo et. al 2009). On the other hand, since production is normally market-determined, producers' bargaining power is diminishing within the industry (Purnomo et. al 2009; Chaminade and Vang 2006).

Considering the current problems that small-scale producers are facing in the furniture industry, the FVC project has developed plans to enhance furniture industry and livelihoods conditions of them (Purnomo et. al 2009). The distribution of value added in the furniture industry is clearly unbalanced, overseas stakeholders receive the biggest profit while small-scale producers are conditioned to the demand and prices of the market (Purnomo et. al 2009). As a plan to overcome problems of the furniture industry, small-scale producers have been involved in programs and projects within the FVC project to enhance added value and competitiveness, obtaining bargaining power and improving livelihoods. In that sense, in 2008, the Jepara Small-scale Furniture Producers' Association (*Asosiasi Pengrajin Kecil Jepara - APKJ*) was established as a social network to improve the access to market information and join efforts with government trading offices, designs schools and other institutions aiming to upgrade producer status and generate balanced livelihoods (Melati et. al 2010).

The creation of the APKJ is a product of a 5 year action research program entitled 'Mahogany and teak furniture: Action research to improve value chain efficiency and enhance livelihoods'. Currently, the FVC project focuses on the strengthening of the local capacity of APKJ members and creating access to new markets for furniture. APKJ mission is "to improve small-scale furniture producers' skills for better bargaining position, to create fair market prices, and to facilitate access to credit" (Purnomo et. al 2009). In that respect, small-scale producers now see the necessity to enhance collective actions among small-scale producers to gain support from the government in the development of industry policies and to protect producers' industry (Purnomo et. al 2009).

### **3. The Association of Small Scale Producers in Jepara (*Asosiasi Pengrajin Kecil Jepara*) as an example of collective action**

The Jepara small-scale Furniture Association - APKJ embodies 125 small-scale producers of furniture. Within the members, 17 people form part of the board members and they are in charge of the administration of the association. They were democratically elected and maintain their function during 3 years. The board members' structure consists of a chair, a secretary, a treasurer, four main coordinators in charge of human resources, raw materials, finance and marketing, as well as a ground officers dealing with furniture specialties: indoor mahogany, indoor teak, garden furniture, relief and sculpture (Melati et. al 2010). APKJ's work is currently centered on supporting small-scale producers in the access to financial institutions and markets, providing the members with training in issues related to cost and benefit calculations, design development and protection, negotiation to balance relations in the value chain.

The formation of APKJ is considered as an opportunity for upgrading small-scale producers (Purnomo et. al 2009). Upgrading small-scale producers implies strengthening relations and competition with other furniture producer regions and creating a positive Jepara brand image. However, at the same time, producers must comply with the rules and regulations imposed in the association. Moreover, Melati et. al (2010) describes the efforts of small-scale producers in Jepara to create a sound collective network aiming at upgrading their position in the furniture industry. Currently, APKJ aims to conduct collective action and undertake current problems. Looking for equitable conditions in the governance empowerment and for income generation for small-scale producers have been also mainstream issues considered in the development of a collective action structure of small-scale producers.

Therefore, upgrading the small-scale producers in the furniture value chain implies a process of enhancing social network and enhancing institutions among members. In that sense, collective action supports the access to information and empowers small-scale producers creating a safety net for them. Analysis SWOT with the producers showed that some of the weaknesses that members perceive are unsustainable wood sources, hierarchical relation making upgrading difficult and exporters taking the bigger value added, gender imbalances, unclear price calculation, irregularity in delivery time, and quality of product. According to APKJ, these constraints can be addressed by the collective work of small-scale producers grouped in the association.

#### **4. Collective action as a theoretical approach**

Small-scale groups seem to have a bigger competitive advantage when they are driven by collective action (Schmitz 1995). Olson (1965) in his book 'The Logic of Collective Action' develops a theory which explains that individuals with similar interests will voluntary work together to generate mutual benefits and achieve shared objectives. This leverage can be enough to generate collective action and subsequent benefits (in Ostrom 1990). Using this framework, Marshall (1988) defines collective action as

an “action taken by a group (either directly or on its behalf through an organization) in pursuit of members perceived shared interests..” (Meinzen-Dick et. al 2004). Studies show that a close and organize bounded group fosters collective action. Moreover, participation of individuals in collective action is fostered by the beneficial outputs to being part of the collective action (Futemma et. al 2002).

Collective action is a form of horizontal cooperation (Schmitz 1995). Literature shows that clustering has helped small enterprises to overcome growth constraints and market access. Clustering increases efficiency gains more than an individual work. In addition, Schmitz (1995) has determined that clusters industry is improved by investing in cooperative relationships. Examples of clustering in Sinos Valley, show that access to markets and exports were enhanced by collective action, not only among producers but also among other stakeholders. Schmitz (1995) addresses that actions reacting to the crisis and looking for opportunities are determined by the joint action and the earned trust. The more associations are providing services and lobbying for their members, the more the idea of collective efficiency grows.

Collective actions can also embody some constraints. Industries within a cluster can face conflicts in a horizontal level due to competition among producers. However, this competition does not exclude collective action. On the contrary, collective action impels the provision of services, infrastructure and trainings. It fosters more transparent institutions and facilitates actions to tackle common interests, problems and relations with other stakeholders (Schmitz 1995). In that respect, collective action can be perceived in different ways such as the development of institution, information sharing, and resource mobilization and coordination activities (Ostrom. 1990). Moreover, Schmitz (1995) addresses that collective action is an important means to enforce the capacity to train, research and advice. It is important since provision of knowledge in a cluster is seen to facilitate interactive learning and upgrading producers’ position in the value chain, improving competitiveness among the industry (Chaminade and Vang 2006).

Collective action constitutes the base to upgrade the position of producers in the value chain. Upgrading a position in the value chain is defined as “the ability of the firm to make better products, make them more efficiently or move to more skilled activities in the value chain (Pietrobelli and Rabellotti, forthcoming)”. Chaminade and Vang (2006) also explain that this upgrading is related to the capacity of the industry to innovate. For that, the industry needs the fostering of new skills, resources and means or restructuring the already existing. Industry can upgrade through an interactive process of continuous innovation. Related to this upgrading process, two elements underpin the capacity of the industry to engage in improving the conditions of industry: human capital and social capital (Chaminade and Vang 2006).

Human capital refers to “the ‘skills, education, health, and training of individuals’ (Becker, 1998, p. 1)”. It is related to the capacity to use information and knowledge, to process and commercialize them.

Human capital building and training is a targeted aim to enhance industry needs and to support interactive process of learning (Chaminade and Vang 2006). In addition, the term social capital refers specially to a development context. Social capital is defined as "the shared knowledge, understandings, norms, rules, and expectations about patterns of interactions that groups of individuals bring to a recurrent activity" (Ostrom 1999). In that respect, studies on social capital have shown the close relationship among people's livelihoods, development programs and economic growth (Meinzen-Dick et. al 2004). To build social capital, it is important that a group create relation of trust, reciprocity and exchanges (Meinzen-Dick et. al 2004). Therefore, social capital is a key issue to strengthen interactive learning since it needs a high level of communication and internal cooperation. The absence of social capital limits industry to get access to knowledge, share this knowledge and produce interactive learning and therefore compromising the actions to upgrade industry and producers. Consequently, human capital and social capital complement each other and both foster interactive learning and upgrade producers in the value chain position (Chaminade and Vang 2006).

Futemma et. al (2002) explain that the condition for collective action depends on the personal motivation of the individuals to created group-based actions. A group of people with a strong social cohesion in terms of shared norms and values, with a strong sense of trust among them will achieve more effective and less costly outputs in terms of collective action (Meinzen-Dick et. al 2004). Moreover, trust and reciprocity will determine the outcomes and occurrence of collective action (Schmitz 1995). To build trust, collective action must be embedded and dependent of the socio-cultural ties that prompt that trust; hence, trust is kept by commitment and cooperation. At the same time, it helps to build social capital and strengthen the relationship among individuals (Futemma et. al 2002).

On the other hand, Olson (1965) explains that unorganized actions and with a lack of proper communication will never lead to achievements of collective action. In that sense, organized processes generate contingence strategies for cooperation that will lead to surviving and also evolving. In fact, information available and circumstances in relation to actions or outcomes will lead to foster coordinate activities and actions (in Ostrom 1990). However, normally the cost to create organized collaborative action is quite high. The benefits are shared among all the members no matter whether all the people were involved in the costs of the transformation. Therefore, Ostrom (1990) explains that there is not a unique a single recipe for collective action and in any case it does not guarantee the success of it.

Studies in Zambia and China also show that developing networks between small-scale producers, having associations that support marketing channels and governments that regulate taxes, limit competition and regulate exportation has helped to upgrade conditions of small-scale producers in the value chain. These conditions are useful to promote diversification of production and improve income of people (Purnomo et. al 2009). However, in Jepara, the majority of SMEs do not have the enough human capital to coop with international innovation and requirements of quality and environmental standards.

Technical knowledge and skills on furniture craft, managerial and marketing are limited among small-scale producers. Therefore, investments in human and social capital are basic to upgrade producers' position (Chaminade and Vang 2006). Chaminade and Vang (2006) consider that in Jepara, social capital exists; however, the low skills of human resources limit people to engage in process of knowledge exchange, sharing and interactive learning. In part, this can be solved creating direct links between producers and international buyers and creating partnerships with the government to promote spreading of information about market demands, trainings according to the market needs, and facilitate the access to the market.

In that respect, strengthening collective action of producers in terms of fostering management skills and capacity building are elements that can secure access to small-scale producers into the market participatory process. Skills and knowledge learning by promoting human and social capital determine the opportunity of an association to access to information and market within the industry (Bingen et. al 2003). Producers associations "... amplify the political voice of smallholder producers, reduce the costs of marketing of inputs and outputs, and provide a forum for members to share information, coordinate activities and make collective decisions. Producers' organizations create opportunities for producers to get more involved in value-added activities such as input supply, credit, processing, marketing and distribution (World Bank, 2002: 16)" (in Bingen et. al 2003). Studies have shown that enforcement of human capital is a main element to strengthen managerial, financial and negotiating capacities of small-holders associations. Moreover, the development of social capital leads to the creation of networks aiming to address the same interests within the group.

Using this theoretical framework, this paper centers on the impact of collective action, represented in the work of APKJ, on upgrading the position of the small-scale producers involved in the association in Jepara.

## **5. Methods**

The study analyzed the impact of collective action in APKJ as driver to promote empowerment among small-scale producers. The idea of this research is to evaluate collective action outcomes. In that sense, collective action is difficult to measure since quantification of benefits are not measured in terms of unpriced benefits. Instead, indicators to show how much collective action has benefited to a specific group are easier to develop (Schmitz 2002). Moreover, literature shows a methodological problem in terms of identifying indicators for measuring collective action. Nonetheless, I was not aiming at testing which indicators of collective action appear to affect more strongly outcomes of collective action (Meinzen-Dick et. al 2004). This research aimed to understand perceptions of members regarding the benefits of collective action. Real benefits should be analyzed cost-benefit based.

In that respect, indicators to evaluate the effect of successful collective action are related to 1. The role of APKJ: participation in the decision-making, communication within the association and representation of small-scale producers. 2. Strengthening of human capital. 3. Strengthening of social capital and the empowerment of women. 4. Income generation and access to credits. 5. Access to new market channels; and 6. Environmental considerations. This research evaluated collective action using qualitative analysis of these indicators. Moreover, this research is defined as a case study; therefore, the findings are restricted to the particular context of APKJ and its members.

Data collection was carried out within a period of three weeks (May 2011). It involved participative observation and semi-structured surveys to small-scale producers divided in two groups: board members and members of APKJ. Surveys addressed perceptions on how collective action conducted by APKJ has strengthened producers' capacity to upgrade themselves in the furniture value chain and subsequently influence policy and decision-making for the distribution of added value and to improve producers' adaptation to market demands. With up to 100 members, ranging from active small-scale businesses to those who have entirely stopped production, I conducted surveys to the 10 current board members and 10 members of APKJ. Selection of 10 APKJ members was conducted in a purposive base; they were selected based on a different furniture specialty.

Subsequently, data was qualitatively analyzed. Information was coded based on the six criteria above mentioned. Analysis of information was grouped by board members and members. Finally, a comparison of the perception of both groups was done.

## **6. Results**

The results presented in this section correspond to the perception of members in regard to the impact of collective action to empower and upgrade the position of its members in the furniture value chain. First, I introduce the perception of the board members, following I describe the perception of members and finally I make a comparison of both groups.

### **6.1 APKJ Board Members**

The results presented in this section collect the perceptions of board members and data from participatory observation of APKJ performance.

#### **The role of APKJ**

APKJ is an association meant to represent small-scale producers of furniture in Jepara. It is considered the medium through which members can express aspirations, requirements, needs, concerns and claims

in relation to the provision of raw material, production and commercialization of their products. Using this information, APKJ tackles producers' problems by organizing upcoming actions or activities. Board members consider that creating a mutual communication, in which producers give inputs, helps APKJ on addressing issues immediately. All board members are motivated by the idea of undertaking small-scale producers' current concerns, providing new ideas and knowledge, and developing a sustainable industry in the long term. Somehow, the association helps small producers to belong to a same group that share the same aspirations and needs.

Board members recognize that participatory processes inside APKJ are a key element for the success of the association. However, there is no much involvement from the members; boards recognize that participatory process shows a low response among members. Although APKJ is constantly open for members' insides, they are not involved in the decision-making within APKJ or in many activities organized by other stakeholders. Board members normally assist and join external activities related to furniture industry. Currently, APKJ has a lack of convening power; in the last annual meeting held in May 2011, only 46 members of a total of 116 participated.

Members show low response to APKJ's activities due to limited communication between board members and members. News and other information are transmitted in meetings and socializing to the members; however, sharing of information to small-scale producers is limited since most of the information is restricted to the board members. APKJ used to transmit information to the members using monthly bulletins which included news and ongoing activities. However, they stopped the production of bulletins. Currently, information is transmitted using on-line means, phone or during gatherings. Information does not reach all the members because the means are not the adequate. Since the means to communicate are not the adequate, there are many constraints related to the transmission of information due to the technological mastery of resources or availability of internet from the small-scale producers.

On the one hand, APKJ aims to create a strong network among different stakeholders in the furniture industry; therefore, APKJ acts in representation of small producers as a lobbying association that is involved in furniture issues. Its ultimate objective is that the members' requirements can be translated into standpoints to the local and central government and other stakeholders in the furniture industry. APKJ expects to be considered in the local actions to enhance the situation of small-scale producers. For that, APKJ has collaborated with other stakeholders in the creation of a local policy for furniture industry. It has been collaborating with the government programs and trainings and has been advocating for the needs of the small-scale producers. However, boards consider that APKJ has not been proactive in creating networks with the government; up to now, APKJ only reacts to invitations from the government. APKJ should be able to get facilities from the government, but until now there have not been relations due to a lack of information from the government programs.

Government has facilitated trainings and other activities in the region and has give APKJ the opportunity to participate in meetings for furniture industry planning. However, board members consider that support from the government has not increased significantly as a consequence of the work of APKJ. Small-scale producers do not perceive the benefits of the government program and APKJ is supported mainly by the FVC project. The main requirements from board members is the access to credit and technology which should be facilitated by the government, the regulation of unhealthy competition and selling of furniture and regulation of standards for furniture price. In addition, they expect APKJ being part of the decision-making for furniture policy and the promotion of furniture nationally and internationally.

On the other hand, empowerment of small-scale producers within the value chain is still on planning and discussion. There has not been a partnership created among other stakeholders or an institutionalized plan to foster and strengthen the position of producer in the value chain. APKJ has centered in the strengthening of human capital but social capital strengthening is lacking. Board members consider that it is difficult to empower small-scale producers due to local obstacles, the producers themselves or the conditions of the furniture business in Jepara.

#### Human capital in terms of Capacity building

Until now, APKJ has focused on upgrading the position of small producers by facilitating capacity building, hence, improving human capital. APKJ has organized activities based on emerging issues and following the trends of the furniture industry. APKJ has facilitated trainings and workshops for the members to improve their furniture industry. Some of the trainings carried out were related to certification, cost-production, management, quality on the production, marketing and policy making. Planning on actions for capacity building needs to be improved. There are several constraints in relation to the participation of members in these trainings and workshops. Board members consider that the benefits from those activities are not perceived by all the members since there is not a big response from them and normally board members are the ones who assist to activities. Furthermore, knowledge coming from the trainings and workshops cannot be fully implemented due to the lack of economic capital of the members; therefore, investment or implementation of technology is postponed. In other cases, knowledge obtained is not yet suitable for them due to their current conditions.

In most of the cases, trainings and workshops have been dependent of an external fund, normally from CIFOR, and sometimes from the government. Normally, APKJ develops a proposal for an activity and funds are given by CIFOR. The association cannot be self-sustainable; APKJ has not been able yet to generate self-sufficiency actions for organizing trainings for the members.

### Social capital and empowerment of women

Having an association of small producers, with the same aspirations and visions, makes small-scale producers to have a sense of belongingness to a group. Some of the board members consider that the activities and meetings of APKJ have prompted more interaction among members since the relationship between small-scale producers is based on mutual beneficial work. However, other board members think that relationship among small-scale producers has not been improved since the activities held by APKJ are shallow. Many activities of APKJ do not involve all the members, actions are concentrated especially in the board members and benefits are not perceived from the members. Moreover, it is still not clear the action plan of APKJ and how it will improve the relationships among small-scale producers.

Social capital is also measured in terms of improving the opportunities for women in the decision-making. Board members consider that women have the same right to participate within APKJ; however, APKJ has not strengthened the participation of them. Currently few women are members of APKJ and none of them are involved in the decision-making. The establishment of APKJ has not driven the women participation. Although one of the objectives of the FVC project is the empowerment of women, it seems that it is not a priority now; APKJ is not directly related with gender issues. There are other associations dealing with that, such as IWAPI.

### Income generation and access to credits

APKJ currently works as an informative and advocacy association for small-scale producers. APKJ as association cannot reach a bargaining position in the market yet. Income generation is fully handled for small-scale producers. Income generation plan for local producers has not put into action although it is a goal of APKJ. It is not clear how the enhancement of income generation is planned by APKJ. So far, members expect that with a stable market, high quality standards and a competitive production, prices of products will increase. However, in most of the cases, quality of the furniture depends on the client and the requirements established by them; production is still buyer-driven.

Regarding the access to credits, APKJ has continuously tried to bridge the gap between small-scale producers and financial institutions by providing information about credits and financial aids. Currently, APKJ has done proactive steps on planning the establishment of a cooperative which will support members in getting more accessible credits for their business. The objective of this cooperative is to obtain credits with an easy and facilitated process and with low interest loan.

### Access to new market channels

APKJ has helped small producers to broad the scope of furniture buyers by creating different marketing approaches such as exhibitions, developing a marketing webpage ([www.javamebel.com](http://www.javamebel.com)), creating a catalog of different products and also a tourist map of attractions and shopping of furniture in Jepara.

All these activities have been facilitated by CIFOR. Exhibitions have not been providing a good outcome to members and there is not a follow up by contacts from the exhibitions. These approaches represent a low percentage of the sales of producers.

On the one hand, APKJ has also facilitated access to new market channels by strengthening the improvement of product quality and by training producers on marketing strategies, cost production and certification. However, APKJ has not succeeded on creating a direct link between local producers and buyers. Moreover, producers do not have enough capital to invest in marketing strategies or extra production. On the other hand, relationships between small-scale producers and wood providers have not been prompted, but there is a long-term planning which aims to link producers and wood providers. Currently producers and providers have a direct link to get raw materials. APKJ created a database on wood retailers that that can enhance relations among producers and providers.

#### Environmental considerations

Board members understand that planning of certified material for future is a key for the furniture business. APKJ supports the use of certified raw material and the promotion of sustainability. APKJ has participated in Chain of custody trainings for teak plantations to support the provision of certified sustainable raw material. This information has been socialized to its members; however, currently, small-scale producers do not use certified material due to high value costs and the long-distance source of supply. Currently, it can be certification only in the case that the producers act as suppliers and a big company facilitates the certification process; otherwise, it is not sustainable and it creates again imbalanced value chain. Moreover, many board members consider that source of raw material should come from their own property.

## **6.2 APKJ Members**

### The role of APKJ

Members feel that APKJ has high potential to represent them and solve the needs of small-scale producers since they feel impotent to do something individually. Members consider that APKJ has been active in encouraging producers to be more involved in APKJ process. They consider that they are not able to voice by themselves; therefore, APKJ has raised their claims in small-scale producers' behalf. Members consider that APKJ has been actively involved as a stakeholder in the discussion for the enhancement of furniture industry in Jepara. APKJ has organized meetings to discuss about positions and points of view regarding a local policy for the furniture industry and to produce the outcomes that APKJ later proposes. According to the members, APKJ is continuously organizing regular meetings in which members are active and share their points of view, suggestions and expectations and all members are involved in the decision-making process inside APKJ. However, some of the members consider that

decisions are still barren because of the unsupportive situation and difficulty to make agreements among them.

Moreover, according to the members, APKJ has helped them to get information about furniture issues by socializing information. This information was transmitted by publishing it in bulletins, posting online and also sharing it in trainings and workshops. APKJ also uses communication by word of mouth to exchange information among producers. Some members consider that APKJ not only has facilitated information about furniture industry but also the association has helped them to increase their confidence on their work. APKJ has motivated them to organize and manage their business. Members have many expectations to be fulfilled. Among the priorities of members are the enhancement of marketing to broad the scope of buyers, capital access, management of business and the empowerment and upgrading of producers in the value chain. Members expect that APKJ can progressively work and improve the conditions of small-scale producers by innovating and creating new ways of enhancing furniture industry.

On the one hand, some members consider that the support from the government has increased as a consequence of the work of APKJ. They perceive the immediate respond from the government after APKJ share members' claims related to the furniture industry improvement. According to the members, APKJ has closely collaborated and give inputs and information to the local government and other stakeholders in the region. However, they express that APKJ lobbies to the government aiming to create a partnership but it is still not clear the targets and objectives. On the other hand, most of the members consider that the support has not increased as a consequence of the work of APKJ. In that sense, APKJ is expected to act actively and join in the government work for the development of the furniture policy that supports small-scale producers. Members consider that APKJ must be proactive and critical towards the local government support and also other stakeholders of the value chain.

#### Human capital in terms of Capacity building

The enhancement of human capital through capacity building has been perceived by the members as a way to upgrade their position in the furniture value chain. APKJ has strengthened the development of trainings and workshops to transmit information which can lead to an improvement of their product and position in the value chain. Members consider that the trainings and workshops have benefited their furniture business and they perceive it as positive outputs. For members, the main result from trainings is the enhancing of human capital, producers sharing experiences and knowledge and learning from each other. In that sense, knowledge has improved in regard of different aspects of their furniture business, such as marketing, improving quality of products, cost production and management; however, outputs from trainings and workshops must be adapted to the conditions of each producer.

On the other hand, trainings and workshops do not reach a wide amount of members. Sometimes trainings are not connected with the needs or interests of members. Producers are struggling in the implementation of the knowledge in a daily practice. Again, the main concern is the applicability of that knowledge. Information remains as theory, so members consider that it is important to carry out other activities for the effective application of trainings. The problem is not the lack of activities; there has been many, but those are not translated into practice. Trainings and workshops do not meet the needs of the small-scale producers and not all information is significant for them. Members still need more assistance in some aspects.

#### Social capital and empowerment of women

According to the members, relationships among producers have improved and gotten closer due to the multiples gatherings organized by APKJ. Members feel that they are being part of a community with same interests, objectives and needs in the furniture industry. Gatherings are a good opportunity to share knowledge, exchange information, interact among members and discuss about different experiences. Moreover, members consider that APKJ has facilitated the exchange of information in solving problems faced by producers. However, there are many members within APKJ and not all of them have shown response and interest in APKJ work. There is still a need to involve all members within the process and project of APKJ. Moreover, although members consider that social capital has improved, they still do not feel a direct improvement on their furniture business.

Regarding the improvement of opportunities for women in the decision-making, most of the members consider that the opportunities for them have improved after the establishment of APKJ. They consider that some members are women and they are involved in the decision-making. They consider that there is not a concentration of opportunities for men; everybody can be part of the association. However, the opportunities are given in term of capacities; members consider that men and women have the same opportunities and possibilities. In that sense, there have not been specific actions to empower the role of women in the association or to strengthen their involvement. Women are still relegated to minor opportunities.

#### Income generation and access to credits

According to the members, APKJ has facilitated the promotion of their products in the market. This promotion has been done through the establishment of the website; however, they do not consider that it has induced a direct income increasing. Members are more conscious of the advantages in price for the quality of production and the establishment of cost production and prices. They feel indirect improvements such as enhancement of human capital regarding costs and the enhancement of bargaining knowledge; which at the same time, help the business of producers. However, producers have not felt yet the tangible benefits of being part of APKJ. Other members consider that there has not been a help in improving the bargaining position in the market yet.

Regarding the access to credits, according to the producers, APKJ has advocated to financial institutions for creating facilities to obtain credits by small-scale producers. APKJ also has organized workshops to explain the process of credit applications. However, until now, there has not been any response from the financial institutions. Moreover, most of the members do not know about the plan of APKJ for creating a cooperative; they have not been directly involved in the discussion about the establishment of the cooperative.

#### Access to new market channels

APKJ members consider that APKJ has broad the scope of furniture buyers by marketing their products through the media promotion, website, catalog and also by promoting furniture exhibition. Moreover, APKJ has assisted members through trainings and workshops especially in the marketing aspect. APKJ also has elaborated a database in which international buyers can contact directly producers using that information. Other members consider that APKJ has intentions to create a closer relation between producers and buyers, but actions have not been fully implemented. Members do not feel the outputs of APKJ actions. They consider that APKJ has been focused on enhancing human capital of producers through trainings, but efforts on creating partnerships between producers and buyers are not perceived. APKJ has not yet created new market channels and it has not sustained the production of all the members. In most of the cases, members have their own contact retailers; buyers have direct relationships with small-scale producers without being facilitated by APKJ.

Currently, members expect that APKJ can communicate down with wood providers and shorten the value chain by creating direct relations and also by establishing an agreement of wood price suitable price for both parties. However, by now, members maintain direct relations with wood providers; APKJ does not act as a bridge between them.

#### Environmental considerations

According to the members, availability of certified wood is a problem for small-scale producers due to the wood cost, transportation and access to the material. Most of furniture retailers by now do not ask producers to use certified materials; However, APKJ has socialized among members the importance and advantages of using sustainable and certified material in the international furniture business. Moreover, members expect that APKJ can coordinate and improve the capability of producers to optimize the use of raw material and facilitate certification in terms of process and costs. Beyond that, APKJ has established a wood plantation program for small-scale producers. APKJ gave seedlings to members for planting teak in their own space and grow the trees in a sustainable way.

### **6.3 Comparison board members and members**

### The role of APKJ

For boards and members, APKJ is considered as the association that represents them as small-scale producers in the furniture industry in Jepara. On the one hand, board members feel the responsibility to represent small-scale producer and on the other hand, producers feel represented by the association. APKJ has become a structure that creates a sense of attachment among producers. APKJ brings to small-scale producers the opportunity to share their needs and expectations. Besides that, board members and members consider that APKJ is the mean by which they can have representation as stakeholders and build a logic plan to upgrade small-scale producers and enhance long-term sustainable furniture industry.

Participatory processes for decision-making inside APKJ are considered to be key for the development of the association. Although board members recognize the importance of inclusive participatory process among all members for decision making inside APKJ, there is not much involvement from all members. This is caused due to different constraints. First, a lack of a proper communication channel and enhancement from the board since decisions are taking according to board opinions without involving other members. Second, a lack of involvement from the members since APKJ needs to strengthen its convening power. This lack of participation also has to do with the time members and board members invest in activities for APKJ; board members do not have a paid position and they use part of their time in organizing and planning actions, members prefer to invest their time in their own business. Since APKJ has not yet concrete any substantial benefit to members, members' response is also low. Members consider that APKJ is active and open for suggestions; however, decisions are still barren due to the lack of ability to make democratic agreements among them.

Communication between board members and members of APKJ is one of their main weaknesses. Currently, APKJ transmits information to members mainly by on-line means, word of mouth or by socializing information in meetings. Although board members recognize that communication is key issue to encourage participation, information does not reach all members. Communication means are not the adequate and most of the information is restricted to the board members. Surprisingly, members of APKJ do not have big complaints regardless this issue; members are satisfied with the communication means, they are not critical about that since APKJ still gives them the opportunity to gain new knowledge and exchange information.

In addition, APKJ acts as a lobbying association that aims to upgrade the position of small-scale producers. Board and members consider that APKJ is a facilitator between the government and small-scale producers in the furniture-related activities and it is the link of communication between them. APKJ's voice has been actively involved in discussions for furniture industry; however, opinions among board members and members vary in terms of how much their claims have been considered in the policy making for local furniture industry. Board and members consider that there is a lack of proactive

actions in creating a strong network with the government due to a lack of information of government's actions and also because of the blurred objectives on the planning inside APKJ. Most of the boards and members consider that government support has not increased. Yet, APKJ is not sustainable; it depends from external funds to organize activities.

#### Human capital in terms of Capacity building

APKJ has focused in strengthening the human capital of members mainly by organizing capacity building actions based on current trends of the furniture industry in Jepara. Those actions are embedded in trainings and workshops for improving the furniture production and commercialization of products. However, members consider that information from trainings does not reach all the small-scale producers that are part of APKJ. Trainings and workshops are still restricted to few people since normally board members participate in external invitations. In addition, members claim that trainings and workshops sometimes are not linked to the real interest of the producers.

Moreover, members consider that people have increased their knowledge about furniture; especially, paying attention of product quality and price bargaining are starting to be a concern to them. Moreover, small-scale producers start to share experiences and learn from each other. However, board and members agree that knowledge cannot be totally applied in their daily activities. They recognize that outputs from trainings and workshops are still difficult to implement due to a lack of financial capital from the producers or because knowledge is not suitable for the conditions of the producers. In that respect, members consider that workshops must be adapted according to the conditions of each producer. For that, they need more assistance in some aspects of the value chain. Besides that, board members are looking forward to implement new technology into practice according to the current requirements from the market.

#### Social capital and empowerment of women

Boards and members consider that APKJ's activities have prompted more interaction among them. Gatherings strengthen relations because those are the opportunities when members share same expectations and needs, exchange information and experiences and find ways to tackle similar difficulties. On the other hand, many APKJ's activities have no response from the members; therefore, interaction cannot be perceived. Moreover, since actions and information are concentrated among board members, members do not distinguish any change in the relationship among them. Both groups consider that there is a need to strongly involve members in different process and activities of the association.

Opportunities for women in the decision-making after the formation of the APKJ have not been improved. Both, boards and members consider that women have an important role in the furniture industry of Jepara. Besides that, they consider that women have the right to participate in APKJ's

actions. However, participation of women in the decision-making has not been strengthened. Although strengthening gender issues is a strong objective of the FVC project, APKJ has not considered any action to prompt this aim. Boards and members do not question themselves about the involvement of women since they consider that there is not restriction for women to join APKJ and to take part of the decision making. However, this is not enough to empower women; APKJ must support and strengthen the involvement of women inside the association and in the furniture industry in Jepara.

#### Income generation and access to credits

Board members clarify that actions for income generation has not been implemented yet; although it is one of their priorities. Boards and members consider that income has not increased as a consequence of the work of APKJ. APKJ has centered on working as a lobbying and informative association. According to the members, APKJ has promoted producers' furniture products using different marketing strategies but there has not been an impact on sales and income. Currently, furniture business and income generation depend on each small-scale producer. In that sense, boards and members expect to generate some alternatives to reach a competitive price with high quality of product. For that, members expect to receive more knowledge related to production cost and prices.

On the other hand, boards and members have the priority of getting some financial aids from the government to small-scale producers. APKJ has constantly tried to create networks between producers and financial institutions; APKJ has also shared information about financial aids for producers. However, members consider that they do not perceive any benefit from that. Furthermore, APKJ is currently working in the establishment of a financial cooperative to support members. Nevertheless, members are not totally informed about these actions of APKJ. Lack of communication between boards and members is again a weakness inside the association.

#### Access to new market channels

Boards and members consider that APKJ has helped small-scale producers to broad the scope of furniture buyers by improving marketing strategies and providing information about quality and production efficiency training. However, although products are being marketed, increase or diversification of buyers is not perceived. Most of the sales depend on previous and regular clients of the members. Board members recognize that APKJ has not prompted a direct link between producers and buyers since it has not been the action-line of APKJ yet.

As well as the relation with the retailers, boards and members consider that APKJ has not worked on strengthening a communication channel between producers and wood retailers. Currently, members already have a direct link with the wood providers. APKJ has elaborated a database of wood providers and relevant information to be used by the members. Members consider that APKJ needs to establish communication channels and delimit agreements of suitable wood prices for both parties.

### Environmental considerations

Board members have been also socializing and sharing information about the use of sustainable and certified raw material. Sustainability of the product is an issue that starts to be considered among members due to market demands; it is an emerging trend for the furniture industry. Beyond sharing information, small-scale producers do not use certified material due to high costs and availability. Members are conscious of the importance of certified products, so they expect more support from APKJ in terms of facilitation in the process of getting certified material and also in optimizing their production. Currently, an important action held by APKJ has been the provision of teak seedlings to the members so they can grow trees in their own space and grow them in a sustainable way.

## **7. Discussion**

In most of the cases, boards and members share the same concerns about the furniture industry in Jepara, as well as they perceive the same weaknesses of APKJ performance. APKJ board members recognize the vital value of creating a strong membership among all small-scale producers within the association to generate actions that enhance their current situation. However, members are not totally involved in actions or decision-making inside APKJ. Decision-making and actions of APKJ are still restricted due to the difficulty on integrating members and dealing with multiple requirements. These findings coincide with what Melati et. al (2010) found in this research related to the upgrading of small-scale producers. Melati et.al already reported the problems and impacts of the association effectiveness due to the lack of communication between board members and members. They explain that there are two concern issues related to the social network of APKJ and their institution. One of these is the lack of information flow within the association and the other is the optimization of the association's functions to improve relations and enhance communication, participation and planning. Their study also reported imbalanced communication among board members, failing at create an organized structure and with lack of agreements among board members and a lack of encouraging and receiving feedback from general members of APKJ.

Melati et. al (2010) also reported that general information such as information about trainings, market access and certification opportunities is still circulating mainly among APKJ board members. Board members decide who join which training and workshops. After that, members who attended the trainings are supposed to transfer the knowledge and skills to the other members; however, spreading of information has not been successful due to a lack of agreement. Moreover, information about market access and invitation to exhibitions is kept among the chair members. In that respect, it is clear that during this time APKJ has struggled on integrating members' claims and visions and also creating a sound and proper communication channel between board members and members. It is not a surprise

that in activities related to collective action, heterogeneity inside the group is a main concern (Futemma et. al 2002); however, in case of internal conflicts, they can be solved by establishing a sound institutional frame. Institutional frames help to overcome eventual problems from social differences among members (Futemma et. al 2002).

Empowerment of small scale producers is hard to determine since APKJ is still barren in terms of building a strong and structured association. Looking at the conditions of the members, there is not a set of guidelines or institutions that conducts APKJ. Empowerment of small scale producers is still on planning. Human capital has been promoted but it is not enough for small-scale producers to empower themselves within the furniture value chain. Producers are not in the conditions to compete since they are still being driven by the market and its requirements. Moreover, local conditions and a lack of institutions and support from government do not allow producers to upgrade their position. In that respect, Schmitz (1995) explains that although in most of the cases collective action is build and conceived by an endogenous process, the role of state and a planned intervention facilitate the outcomes of the collective action in clusters.

Chaminade and Vang (2006) show that access to information if Jepara industry has been a key element to foster and upgrading position in the value chain and it has facilitated producers to create a direct relation to international buyers and improve production quality and price. Despite the lack of organization, it is clear the strong commitment of the board members to work on behalf of small-scale producers. Work of board members is voluntary and non-paid position. They manage their time to deal with their own business and also the administrative activities of APKJ (Melati et. al 2010). On the other hand, members support the existence and the work of APKJ. They have not perceived any tangible benefit but small-scale producers feel represented by APKJ. Members consider that they are not able to raise their voice for themselves so APKJ acts as a facilitator that represents producers. In that sense, collective action, represented in the work of the association, seems to be an important factor that contributes to the creation of unity and trust among small-scale producers. This is a first step in the process of generating voluntary join actions to upgrade the position of small-scale producers in the value chain in Jepara. However, opposing arguments to the theory of collective action explain that no theory can secure whether groups will work voluntary to provide collective action. The idea is that once a benefit generated from collective action was produced, people have little incentive to voluntarily continue to the provision of a benefit (Ostrom 1990).

Finally, on the institutional aspect, the goals for APKJ as a representative of many small-scale producers must be to coordinate with upstream and downstream stakeholders and also with government agencies; and to establish efficient governance with local policies that enhance Jepara furniture industry. Long term objectives for the industry must consider the provision of sustainable sources of raw material and the quality of the material, affordable timber prices, the development and acquisition of

efficient technology, the enhancement of social capital and the empowerment of the association, the diversification of product design, efficient production process, creating partnership with government with creating regulation and assistance in relation to the market, training and training centers to improve competence of small-scale producers, strengthening the cultural value of the industry, the availability of the industry and creating institutions for legal protection of property rights within the value chain, improving operation efficiency of business management, increasing value added, building an industry network within a frame of transparency, understanding and mutual benefit, developing product branding; hence creating a independent, self-sustainable and self-reliance industry.

## **8. Conclusions**

APKJ is considered as an association that represents minority voices; in terms of representation, members approve the existence of APKJ. In general, board members are much more critical towards the performance of APKJ than members, they recognize their weaknesses and lacks. Members are less responsive to APKJ actions and activities; however, in most of the cases, they feel satisfied with the actions and representation of APKJ so far. Although members have not received any direct benefit, they have not either incurred in any cost that might affect them. There are some critics from the members in relations to the performance of APKJ; however, the general perception of APKJ by the members is positive.

A positive strength of APKJ is that they aim to listen and stand for small-scale producers; they understand them. However, the communication and planning for APKJ long-term objectives is still poor, it must be improved. Currently APKJ focuses on minor objectives directed to organize workshops and trainings. Until now, there are not tangible benefits received from the actions taken by APKJ. APKJ boards and members recognize the weaknesses of the association, and if they want to implement all their aims, first they need to restructure and enhance a well-functioning association with capacity to lead members and represent them. With a stronger organizational structure, small-scale producers feel that they can have a bigger participation and can be located as a more powerful stakeholder in the value chain. Moreover, a sound association will have the capacity of planning for actions taken in benefit for all the members in the future.

Currently, APKJ has not been able to generate significant impacts from collective action to empower small-scale producers in the furniture value chain. However, the existence of APKJ has been proven beneficial on creating a sense of membership and unity among small-scale producers. Gently, APKJ has become an important stakeholder in the furniture industry in Jepara. Members feel represented on the actions executed by APKJ and also other stakeholders take into consideration the participation of APKJ. APKJ must focus on the strategy, policy and goals for the furniture industry in Jepara. For that APKJ

framework must be based on a framework that aims to strengthen the local cultural value of the furniture as well as to strengthen a highly competitive market, with sustainable products and according to equitable value benefits for all the small-scale producers. Therefore, I consider that the three main weaknesses of APKJ that need to be considered and enhanced to empower and upgrade the position of the small-scale producers are: 1. Communication and transmission of information between board members and members. 2. Participation of members in the decision-making process inside APKJ and 3. Creating a participatory long-term planning for the management and development of APKJ.

## **9. Recommendations**

Based on the three main weaknesses of APKJ found in this research, I suggest that APKJ should consider the following recommendations:

1. Communication and transmission of information. APKJ needs to find better communication channels between board members and members. Both groups recognize that there are deficiencies in the transmission of information. Since information does not reach all members; involvement of the producers cannot be expected when members do not know ongoing actions of APKJ. Online transmission of information has proven to not be the best way to communicate producers; instead, permanent bulletins could reach a bigger spectrum of the members.
2. Participation of members in the decision-making process inside APKJ. APKJ needs to be strengthened as an association since they are representing the voices of the small-scale producers in Jepara. Involvement of the members allows APKJ to have a deeper understanding of each producer's needs. Human and social capital will be considerably improved and implementation of knowledge in daily practice can be secured. However, participation is not an easy task; special skills from the board members are needed. For that, people need to deal with coordination activities, conflict resolution, and information sharing (Ostrom 1990). Moreover, managerial and organizational activities must be conducted to maintain this collective action. According to Fudemma et. al (2002), it is a long process of learning, acquiring and exchanging information and activities to create a sense of commitment, partnership, task fulfillment, trust and reciprocity.
3. Creating a participatory long-term planning for the management and development of APKJ. First, APKJ must be consolidated and well structured as an association; for that, it needs a participatory process of developing long terms plans of management and action point. Performance of the association must be collectively evaluated, looking for priorities, involving all members and planning to reach long terms sustainability of the furniture industry. Once APKJ can consolidate as a solid organization, it will have more access to create stronger relationships with other stakeholders in the furniture industry.

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