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# Producer Collaboration and the Development of Artisanal Value Chains

BY

Rachel Alexander,

Centre for Business and Development Studies, Copenhagen  
Business School & South African Research Chair in Industrial  
Development, University of Johannesburg

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Address: USO House, 2nd Floor, USO Road, 6 Special Institutional Area,  
Off Shaheed Jeet Singh Marg, New Delhi – 110067

Contact Details: +91-1140563323/24

Email: [info@msmefoundation.org](mailto:info@msmefoundation.org)

Website: [www.fmc.org.in](http://www.fmc.org.in)

**Small Industries Development Bank of India (SIDBI)**

Address: SIDBI Tower, 15, Ashok Marg, Lucknow - 226001, Uttar Pradesh

Contact Details: 0522-2288546/47/48/49, 0522-4259792

Email: [elsc\\_lucknow@sidbi.in](mailto:elsc_lucknow@sidbi.in)

Website: [www.sidbi.in](http://www.sidbi.in)

**Common Wealth Educational Media Centre for Asia (CEMCA)**

Address: 7/8 Sarv Priya Vihar New Delhi-110016

Contact Details: +91-11-26537146/47/48, 26516681

Email: [admin@cemca.org](mailto:admin@cemca.org)

Website: <https://www.cemca.org/>

**Copenhagen Business School (CBS)**

Address: Copenhagen Business School Solbjerg Plads 3 DK-2000 Frederiksberg

Contact Details: +45 3815 3815

Email: [cbs@cbs.dk](mailto:cbs@cbs.dk)

Website: <https://www.cbs.dk/>

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## Producer Collaboration and the Development of Artisanal Value Chains

Traditional artisans around the world have unique skills. Many traditional craft production techniques use sustainable practices which are environmentally friendly and provide decent work for producers. However, these artisans can face diverse challenges. They often work at a small scale and sell their products in local markets low prices.



Expanding artisanal production systems can provide diverse benefits that include:

- Generating increased income for artisans
- Providing decent work in artisanal communities
- Provide a substitute for products made with unsustainable mass manufacturing techniques (e.g., by using environmentally friendly materials and providing fulfilling jobs)

Key opportunities for governance actors to support artisans are promoting collaboration, helping producers to enter new value chains, ensuring supportive governance ecosystems.<sup>1</sup>

### Opportunity 1: Collaboration

On their own artisanal producers can struggle to earn a living. Collaboration can provide a number of benefits (see Table 1). However, collaboration is a difficult process, which needs enabling factors and can face multiple barriers (see Table 2). Designing successful collaborations requires considering the dynamics of how collaborative models function (see Table 3). Collaborations may be short or long-lived depending on their purpose. A variety of best practices can be identified (see Table 4).

While collaboration has many benefits, it is important to consider that collaboration is not a silver bullet. It is important to design collaborative models to meet producers' specific needs. Collaborative models need to balance the costs (time, money, effort) required to build cooperation with the potential benefits. Additionally, a key issue to consider is identifying which elements of producers' businesses can benefit most from collaboration (e.g., sourcing, production, or marketing, etc.).

**Table 1: Benefits of Collaboration**

Benefits to Collaborators		Spillover Benefits
Economies of Scale	<ul style="list-style-type: none"> <li>○ Cost reduction</li> <li>○ More efficient production processes</li> <li>○ Reducing individual workload</li> <li>○ Spreading risk</li> </ul>	<ul style="list-style-type: none"> <li>• Community economic development</li> <li>• Buyers can have a relationship with one unified actor</li> </ul>
Individual learning and developing	<ul style="list-style-type: none"> <li>○ Business upgrading</li> <li>○ Informal learning</li> <li>○ Formal training and other assistance</li> <li>○ Access to improved inputs (e.g., equipment)</li> <li>○ Facilitating formal and informal innovation processes</li> <li>○ Personal benefits (e.g., belonging to a community)</li> </ul>	

<sup>1</sup> This policy brief draws from FMC's 2022 report 'Governance Needs for Promoting Green Employment in India's Artisanal Bamboo Industry'.

Benefits to Collaborators		Spillover Benefits
Increasing power	<ul style="list-style-type: none"> <li>○ Developing a collective identity in bargaining situations</li> <li>○ Having more legitimacy in public forums</li> <li>○ Being resilient to pressures</li> </ul>	

**Table 2: Enabling Factors and Barriers for Collaboration**

Contextual Factors	Producers' Perspectives	Potential pitfalls
<ul style="list-style-type: none"> <li>• Regulations</li> <li>• Benefits and services available</li> <li>• Local trust levels and alignment of objective</li> </ul>	<ul style="list-style-type: none"> <li>• Acceptance of status quo</li> <li>• Level of risk aversion</li> <li>• Lack of awareness of examples of successful collaboration</li> <li>• Negative perceptions of collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• High costs of complying with regulations and administrative burden</li> <li>• Poor leadership</li> <li>• Loss of freedom and control</li> <li>• Exposure to increased scrutiny</li> <li>• Free-riders</li> </ul>

**Table 3: Key Considerations in Group Formation**

<ul style="list-style-type: none"> <li>• Drivers (e.g., vision of a strong leader, reaction to a pressing issue, receiving public benefits, accessing new markets)</li> <li>• Collaboration design (e.g., management system, funding model, membership criteria, leadership)</li> <li>• Organisational forms (formal vs. informal, legal options)</li> <li>• Missions and strategies (e.g., economic or value-driven)</li> <li>• Membership (e.g., proximity of members, heterogeneity of members)</li> </ul>
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**Table 4: Lessons from Successful Collaborations<sup>2</sup>**

<ul style="list-style-type: none"> <li>• Smaller groups of similar people with clear objectives and high levels of trust</li> <li>• A large enough size to achieve economies of scale</li> <li>• A system which provides economic benefits</li> <li>• Members believing that benefits outweigh costs</li> <li>• Adequate support available</li> <li>• Clear rules and responsibilities</li> <li>• Regular meetings</li> <li>• Clear communication that meets members' needs</li> <li>• Legal status enabling access to public services</li> <li>• Help with finding partners</li> <li>• Support with developing formal structures</li> </ul>	<ul style="list-style-type: none"> <li>• Supportive local policies and institutional environment</li> <li>• Local traditions of cooperation</li> <li>• A governance model (organisational form) that matches the organisation's objectives</li> <li>• Opportunities for members to influence decision making</li> <li>• Capability to take consensual decisions</li> <li>• Willingness of members to cooperate</li> <li>• Trust and loyalty in the producer organisation</li> <li>• Shared ideology</li> </ul>
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<sup>2</sup> Sources: Kroft 2006 as cited in Bijman 2007; Rani 2008; Traon et al. 2019

Recommendations to Promote Collaboration	Key Questions:
<ul style="list-style-type: none"> <li>• <b>Directly supporting the creation of new collaborations</b> (e.g., employing facilitators to enable the development of producer groups)</li> <li>• <b>Creating incentives for producers to collaborate</b> (e.g., offering benefits, such as loans, subsidies, or training for producer groups)</li> <li>• <b>Identifying and disseminating information on opportunities for bamboo groups to benefit from collaboration</b> (e.g., through social media, radio, or community events)</li> <li>• <b>Promoting policies and regulatory requirements easing producer cooperation</b> (e.g., simplifying requirements to register a group)</li> </ul>	<ul style="list-style-type: none"> <li>• What incentives exist to collaborate?</li> <li>• How can governance actors change these incentives?</li> <li>• How should the collaboration be managed (e.g., formal vs informal, leadership, decision making)?</li> <li>• What activities can benefit most from collaboration (e.g., procurement, production, marketing)? <ul style="list-style-type: none"> <li>- What is the optimal mix between cooperation versus competition?</li> <li>- What size should collaborations be?</li> </ul> </li> </ul>

## Opportunity 2: Entering New Value Chains

Traditional artisans can participate in multiple forms of value chains. These can range from local with few connections to global with multiple intermediaries. Each value chain structure will create different opportunities and pressures for artisans. One option for producers is to seek to sell to commercial buyers (see Table 5). Another option is to develop their own brands and retail sales channels (see Table 6), which could be standard for-profit businesses, social enterprises or a not-for-profits.

Producer organisations can manage themselves but there can also be external value chain actors who are involved in managing or coordinating production. These could be lead firms which buy all or a portion of production or they could be civil society organisations or government agencies. Alternatively, a coordination system can involve a tripartite arrangement that brings together producers, a lead firm, and a socially focused organisation.

Depending on the target market, product designs may need to be modified. Such changes could involve quality, standards, design features, and product functions. Producers may benefit from working with support providers who have knowledge of target market demands. This type of support could be facilitated through the involvement of a partner organisation, public-sector or NGO support, or by hiring a service provider. If producers need to upgrade to connect to new value chains, several forms of policy support can facilitate this process (see Table 7).

**Table 5: Options for Selling to Commercial Buyers**

Market	Intermediaries / Sales Channel	Key Demands
Large Branded Buyers (High-Income Countries)	<ul style="list-style-type: none"> <li>• Buyers' staff</li> <li>• Sourcing intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• High quality</li> <li>• Custom orders</li> <li>• Compliance with public and private standards</li> <li>• Large orders</li> </ul>

Market	Intermediaries / SalesChannel	Key Demands
Smaller Retailers / Boutiques (High-Income Countries)	<ul style="list-style-type: none"> <li>• Buyers' staff</li> <li>• Sourcing intermediaries</li> <li>• On-line platforms</li> </ul>	<ul style="list-style-type: none"> <li>• High quality</li> <li>• Custom orders or selected from existing offerings</li> <li>• Compliance with public standards, may require compliance with private standards</li> <li>• Small orders</li> </ul>
Large Branded Buyers (Low-Middle Income Countries)	<ul style="list-style-type: none"> <li>• Buyers' staff</li> <li>• Sourcing intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• Medium to high quality</li> <li>• Custom orders</li> <li>• Less stringent standard requirements</li> <li>• Large orders</li> </ul>
Smaller Formal Sector Retailers / Boutiques (Low-Middle Income Countries)	<ul style="list-style-type: none"> <li>• Buyers' staff</li> <li>• Sourcing intermediaries</li> <li>• On-line platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Medium to high quality</li> <li>• Custom orders or selected from existing offerings</li> <li>• Likely no private standards</li> <li>• Small orders</li> </ul>
Informal Retailers / Markets (Domestic)	<ul style="list-style-type: none"> <li>• Local Traders</li> <li>• None (direct sales)</li> </ul>	<ul style="list-style-type: none"> <li>• Low to medium quality</li> <li>• Own-designs</li> <li>• No private standards</li> <li>• Small orders</li> </ul>
Nationally Organised Tourist Markets or Exhibitions (Domestic)	<ul style="list-style-type: none"> <li>• Local Traders</li> <li>• NGOs or Government Programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Low to medium quality</li> <li>• Own-designs</li> <li>• No private standards</li> <li>• Small to medium orders</li> </ul>
Large-Scale Consumers (e.g., government agencies or hotels) (Domestic or Global)	<ul style="list-style-type: none"> <li>• Buyers' staff</li> <li>• Sourcing intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• High to medium quality</li> <li>• Custom orders</li> <li>• May have private standards</li> <li>• Large orders</li> <li>• May have domestic procurement incentives</li> </ul>

**Table 6: Developing Own Retail Brand**

Sales Channel	Location	Key Demands
Physical Retail	• Urban area	• Determined by target market
	• Tourist market	• Determined by target market
On-line Retail	• On-line platform	<ul style="list-style-type: none"> <li>• Range of quality</li> <li>• Custom orders or own designs</li> <li>• Not likely to require compliance with private standards</li> </ul>
	• Own website	• Determined by target market

<p><b>Recommendations for Value Chain Development</b></p> <ul style="list-style-type: none"> <li>• Supporting producer upgrading (see Table 7)</li> <li>• Providing information about potential markets (e.g., conducting &amp; sharing market research)</li> <li>• Ensuring logistics systems are adequate to facilitate market access, including communication &amp; transportation systems</li> <li>• Training on marketing skills (e.g., social media, making a catalogue)</li> <li>• Creating connections between producers and potential buyers (e.g., trade fairs, buyer-seller meets, e-platforms)</li> <li>• Creating new certification or branding schemes, such as a quality, social, and/or environmental labels</li> <li>• Developing a marketing institution</li> </ul>	<p><b>Key Questions:</b></p> <ul style="list-style-type: none"> <li>• Where do artisans currently sell their products?</li> <li>• Who are the potential customers for the artisans' products? <ul style="list-style-type: none"> <li>- Where do they make their purchases?</li> <li>- What factors do they consider when making purchasing decisions?</li> <li>- Can artisans communicate with these buyers directly or are intermediaries needed?</li> <li>- Are there logistical barriers in accessing these markets?</li> </ul> </li> </ul>
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**Table 7: Upgrading**

<b>Policy to Support Upgrading</b>	<b>Key Questions</b>
<ul style="list-style-type: none"> <li>• <b>Promoting activities with high potential gains:</b> <ul style="list-style-type: none"> <li>▪ creating products with urban demand</li> <li>▪ using waste minimizing production processes (e.g., re-using 'waste')</li> <li>▪ improving finishing techniques and packaging systems</li> <li>▪ certification, could cover quality, social, and/or environmental aspects</li> <li>▪ innovation, could involve competitions or connecting producers to design institutes</li> </ul> </li> <li>• <b>Increasing access to inputs</b> (e.g., raw materials, technology, finance, and skilled labour): <ul style="list-style-type: none"> <li>▪ supporting domestic supply of good quality inputs</li> <li>▪ supporting local businesses to sell needed production equipment</li> <li>▪ subsidizing costs for more advanced equipment or storage facilities</li> <li>▪ providing access to equipment or storage through common facility centres</li> <li>▪ supporting development of new forms of equipment</li> <li>▪ sensitizing funders about opportunities of supporting artisans</li> <li>▪ creating new funding mechanisms</li> <li>▪ educating producers about existing funding options</li> <li>▪ connecting skilled individuals with the artisans (e.g., creating fellowships for higher education students)</li> <li>▪ promoting local training options focusing on skills that will be needed in the expansion of artisanal businesses (e.g., bookkeeping)</li> </ul> </li> <li>• <b>Improving availability of business services</b> (e.g., management and administrative services, market research, marketing, and common facility centres): <ul style="list-style-type: none"> <li>▪ providing incentives for business service providers to operate in areas with high concentrations of artisans</li> <li>▪ providing subsidies for artisans to access business services</li> <li>▪ creating new service providers (e.g., training artisans to provide services to peers)</li> </ul> </li> <li>• <b>Directly providing business services (e.g., setting up business support service centres)</b></li> <li>• <b>Running capacity building programmes for artisans &amp; related producer groups using diverse methods such as formal courses, local workshops, online aspects (e.g., videos), and apps for smartphones</b> (e.g., covering management skills, ways to have voice in public policy, production skills, and financial literacy)</li> </ul>	<ul style="list-style-type: none"> <li>• What are the benefits of government providing the service directly versus supporting a private sector actor?</li> <li>• What agencies have the existing skills to provide the needed services?</li> <li>• What are the requirements of target markets?</li> <li>• How can artisans' businesses better serve existing and new target markets?</li> <li>• How much effort is needed for each potential change (e.g., time, money, skills upgrading)?</li> </ul>



### Opportunity 3: Supportive Governance Ecosystems

Artisans work in environments which can involve local, sub-national, national and global regulations and governance systems. The pressures, incentives and opportunities that artisans face are determined by these systems. Seeking to ensure that that artisans experience a supportive environment can help them develop their enterprises.

Recommendations for Ensuring a Supportive Policy Ecosystem	Key Questions:
<ul style="list-style-type: none"> <li>• <b>Changing structures and the balance of power in links to production networks</b> <ul style="list-style-type: none"> <li>▪ promoting group formation (see number 2 above)</li> <li>▪ creating direct connections that bypass intermediaries</li> <li>▪ playing a direct production governance role or supporting the creation of socially driven intermediaries</li> <li>▪ building new communication channels</li> </ul> </li> <li>• <b>Increasing coordination between actors seeking to support artisans</b></li> <li>• <b>Ensuring a supportive policy environment in which artisans can easily benefit from available services</b> (e.g., simplifying paper work, making a guide of available services for local artisans)</li> </ul>	<ul style="list-style-type: none"> <li>- Do the artisans have any difficulties accessing existing government services? How can these difficulties be alleviated?</li> <li>- How are value chains structured in artisans' current value chains? How are value chains structured in new potential markets?               <ul style="list-style-type: none"> <li>○ If the artisans access global value chains, how can they benefit and what risks exist?</li> <li>○ How can policy mitigate the risks?</li> </ul> </li> <li>- What are the key local and global governance systems that are relevant for local artisans in their current and potential value chains (e.g., public regulation, market structures)?</li> <li>- How do current governance systems create barriers for artisans? How can governance systems be improved?</li> </ul>

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