

Collective Action Opportunities for Upgrading the Value Chain of Small-scale Furniture Enterprises in Hawassa, Ethiopia

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Introduction

- Ethiopia is challenged with deforestation and coinciding wood supply gaps.
- Major wood-linked value chain actors are small-scale furniture enterprises (SSFE).
- Upgrading SSFEs can generate employment and disseminate market signals towards wood suppliers.
- Collective action has the potential to counter enterprise development barriers.

Research question: What is a potential form of collective action for upgrading the value chain position of SSFEs?



Figure 1: Marketspace of a lumber wholesaler cooperative at the new market in Hawassa



Figure 2: Workshop of a small-scale wooden furniture enterprise in Hawassa

Method

- Field research: Aug 2019 – Oct 2019
- In-depth interviews with 54 SSFEs and 12 key informants (including lumber traders, furniture traders, and business development support (BDS) providers)
- Explorative research approach
- Research steps:
 - Value chain analysis (VCA)
 - Identifying binding constraints
 - Capturing SSFE upgrading desires and drivers
 - Selecting and describing a “best bet” upgrading strategy

Results

- The value chain structure (Fig. 3) revealed native wood to be mostly sourced from small-scale farms.
- Wood is semi-processed close to the farm then transported to Hawassa.
- Lumber wholesalers engaged in horizontal social networking.

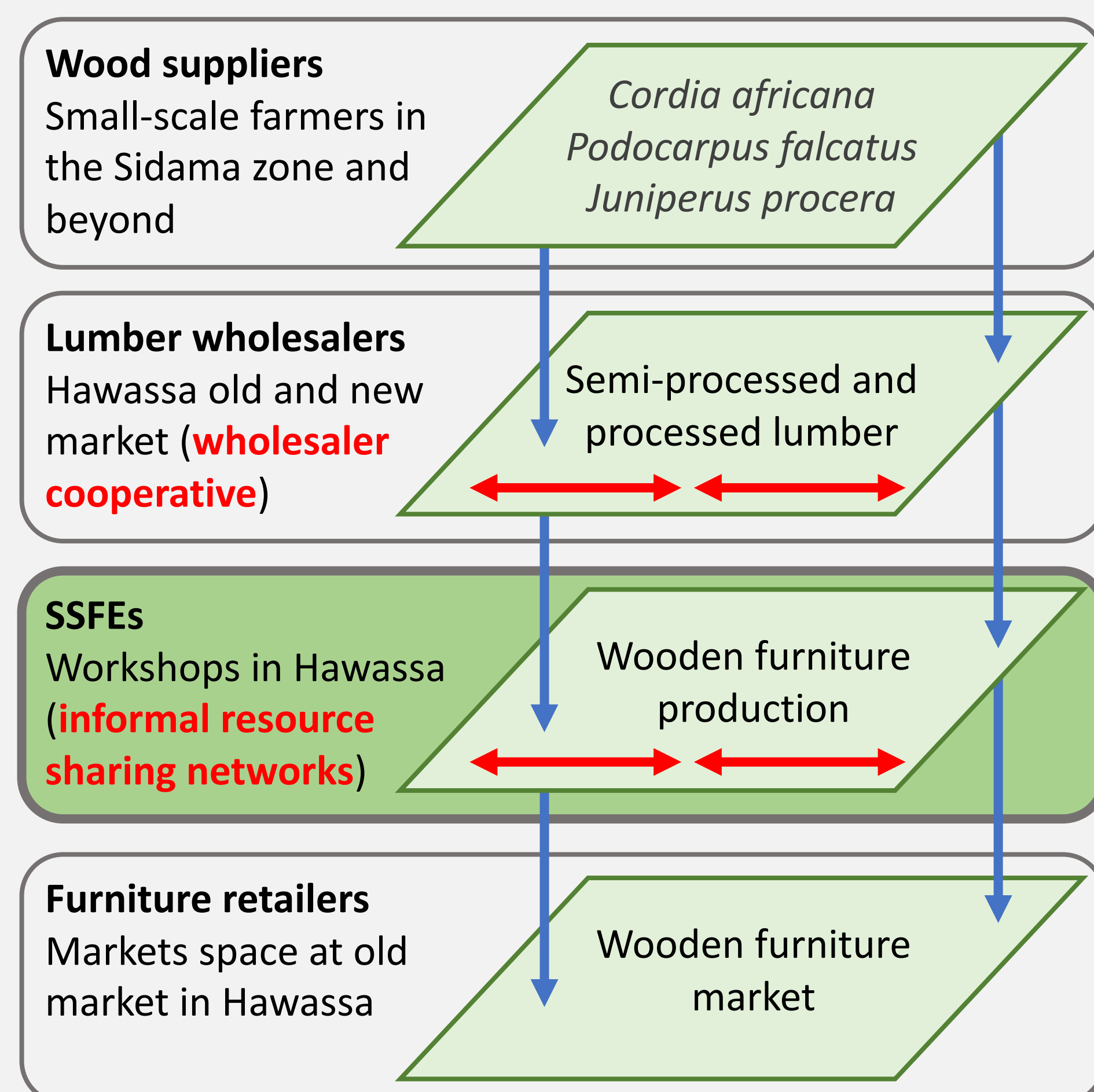


Figure 3: The Value Chain Structure linked to SSFE in Hawassa

- SSFE further process the lumber into wooden furniture, adding value with material inputs and intangible assets.
- Furniture sold to end-users through product orders and furniture retailers.
- SSFEs were engaged in horizontal social networking to share resources and assets.

Results

- SSFE constraints linked to market and government support failures.

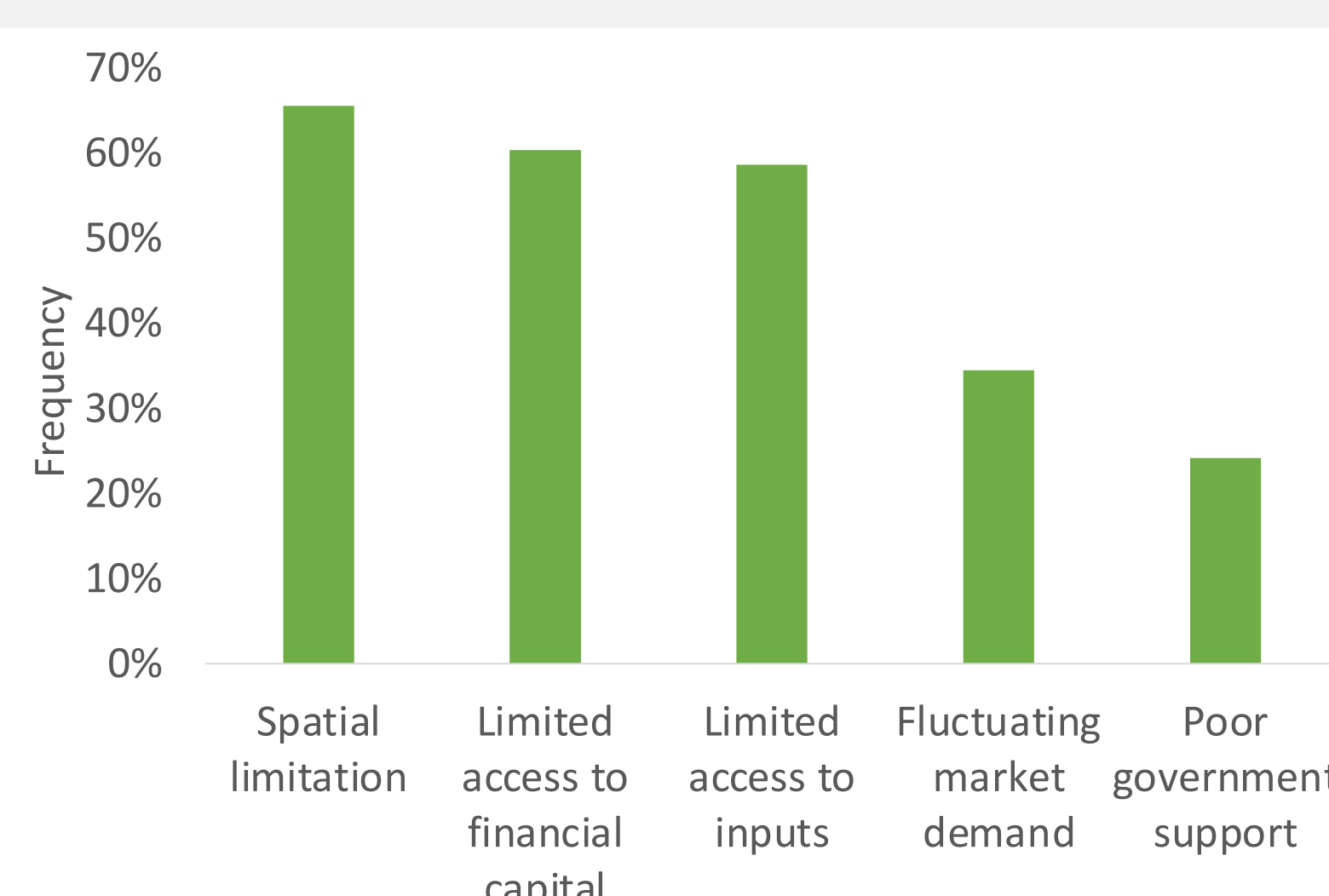


Figure 4: Challenges faced by SSFE in Hawassa (multiple answers possible, 54 respondents, n=197)

- Drivers of value added were access to microcredits and the sharing of physical assets and technical skills.

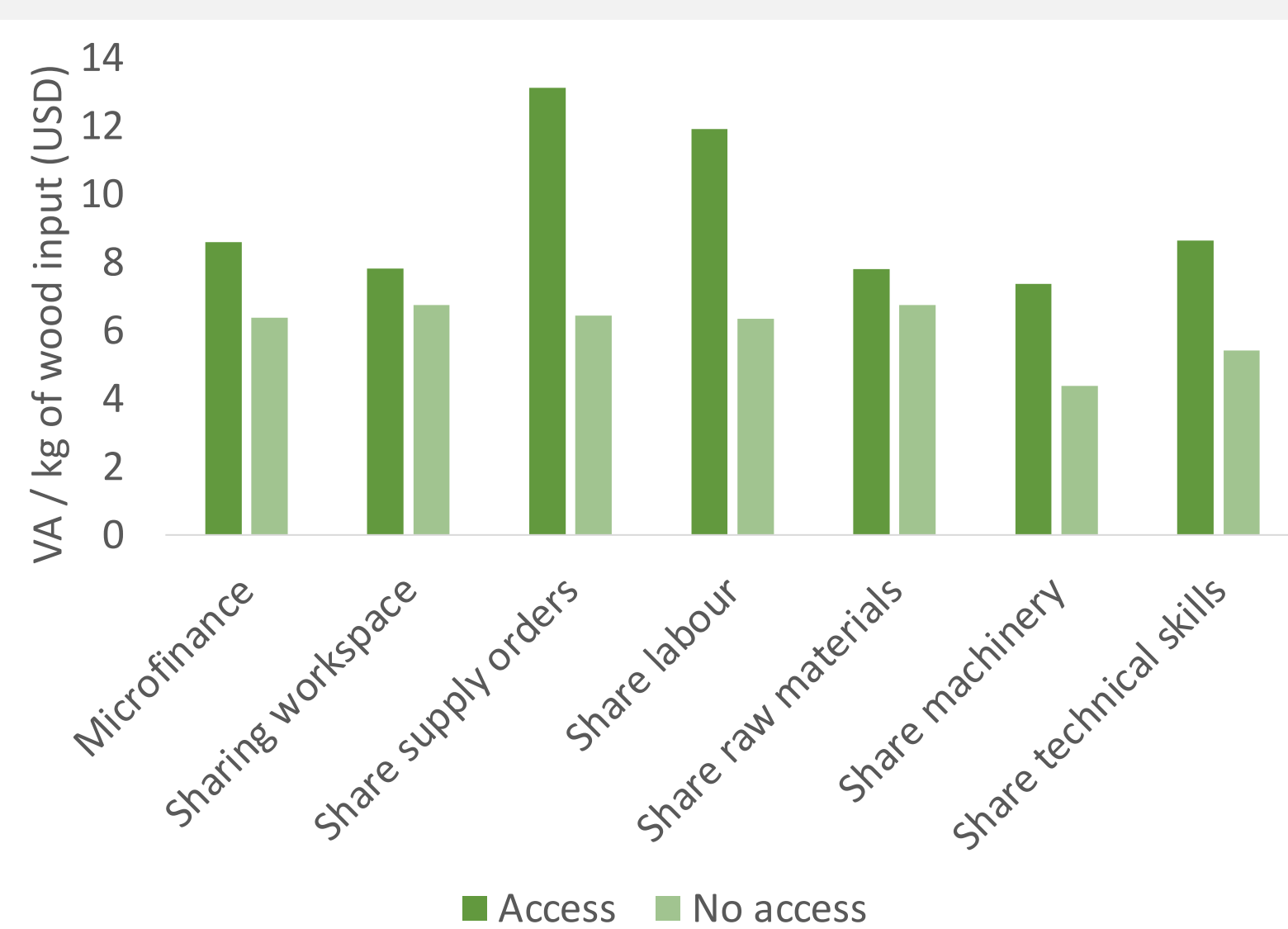


Figure 5: Average Value Added (VA) per kg of utilized wooden input material for 1 chair as a functional unit in relation to existing collective actions and available BDS (34 respondents)

- 78% had the desire to grow their business to an industrial scale.
- 95% expressed their willingness to join a business association.

Conclusion

- Based on VCA and literature findings, a business association is recommended as a collective action upgrading strategy.

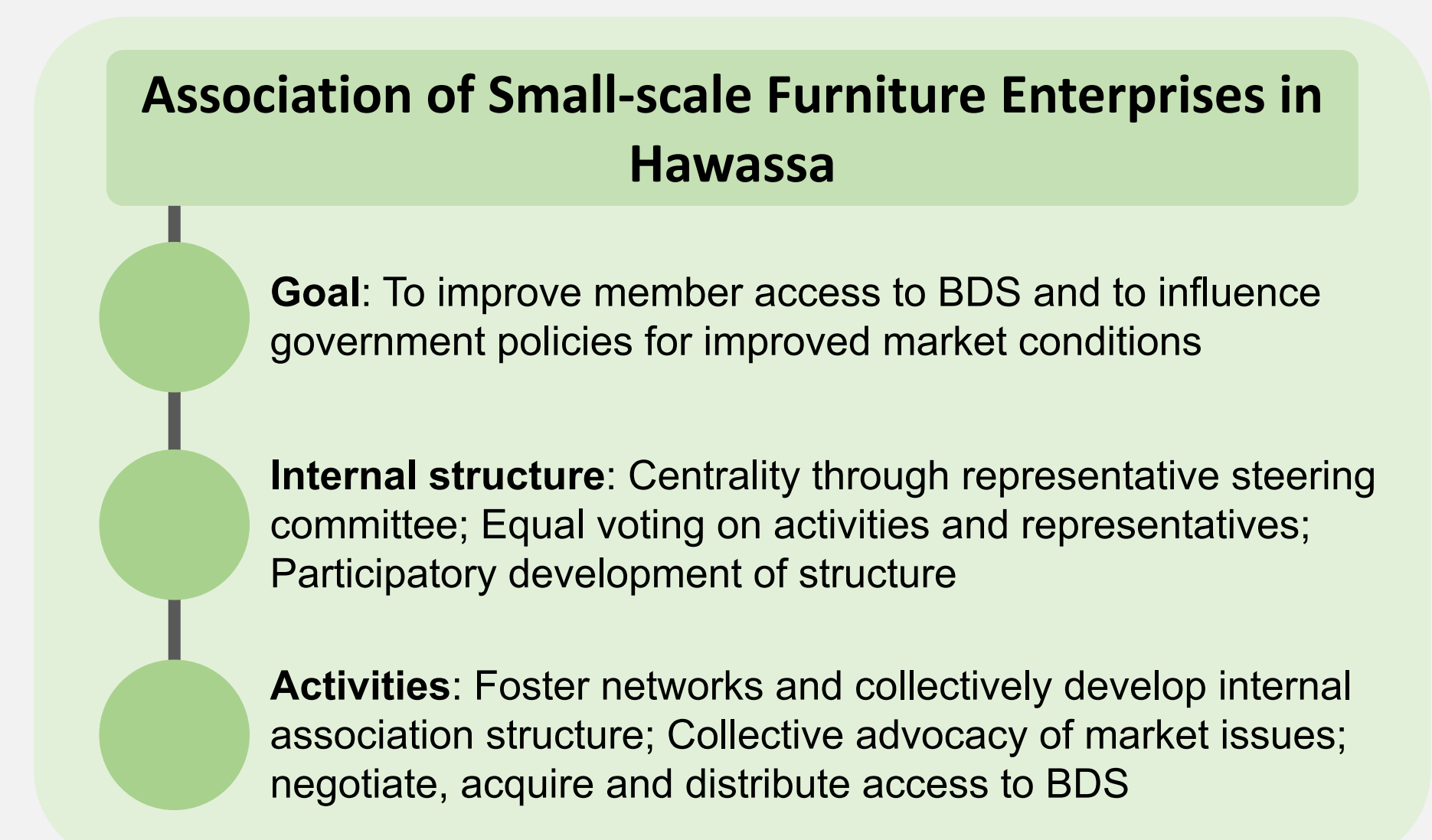


Figure 6: Potential features of an association of SSFEs

- The association would:
 - Further enable the access to BDS (e.g. technical trainings, microcredits, industrial clusters, public procurement contracts).
 - Improve market conditions by voicing member interests in the policy environment.
 - Leverage existing and facilitate new social networks.
- Added value achieved through SSFE development leads to competitive timber market (due to higher purchasing power for wood).
- Multi-functionality of association to guarantee simultaneous enterprise and supply market developments.



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