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Aluisius Hery Pratono,

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Cross-cultural collaboration for inclusive global value chain: a case study of rattan industry

Cross-cultural
collaboration
for IGVC

Aluisius Hery Pratono

Faculty of Business and Economics, Universitas Surabaya, Surabaya, Indonesia

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Abstract

Purpose – The purpose of this paper is to understand how the cross-cultural collaboration between developed market and emerging economies promotes an inclusive global value chain (GVC) through innovation and technology transfer. Drawing on global rattan industry, this paper identifies the three typologies and social mechanism of cross-cultural collaboration in GVC.

Design/methodology/approach – This study uses a qualitative method with a case study of rattan industry. The case study analysis covers the linkages between upstream industries in emerging economies and downstream industries in developed countries.

Findings – The result shows that innovation and technology transfer play an essential role in the cross-cultural collaboration through presenting the creative value-adding process beyond the simple trade of rattan. This study identifies the social mechanism of cross-cultural collaboration in three GVC typologies of rattan industry.

Research limitations/implications – The study was undertaken between 2015 and 2017. The observed value chain in rattan industry context demonstrates the selected business network from Indonesia to the European countries.

Practical implications – There were some activities that worked well for decades, such as creative innovation and technology transfer from multinational corporations to small businesses. The initiative to promote brand seemed to work less well for the local designers in developing countries from being part of the GVC. The creative innovation and technology transfer from multinational corporations to rattan farmers continued to struggle.

Originality/value – This study draws a distinction between the typologies of GVC, where cross-cultural collaboration has developed slowly and those where it comes about quickly. This extends the discussion about creative value between players in developed and developing countries, including the social mechanism of cross-cultural collaboration in GVC.

Keywords Creative innovation, Buyer-driven value chain, Cross-cultural collaboration

Paper type Research paper

1. Introduction

Rattan is a great example of the non-timber forest products (NTFP), which provides opportunities for saving forest in underdeveloped countries. This product has become the top priority for the Food and Agriculture Organization (FAO) with aim of developing a sustainable forest management model (Food and Agriculture Organization, 2004). The policy invites stakeholders do some work on promoting inclusive global value chain (IGVC) under responsible management, involving forest communities and enabling the sustainable socio-economic development. The GVC is considered to be inclusive as it overcomes the SMEs' participation constraints and provides access to low-income communities in developing countries (OECD and World Bank Group, 2015).

The IGVC is expected to provide employment opportunities to underserved communities, such as forest communities, local craftsman and young designers in developing countries. This has resulted in cross-cultural collaboration in innovation to achieve sustainable competitiveness, which implies on open resources, more participation, and more autonomy (Chesbrough, 2003). The collaboration calls for organizational capability to exhibit network effect on innovation and product development (Afuah, 2013), which involves public governance to play a stronger role in supplementing and reinforcing corporate codes of conduct, process standard, and other voluntary (Gereffi, 2013). This commercial network is



essential for underserved communities to allow them to acquire and revamp valuable resources (Braguinsky and Hounshell, 2016).

The cross-cultural collaboration requires organizational characteristics like operation and supply chain capabilities, human capital and financial resources (Ibrahim *et al.*, 2015). To employ IGVC, various risks need to be faced, which may come from the location of a new facility (Soni and Kodali, 2013), increasing business fragmentation, unprecedented geographical separation (OECD, 2015) and the lack of capability to deal with technological turbulence (Pratono, 2016). There is also a high potential risk from relationship exploitation (Duffy *et al.*, 2012), while the capability to develop alliance strategy to deal with overloaded information varies greatly (Schilke, 2014). Although the recent policy concerns to deal with forest degradation, relatively little research describes the spatial aspect of the IGVC that provides commercial opportunities for NTFP. Hence, studies on the social mechanisms to support relationships in GVC need to be enhanced (Kano, 2017).

The previous studies raise some main research questions, such as how the policy analysis on GVC deals with the changing business strategy of both MNCs and local firms in emerging markets (Thôme and Medeiros, 2016), while another paper calls for further analysis on how to maintain the existing relationships to generate a global value (Howieson *et al.*, 2016). There is also another specific question about how firms in emerging markets experience transition policies from cost efficiency to innovation in order to gain their competitive advantage (Ding *et al.*, 2016).

Accordingly, this paper aims at understanding how the cross-cultural collaboration between the developed and emerging economies promotes an IGVC through creative innovation and technology transfer. Drawing on a global rattan industry, this study attempts to establish the typologies of cross-cultural collaboration in GVC, which provide various opportunities to the business inclusion. This involves the social mechanism that consists of the relational aspects of GVC, which involves selectivity, enlisting intermediaries, joint strategy, relational capital, multilateral feedback and distribution.

2. Literature review

2.1 *Inclusive global value chain*

GVC embraces the international market competitiveness in which its products gain benefit from the environmental, social and economical practices (Cruz and Boehe, 2008). This involves a process of production, trade and investment that occurs in various countries which rely on foreign input for their own firm export (OECD, WTO, and UNCTAD, 2013). This concept argues that GVC provides opportunities to small firms in developing countries to transform their business into international operations. This may involve institutional change, government intervention, and informal sectors, which become typical character of emerging markets (Rottig, 2016).

This concept is different from the classical development economic theory, which argues that modern economic growth is associated with structural transformation from agriculture to non-agriculture pursuits (Kuznets, 1971). In Asia, the agriculture remains the largest employer, but experiences a decreasing share in economic contribution with the consequent increase in the combined shares of business and services (Briones and Felipe, 2013). On the other hand, global supply chain theory argues that international companies have been slicing up their supply chains in search of low-cost and capable suppliers offshore (Gereffi, 2013).

Inclusion in GVC relies on the business relationship between firms from various countries based on fairness principle. The inclusion components include subordinate relationship, engagement in a decision-making process, and access to information (Daya, 2014). With the aim of delivering maximum value to the end consumers toward the least possible total cost, this concept relies on the value-adding activities from acquiring raw

materials and subassemblies, the transformation of raw materials into finished goods, and transportation of the final products to customers (Ibrahim *et al.*, 2015).

The most commonly used theoretical approaches in the literature depend on GVC analysis and stakeholder analysis (Wahl and Bull, 2014). This includes narrow pecuniary gains as well as a broader philosophical understanding of justice and productivity (Gradin, 2016). As firms in a value chain range from MNCs to SMEs, and the institutional context and geographic scope of value chains may vary enormously, conventional wisdom of the value chain argues that risks would be reallocated and small firms in conventional vs MNC with high-value chains would face different risks (Ricketts *et al.*, 2014). The SMEs may gain benefits from participation in international trade fairs, which include selling, promotion, networking and information gathering (Measson and Campbell-Hunt, 2015).

The concept of inclusive development concerns the maintenance of social and environment services as well as promoting social justice, which involve the steering government at various level (Gupta *et al.*, 2015). The greater differentiation with lower transaction cost springs from enhanced participation in the processes of news creation, production and distribution (Serrano *et al.*, 2015). The IGVC fosters democratic negotiations about a value, which combines both formal and informal institutional settings in a country (Gradin, 2016).

As countries become fully aware of their essential elements in competitive advantage, the investment with aim of improving the quality and quantity of production factors has been increasing (Giroud and Mirza, 2015). Improving quality standard requires more than simply adopting and enforcing new rules. Long-term commitment and incentives become the essential element to fulfill the particular needs of specific countries and specific value chain (OECD, 2015). In addition, chains are not static and the business and personal relationships within them are dynamic, which imply a high risk on investing in relationships (Hastings *et al.*, 2016).

IGVC encourages SMEs to gain a benefit that springs from the global competitive advantage in certain areas. Despite the positive glow surrounding inclusive markets, the inclusive markets face challenging problem due to the potentially exploitative character of inclusion (Meagher, 2015). Outsourcing practices have been growing across developing countries, which may increase the numbers of vulnerable workers (Burges and Connell, 2015). The SMEs find more difficulty to gain high value-weight ratio products than larger companies with the higher usage of premium transport to control overall costs (Bhatnagar and Teo, 2009).

The leader firms continue to enhance their access to new markets and benefit from their first-mover advantages in terms of market creation (Yeung and Coe, 2014). The channel leaders play a pivotal role as the initiator and integrator of the green supply chain innovation (Jensen *et al.*, 2013). With a procurement strategy focused on the minimization of purchasing costs through multiple sourcing, the demand on each supplier will be lower (Creazza and Dallari, 2010). Market access to developed economies leads the international suppliers of intermediate or finished goods become subject to the high pressure that springs from larger orders, greater opportunities and better value (Yeung and Coe, 2014).

Under high market turbulence, smaller suppliers become vulnerable due to the lack of capabilities in price, quantity, quality and delivery system (UNIDO, 2004). In the upstream industry, the primary production-related risks include crop loss, rising input costs and elevated labor costs (Ricketts *et al.*, 2014). Burges and Connell (2015) illustrate the vulnerability of employees due to problematic working conditions, poor quality work and a lack of representation.

The initiative to promote producer loyalty is necessary. However, the producers tend to work with smallholders without enforceable contracts, which brings opportunity to

inclusive intermediaries (Zylberberg, 2013). Profit allocation is essential in achieving sustainability for all chains, such as the assembly facilities, which add the greatest value while generating profits in different chains (Seppälä *et al.*, 2014). Opening up GVCs to greater participation by SMEs requires policy changes that remove constraints (The World Bank Group, 2015).

The firms in emerging market may find difficulty to sustain competitiveness as the wages in their countries rise and market conditions change (UNIDO, 2004). They also face high uncertainty due to the global crisis, which changes the structure of supply chain and international labor division (Bénassy-Quéré *et al.*, 2009). The policy changes become more challenging in low-income developing countries in which the SMEs predominantly operate in the informal economy with low value added manufacture and are very fragile under environmental turbulence (Pratono, 2016).

2.2 Cross-culture collaboration

In IGVC, the fragmentation of production process in different countries was formed into cross-border production networks (Gereffi, 2013). This covers the integrated transformation from novel ideas into commercial outputs, while the traditional approach is related to product development, which refers to material transformation into finished goods and services (Hansen and Birkinshaw, 2007). In this context, all players in GVC need to consider cultural characteristics and should prompt auditors and regulators to apply greater scrutiny to the financial reports in cultures characterized (Paredes and Wheatley, 2017).

Apparently, diversity should be considered as an opportunity to be leveraged for competitiveness, instead of an obstacle to overcome (Goodman, 2013). However, it is essential to consider a risk of sharing innovation, which implies on underdeveloped innovation. Sharing a bad idea may affect on the partners becomes ridiculed, while sharing a good idea brings the possibility to be stolen. The high affective trust is essential between partners to freely exchange the new ideas (Blanding, 2012). Both quality communication and two-way communication allow the strategic collaboration that builds trust (Graca *et al.*, 2017).

At middle stages, the global network operations rely on the efficiency-oriented value creation in engineering value chain, which includes development, production, and delivery (Zhang and Gregory, 2011). The innovation process has shifted from a return on sales perspective to return on investment, thus transforming knowledge to co-create value (Randall *et al.*, 2014). In some cases, the network-type chain governance involves certification agency, which sets and enforces parameters and thus creates power symmetry between global buyers and local producers (Cruz and Boehe, 2008).

The later stage relies on the flexibility-oriented value creation mechanism, including service and support (Zhang and Gregory, 2011). During the economic transition, the business strategy in emerging markets relies on a unique resource that competitors cannot imitate (Thóme and Medeiros, 2016). At the early stage of economic reform, the firms depended on low cost for their survival, while the economic transition encouraged them to change the strategy from efficiency to innovation as the key driver for their success (Ding *et al.*, 2016).

External factors, creativity measurements, and collaboration motivators determine misalignment, which causes inefficiency in cross- and multi-disciplinary collaborations (Sik, 2016). It is essential to guarantee a positive relationship and both parties gain benefit through developing a regular and continuous communication. Achieving a proper level of integration would unquestionably favor both parties (Gauri and Rosendo-Rios, 2016).

This innovation-oriented value creation mechanism occurs in the early stage of engineering value chain from idea generation, idea development and diffusion of the developed idea (Zhang and Gregory, 2011). A new player concerning co-creating value face

stiff competitiveness as the supplier dominates the social relationship with the amount of content creation (Barber, 2008). The new entrants find it difficult to evoke liking and arousal from the targeted customers (Sung *et al.*, 2016).

2.3 Social mechanism for creative innovation and technology transfer

IGVC refers to a mechanism on how developing economies enhance productive capacity through transferring technology and promote open innovation. This process is associated with heightened demands on the technological capacity of suppliers and the contents of technology transfer (Techakanont and Terdudomtham, 2004). From the resource advantage perspective, innovation has been acknowledged as an endogenous factor, which springs from the evolutionary process of competition (Hunt, 2014).

Knowledge and technology transfer is quite challenging and effectively impossible for some firms to acquire, regardless of frequency or scale economies (Gereffi *et al.*, 2005). An innovation value chain often involves activities within several phases, including idea generation, conversion and diffusion (Hansen and Birkinshaw, 2007). The synchronization process involves suppliers sharing demand forecasts, inventory levels, sales and consumption information (Barber, 2008). Kano (2017) examined the social mechanism of the relational aspects of GVC, which involves selectivity, business inclusion, joint strategy, relational capital, multilateral feedback and distribution.

Technological diversity is an essential factor to speed up early knowledge flows and to support later-stage exploitation of knowledge (Schildt *et al.*, 2012). The reactive innovation in the form of creating a superior resource results in the innovating firm's new resources, which involves integrating insights from information processing and strategic choice (Alexiew *et al.*, 2015). Small firms in emerging markets may gain benefit from open innovation through generating jobs with reward philosophy (Pratono and Mahmood, 2015).

Technological area experience improves not only knowledge development within firms through experiential learning-by-doing but also knowledge transfer between firms by facilitating and improving partner selection, monitoring and communication (Macher and Boerner, 2012). An integrated collaboration network may not only encourage inventors to deepen their understanding of technological combinations already known to the firm but may also engender a negative attitude toward technological combinations not yet known to the firm (Carnabuci and Operti, 2013).

The stiff competition at the global level encourages the local suppliers to improve the technical and managerial skills, especially in the area of "product engineering" capability, through intensive efforts and learning inducements brought about by inter-firm relationships (Techakanont and Terdudomtham, 2004). The inter-organizational collaboration plays a pivotal role in intervening mechanism between managers' concerns about their organization's environment and firm innovativeness for achieving important organizational objectives (Alexiew *et al.*, 2015).

Value chain development frameworks craft interventions directed toward various constellations of a firm and non-firm actors as a "third way" between state-minimalist and state-coordinated approaches (Werner *et al.*, 2014). Foreign direct investment and technical licensing agreements become the major channels of international technology transfer (Wie, 2005). To reap the potential learning benefits, managers need to plan for substantial time in alliances. The evaluation of the success of an alliance should take these time horizons into consideration to avoid the premature termination of alliances (Schildt *et al.*, 2012).

The formal organizational design variables may not be sufficient to develop fully a firm's recombinant capabilities. Influencing inventors' networks of relationships or specializations requires a more incremental approach as well as longer time spans. Nevertheless, firms may derive significant performance gains from their recombinant capabilities (Carnabuci and Operti, 2013). The variance in individuals' expectations of the proposed service scenarios

across each service industry highlights the importance ever more for service providers in catering to customer expectations in order to maintain customer relationships – something which we believe is made all the more difficult virtually (separated) rather than face to face (Hartley and Green, 2017).

2.4 Previous case studies

In comparison to the previous case studies of Indonesian, GVC mainly focuses on agricultural products, such as cocoa bean (Panlibuton and Lusby, 2006), coffee (Neilson, 2008) and tobacco (Goger *et al.*, 2014). The cases studies support the claim that there is an opportunity to promote inclusive business in the upstream industry, which relies on natural resources. The inclusive business is essential to promote sustainable development that allows all parties in GVC to gain benefit from international trade.

The case study of cocoa demonstrates the pivotal role of trader and exporter community in the GVC. The observed community including horizontal linkages between cocoa traders in the industry provided a variety of technical and advocacy support services including: extension research and dissemination, model cocoa bean production pilots and quality management techniques (Panlibuton and Lusby, 2006).

The GVC case study on Arabica coffee showed an initiative to provide opportunities to the smallholder coffee system through introducing ethical and environmental standards (Neilson, 2008). Another study of GVC in tobacco industry indicated a pivotal role of small manufacturers in most Asia countries, while Indonesia experienced a monopoly market in which large companies gained benefit from the predominant trend in trade patterns. On the other hand, tobacco farmers' dependence on the type of tobacco grown indicated the lack of market power (Goger *et al.*, 2014).

In Indonesia industrial context, the automotive cluster experienced knowledge transfer from principles to subsidiaries and suppliers. The multinational enterprise became the primary agents of knowledge transfer into the subsidiaries in the cluster, which implied on an important agenda to advance the progress of current local industry (Irawati, 2012).

3. Research method

To understand how the cross-cultural collaboration between the developed market and emerging economies promotes an IGVC through the innovation and technology transfer, this study uses a qualitative approach with a case study of rattan industry. The case study was undertaken over two years (2015–2016) through a series of visits to both upstream industries in emerging economies (Indonesia and the Philippines) and downstream industries in developed countries (Germany, Italy and France).

The case-study approach allowed research to go beyond initial mainstream conceptions of global business (Rittenhofer, 2015) and to identify the complexity of GVC. The case-study method enabled the researcher to study why and how rattan industry players made an effort to carry out cross-culture collaboration to promote IGVC. Previous literatures on research supply chain also encouraged a case study approach that was close to the context and entailed active involvement of professionals into the research process (Halldórsson *et al.*, 2015).

3.1 Research participants

The research participants were divided into two groups, which were associated with upstream and downstream industry. The upstream industry in developing regions involved rattan farmers and raw rattan suppliers, while rattan manufactures and local designers were considered as a downstream industry from emerging economies.

Manufacturer. There were two organizations that focused on furniture manufacturers: AMKRI (Indonesian Furniture and Handicraft Association) and ASMINDO (Indonesia Furniture Association). In Surabaya, the researcher focused on four manufacturers who gained benefit from GVC. The researcher also enhanced the networks with other four manufacturers from Solo and Cirebon. They produced furnitures for their buyers in European, Japan and USA. In 2016, the two organizations were merged into HIMKI (Indonesia Furniture and Handicraft Group).

The designers. There were some designer communities from major cities in Indonesia, i.e. Surabaya, Solo and Cirebon. They introduced a series of rattan design and invited some international designers from Germany, Italy and the Philippines. This workshop was organized by PUPUK (the association for advancement of small business). The researcher also gained information from other professional communities, such as Product Designer Association (ADPI), Furniture Designer Association (HDMI) and Interior Designers Community (HDII).

Farmer communities. For the upstream industry, the study observed and interviewed three groups of rattan farmers. The first opportunity to meet them was at a company visit program. The three groups of farmers paid a visit to Surabaya and other cities. They came from Aceh, Kalimantan and Sulawesi under the similar organizations, namely LKRRL (Collaboration Organization for Environmental Friendly Rattan Products). Hence, the researcher was invited in the annual meeting of rattan community in Kalimantan and Sulawesi, where the researcher was invited to carry out field trip.

Weavers. There were several groups of weavers. They stayed near the manufacturers. The researcher was invited to some of their activities, including workshops, seminar and local exhibition. The group of weavers in Solo and Cirebon regularly conducted an annual festival, such as “Gerebek Penjalin” and “Galmantaro Festival.” The events provided opportunities to the researcher to observe their daily works.

Suppliers. During the annual meeting, the researcher also got to know the raw rattan suppliers. They organized the farmers to provide polished raw rattan products. They worked with a group of farmers to harvest rattan every year in their community forest in which the rattan needs trees to grow. The farmers did not only work for rattan but also woods and other NTFP. Hence, the researcher focused on four raw material suppliers. One of them was an international supplier, who lived and worked for some companies in Germany, France and Italy.

Sales agencies. To understand the market, the researcher attended some international exhibitions, including the IFEX (The Indonesia International Furniture Expo) in Jakarta and IMM (The International Interiors show) in Cologne Germany in 2016. The events provided opportunities to researchers to interview some international sales agencies, one from the Netherlands and one from Paris. Some international furniture agencies from Germany also provided valuable information during the workshop in Cologne, which was organized by PUPUK and the German Chambers of Commerce and Industry (Table I).

3.2 Data collection

There were two steps of data collection. The first step was aimed to develop a relationship with the research participants and build trust with research participants. This included voluntary works for organizing various activities, such as attending design workshops in Surabaya, volunteering in business gathering between farmers and manufacturers in Surabaya and attending the exhibition in IFEX Jakarta, volunteering the training activities for weavers and manufactures. The immersing in observed activities allowed the researchers to the need for flexibility with respect to interviewing as the research progressed (Wimpenny and Gass, 2000) to understand the behaviors of the observed respondents in dealing with their challenging issue (Rogelberg, 2004).

Industry trade	Research participants	The geographic areas
Upstream industry	Three groups of rattan farmers	Kalimantan, Indonesia Sulawesi, Indonesia Aceh, Indonesia
	Four raw material suppliers	Surabaya, Indonesia Sulawesi, Indonesia
	Eight manufacturers	Cirebon, Indonesia Surabaya, Indonesia Solo, Indonesia
	Two groups of weavers	Surabaya, Indonesia Solo, Indonesia
Downstream industry	Six groups of local designers	Cebu, the Philippines Surabaya, Indonesia Jakarta, Indonesia Bandung, Indonesia Solo, Indonesia Cirebon, Indonesia
	Three international designers	Milan, Italy Köln, Germany Manila, the Philippines
	Three sales agencies	Amsterdam, the Netherlands Köln, Germany Paris, France

Table I.
Research participants

The second step of analysis was data preparation. This research used the strategies of observing and interviewing with open-ended questions. To encourage participants to share their experiences and elaborate the phenomena from their point of view, the interviewee was flexible and carefully adapted to the context and problem at hand with non-judgmental questions. This approach allowed researchers to encourage unanticipated statements and stories to emerge (Zhang and Guttormsen, 2016).

This phase focused on identifying fragments of data in order to explore some possible theoretical directions. This phase attempted to understand what is happening in the setting, where the people live, and in lines of the recorded data. At the observed value chain, the researcher identified some key players, including rattan farmer groups, weaver groups, raw material suppliers, manufacturers and designers.

The data were collected from interviews and observation in the form of research notes. Each interview had a unique approach as the participants' ability to share their experiences varied. In order to yield a rich and balanced information of the observed value chain, the survey involved triangulation between observation, document review and interview. This approach also served as a cross-validation method (Miles and Gilbert, 2005).

3.3 Data analysis

The analysis was conducted in two steps. The first step focused on grouping the data into distinctive meaning units. This was parts of the data that provided sufficient information with a piece of meaning (Miles and Gilbert, 2005). Based on the previous literatures and the first reading of the data, the researcher identified some broad headings for organizing the observed phenomenon into different processes or phases. Hence, the researcher identified some redundancies and got rid of them without change the meanings contained in them.

The next step was coding the meaning units that researcher categorized within each of the domains into which they were organized. This interactive process of dialogue with the data took priority over the data but understanding was inevitably facilitated by previous

understanding (Eliot and Timulak, 2015). Specifically, the coding analysis on cross-cultural collaboration involved the social mechanism in GVC theory, which consisted of partner selection, highlighting intermediaries in the network, engaging partnership strategy, generating social capital, ensuring multilateral feedback and setting rules for fair trade and equitable distribution (Kano, 2017).

4. The industrial context

Rattan is the palm family that lives from sea level up to 3,000 m and can be found in the rain forest. There are around 600 rattan species and 13 genera of rattan are known (WWF Global, 2010). Unlike bamboo, which grows almost like a tree, rattan is a creeping plant that closely resembles the stem of a rose. It grows from the forest floor, using the trees to climb upward, and is typically harvested by the rattan farmers when it is years old.

The British and the Dutch were the early traders of rattan. They generally imported rattan as finished furniture from Singapore, Malaysia or Indonesia. Rattan product also is quite popular for garden furniture in developed countries, which provides ample opportunities for producers in developing countries (Centre for the Promotion of Imports, 2014). In the UK, the artisanal brand was established with aim of promoting the traditions of British craftsmanship (Foyle, 2015).

In Southeast Asia, the rattan weavers had steadfastly held onto their heritage. For example, in Penang, Malaysia and Singapore, rattan products can be found in heritage shop houses, while handmade rattan products are associated with jobs for some senior citizens. They spend most of their day at the shop, but no longer work full time (Penang Global Tourism, 2016). In Indonesia, rattan becomes a center of major environmental initiatives with aim of combating global warming, overcoming soil erosion, protecting natural forests and enhancing access to water reservoir (IDRC, 2005). As the rattan harvest allows the trees remain left standing, the raw material is classified as an NTFP and is exempted from forestry product tariffs and restrictions (Kamiya *et al.*, 2003). The forest protection is essential to enable rattan to grow so that it becomes a source of forest sustainability (ASEAN Up, 2014).

Indonesia is major raw rattan supplier for 80 percent of the world market, which over 90 percent come from natural forest (Silitonga, 2010). As the largest rattan producers, Indonesia yielded between 250,000 and 400,000 tons in 2000s, with most of them from Sulawesi, Sumatra and Kalimantan (Hinrich Foundation, 2016). They are expected to produce 622,000 tons of raw rattan products per annum (BAPPEBTI, 2014). The farmer workers are found near the forest in Kalimantan, Sulawesi and Aceh, while rattan in Papua has not yet been exploited. The Philippines is the second largest rattan exporter after Indonesia. Cebu is the center for the Philippines rattan furniture design and manufactures. In this country, rattan was popular in 1970s and became mixed media for furniture in 1990s, while in 2000s, the markets preferred plastic, marquetry or veneers for outdoor furniture (Cobonpue, 2015).

The GVC provided opportunities to the rattan farmers, especially between 1980s and 1990s. It was difficult for local firms to meet the international buyers directly, but GVC provided ample opportunity to sell the NTFP to the local middlemen. The farmer used to rely on deep natural forest at the beginning and then started to plan rattan at the community forest to meet the growing demand from developed countries. In 1987, the Indonesia government stopped exporting raw rattan product to foster the local rattan industry gain more benefits. However, the raw material became an object of massive exploitation for exporters who simply took advantage of short-term profits regardless of the sustainability aspect.

Following the Asia financial crisis in 1998, local currency depreciation led the price of rattan products to become more competitive. This implied on increasing demand from

global market, which triggered more unsustainable practices, including over exploitation, wasteful utilization and consequent depletion of the stock. This excessive exploitation put Indonesian forest into a critical condition.

In 2008, the global financial crisis brought about deep recession in the industry and the international demand shranked to the lowest point. Some manufactures were closed, while the workers became unemployed. The complete ban on exports of rattan was instituted in 2011 as the Indonesia Ministry of Commerce issued a policy to prohibit the export of raw rattan. The ban was intended to support forest conservation and sustainably to revive the rattan industry in Indonesia.

The ban on exports of rattan seemed to be a blunt instrument. Prior to the policy, the Indonesia furniture industry comprised more than 1,129 exporters with an annual value of more than \$370m. In 2011, the rattan furniture exporters were less than 280 firms with export value less than \$99m. During the export ban policy, around 40 percent of raw rattan materials were smuggled (Myers, 2015). Following the ban policy, the local companies struggled to meet the buyers' expectation. Some international companies expanded by acquisition or established their factories in Cirebon, Indonesia, as some varieties of rattan previously exported were not even used by Indonesian manufacturers (Marks, 2015).

The natural factors such as terrain and accessibility were the main determinants of the harvest quantity, while forestry laws through the designated forest zone system did not significantly affect levels of harvesting (Widayati, 2010). The overall Indonesia forest product including rattan only contributes to 5.5 percent of national revenue, while over 400,000 households rely on the forest industry (Switch Asia, 2014). NTFP extraction is expected to become a mean to balance forest conservation (Table II).

5. The GVC models

This study proposes the classification of cross-cultural collaboration according to their business relationship. Figure 1 provides three typologies of cross-cultural collaboration in rattan GVC: e-market driven GVC, buyer-driven GVC and producer-driven GVC frameworks. Each typology demonstrates various level of cross-cultural collaboration with some different challenges to promote innovation and technology transfer to support the IGVC.

The players	The contribution	Products	Prices
1. Rattan farmers	Harvesting raw rattan from wild forest Processed raw rattan	Raw material per kilogram	\$0.2
2. Raw rattan suppliers	Bringing raw rattan from farmers, selecting the best rattan, and selling to the manufactures	Raw material per kilogram	\$1.5
3. Weavers	Outsourcing the products from manufacturers and designers	A piece of chair	\$30
4. Manufacturers	Supplying rattan products to lead firms (international sales agency)	A piece of chair	\$55
5. Local designers	Controlling quality of the products from outsourcing Selling product with customized design for local buyers, e.g. café, hotel, or household in developing countries	A piece of chair	\$80
6. Sales agency	Outsourcing the mock-up product from manufacturers Selling mass products with brand new design and competitive price	A piece of chair	\$400
7. International designers	Selling products with customized design for world-class buyers, e.g. hotel, café, office, or mansion	A piece of chair	\$1,000

Table II.
Summary of interview on global value chain

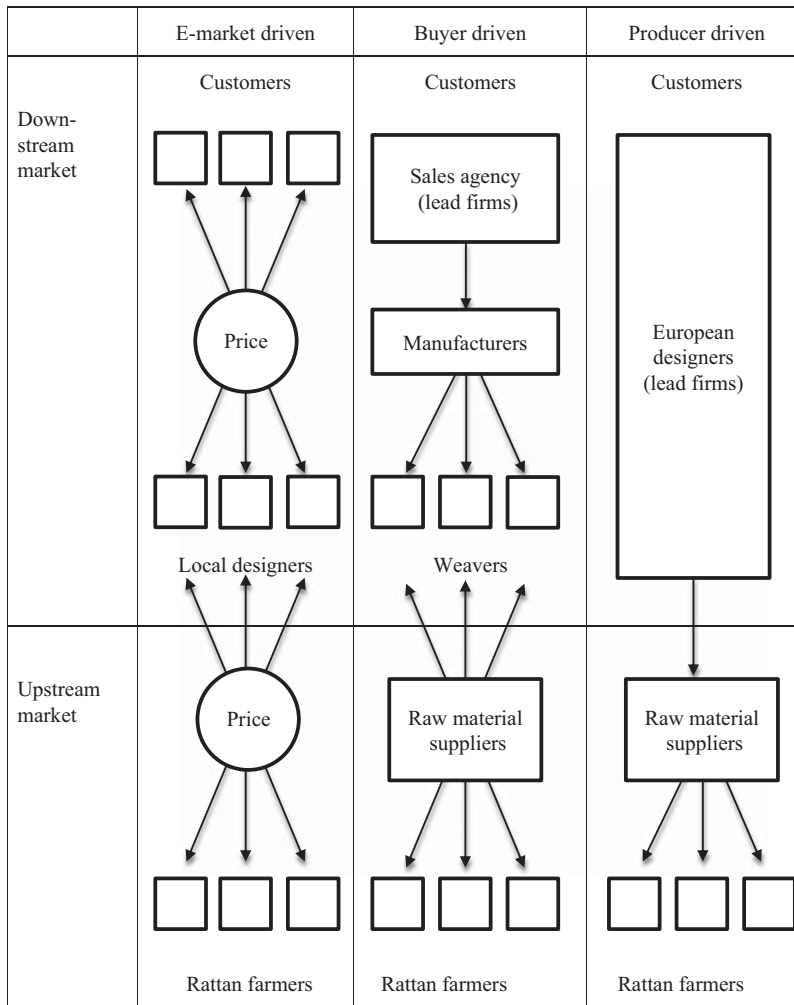


Figure 1.
The proposed
typologies of
rattan GVC

5.1 Buyer-driven GVC

The buyer-driven GVC model involves some large multinational corporations that dominate the market with mass productions. The developing economies have enormous skills that need to be tapped by leading multinational corporations such by incorporating them into the global supply chains. The product is marketed under the brands that belong to the leading corporations, which shape the distribution of profit and risk. Leading firms play a pivotal role as sales agents and provide market access to end customers in developed countries. The sales agencies exert the most power with mass production and strong corporate brands. The leading firms final-product manufactures control the power.

There are many players engaged in global supply chains but they rely on industrial outsourcing systems. The small rattan manufactures from emerging countries supply certain semi-finished products to larger manufacture finished product for large retailers in developed countries, i.e. Europe, US and Japan. In some cases, the leading firms provide

opportunities to partners in emerging economies through conducting a design competition. To gain market power, their strategy is focused on price competitiveness.

Staying closely with customers allows them to build a strong relationship and easily to understand the market preference. This enables them to develop design innovation, which has a strong relationship with the market. On the other hand, the manufactures relies on cost efficiency. Along with business scale and the lack of capability to manage risks, small manufactures focus to find buyers rather than to access resources that farmers offer. Hence, the owner-managers prefer to deal with middlemen to cope the risk of uncertain natural resource supplies. To deal with uncertainty demand, the firms choose to outsource the production process to weavers or small workshops.

The failure possibility of cross-cultural collaboration happens with buyer-driven manufactures, which depends on return on sales perspective as well as return on investment. Such firms would not survive unless they have transforming knowledge to co-create value (Randall *et al.*, 2014) as external environment determines misalignment, which causes inefficiency in cross- and multi-disciplinary collaborations (Sik, 2016).

5.2 *Producer-driven GVC*

In production-driven chain, design and capital play an essential role. The producer-driven GVC indicates the role of design companies in developed countries. This industry includes artistic or nice products with a high value and gets involved at various level of GVC. Their core business is related to craft made of effort and need, a refined art masterly melting function and beauty. The family businesses' footsteps focused on superior quality, through research on natural materials, masterpiece design, innovation, and solutions.

The leading firms in developed countries build a strong relationship with farmers in emerging economies. The efforts are related to explore some unidentified varieties to produce a unique new product. In some cases, the firms pay visit to the farmers to know about rattan. However, after the Indonesia Government banned the export, there is no more opportunity to gain competitive advantages from such a relationship. They focus on other materials, which are similar to rattan.

The managerial mindset needed in GVC efforts should focus on fair trade to promote the biodiversity conservation and food security improvement. To gain support from the broader stakeholders, it is essential to promote transparency that allows the managers in the downstream industry and end customers to reward the sub-contracted workers and farmers in informal business. In order to avoid the failure of cross-culture collaboration, the managerial mindset should focus on developing a regular and continuous communication.

5.3 *Technology-driven GVC*

The e-market driven GVC model is characterized with many players, including small business, small designers, and small farmers from emerging economies as well as buyers from developed countries. The product is marketed under the brands of local designer through e-commerce. The information technology has replaced the role of middlemen and helped the local designers to enhance their business networks. In some cases, the international exhibitions involve partnership between designers from emerging and designers from developed countries.

This model points out that e-commerce provides opportunities to new entrant and new clusters in GVC. The opportunities come from the information technology to young designers in emerging economies to form partnership with international partners, including manufactures, distributors, and designers from developed countries. This new clusters is also associated with the new typology of GVC, which reduces the role of intermediaries.

Innovation occurs when groups of young designers from emerging countries are in bloom and co-innovate with various players such as weavers, rattan farmers, and senior

designers in developed countries. This co-innovation involves negotiation across the various boundaries and focuses on sharing information to others about the advantage of the co-innovation approach. However, there is a potential risk of conflict when someone tries to dominate and the benefit is not distributed equally.

IT revolution has made innovation and technology transfer much easier to co-ordinate complex activities at a distance. For example, the German firms are no longer the only beneficiaries of German technological advances. They can exploit improved German technology by combining it with collaboration between Germany and Asian designers.

5.4 *The framework evaluation*

To examine the proposed typologies, this study used the criteria for evaluating a classification problem (Hunt, 2014). The first criteria focused on categorization, which highlights the level of competition. The product-driven GVC represents a very unique design that was produced by a world-class design firm. The unique design allows the leading firm to set a price (price maker).

The buyer-driven GVC shows the oligopoly competition, in which some multinational corporations focus on mass production, which is sensitive to the market turbulence. The IT-driven GVC type demonstrates how IT provides opportunities to many young designers to promote their own brand. They also have the opportunity to get access of farmer community with unique raw material. This generates more competitive industry with many players.

Regarding the second criteria, this study indicated at least three characteristics for each typology. The first one is market leaders that shows who leads the innovation and technology transfer. The second criterion is related to the type of production, which is mass production or customized production, followed by market structure.

The third criterion is that the classification follows the mutual exclusive principle. Each phenomenon is classified on the basis of the category of innovation and technology transfer. The buyer-driven GVC demonstrates the role of sale agents in hiring professional design in order to respond to the demand of their customers. Along with the outsourcing model, they transfer the innovation to the manufacturers and weavers in developing countries. The IT-driven GVC depends on design community, which allows them to share creative innovation. In some cases, they also hire weavers and manufacturers for customized products. The detail criteria can be found in the following sub sections.

The fourth criteria is collective exhaustive. This criterion indicates only the events that can occur (Venkataraman and Pinto, 2017). Traditionally, there were two main drivers: supply or demand. This study indicates that new information technology provides opportunity to new driver, which is a young designer.

This study argues that the typologies meet the fifth criteria, which is useful to set up a specific policy for each typology. To deal with buyer-driven GVC, the initiative to ban the export of raw material is not relevant to overcome the poor bargaining position of the rattan farmers. The policy should promote fair trade by imposing tax for the buyer-driven GVC. This approach is also relevant for production-driven GVC.

6. Discussion

This GVC explains how the cross-cultural collaboration between the developed market and emerging economies promotes an IGVC through the innovation and technology transfer.

6.1 *Creative innovation*

The economic crisis seemed to be the best time for cultural collaboration in innovation and transfer technology. Global economic crisis provided opportunity to enhance cross-culture

collaboration. During the crisis, sales agencies and manufacturers took “wait and see” strategic posture, while the weavers stopped their production. In this uncertain time, they welcomed all partnership opportunities, such as product development from new designers.

The partnership and capacity building training activities avoided the industry to suffer from losing skilled workers. This occurred with design venture, which also gained competitive advantage from e-commerce. The manufactures, which survived from the economic transition, were those that had capability to foster efficiency and extend to innovation.

If there was a sign of economic recovery, the rattan industry found difficult to get young skilled workers. as there was no one left with weaving skill due to bad experience from the previous generation. In the upstream industry, the farmers might have converted their forest into other source of income, such as palm oil plantation. This confirms the previous studies that the economic transition allows firms to transform from efficiency to innovation as the key driver for their success (Ding *et al.*, 2016).

This study highlights that the partnership between leading companies and local designers to develop creative innovation. During the cooperation to convert ideas into goods or services for their customers, the interests of each player were aligned. For example, the manufacturers were more interested on sales performance, while the designers often created more on artwork. Hence, transforming the innovation to sales performance became challenging.

The industrial substitution policy is encouraged to focus on seizing opportunities when the global rattan manufacture industry was overcapacity. Capacity building for farmers should not focus on the manufacturer. Profit does not any longer come from manufacturer that focuses on production process, but the service related to products, such as design of furniture as well as software development for e-marketing, which helps them find buyers. Those are the jobs developed nations should be chasing (Table III).

6.2 Social mechanism

This study indicates a social mechanism of cross-cultural collaboration of social mechanism. It begins with the selection process for a pilot project. The farmers need to go through a never-ended capacity building process to gain benefit from their participation in the networks. The smallholder farmers become a center of the capacity building program for some reasons. First, the farmers do not only represent a significant portion of the poverty but also their potential role in sustainable products and forest conservation. Second, involving rattan farmers in GVC means encouraging them to maintain the forest because the farmers cannot grow rattan without forest. Rattan needs trees for it to wrap on to reach for sunlight.

Second, enlisting intermediary players aims at facilitating cross-collaboration between farmers in the upstream industry and designers in the downstream industry. Third, joint strategizing focuses on introducing incentive-based strategies, i.e. subsidies for rattan farmers for NTFP, and aligns interests by creating open innovation. Fourth, generating relational capital: Establishing trading rules that allow buyers in developed economies to come together about how these environmental property rights will be used. Five, the multilateral feedback facilitates capacity building by holding partners accountable to meet international standards. Last, the mechanism of equitable value distribution involves opening access to strategic resources and knowledge to promote environment friendly innovation. The mechanism also includes social support from customers and downstream industry in developed countries to promote fair trades.

The initiative to protect the smallholder farmers from GVC breaks the commitment to sustainable development. The policy that focused on protecting the resources was associated with the development economic theory (Dang and Pheng, 2015). The theory argues that poor countries need to transform their economic structure from agricultural sector to industrial sector as main source for economic growth. A ban on exporting raw

The key players	Social mechanism	Risk and limitation
NGO from both developed and developing countries	Selects key players at GVC and introducing a pilot project	The project activities were limited by a time frame
The government in developing countries	Joint strategizing to promote business inclusion and green products in the global market	Asymmetric information lead to dysfunctional value distribution
	Provides various training and technology transfer to increase market value for rattan farmers	There were some abandoned machines due to a poor assessment
	Provides support to manufactures for exhibition in order to increase opportunities for export	Some elite players have a monopoly on joining the exhibition
Rattan farmers in developing countries	Plants rattan varieties at the natural forest to gain market value instead of logging	Some communities preferred to convert their forest to palm oil plantation for economic reason
	Cuts out the role of middlemen by join visit to the manufactures in Java	Difficult to work on two areas, i.e. planting and finding new buyers
Raw rattan suppliers from developing countries	Expands their business from trading to manufacturing activities	Difficult to find skillful workers at upstream chain
Rattan weavers	Introduces various species of natural rattan material to the designers and manufactures	Uncertain market implies on high risk of exploration
	Transfers the skill to the young generation	Difficult to meet the manufactures' standard
Manufacturers in developing countries	Adapts creative innovation and technology from sales agency or global manufacturers to a mass production	Struggles to meet high standard with low-cost production
	Adapts innovation and technology from the designers to customized products	High risk to invest new technology and innovation
Local furniture designers	Gains knowledge from senior designers in developed countries to meet the global market	Difficult to deal with market and technology turbulence
Sales agency in developed countries	Hires both world class and local designers to meet various demands from global market	Difficult to deal with market uncertainty due to the global financial crisis
	Outsources new design products to manufacturers in developing countries for mass production	Vulnerable on operation efficiency at the expense of innovation
Furniture designers from developed countries	Works with the machine industry to provide a novel technology, such as furniture without nail and glue	On the crossroad between art-based innovation and market orientation

Table III.
Cross-collaboration
and technology
transfer in the GVC

rattan materials did not ensure that the local economy gained benefit from abundant resources. The ban on natural raw material encouraged manufacturers found another substitution material, such as plastic.

Moreover, shifting workers from farms to factories did not make smallholder farmers become more productive. The case showed that the industrialization failed to achieve the economies of scale needed to make them internationally competitive. This finding gains support from previous study that farmers and small business face difficulty to gain benefit from GVC (Table IV).

6.3 GVC governance

This study highlights the pivotal role of partnership of various players in different regional and national economies for a greater share of value creation. It calls for international governance to organize the GVC with various interests. The observed rattan products majority was assembled in GVC in which products were designed in developed countries (e.g. Germany, Italy), but the raw materials come from the forest area in Indonesia (e.g. Kalimantan, Sulawesi and Aceh), assembled in other places (e.g. Cirebon, Surabaya,

Social mechanism	Capacity building and technology transfer process	Economic benefit
1. Selectivity	A pilot project requires selective players with a strong intention to promote non-timber forest product at both upstream and downstream industry	Provides the best example and encourages conformity that produces tangible economic benefit
2. Enlisting intermediaries	Facilitating business inclusion to forest community and small business Facilitating cross-collaboration between farmers at upstream industry and designers at downstream industry	Reduces transaction costs, which enable investment into a new capacity development Reduces knowledge-exchange cost, which allows open innovation practices
3. Joint strategizing	Introducing incentive-based strategies, i.e. subsidies for non-timber forest product Aligns interests by creating open innovation Promoting voluntary action to engage in forest conservation in the absence of any formal and legal obligation Informal community pressure on furniture industry to use non-timber forest products	Develops conformity to gain social support from global market Forest community reaps private benefits from planting the forest and keeping the forest conservation in developing countries Provides knowledge transfer from developed to developing countries by designers exchange
4. Generating relational capital	Establishing trading rules that allows buyers in developed economies to come together about how these environmental property rights will be used When performance and technology standard become blurred at the early days of using non-timber forest product, the communities are encouraged to explore the local value, where appeals were made on the basis of civic virtue	Dealing with risk from uncertain market, which ensures that the environmental assets put to its best use Gives economic incentive to the forest people so they protect and manage their forest to maximize the market value Generating appeals of social and environmental values
5. Multilateral feedback	Facilitates capacity building by holding partners accountable to meet international standards Along with GVC, tough-minded policymakers are naturally drawn toward environmental policies that have more teeth	Communicates sustainable performance and quality expectation to meet the sustainable product standard Help a nature conservancy by making the value of non-timber forest products is greater than its value of illegal logging
6. Equitable value distribution	Enhances environment friendly innovation by opening access to strategic resources and knowledge Provides social support from customers and downstream industry in developed countries to promote a fair trade system	Negotiation costs, together with the cost of policing the agreement could be expected to be fairly modest Deal with uncertainty cost when not all people are equally responsible from an ethical standpoint

Table IV.
Social mechanism of the capacity building properties by the cross-collaboration GVC

Solo and Cebu), and distributed to some European countries. The inclusive GVC in rattan industry is expected to become a means to balance forest conservation for rattan products.

As buyer-driven model occurs in a market with marketing agency as a leading corporation, the leading corporations are encouraged to apply the strategy across the supply chain. To promote business inclusion, the leading corporations in developed countries are encouraged to consider responsibility objectives as part of their overall corporate strategy. For government in developed countries, the downstream industry should be encouraged to emphasize any ethical expectations, alongside any commercial ones. For consumers in developed countries, the policy should promote ethical criteria, which should be a part of every buying decision. It would be great if the consumers have a social relationship with rattan farmers. This will make them feel empathy that allows promoting fair trade for forest community.

If the fair trade in GVC occurs, the government in developing countries does not necessarily convert their economy from forestry sector to a near industrial one. This may be relevant for the producer-driven model that demonstrates how the rattan products are assembled within the bounds of one factory, which provides equal value for all players. This type of industry contributed a small part to the GVC and relied on specific market with customized products. The fundamental advantage of the GVC system is that no single company has control. It is necessary to resolve problems of disclosure and accountability between individuals and institutions whose interests are not necessarily aligned. All players are encouraged to make ethical considerations part of every decision.

The third type of GVC demonstrates how new design ventures had been emerging in developing countries. The process involves cross-culture collaboration that occurs in horizontal inter industry as well as vertical inter industry. This process calls for support from the local government in developing countries. Due to political commitment, the local governments still focus on the manufacturers with the policy that small-medium enterprises are associated with small manufacturers. Hence, the government in developing countries should focus on promoting local designers with local branding.

6.4 Implication for research and practices

Drawing the analysis and conclusion based on case study, it is essential to consider some limitation. The observed case study is part of ongoing program. There were some activities that worked well, such as creative innovation and technology transfer from multinational corporations in Italy, Germany, and France to small businesses in Indonesia and the Philippines. Generally, the initiative to promote local brand seemed to worked less well for the various actors from being part of the GVC. However, the creative innovation and technology transfer from multinational corporations to rattan farmers in Kalimantan and Sulawesi continued to struggle over capability issues. It needs to be taken into account that this study was undertaken between 2015 and 2017. There was initiative to transfer the industry to another country with lower labor cost than the observed industry. For the next decade, the story seems to be different.

We need deeper insight to understand the environment turbulence that changes the rattan industry contribution in the GVC. Moreover, the future research is encouraged to explore the question on what mechanism of IGVC underlies the dynamic technological environment. Other study may shed light on the amount of time it takes for different types of IGVC in different industries to meet the targeted measurable outcomes. Policy study on GVC needs to be carried out to support the international development agency that establishes a project with aim at supporting an IGVC.

6.5 Limitations of research and future directions

This study relies on qualitative method to understand the phenomenon. The observed value chain focused on business networks from Southeast Asia to European countries. Acknowledging the limitations posed by our research design, we argue that information technology is essential but not sufficient to promote cross-culture collaboration. Accordingly, future research works are encouraged to explore the context in which the co-innovation and cross-culture collaboration occur. That would be a worthwhile intention to investigate other external factors in cross-cultural collaboration projects for deepening our understanding of co-innovation in collaborative R&D projects.

Future studies need to respond some major research questions, such as what the antecedents and consequences of the IGVC are or how multinational corporations deal with multiple objectives, e.g. promoting IGVC, achieve global competition and maximize their profit. Another unaddressed question is whether small businesses in the IGVC receive support from the government or public institution fare as well as those that gain support.

7. Conclusion

This study identifies that cross-cultural collaboration between the developed and emerging economies promotes an IGVC through creative innovation and technology transfer. The initiatives to deal with the deforestation in upstream industry relied on generating the business inclusion for forest communities, especially for smallholders who own most of the forest in developing countries. Drawing on global rattan industry, this study extends the discussion on cross-cultural collaboration in GVCs of rattan products that involved creative innovation and technology transfer through a social mechanism that promotes inclusiveness GVC. The three typologies of cross-cultural collaboration provide various opportunities on how the cross-cultural collaboration between the developed market and emerging economies promotes an IGVC through the innovation and technology transfer. This can help the local communities save forest in developing countries.

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Corresponding author

Aluisius Hery Pratono can be contacted at: hpratono@yahoo.com

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