Ghanaian Craft Exporters in the Global Market: Binding and Missing Links

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Abstract

The paper explored the benefits that accrue to Ghanaian craft exporters from subcontracting ties and the regulatory mechanisms (or the lack of them) that bind (or undermine) their integration into the global market. The benefits that accrue to the exporters for participating in the informal subcontracting arrangement include access to finance, buyer contact services, product development and quality control services. Power to enforce trade terms, effective monitoring, sanctions and trust are critical in enabling informal subcontracting arrangements to work effectively. The strong positions of buyers and export agents in the craft value chain enable them to apply sanctions to extract compliance from the exporters whereas the weak position of the export vendors implies the lack of sanctioning authority over the rogue artisan subcontractors. The government's promotion programmes could be tailored to help develop the capacities of the artisans to design new products, as well as re-orient them to imbibe the work ethics that would enable them to succeed in the export market. State power can be used to formulate craft industry specific patenting laws that address design copying.

Keywords; Ghana; Export; Network; Craft.

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Introduction

African artisans face enormous capacity and microeconomic difficulties integrating effectively into the export market, yet they are left to fend for themselves, and in doing so, rely on informal trade networks to overcome informational and other capacity constraints within the context of weak state support (Brautigam, 1997; Pederson and McCormick, 1999). Social networks constitute social capital to many small enterprises (Meagher, 2005), because embedded in these social networks are resources such as credit, cheap labour, training and market information, which can accrue to them (Nadvi and Schmitz, 1994). The social networks in Africa are noted to have failed to achieve their full competitive potential because they are either in their early stage of development (see review in Meagher, 2005, 2010), or the social networks that are formed are parochial and redistributive in nature and only good for survival activities (Fafchamps, 1996; Barr, 1999), or small businesses on the continent lack the ability to form effective networks that span ethnic cleavages (Brautigam, 2003; Fukuyama, 1995; Nadvi and Schmitz, 1994).

It is argued that the inability of small African businesses to build ties that bind across social cleavages limits their engagement with other groups in the global economy (Brautigam, 2003). This observation sits well with the structural hole versus network closure theory, which posits that social capital is created by networks in which entrepreneurs can broker relationships straddling disconnected actors (Burt, 2001). The divide between segmented social groups who possess unique resources and ideas is the structural hole and according to Burt, the ability to broker across this divide is the source of value addition and competitive advantage. He draws attention to network closure as crucial to realizing the value buried in structural holes. With network closure, social capital is derived from a dense network of entrepreneurs, in which cooperative behaviour and trust is built through information sharing and sanctions. While network closure has significant regulatory strength, it lacks innovative ideas. This led Burt (2001) to posit that linkage across structural holes is the source of value added, but critical to realisation of the value buried in structural holes is network closure. It stands to reason, and as demonstrated by the literature on transnational production networks, that entrepreneurs that operate beyond their immediate environment and integrate into transnational production networks tend to be successful (Humphrey and Schmitz, 2001; 2002). Some existing studies have drawn attention to the global reach of some ethnic and religious-based (i.e., ascriptive ties) African trade networks (See review in Meagher, 2010, p.21); however, there appears to be little research on the effectiveness of non-ascriptive ties that small scale African enterprises establish with their global trading partners. This paper demonstrates that the ability of small enterprises to develop ties with industry actors (locally and globally) offers opportunities for financial and new non-financial resources. However, success in this endeavour is conditioned on creating mechanisms for enforcing cooperative behaviour. The Ghanaian handicraft sector is used as a case for this study. The craft producers who otherwise were producing for the indigenous market have succeeded in producing for American and European buyers through informal subcontracting arrangements (World Bank, 2001; Pageau, 2004; Wolff, 2004; Ljunggren, 2007). The industry is a labour intensive one with backward linkages to a number of villages and therefore has the potential for employment generation if coordination dysfunctions are resolved (World Bank, 2001). The study explored benefits that accrue to the Ghanaian craft exporters from subcontracting ties and the regulatory mechanisms (or the lack of them) that bind (or undermine) network coordination.

Informal Trade Networks and Social Capital

The concept of embeddedness (Granovetter, 1985) emphasizes the regulatory and organizational function of social networks in facilitating access to resources. Weak ties, which are based on trade interactions between strangers, do offer new sources of information and innovative ideas, but in such networks is the challenge of achieving cooperative behaviour among trading partners. The regulation of network actors or network closure is effective in a dense network of “strong-ties”. Networks based on weak-ties offer new sources of resources to network participants, but closure is required to realising these benefits. The thrust of this section is that informal networks can enable transnational trade to take place, but there is the need for network closure based on earned and competence trust instead of identity trust for effective participation in global trade. In the absence of these forms of trust, the state can promote them among network participants. Effective networks that deliver benefits have closure while the ineffective ones are riddled with mistrust and advantage taking (See table 1 for the framework that summarises the discussion in this section)

Network Content

Informal network as used in this paper refers to informal organisational arrangements based on social ties (Meagher, 2005) and the resources that accrue to individuals by virtue of their being members of the network is social capital (Bourdieu and Wacquant, 1992). Social networks are viewed as important channels for providing effective and cheaper bases for economic development outside the framework of the state and also perform regulatory and organizational roles in the areas of reducing opportunism through sanctions to ensure credibility in trade transactions (Hart, 2006; Sindzinger, 2006; Meagher, 2010). They also enable access to rich sources of information and resources (Hoang and Antoncic, 2002, Barr, 1998; Mead, 1984; Granovetter, 1995). The economic resources individual network members can mobilise include finance, cheap labour, information on market trends, and equipment (Nadvi and Schmitz 1994; Barr 1998). Oftentimes reference is made to the relationship between the type of social network and the quality of resources that can accrue to members. Generally, identity-based social networks may have a strong regulatory advantage, but the richness of the resources embedded in them may only be good for survival as opposed to non-ascriptive networks, which allow new resources and information to accrue to network members (Granovetter, 1983; Mead, 1984; Barr, 1998).

Self-regulation of Informal networks

Informal trade networks rely on self-enforcing mechanisms to ensure their proper functioning. The notion of embeddedness highlights the use of identity-based mechanisms and communal sanction as a means of creating trust and enforcing cooperative commercial behaviour. Group dynamics and reputation are critical to the regulation of network of exchange. The members of a social group police themselves to ensure compliance with the group's norms of behaviour (North, 1990). Members belonging to informal trading associations often share the common view that they are "in it together" (Mead, 1984:1101) and though social norms are unconsciously designed, "it is in everyone's interest to keep them" (North, 1990:41). Aberrations of the norms of behaviour by a member negatively affect the reputation and cohesion of the group and therefore errant individuals are either sanctioned through ostracism or suffer loss of future trading relationship. This may induce acceptable commercial behaviour (Nadvi and Schmitz, 1994; Bigsten et al. 1998). This is akin to the concept of network closure where individuals with the same social identity effectively police themselves to achieve cooperative business behaviour (Burt, 2001).

There is rich empirical evidence that supports the role of network closure in regulating informal associational networks. Greif (1993; 2006) observed that Maghribi traders of North Africa were able to deal with overseas agents through a "coalition" network that enabled the traders to overcome commitment problems. A reputation mechanism governed trade relations such that traders conditioned future trade engagement on past conduct. Agents who cheated were ostracised until they compensated the injured. This observation is consistent with the network closure perspective which is founded on the belief that relations of dense networks backed by sanctions are important preconditions for the creation of social capital (Burt, 2001). Besides group reputation mechanisms, trust also remains an important element for regulating trade networks. Trust, which is defined as the expectation that trading partners will behave in a mutually acceptable manner and avoid exploiting each other's vulnerabilities, encourages individuals to transact business (Sako, 1997). Trust can either be ascribed or earned. Ascribed or identity-based trust emerges from inter-personal embeddedness of trading parties who share a common social identity (Granovetter, 1985) and the "trustworthiness of an individual is defined by membership of a group who the agent considers trustworthy…" (Humphrey and Schmitz, 1998:38). Earned trust is formed through the direct experience of repetitive interactions between trading partners (Zucker, 1986; Humphrey and Schmitz, 1998; Schmitz, 1999). In this instance, the trading partners commit themselves to the transactions by consciously investing in the relationship for their mutual good. Importantly, earned trust enables anonymous partners to engage in trade even though they may not share a common socio-cultural identity (Schmitz, 1999; Zucker, 1986).

As trade activities transcend transnational boundaries, social networks that are regulated through identity reputation mechanisms become ineffective because of difficulties over information gathering and enforcement of contracts (North, 1991). Studies on small enterprise clusters in Brazil and Pakistan have shown that as commercial transactions between small enterprises and foreigners began to assume a dominant role, they could no longer rely on ascribed ties in the conduct of their business (Humphrey and Schmitz 1998; Nadvi 1999 and Schmitz 1999). Instead, they had to invest in new ties (i.e., earned trust) to enable them gain access to new resources to enhance their competitiveness. Earned or non-ascriptive trust provides a good basis for commercial activities, but there are barriers to its formation. Meagher (2010) has noted that factors such as wealth, gender, education and competence affect the extent to which non-ascriptive trust can be built (Meagher, 2010). Meagher (ibid.) observed in the informal shoe and garment clusters in Aba, Nigeria that producers were developing business ties based on considerations such as quality, reliability and price rather than communal solidarity. She concluded that earned trust is not always a source of strength to the less-endowed informal producers who may lack the resources to build it. This view is consistent with what Sako (1997) refers to as competence trust, which is about whether or not parties to a transaction are capable of doing what they say they will do. Levy et al. (1999) observed in a study of Jeparan carved furniture in Indonesia that foreign buyers were more willing to establish business ties with firms with a proven record of success in the export market than with new entrants. In a study conducted in Ghana, Kenya and Zimbabwe, Biggs et al. (1994) observed that the interaction between indigenous African firms and foreign buyers was generally weak. Fafchamps (2004) attributed this situation to an uncertain business environment characterised by breaches of contracts, information asymmetries, and the weak capacity of African firms to meet quality requirements. As a result, the advantages of skill transfer technical know-how and market information that could be derived from establishing non-ascriptive ties with international buyers are lost (Fafchamps, 1996; Pedersen and McCormick, 1999).

The embeddedness approach provides an important framework for analysing the regulatory and resource benefits of social networks outside the framework of the state. In particular, it highlights the advantage of closure that is derived from ascriptive social ties through effective member monitoring and sanctions, though it may not be the source of new ideas and resources. Entrepreneurs seeking to expand their activities across national boundaries may have the benefit of brokerage opportunities (i.e., bridging "structural holes" may engender access to innovative ideas and new resources) but network closure is required for this to happen (Burt, 2001). African enterprises appear to face enormous challenges forming trade networks based on earned and competence trust (Biggs et al. 1994; Fafchamps, 1996; Pedersen and McCormick, 1999, Fukuyama, 1995). Small firms have challenges forming social ties across national boundaries and in Africa their problem is compounded by state neglect. Meagher (2005) captures the situation as follows:

> Far from providing strategic institutional support for the development of economically productive networks, as was done in Italy and East Asia, African states...have not only left African social networks to "fend for themselves", but have off-loaded onto them many of their own economic obligations...(p231)

According to Meagher (ibid.), the state can shape networks of firms by supporting them instead of neglecting them. The growing consensus in the literature supports external initiatives for building a trust-based network of exchange for small enterprises (Humphrey and Schmitz, 1998; Altenburg and Meyer-Stamer, 1999; Schmitz, 1999). However, there is controversy surrounding the nature of the state's role in fostering trust building among small firms and the type of services that should be provided. Humphrey and Schmitz (ibid.) suggest a catalyst role for the state. In this regard, the state engages a network facilitator to initiate the process of network building. The network facilitator has to create awareness of the advantages of trust building and the need to eschew short-term advantage taking among individualistic network actors (Altenburg and Meyer-Stamer, 1999). The broker encourages stakeholder's dialogue to identify sector-specific issues in the network and offer the necessary help to address them. Promotion services are therefore provided to meet network-specific needs that face under-investments from individual enterprises but are critical to the competitiveness of the sector-wide network.

TABLE 1: CONCEPTUAL FRAMEWORK; CONTENT AND REGULATION OF NETWORK

	EFFECTIVE NETWORK OF EXCHANGE	INEFFECTIVE NETWORK OF EXCHANGE
CONTENT	• Information sharing on products (i.e., quality standards and specification) and market intelligence) • Transfer of skills and know-how of production processes • Access to inputs and finance • Quality Control • Order sharing by pooling production capacity together	• Lack of qualitative flow of information and technical know-how. • Negative externalities leading to underinvestment • Survival motives
REGULATORY MECHANISM	• Reputation mechanism to encourage good conduct • Information symmetry about commercial behaviour of partners • Effective policing to ensure compliance with contract terms • Availability of trust: Ascribed Earned Competence	• Information asymmetries. • Commitment failures and breaches of contracts • Lack of competence trust • Mistrust and disregard for business reputation • Weak enforcement of contractual obligations. • Opportunism and advantage taking
STATE'S ROLE	• Support existing small enterprise networks to upgrade process and products to increase competitiveness	• Activist state that promote network creation and linkages • Broker to facilitate inter-firm cooperation • Dialogue to identify network failures • Creation of awareness about the long-term advantages of cooperative behaviour • Services tailored to address network failures

The expensive nature of the trust-building initiative means that governments cannot continue to finance such programmes in perpetuity. It follows that to achieve success, the initiative must be targeted at entrepreneurs with demonstrable commitment to inter-firm collaboration (Altenburg and Meyer-Stamer, 1999). The likelihood of success is high if the members of the network have a history of collaboration (Humphrey and Schmitz (1998). Table 1 summarises the content and regulatory dimension of effective and ineffective trade networks.

Methodology

The data for this paper were gathered using in-depth interviews with 43 respondents in Accra and Kumasi (Boampong, 2010). This was made up of 27 craft exporters, 6 export agents, 4 artisan subcontractors from Foase Atwima and Ahiwaa and 6 key informants from state and non-state organisations who were purposively selected. The names and contacts of the exporters and agents were obtained from a list provided by Aid to Artisans Ghana (ATAG) and the Handicraft Desk of Ghana Export Promotion Council (GEPC). The exporters and the agents in turn helped the researcher to identify the subcontractors in the two villages. The 27 craft exporters were made up of 15 vendors, 4 "boutique" exporters and 8 producers of high volume, middle-ranked quality products. The owners of these enterprises are Ghanaians and the ownership structure of their enterprises can either be described as "husband-and-wife" types of business or sole proprietorships. Most of these enterprises interviewed were established in the 1990s, a time which incidentally coincided with the entry of American buyers into the Ghanaian market. The purposively selected key informants were officials of private and government institutions who possessed extensive knowledge of the industry and had many years of experience in promoting the industry. They included an official of a private bank which specialises in the financing of handicraft export, two handicraft desk officers of Ghana Export Promotion Council (GEPC), the CEO of Aid To Artisans Ghana (ATAG), an official of the Ministry of Trade and Industry in charge of craft export promotion and the quality control officer of Associated Merchandise Corporation group of buyers, USA. The study also relied on empirical research of Action for Enterprise (2004).

Ghanaian Craft in the Global Market

Craft production in Ghana has made a transition from use and trade in the house and at the community levels to producing for international buyers (Ljunggren, 2007). The integration of the sector into the global market was spear-headed by international buyers from the USA and Europe. The Ghana Export Promotion Council (GEPC) initially played an active role in linking the craft exporters to giant American buyers such as Pier I and AMC group of buyers in 1992. The craft products that are traded with these buyers include baskets, traditional musical instruments, wooden masks and figures, stools, furniture and home accessories, beads and jewelleries, ceramic wares and textiles. The craft products can be categorised into simple decorative pieces and middle-ranked utilitarian home accessories, often referred to as functional products.

Craft Production Chain

There are different actors who are connected in the craft production chain and perform different functions to ensure that the products reach the shop floors of the international retail stores in the USA and Europe in good condition. These actors include the artisan subcontractors, exporters, export agents and buyers (see table 2 for the description of these actors). The craft exporters are entrepreneurs who are motivated by profit to take business risks. They take export orders from buyers, ensure that the orders are executed and take responsibility for the final product. They include export vendors, "boutique" exporters, and the producers of large volume decorative products. The USA, Holland, Italy, Germany and Japan are the main sources of market for Ghanaian crafts. The US with its large "Afro-centric" market provides the major market for Ghanaian craft products. The buyers can be segmented into "big box" and small global buyers. The big global buyers include Pier 1 import, Marmaxx, TJ Max, Marshalls, Home Goods, Target Corporation, and Cost-Plus World Market.

Table 2: Actors in the Craft Production Chain

Chain Actors	Description
Artisan subcontractors	• Craftspeople who possess the artisanal skills to execute orders on piece rate basis • Some operate in groups in the villages and peri-urban areas while others operate as independent contractors in the premises of exporters
Export Vendors /Traders	• Liaise between the export agents and artisan subcontractors • Take design samples and present them at local trade exhibitions • Subcontract part or whole of secured orders to artisan subcontractors • Hold home-based workshops where drying, finishing and packaging are undertaken
"Boutique" Exporters	• Specialise in small–volume-high quality functional products, although they also produce simple decorative products in small quantities • Target the less price-sensitive markets (domestic and international niche buyers) • Interaction with buyers is highly personal and informal • Production done in-house to control quality
Producers of High Volume products	• Produce large quantities of simple decorative pieces although they also produce functional products in small quantities • Have the space and facilities to produce high volumes in- house • Carry out whole of the production of products with complex quality characteristics in-house • Able to undertake international buyer linkages and coordination of products for export • Have active and personal interaction with buyers • Carry out production in-house to control quality
Export Agents	• Are local representatives of international buyers and intermediaries between exporters and buyers • Organise local trade exhibitions for exporters and buyers to meet • Consolidate export orders for shipment • Provide financial intermediation services • Provide product quality management services
Buyers	• Niche international buyers who seek high-end functional products and provide hands-on support to their suppliers • The "big box" global buyers who are less altruistic towards their suppliers. Both price and quality takers • The high end domestic buyers who are mainly expatriate workers and Ghanaian returnees from the West with tastes and preferences similar to the western market.

These giant buyers place large orders for simple decorative figurines. The small buyers are mostly Europeans (Germany, Netherlands, Italy and UK) who place orders for the middle-ranked quality products. They include Mysha, Arts Works for Africa, Made-In –Africa Collection, Beldeco, Stiching Sarana, De Boet, United Worlds Arts and Lieberomondo. Traders from Ghana's neighbouring countries and tourists patronise craft products from street-side shops and designated craft shops such as the Arts Centre in Accra. There is an emerging domestic market occupied by expatriate workers and Ghanaian returnees from the West and hoteliers who patronise high quality hand-made home products, which has tastes and preferences similar to the international market.

Subcontracting Networks of Ghanaian Craft Exporters: Content and Regulation

This section discusses the trade ties among the actors in the Ghanaian craft production chain, the contents of these ties and the issue of network closure as important for ensuring that resources embedded in trade ties accrue to the craft exporters. The section also highlights the challenges to the effective regulation of trade relationships among the trading partners along the chain.

Trade Exhibition and Buyer Contact Development

It was evident that the majority of exporters were unable to participate directly in international trade fairs for lack of financial resource. The few exporters who could participate in international *retail* fairs in Europe did so because they could sell their wares to defray their travelling expenses. A handful of the medium-sized and the boutique exporters were able to participate in the more lucrative *buyers'* international fairs, which is regarded as effective for attracting lucrative buyers. The ability of these few exporters to attend international buyers' exhibitions in Europe was a testament to their capacity to meet the requirements of the buyers. A rare example is Fritete African Art Works with many years of experience in the sector and good production capacity which had repeatedly participated in ten lucrative international fairs in Europe between 1987 and 2007. In situations where the government of Ghana had facilitated participation in international fairs for the exporters, the process was fraught with underhand official dealings. An exporter had this to say in this regard:

> …recently at Mamponteng District Assembly, there was a guy who is not even a resident of the district, there was an exhibition in Switzerland, they requested this district to bring one representative from the craft business. What happened was that this guy came around; got some samples and they bought ticket for him. In fact he never returned.

The vast majority of the exporters, particularly the vendors, who were unable to participate in international fairs, were not excluded from participating in the global craft trade. The export agents have created a local exhibition platform that brings the exporters and the international buyers together. The export agents invite buyers to visit Ghana to meet about 50 to 100 exporters. The exporters take product samples from artisans and present them at the fairs. The orders from the buyers are consolidated by the export agents who assume responsibility for packaging and shipping. This platform affords the buyers the opportunity do one-stop-shopping of a wide assortment of products in large volumes. But for this arrangement, individual exporters would have had difficulties designing products to meet the idiosyncratic needs and volumes of the buyers. Thus economies of scope and scale are achieved through this platform. Again, this platform offers brokerage advantage to the buyers and the exporters as indicated by Burt (2001) because the bridging function that is played by the export agents connects the Ghanaian exporters who possess local production knowledge to the international buyers who control the market.

Ties between Exporters and Export Agents/Buyers

The difficulty, according to the World Bank (2001) that had bedevilled Ghanaian exporters is their inability to assemble relevant market information to aid the development of new products that have a broader appeal in the Western market. One way of achieving this is through product development collaboration between buyers and exporters (Nadvi and Schmitz, 1994). The big box US buyers, who are design takers, rarely do engage in collaborative relationships with the craft exporters in the area of hands-on product development support. An informant had this to say to buttress this point:

> They [big international buyers] are not here to help you to develop your products. They can tell you I am interested in stools or ... drums so let have a lot of variety of drums or a lot of variety of stools. But they are not here to have time for you to develop your products.

Kofi, a master artisan from Foase craft village pointed to the paucity of information on market trends and indicated that he therefore had to rely on his imagination and intuition to create product samples for exporters. In the end, his product samples did not get selected because the buyers complained that they already had such designs in stock and were looking for new ones. He believed that the exporters could help bridge this information gap by communicating with the buyers to know their peculiar needs. Yet the exporters complained about the situation where the export agents prevent direct relationship with the buyers. The agents occupy powerful positions along the craft value chain. They have built special relationships with the international buyers and closely guard this relationship and frustrate direct interaction between the exporters and the “big-box” international buyers during in-country trade exhibitions.

Unlike the big box buyers, the small or niche international buyers have developed close relationships with the boutique and some medium-sized exporters. These exporters benefit from the transfer of know-how and hands-on product development support from the small European buyers. Such exporters possess some level of competence required to meet product specifications of the buyers. This forms a good basis for collaboration in product development. The buyers, through their consultants, work with them to develop new products and adapt product samples to the tastes and preferences of the buyers. An exporter succinctly characterised this relationship as follows:

> ...the small buyers tend to have a more personal relationship ... The small buyers can travel all the way to my shop in Kumasi; they know my family. I have a whole room dedicated to one of my buyers. The relationship is more informal..., they come with their agents to Kumasi to visit and spend 2-3 days with us, we do product development, they come with their concepts and I make my input, they leave a list of things they want me to design and then they go. So it is like on-site product development and adaptation. The producer benefits because eventually you get to know exactly what the buyer needs...they feed us with information about what has happened to our products....

This exemplifies the development of earned trust between trading partners who do not share common socio-cultural ties and goes to buttress the point that productive collaborative relationships across national boundaries are possible when there is the build-up of earned trust among trading partners (North, 1991). This observation is consistent with findings of other studies in Brazil and Pakistan, where local firms operating in industrial clusters invested in productive collaborative relationships with foreign buyers to enhance their competitive positions (Humphrey and Schmitz, 1998; Nadvi, 1999; Schmitz, 1999).

Some of the exporters are professional designers who could frequently come up with new product designs to feed the industry, given the right incentives. But these designers were hesitant to do so because of the problem of excessive copying of designs by competitors.

Robert Ashong is a professional designer who was willing to come up with new designs to feed the industry only if the other exporters were ready to pay a fee for their services, but contract as an institutional tool to provide the incentive to encourage individuals to invest effort in design was absent. Ashong further attributed the problem to non-existence of patenting laws or the lack of proper enforcement where they exist. He says: "people just copy the designs and send them through emails to companies in China, produce them and sell them at about a quarter of the price. So in our industry nobody is enforcing anything; so people are copying left, right and centre".

Also embedded in the ties between the exporters and the export agents were training and quality control services that were rendered to the artisan subcontractors and the export vendors by the export agents. They were trained in basic quality management practices and during production the agents visit the workshops of the subcontractors to ensure that they comply with buyers' specifications and delivery timelines. The buyers, through their local export agents, provided some quality control services to the exporters, but they did not hesitate to apply punitive sanctions if the exporters failed to meet quality specifications and delivery timelines. The exporters faced "charge-backs" for delivery of sub-standard products. The failure to meet delivery timelines also attracted a penalty of 10 percent of order value. The sanctions that were applied by the buyers for non-compliance with quality standards had a positive regulatory effect since there was a general sense of zero-tolerance for delays and the shipment of sub-standard products among the exporters. This reinforces the position of the embeddedness approach that sanction remains an important element for achieving cooperative network behaviour (Granovetter, 1985).

Ties between Artisan Subcontractors and Exporters

The subcontractors offer their artisanal skills to the exporters and receive in turn trade services and inputs such as finance and raw materials from the exporters to execute orders. The exporters advance credits to the artisan subcontractors to finance production. This relationship is, however, under threat due to dishonesty. There were complaints of exporters diverting orders to other artisan subcontractors than those who designed them. Similarly, there were accusations of artisan subcontractors diverting resources to execute orders of exporters other than those who procured the resources for them, absconding with advance credit, and sometimes contravening agreed terms. The artisan subcontractors yield to short-term advantage taking by cutting corners to survive present circumstances. This runs counter to the notion of the abundance of trust that is often touted to aid economic transactions in less developed markets (Ensminger, 2000). Besides, factors such as the literacy of the artisans, unstructured production schedules, cultural barriers and the lack of appreciation of the seasonal nature of the export market affect the competiveness of the Industry. Most of the artisan subcontractors lacked formal education and had little understanding of time and action as well as production scheduling. The work ethics of the artisan producers did not reflect the sense of urgency that was required by international buyers. The incidence of artisans stopping work halfway through production to perform farming activities, or to attend a funeral or other social functions was widespread. These obstructed the flow of production activities and caused unnecessary delays. As observed earlier, the exporters were penalised for the supply of low quality goods and late delivery, which meant they had to expend additional effort and resources to monitor their subcontractors in the craft villages to ensure timely delivery of quality products. Other exporters have adopted in-house production strategy as a response to the risky production environment and the opportunistic tendencies of the contracted artisans. Coase (1937) had predicted that as firms face an uncertain and risky environment, they tend to produce in-house in order to minimize transaction cost. The quote from an interviewee reinforces this position:

> ...the artisans being on site helps to ensure that they produce according to specification of the sample. The problem has to do with supervision. Sometimes when they produce from the villages, they get drunk and sleep instead of executing the orders and give a lot of excuses such as I am sick, I attended a funeral etc. But when you have them on-site you are able to have some control.

The success of subcontracting relations as a form of organising industrial activities is preconditioned on a high degree of trust and commitment between the trading partners (Dore, 1983). Generally, this cannot be said to be the case between the artisan subcontractors and the exporters. There is a general lack of trust (earned and competence) in the subcontractors to conform to product specifications and delivery timelines. The problem is compounded by the lack of exclusive relationship between the subcontractors and the exporters which could afford the exporters some level of control over the subcontractors. The subcontractors can easily switch client exporters, depending on who offers them the highest bid. However, establishing an exclusive subcontracting relationship in which the subcontractor agrees to work with the exporter can only succeed if they can be assured of consistent flow of export orders (Levy, et al. 1999).

Informal Access to Formal Private Credit

The financial arrangement among the National Association of Handicraft Exporters (NAHE), export agents and a private bank, since 1997, had enabled the exporters to secure loans to execute export orders without tangible collateral once certain conditions are met. The exporter must be a registered member of NAHE, must be in good standing and must have secured export orders and been validated by the export agent representing the buyer in Ghana. The practice is that the names of exporters who have secured orders are put together by the export agents and forwarded to the bank to facilitate the acquisition of credit not exceeding GH₵ 10,000 (i.e., US$2,500). The loan facilities are processed under the group names of NAHE and the export agents, the individual exporters are, however, solely liable for repayment. NAHE and the export agents monitor the exporters to ensure that monies borrowed are used to execute export orders and the rogue ones blacklisted to safeguard the reputation of the industry. The exporters in this arrangement feel that they are “in it together” and therefore encourage their colleagues to deliver according buyers’ specifications and quality standards to protect the reputation of the industry. The use of group reputation mechanism to ensure compliance with buyers’ requirements and to consequently ensure repayment of loans is similar to the peer monitoring mechanism as it pertains to group lending in the microfinance literature (Stiglitz, 1990; Morduch, 1999; Ghatak, 2000). This financing model for the craft industry, however, differs from the conventional group microcredit lending in the sense that the exporters are not jointly liable in the event of default by a member.

Many of the exporters who had the ambition to invest in production infrastructure and equipment in order to meet new and challenging buyer demands were concerned about their inability to raise investment capital from the banks for lack of tangible collateral. In 2005, when Tekura secured export of about 13,000 pieces of craft products from Target, the US retail giant, the firm had the initial difficulty of raising the funds to make the necessary investment to upgrade its processes in order to meet Target’s product specifications. The bank would not grant the huge loan request by Tekura without a solid guarantee. The firm lacked collateral, so it had to team up with another exporter, Fritete African Art Works, to form a joint venture called Premium Export to enable it to obtain Exim Guarantee to secure credit from local banks to improve its production processes.

Power relations and Network Regulation

There are different power relations beneath the craft production chain with implications for chain regulation. The positions of the actors along the value chain are important for enforcing trade terms. Buyers and their in-country export agents possess market knowledge and this has advantageously positioned them to exercise control over the exporters. They are able to use punitive sanctioning measures to ensure that the exporters comply with quality requirements. In the hierarchy of power relations, the international buyers are on top, followed by the export agents. The artisan subcontractors at the bottom of the chain wielded more power than the export vendors. They had strong bargaining power along the chain, which is attributed to their possession of unique artisanal skills. The “broken chain” between the export vendors and the artisan subcontractors makes it difficult for the former to control the latter, with implications for enforcement of contract obligations. An export agent describes the hierarchical power relations as follow:

> …the relationship is like master-servant relationship. If you talk too much the buyer would say I am not coming [back to buy again], so we…in fact what the [agent] has actually tried to do is to dance to the tune of the buyer... There is this chain. You look at the buyer at the top, then come [the agents] and the export vendors; ... But from the exporters to the artisans the chain is broken…the artisans have more power than the export vendors…so you have the export vendors in there with less power even though they come next after [the agent]…

The lack of geographic closeness makes it difficult for the exporters to monitor the subcontractors and enforce contracts terms, but there is more to this. As indicated earlier, the artisan subcontractors are very often not in captive trade relationships, making sanctions such as the loss of future contracts ineffective. Again, there is no common platform of information sharing, for instance, at the industry level about rogue artisan subcontractors, which would enable the exporters to avoid making any contractual commitments to dishonest subcontractors in the future.

The informal financial arrangements between the exporters and the bank seem to work well because of the bank's ability to reduce information asymmetries and minimize the risks of default by using the platforms of the agents and the trade association for screening, monitoring and enforcement. In these instances, the *position* of the buyers, the export agents and the association is an important enforcing element to the cohesion of the system. Effective enforcement (*power to enforce*, *monitoring, and sanctions*) is critical in enabling informal subcontracting arrangements to work effectively. The weak position of the exporter vendors in the value chain implied the lack of sanctioning authority over the artisan subcontractors.

Conclusion: Binding and Missing links in the Ghanaian Craft Export Chain

The study explored the regulatory mechanisms of subcontracting networks of Ghanaian craft exporters and the extent to which the actors participating in the networks gain access to resources. Binding and missing links in this paper are metaphorically used to represent successful and ineffective networks respectively. Successful networks are underpinned by effective enforcement mechanisms and trust, whereas ineffective networks are fluid and characterized by opportunism and weak enforcement of trade terms. The study was informed by the embeddedness approach which suggests that there are benefits to be derived by individuals participating in social networks, but the extent to which this is possible depends on effective enforcement of terms and sanctions that ensures cooperative commercial behaviour (Granovetter, 1985). The benefits that accrue to the Ghanaian craft exporters for participating in the informal subcontracting arrangement include access to finance, buyer contact services, product development and quality control services. The access to formal credit from a private bank is made possible through an informal reputation mechanism constructed under the instrumentality of the association of handicraft exporters and export agents. This arrangement reduces information asymmetries that often characterize the administration of formal private credit to informal businesses.

The exhibition model that has emerged in the industry is another important binding link. It provides a common platform for numerous craft exporters and export agents to meet international buyers. It affords international buyers the opportunity to meet exporters and select a variety of products in the quantities they require. The exporters benefit from skills and know-how of the artisan subcontractors who constantly churn out Ghanaian handicraft products. Sharing of market information and product development rarely takes place between the “big box” US retailers and the export vendors. The boutique and medium-sized exporters with demonstrable competence, however, enjoy hands-on product development support from the niche European buyers. This informal trade relationship has been constructed based on the experience of doing business (i.e., earned trust). These business ties remain an illusion to many of the less endowed export vendors. Professional designers who could help churn out competitive product designs were unwilling to do so due to excessive design copying. Patenting of handicraft designs and bilateral contracting to induce investment of effort and time into product designs were absent in the industry.

The power relationships among the actors in the chain are important for the regulation or closure of the chain. The more powerful actors such as the “big box” international buyers and their local representatives apply stringent enforcement measures to achieve compliance with product quality and delivery timelines. The same cannot be said of the export vendors who are in a weaker position relative to the artisan subcontractors. The vendors have weak sanctioning authority over the subcontractors and as a result have difficulties extracting cooperative behaviour from them. The paper suggests the need for an external agent, particularly the state, to help address the specific network regulatory failures pertaining to the craft export industry in a promotive fashion. Product development, training and re-orientation of artisans and exporters, participation in buyer contacts forums and patenting laws are the areas of concern that could be looked at. The Government of Ghana (GOG) through a facilitator can design programmes to create awareness about the long-term advantages of cooperative behaviour among the actors along the craft production chain. Promotion programmes could also be tailored to help develop the capacities of the artisans to design new products, as well as re-orient them to imbibe the work ethics that would enable them to succeed in the export market. Finally, GOG through its state power should formulate craft industry specific patenting laws to deal with excessive design copying.

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