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Interorganizational Relationships and Structural Changes in Traditional Craft Production Areas: A Case Study of Oshima-Tsumugi in Kagoshima, Japan

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Abstract

The aim of this study is to analyze the interorganizational relationships that manufacturers in traditional craft production areas, which are in the declining phase of their life cycle but still survive, have established, and to clarify the decisions made by manufacturers in traditional craft production areas to survive. This study examined the Oshima-Tsumugi textile production area in Kagoshima, Japan. The results of the case analysis revealed that the decision-making process for establishing interorganizational relationships among textile manufacturers is implicitly influenced by wholesalers' intentions. Textile manufacturers seek to survive by developing distribution channels outside wholesalers and by consolidating managerial resources through vertical integration among textile manufacturers. A new finding of this study is that, in the late decline phase, competing textile manufacturers aimed to develop horizontal cooperative relationships.

Keywords: Traditional craft industry, Interorganizational relationships, Declining industry, Structural changes

1 Introduction

Many traditional craft production areas in Japan are in the declining phase of their product life cycle, facing challenges to their sustainability as industries owing to market shrinkage and a decrease in the number of workers in the production areas. Some traditional craft production areas have survived by being listed as cultural properties. However, there are also production areas that continue to exist in local industries despite being in decline. The Oshima-Tsumugi textile production area in Kagoshima, which is the subject of this study, is one such production area that continues to exist as a local industry. Oshima-Tsumugi is a natural woven silk fabric used for kimonos and is a traditional Japanese craft made using traditional methods.

Manufacturers in traditional craft production areas that have survived have likely made repeated efforts to enhance their management resources and respond to external environmental uncertainties to continue their businesses. However, small-scale manufacturers in traditional craft production areas tend to have limited management resources. Therefore, managing interorganizational relationships, such as transactions and partnerships, to make organizational activities more efficient and effective is an important decision-making process.

The aim of this study is to analyze the interorganizational relationships of manufacturers in traditional craft production areas that are in the declining phase of their life cycle but have managed to survive, and to clarify the decision-making process they have made to ensure their

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survival. Specific objectives include analyzing how the structure of traditional craft production regions has changed, based on interviews conducted in the Oshima-Tsumugi textile production area in Kagoshima.

The remainder of this paper is organized as follows. Section 2 reviews previous studies. Section 3 presents the case study and its analysis results. Section 4 discusses the findings of the case study. Section 5 concludes the paper by highlighting its significance and limitations.

2 Literature Review

Research on the relationships among organizations has been the focus of research since the 1970s. In the craft sector, which is the subject of this study, Piore and Sabele are well known for their discussion of flexible specialization [1]. Flexible specialization refers to a network of companies that can realize a mechanism of high-mix, low-volume production that can respond diversely, flexibly, and quickly to market trends. In the production of high-quality apparel, luxury goods, and craft products, consumer needs are diversifying and the environment is changing rapidly. When responding to diverse product lines and small-batch production, or pursuing market-oriented innovation, companies with network structures characterized by decentralization, flexibility, and horizontal connections are considered to have an advantage.

In this section, I first provide an overview of the main theories of interorganizational relationships. Next, I review previous studies of interorganizational relationships and the structure of traditional craft production areas.

2.1 Major Theories of Interorganizational Relationships

This section provides an overview of the resource dependence and transaction cost perspectives, which are the major theories of interorganizational relationships. Pfeffer and Salancik developed the resource-dependence perspective [2]. It systematically explains why interorganizational relationships are necessary for organizations and how to manage them. This perspective posits that organizations must obtain the management resources necessary for their survival from their environment, particularly from other organizations, and form interorganizational relationships as channels for exchanging resources and accessing dependencies.

The fundamental concept of the resource dependence perspective is that organizations must acquire the scarce resources necessary for survival from external organizations and, therefore, must inevitably establish interorganizational relationships. This also means that if an organization becomes overly dependent on a specific organization, it will be subject to the power of the latter. Consequently, organizations seek to minimize their dependence on other organizations and to gain power over other organizations that depend on them. That is, the resource dependence perspective suggests that interorganizational relationships are formed based on the need for resource exchange for organizational survival, but that management of these relationships is critical for controlling organizational power [3].

The transaction cost perspective views the formation of interorganizational relationships from the perspective of transaction costs. Williamson modeled the two major mechanisms of economic transactions—markets and large corporate organizations—as the framework for the this perspective [4]. The basic idea of the transaction cost perspective is continuing interorganizational relationships such as alliances, partnerships, corporate groups, and economic and efficient mechanisms. From the transaction cost perspective, when continuous transactions are necessary and

contracts are incomplete in terms of information or conditions, firms are expected to build ongoing cooperative relationships and resolve or adjust issues retrospectively [3].

2.2 Previous Research on Inter-firm Relationships

This study provides an overview of the research on the impact of inter-firm relationships on organizational activities, categorized into the following areas: keiretsu, supplier systems, alliances, and industrial clusters.

Keiretsu refers to an inter-firm relationship that has developed, particularly in Japan. Lincoln and Gerlach studied the characteristics of Japanese keiretsu as networks and their changes over time [5]. Keiretsu consists of multiple firms centered around a dominant firm that engages in long-term, continuous transactions, forming fixed channels for the exchange of products, services, funds, and information/knowledge. Firms within a keiretsu become subordinate to the dominant firm and are subject to control during decision making.

A supplier system is a system of continuous cooperative and transactional relationships with suppliers, whose mechanisms are considered sources of competitive advantage. Uzzi examined the ratio of short-term transactional relationships (arm length) to continuous transactional relationships (embedded ties) with subcontractors in the apparel industry, revealing that companies with a balanced ratio of both are more likely to survive. He also found that too few and too many continuous relationships increase the probability of bankruptcy [6] [7].

Companies form cooperative and alliance relationships with other companies to expand their businesses flexibly using the management resources of other companies and external parties. The process through which such alliances are formed is significantly influenced by the flow of information and resources between the allied companies [8].

In industrial clusters where regional and venture companies are concentrated, networks that develop among regional managers and engineers play a central role in technological innovation, production, and sales activities [9].

2.3 Previous Research on the Structure of Traditional Craft Production Areas

Okuyama systematically analyzed structural changes in textile, apparel, and regional industries in decline [10]. As manufacturers and artisans went out of business [10], textile manufacturers in these regions have vertically integrated to establish direct channels with distribution companies.

Additionally, the Oshima-Tsumugi textile production area has been a subject of study in the fields of economics and business administration. Kanahara conducted research focusing on the production and distribution of Oshima-Tsumugi textiles during its growth and maturity phases in its life cycle [11]. Furthermore, studies have systematically organized research on the economics of Oshima-Tsumugi and the structure and dynamics of the Oshima-Tsumugi textile production area from both economic and managerial perspectives [12]. The surveys conducted in Ueno and Tachikawa in early 2000 are the latest studies on the production and distribution structure of Oshima-Tsumugi textile industry [13]. To the best of my knowledge, since the late 2000s, there have been no economic or business administration studies focusing on the Oshima-Tsumugi textile production area.

In the field of economics, when analyzing small-scale industries such as the Oshima-Tsumugi textile industry, the primary focus of research is on the structure and dynamics of the industry's rise and prosperity, with little research conducted on the decline phase or beyond. Additionally,

in management case studies, the primary interest is what can be learned from successful corporate cases, resulting in limited research accumulation on the decline phase or beyond.

3 Case Study

This study examined the Oshima-Tsumugi textile production area in Kagoshima. The Oshima-Tsumugi textile production area is one of the few traditional craft textile categories that can sustain itself as an independent industry. There are 38 items listed in the traditional craft textile category. Oshima-Tsumugi ranks second in terms of production value, following Nishijin-ori, with an estimated market size of approximately JPY 2 billion. Considering that the market size of other textiles is only a few million yen to a few hundred million yen, the Oshima-Tsumugi textile production area can be considered to be surviving as an industry, despite being in a declining phase. Therefore, it was selected as the subject of this study.

This section provides an overview of the Oshima-Tsumugi textile production area, which is the focus of this study. Subsequently, I describe the survey methods and targets used to construct the case study. I then clarify the interorganizational relationships and structural characteristics of the Oshima-Tsumugi textile industry based on interviews and analyze the changes in the interorganizational relationships and structure of the Oshima-Tsumugi textile production area in each phase of the time series.

3.1 Overview of Oshima-Tsumugi Textile Production Areas in Kagoshima

Oshima-Tsumugi is listed as a traditional craft by Japan's Ministry of Economy, Trade, and Industry and has a history of nearly 100 years as a local industry. The main production areas for Oshima-Tsumugi are the Kagoshima area, centered around Kagoshima City, and the Amami area, centered around the Amami Oshima Islands. According to data provided by the Honba Oshima-Tsumugi Orimono Cooperative Society, the production volumes of Kagoshima and Amami exhibited a bimodal distribution split around 1945 (Figure 1). Additionally, there is a strong correlation between the production volumes of Kagoshima and Amami ($R = 0.725$), suggesting that there are no significant differences in the business environments of the two regions. Oshima-Tsumugi, which temporarily ceased production owing to the effects of World War II, resumed production after the war and reached a production volume of over 700,000 bolts in the Kagoshima production area by the late 1970s. Since then, production volumes have steadily declined. In Kagoshima, production volumes decreased from 703,449 bolts in 1976 to 13,135 bolts by 2022.

The primary reason for the decline in Oshima-Tsumugi production is the shift in consumer clothing styles toward Western-style attire, which led to a decline in demand. In particular, Oshima-Tsumugi has long been considered unsuitable for formal wear and has been primarily used for fashionable casual wear, making it particularly vulnerable to contraction in the traditional Japanese clothing market. According to the Household Expenditure Survey conducted by the Statistics Bureau, the annual expenditure per household on kimonos fell from JPY 8,212 in 2001 to JPY 1,020 in 2023 [14]. As such, the demand for traditional Japanese clothing has continued to decline in recent years, and the Oshima-Tsumugi textile industry is in the declining phase of its product lifecycle.

The Oshima-Tsumugi manufacturing process is complex, with some estimates suggesting that

it involves up to 200 separate steps. Textile manufacturers manage this complex and intricate manufacturing process and produce Oshima-Tsumugi from design to distribution. However, the scope of production varies. Some textile manufacturers leverage their expertise in product planning and sales to outsource the manufacturing process, whereas others manage everything from planning to manufacturing and sales. However, they all have in common that they manage the entire process, from manufacturing to sales, through their own decision-making.

The main manufacturing processes of Oshima-Tsumugi require specialized artisans with highly skilled techniques. Oshima-Tsumugi is a twice-woven textile. The first weaving is the "Kasurijime" process, which occurs before the dyeing process. Kasuri is a dyeing technique used for each thread in Oshima-Tsumugi. Kasurijime is a weaving process that separates the parts to be dyed according to the Kasuri pattern from those that are not. After kasurijime, the threads are dyed according to the pattern, and all the woven threads are unraveled. Finally, they are woven again to create the finished Oshima-Tsumugi textile. Each phase of the process is performed by specialized artisans, including dyeing artisans, binding (kasurijime) weavers, and final weavers. Textile manufacturers manage the overall production process while handling specific phases of the manufacturing process based on their industry-specific techniques and manufacturing capabilities.

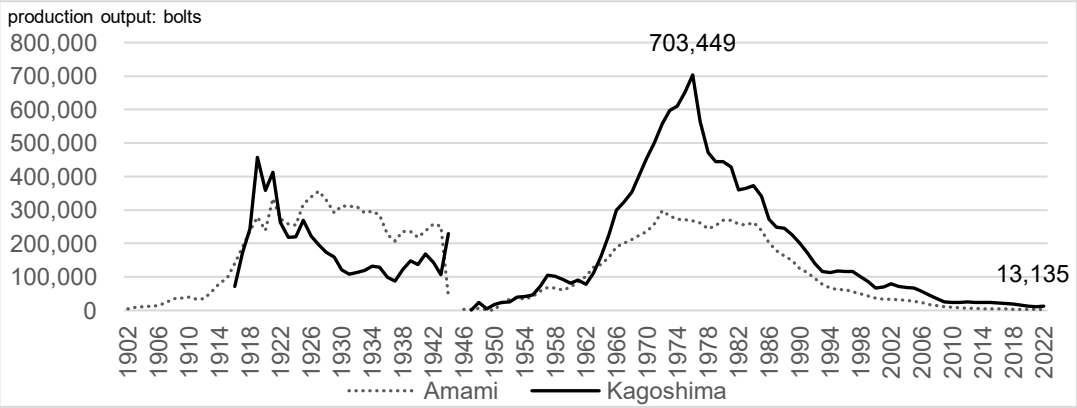

Figure 1: Production volume trends

Source: Data provided by the Honba Oshima-Tsumugi Orimono Cooperative Society.

3.2 Survey Methods and Data Collection

The interviewees were textile manufacturers, wholesalers, and retailers involved in the Oshima-Tsumugi textile industry. As of January 2024, 21 textile manufacturers operated in Kagoshima. Interviews were conducted with 14 textile manufacturers, as well as six wholesalers, and four retailers in Kyoto, Nagoya, and Tokyo, Japan. The interviewees were the presidents or directors responsible for decision-making regarding the Oshima-Tsumugi business. Each interview lasted approximately 1.5 hours, with the total interview time exceeding 34 hours. Interviews were conducted in two phases. The first phase was conducted from August to September 2019, and the second phase was conducted from October 2023 to January 2024. Due to the impact of COVID-19, the interviews were conducted in two phases; however, no significant differences were observed between them. This is because the interviews focused on developments over the past few decades rather than comparing the periods before and after the pandemic.

Semi-structured interviews were used. The main content of the interviews was the

interviewees' areas of expertise and technical skills, the evolution of business activities from the company's founding to the present, relationships with their customers, relationships with the Oshima-Tsumugi textile production area, and business prospects. The interview data were coded, organized chronologically by topic, and then analyzed.

Additionally, I conducted numerous interviews with the chairman and director of the Honba Oshima-Tsumugi Orimono Cooperative Society, a cooperative association composed of textile manufacturers. In addition to interviews, I conducted obsservational studies at weaving factories, exhibition sales, and promotional events.

Table 1: Interview lists

	Type	Date	Time	Interviewee
Company A	Textile Manufacturer	Aug 7, 2019	1.5 hours	President
Company B	Textile Manufacturer	Aug 26, 2019	1.5 hours	President
Company C	Textile Manufacturer	Aug 27, 2019	1.5 hours	President
Company D	Textile Manufacturer	Aug 29, 2019	1.5 hours	President
Company E	Textile Manufacturer	Aug 29, 2019	1.5 hours	President
Company F	Textile Manufacturer	Aug 30, 2019	1.5 hours	President
Company G	Textile Manufacturer	Sep 5, 2019	1.5 hours	President
Company H	Textile Manufacturer	Sep 12, 2019	1.5 hours	President
Company I	Textile Manufacturer	Sep 19, 2019	1.5 hours	President
Company J	Textile Manufacturer	Oct 2, 2023	2 hours	President
Company K	Textile Manufacturer	Oct 3, 2023	1.5 hours	President
Company L	Textile Manufacturer	Oct 3, 2023	1.5 hours	President
Company M	Textile Manufacturer	Oct 3, 2023	1.5 hours	President
Company N	Textile Manufacturer	Oct 4, 2023	1.5 hours	President
Company O	Retailer	Oct 18, 2023	1.5 hours	President and Director
Company P	Retailer	Oct 18, 2023	1 hour	President
Company Q	Retailer	Oct 19, 2023	1.5 hours	President
Company R	Wholesaler	Oct 19, 2023	1.5 hours	Director
Company S	Retailer	Nov 2, 2023	1 hour	President and Director
Company T	Wholesaler	Nov 10, 2023	1.5 hours	Director
Company U	Wholesaler	Jun 25, 2024	1.5 hours	Director
Company V	Wholesaler	Jun 25, 2024	1.5 hours	Director
Company W	Wholesaler	Jun 26, 2024	1 hour	Director
Company X	Wholesaler	Jun 26, 2024	1 hour	Director

3.3 Interorganizational Relationships and Structural Characteristics of the Oshima-Tsumugi Textile Industry

The Oshima-Tsumugi textile production area in Kagoshima is not competitive based on the flexible specialization. There are differences in the scale of the industry, but textile manufacturers do not organize production networks with small- and medium-sized enterprises in the production area as organizer companies, such as the Italian brand Benetton. Organizer companies design basic products, select specialized manufacturers with high technical expertise for each production process, and outsource production to them. However, textile manufacturers in the Oshima-Tsumugi distribution structure were integrated into wholesale companies, so they did not acquire

knowledge assets such as design planning capabilities or marketing techniques such as organizer companies.

The distribution structure of the Oshima-Tsumugi textile industry involves products sold by textile manufacturers to retailers through wholesalers, who ultimately reach consumers. There are many distributors between the textile manufacturers and consumers, resulting in long distribution chains. Most textile manufacturers sell Oshima-Tsumugi to wholesalers in major urban areas such as Kyoto, Nagoya, and Tokyo. Products are also distributed to wholesalers and cooperatives based in production areas; however, they are ultimately concentrated in wholesalers in major urban areas.

The main consumer markets for Oshima-Tsumugi are major urban areas that are geographically distant from the production area in Kagoshima. Textile manufacturers are predominantly small-scale businesses scattered throughout the production area. In such a small-scale dispersed production structure with significant spatial separation between consumption and production, wholesalers with distribution functions capable of consolidating dispersed production and bridging the spatial gap between consumers and manufacturers gain significant power within the distribution structure. The same applies to the distribution structure of Oshima-Tsumugi, where the power of wholesalers influences the production structure of textile manufacturers, leading to the vertical integration of textile manufacturers into the wholesalers' supply chains.

3.4 Interorganizational Relationships and Structural Changes in Each Phase of the Oshima-Tsumugi Textile Production Area in Kagoshima

How have manufacturers in traditional craft production areas established interorganizational relationships to ensure their survival? This section presents an analysis of the Oshima-Tsumugi textile industry from 1963, the beginning of its growth period, to the present, its decline period, dividing the period into five phases of approximately 10 years each (Figure 2). Through this time-series analysis, I clarify the decision-making processes and structural changes undertaken by manufacturers in the traditional craft production area to ensure their survival. Figure 3 shows the structure of the Oshima-Tsumugi Textile Industry and changes during each phase.

3.4.1 1st Phase: 1960s to early 1970s

Around the 1960s, wholesalers began placing more orders for Atsuraebata. Atsuraebata refers to a built-to-order manufacturing system in which textile manufacturers produce Oshima-Tsumugi according to patterns designed by wholesalers. Oshima-Tsumugi produced by textile manufacturers was purchased in bulk by wholesalers. Many textile manufacturers became dependent on wholesalers and began producing built-to-order products. Oshima-Tsumugi is produced such that, when weaving a single-pattern design, 16 bolts of the same pattern are woven in a single manufacturing process. Therefore, built-to-order products, which could sell all 16 bolts, offered textile manufacturers the advantage of reducing uncertainties such as the risk of unsold inventory.

Additionally, the value of Oshima-Tsumugi is strongly influenced by consumer preferences and fashion trends. Furthermore, there is a geographical gap between production and consumer markets, with many small-scale producers leading to a distribution structure in which wholesalers tend to hold significant power. Consequently, wholesalers can naturally intervene in production. Wholesalers that have strengthened their influence over the distribution structure can collect and monopolize consumer demand information through their strong information-gathering

capabilities. This market information is reflected in the wholesalers' design plans, enabling them to place orders with textile manufacturers for built-to-order products that align with consumer needs. Through these built-to-order products, textile manufacturers can reduce uncertainties such as inventory risks and sales forecasts in production and distribution. If they belong to a wholesaler network, stable operations can be achieved. Therefore, many textile manufacturers in the Oshima-Tsumugi textile production area joined specific wholesaler networks and produced built-to-order products to stabilize their operations.

However, the payment terms for promissory notes for built-to-order products were set for a long period of 150–180 days, and the period from order receipt to investment in the manufacturing process, sales, and the recovery of invested capital could extend for up to 10 months. Nevertheless, until the early 1970s, this was a period of expanding demand, and despite the prolonged capital recovery cycle, continuous large-scale orders for built-to-order products ensured that no problems arose.

At this time, many textile manufacturers relinquished their knowledge assets, such as design planning capabilities that reflect consumer needs. Even today, there are very few pattern designers in the region, with only a handful of pattern designers actively working.

3.4.2 2nd Phase: Late 1970s to Early 1980s

The production volume of Oshima-Tsumugi peaked at 703,449 bolts in 1976 and then began to decline. This was due to an overall decline in the demand for traditional Japanese clothing, which led to a shrinking market for Oshima-Tsumugi. Market shrinkage significantly affected textile manufacturers. First, wholesalers naturally reduced their orders for made-to-order products as the Oshima-Tsumugi market shrank. Wholesalers limited their orders to textile manufacturers with whom they had strong ties. Consequently, textile manufacturers with weaker ties to wholesalers were forced into bankruptcy. Therefore, textile manufacturers increasingly sought to strengthen their ties with wholesalers, leading to further consolidation of wholesalers' vertical integration. Thus, during this phase, no inter-organizational relationships were established among textile manufacturers.

The decline in built-to-order products from wholesalers also triggered textile manufacturers to shift their business strategies. Textile manufacturers with retail expertise, such as those with kimono shops, began to strengthen their retail sales. Additionally, textile manufacturers with pattern-design capabilities or specialized manufacturing techniques developed distinctive products that other textile manufacturers could not produce, thereby establishing their market positions. Furthermore, some textile manufacturers utilized their accumulated profits from the early 1970s to diversify their businesses, investing in real estate and other ventures outside the Oshima-Tsumugi industry to achieve profit growth.

As a result of the shrinking Oshima-Tsumugi market, the volume of built-to-order products for wholesalers decreased, leading textile manufacturers to make strategic decisions, either to become dependent on wholesalers' strong supply chains or to pursue individual business strategies.

3.4.3 3rd Phase: Late 1980s to Early 1990s

From the late 1980s to the early 1990s, the market for traditional Japanese clothing continued to shrink, and the Oshima-Tsumugi market declined further. Consequently, orders for built-to-order products from wholesalers to textile manufacturers decreased at an accelerated pace. Moreover, the shrinking market during this period pushed wholesalers into bankruptcy. Textile manufacturers integrated into wholesalers' supply chains through built-to-order products had been

transacting with wholesalers using long-term promissory notes. Consequently, textile manufacturers closely tied to wholesalers were also forced into bankruptcy. Some textile manufacturers absorbed bankrupt textile manufacturers and weavers who had lost their jobs, and there were mutually beneficial transactions among textile manufacturers, such as purchasing defective inventory.

3.4.4 4th Phase: Late 1990s to Early 2000s

From the late 1990s to the early 2000s, the production volume of Oshima-Tsumugi declined gradually. Around this time, wholesalers began adopting business practices that were advantageous to themselves. One such practice was consignment sales. To produce a product with a single design, Oshima-Tsumugi is woven in batches of 16 bolts (16 bolts per lot). For built-to-order products, wholesalers would purchase all 16 bolts. However, after entering into consignment sales contracts, wholesalers ceased to purchase all 16 bolts. Under this consignment sales system, wholesalers could abandon all inventory risks in distribution, whereas textile manufacturers assumed all inventory risks.

This practice increased the risk of bankruptcy for textile manufacturers, and many went bankrupt. Around this time, textile manufacturers in the production area began to merge and expand by absorbing bankrupt manufacturers. These textile manufacturers leveraged their original wholesale business expertise and newly acquired production technology to place built-to-order product orders with textile manufacturers in the production area and integrate them into their supply chain. This vertical integration of textile manufacturers by large textile manufacturers deprived local textile manufacturers of the opportunity to build cooperative inter-organizational relationships.

Textile manufacturers with retail business expertise, those that established direct distribution channels with large retailers, and those that acquired unique production technologies pursued their own business strategies by leveraging their respective strengths.

3.4.5 5th Phase: Present

Recently, wholesalers have ceased to fulfill their distribution functions. Although their ability to collect consumer demand information and design planning capabilities are key strengths, both have declined in recent years. As the Oshima-Tsumugi market shrank, retail store floor space also decreased, leading wholesalers to reduce the importance of Oshima-Tsumugi as a product offering within the traditional Japanese clothing category. However, the consignment sales system remains unchanged, and textile manufacturers still bear inventory risks. In addition, the payment terms for promissory notes are lengthy, ranging from 120 to 150 days, resulting in high capital recovery risks for textile manufacturers.

The Oshima-Tsumugi market has continued to shrink. As a result, the vertical integration of built-to-order products by major textile manufacturers in the production area is reaching its limits. Therefore, cracks have begun to appear in the vertical integration between organizations within the distribution structure, such as wholesalers integrating with textile manufacturers or major textile manufacturers in the production area integrating with other textile manufacturers. Among textile manufacturers, an increasing number seek to break away from integration and focus on innovative product development or the acquisition of new business models and technologies. In this situation, some textile manufacturers are beginning to prioritize connections with other textile manufacturers, even if they are competitors.

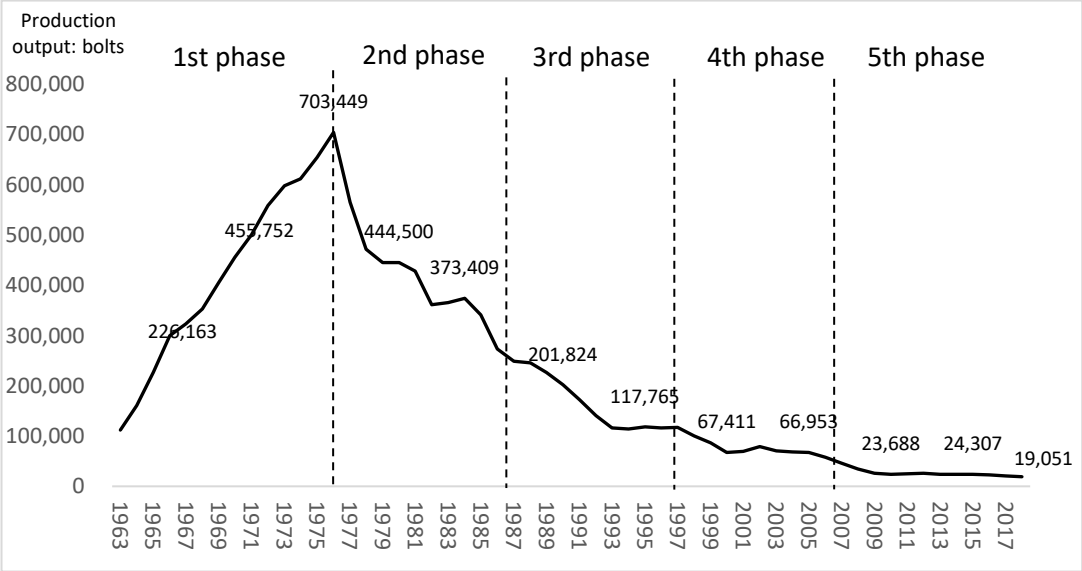

Figure 2: Product life cycle and structural change phases
Source: Data provided by the Honba Oshima-Tsumugi Orimono Cooperative Society.

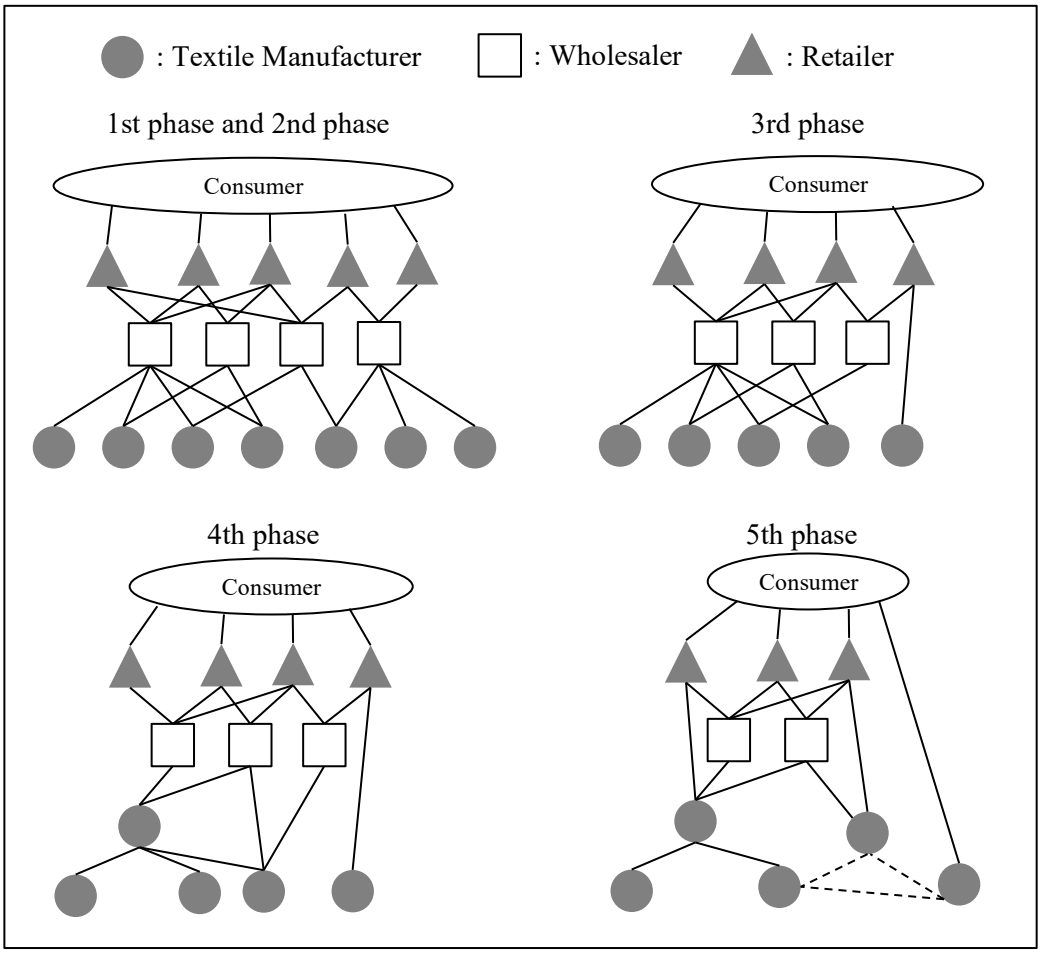

Figure 3: Changes in distribution structure and production area structure

4 Discussion

An analysis of case studies from the Oshima-Tsumugi textile production area revealed that textile manufacturers in traditional craft production areas have survived by voluntarily establishing interorganizational relationships. However, the discretion to make such decisions was not always that of the textile manufacturers. Wholesalers wielded significant power, and their intentions implicitly influenced textile manufacturers' decisions regarding the establishment of interorganizational relationships.

The source of wholesalers' power was a build-to-order manufacturing system. In this system, textile manufacturers were vertically integrated by wholesalers. Such interorganizational networks between wholesalers and textile manufacturers stabilized textile manufacturers' business operations during the growth and maturity phases of the product life cycle. However, as the market shrank and the product life cycle entered the decline phase, these networks became constrained.

Textile manufacturers in the Oshima-Tsumugi textile production area, which faces a shrinking market, have sought to survive by developing distribution channels to retailers and consumers. They also integrated their operations by merging with other textile manufacturers within the region to consolidate their scattered managerial resources and respond to market uncertainty. Similar findings have been reported in previous studies [10].

A new finding in the Oshima-Tsumugi textile production area is that textile manufacturers began building cooperative relationships in the fifth phase. Until then, textile manufacturers had to prioritize their relationships with wholesalers, and horizontal inter-organizational relationships among textile manufacturers were not considered important for business operations. Consequently, textile manufacturers were unable to obtain information such as consumer or retailer needs, market trends, or information about competing textile manufacturers from sources other than wholesalers. That is, textile manufacturers depended on the wholesalers' build-to-order manufacturing system to access the information necessary to understand their own business environment, and their access to other information channels was blocked. However, by establishing cooperative relationships among textile manufacturers, the possibility emerged of leveraging each other's business resources and expanding operations flexibly.

This study contributes to interorganizational relationship theory by illustrating how vertical integration and power dynamics in a build-to-order system shape interorganizational relationships in traditional craft industries. While previous research has primarily focused on manufacturing industries in their growth or maturity stages, this study highlights the specific challenges and adaptive strategies observed in a declining traditional industry. It extends interorganizational relationship theory by illustrating how power asymmetries can hinder horizontal collaboration, and how survival pressures may eventually lead to the institutionalization of cooperative networks.

While the findings are context-specific, the patterns observed provide insights applicable to other traditional craft industries facing market decline. Future research should investigate whether similar dynamics occur in other regions and industries, thereby contributing to theoretical generalization.

5 Conclusion

The aim of this study was to analyze the interorganizational relationships among textile manufacturers in traditional craft production areas that are in the decline phase of their life cycle but still survive, and to clarify the decisions made by textile manufacturers in traditional craft production areas to survive.

This study examined the Oshima-Tsumugi textile production area in Kagoshima, Japan. Through a time-series analysis of the case, the decision-making process for establishing interorganizational relationships among textile manufacturers was found to be implicitly influenced by the intentions of wholesalers. This was because textile manufacturers were vertically integrated by wholesalers through a build-to-order manufacturing system. Furthermore, similar to previous studies, during the decline phase marked by market shrinkage, textile manufacturers sought to survive by developing distribution channels other than wholesalers and consolidating management resources through vertical integration among textile manufacturers.

A novel finding of this study is that textile manufacturers established horizontal cooperative relationships to promote the mutual utilization of management resources. For decades, wholesalers prevented textile manufacturers from building relationships with each other. Companies that have long regarded each other as competitors cannot easily develop cooperative relationships. This suggests that there was a strong decision-making process driven by the textile manufacturers' desire to survive.

This study contributes to interorganizational relationship theory by elucidating how power asymmetries and cooperative dynamics interact within the context of a declining traditional industry. It highlights the strategic importance of shifting from vertically dependent structures to broader, horizontally collaborative networks as a means of ensuring long-term organizational sustainability.

For decision-makers in declining and traditional industries, the findings emphasize the value of encouraging horizontal collaboration and balanced interorganizational networks. In recent years, broadly capturing the actors involved in traditional craft production, building relationships with diverse actors, and forming ecosystems have become key to addressing the sustainability problems of traditional craft industries [15]. Future research should expand the scope to include diverse actors in traditional craft ecosystems and further explore the dynamics of their relationships to enhance theoretical generalization and practical application.

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