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The demise of George's furniture hub: what is required in its turnaround

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BACKGROUND TO PAPER

- George was a historically significant furniture hub/cluster
- It had a long and proud history
- Now in severe decline

Contradictory phenomenon in industry

Key ET programmes on furniture design are not being offered just as the furniture industry requires precisely this ET input to aide its upgrading

KEY QUESTIONS

- How do we understand this contradiction and decline?
- What can turn the situation around?

DRAMATIC CHANGES IN SECTOR SINCE 1990s

Wider macro-economic context

- Global impact of Chinese competition evident in both case studies
- Three responses within industry:
  - **Firm closure** and surrender to mergers and acquisitions
  - **Lean manufacturing** – upgrading towards 'customized mass production'; design important here in the upgrading process, but applied to long and relatively standardized runs
  - **Bespoke manufacturing** - small family-owned firms, high-tech, highly customized production, small batch runs, design plays crucial role in customisation.

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THESE 'NICHE' MARKETS HAVE DIFFERENT LINKS TO EDUCATION AND TRAINING INSTITUTIONS

- **Lean manufacturing**: highly automated, requires mainly semi-skilled wood workers; less dependent on the skilled cabinet maker, upholsterer seamstress; buys its design expertise from outside the firm via consultant design firms

- **Bespoke firms**: they require a creative 'marriage' of artisanal or 'craft' expertise and design flair; this expertise often 'embedded' in owner of firm

Weakening of links

- As the role of cabinetmaker recedes in lean manufacturing, so the designer becomes more important in bespoke furniture manufacture.
- But the education and training system (especially its executive leadership) does not understand these shifts and is not managing the careful balance needed in the production of these two differing capabilities – 'craft' and 'design'.

THE MODERN FURNITURE INDUSTRY

KEY FEATURES 1:

Three requirements:

- **Industry adaptation needed – the importance of 'upgrading':**
  - Especially with regard to the intangibles in production: R&D, design, marketing and branding
- **Accessing and strengthening the intangibles:**
  - Dependent on the firms stock of 'tacit knowledge'
  - Critical also is the ability to transfer and absorb 'tacit knowledge'
  - This is called a firm's 'dynamic capabilities'
- **Design capabilities are crucial here:**
  - Increased design capability can only be acquired through interactions with other firms and design role players – the 'transfer' and 'absorption' of higher-order design abilities from other firms - and from networking in professional design 'communities of practice'

KEY FEATURES 2:

LOCALIZATION AND CLUSTERING

- The furniture industry historically and globally is oriented towards clustering, especially with small suppliers existing alongside the large ‘lead firm’ manufacturers – and close to key production inputs such as wood supplies
- The smaller firms adapt and specialize, complementing rather than duplicating the work of others in the cluster
- They dip into local expertise in the shape of a skilled workforce and make use of FE colleges and polytechnic-type institutions in the locality
- They share services, for example, R&D, training, export advice
- The firms in the cluster benefit from spillovers which arise from this type of industrial ‘agglomeration’

CLUSTERING HAS BEEN PROMOTED IN THE PAST – AND FAILED

CSIR AND SAFI ARE CURRENTLY PROPOSING IT

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KEY CHALLENGE IN THE 'INTERFACE' BETWEEN FIRMS AND ET INSTITUTIONS

- Do ET institutions (and their executive leadership) understand the furniture industry in terms of these key economic features as described earlier?

- In particular, do they have a strategy for supporting firms and strengthening their ability to access and absorb tacit knowledge relevant to their upgrading strategy?

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GEORGE'S FURNITURE INDUSTRY

BACKGROUND

- George has a long history of yellowwood and pine furniture manufacturing in SA. It has also played a major role in forestry and saw-milling.
- Chinese competition since the mid-1990s and several rounds of recession have severely damaged the cluster.
- Large numbers of firms closed and relocated
- Some remained and adapted to bespoke manufacturing – some examples of excellence (see examples bleow)

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DEMISE OF FURNITURE INDUSTRY IN GEORGE

- Closure of Furntech incubator at SAASVELD College – it was hoping to offer a design course as well
- SAASVELD College – although historically a forestry college - has no furniture training course, and is rapidly becoming a comprehensive under-graduate satellite campus of NMMU offering B.Comm's, etc.
- Although Stellenbosch University and NMMU restructured their curricula in 2002 (with Canadian support) to improve the wood science component, they added a new furniture and design component at both sites which was never taken up because of low student demand and poor marketing

OTHER FACTORS IN DEMISE AND STASIS

- Failure to kick-start cluster strategies
- Lack of cooperation and trust in industry
- High costs of imported hardwoods and local exotics
- Power of retailers, pulp producers and saw-mills – furniture manufacturers often last in the queue for wood supplies at affordable prices

CONCLUSION: HOW DO WE HALT THIS DEMISE?

RESOLVING THE CONTRADICTION

- Not sufficient to have an economically-driven ‘cluster’ policy which focuses only on firm level activity ignoring the demise of capacity in ET institutions
- Need an equivalent understanding of cooperation and ‘clustering’ in the education and training institutions
- It requires action across a collective set of institutions – not just quick-fixes at training institutions
- Requires recognition of the interdependencies or role players
- Need cooperation and networking
- Solutions must be grounded in local and regional economy

HOLISTIC, JOINED-UP

- This kind of holistic, joined-up solution not well developed in SA
- But only way forward