Furniture manufacturing strategies examined at MSU

A fall conference at Mississippi State University addressed the global and competitive environments for furniture producers. Titled "Competitive Strategies for the Furniture Industry: Emerging Issues in a Global Environment," the conference was held at the university’s Franklin Center for Furniture Manufacturing. The program featured industry and trade leaders who discussed a variety of topics and concluded with a panel discussion.

U.S. Rep. Roger Wicker [R-Miss.] opened the morning session by enumerating the many benefits the furniture industry brings to Mississippi and the Southeast. Wicker—whose district includes north Mississippi—praised the industry for employing some 40,000 of his constituents and was optimistic about several initiatives on the Bush Administration’s second term agenda designed to strengthen the economy and encourage global competitiveness.

Keynote speaker Joe Carroll, publisher of Furniture Today, noted that consumer spending for upholstered furniture has increased since 2001; however, specialty and discount stores are becoming a strong competition for furniture stores in the marketplace.

“Pier 1 Imports and Wal-Mart are among the top specialty and discount stores selling furniture today,” Carroll said. “While about 75 percent of U.S. furniture sales are in furniture stores, the actual number of furniture stores is declining.”

He predicted that the fundamentals for U.S. furniture manufacturers—quality, price and delivery—will reverse priority order in the next decade to emphasize delivery first, then price and quality. For U.S. manufacturers, delivery can be a market advantage when competing with foreign imports, he added.

“Technology will allow customers to custom-order furniture and know the status of their order at all times. This is a niche that the U.S. manufacturers can easily fill,” Carroll said.

Others making presentations included Russ Batson, vice president of government affairs, American Furniture Manufacturers Association.; Judy Dunaway, president, Airline Manufacturing; Jeff Holmes, president, J. Holmes, LLC; and Bill Morris, founder and partner, Small World Marketing.

Ivan Cutler, a well-known furniture industry analyst and marketing communications specialist, moderated the concluding panel discussion.

MSU President Charles Lee and Hassell H. Franklin also made remarks. Franklin is chief executive officer and president of the Chickasaw County-based Franklin Corp., a leading manufacturer of upholstered furniture.

“The furniture industries in Mississippi and throughout the South have experienced extreme global pressures,” said Liam Leightley, MSU forest products department head. “This conference provided an assessment of the current competitive situation in the furniture industry and recommended strategies and action steps toward improving the environment for regional furniture producers.”

Joe Carroll, publisher of Furniture Today.
Sustaining Competitive Advantages for Small Furniture Companies

Strategy 1: Provide Great Leadership

by Amy Garrard

In the last issue of Furniture Highlights, an overview was presented which outlined improving employee satisfaction in order to increase productivity and product quality, thereby improving customer satisfaction leading to increased market share and profitability. This article will discuss the role of leadership. One thing that almost all highly successful companies have is a great leader – or someone who immediately comes to mind when the company name is mentioned – think Jack Welch of GE, Ted Turner of CNN, Mary Kay Ash of Mary Kay Products. The common thread is that these people are all great leaders.

What makes a great leader?

Most effective leaders inspire, motivate, communicate, encourage, teach, and demand. But what traits do the best or most effective leaders share? Some of the more common traits of effective leaders include intelligence, education, experience, determination, and vision. Interestingly, behavioral sciences author Daniel Goleman coined the term “emotional intelligence” and says that the root of leadership is based on evoking emotion in followers. Emotional intelligence consists of self-awareness, self-regulation, motivation, empathy, and social skill – sometimes called soft qualities. Goleman and others argue that since almost all managers are intelligent and have the background, education and technical skills to perform their jobs, the leaders who possess greater emotional intelligence will stand out from the pack and this translates to marked increases in measurable business performance. The key is to inspire employees throughout the organization with a passion for their job—whether it be maintenance, inspiring to help improve every aspect of their job, or directly teaching and communicating with everyone in an organization to create a shared mission and vision of the direction in which the company is headed. Interpersonal skills are helpful in creating a shared vision and mission. Leader integrity is necessary in order to gain the trust of employees and may be easier to achieve in small organizations where everyone knows each other personally and has a community history and background. The survey also identified four common mistakes that can undermine a manager’s credibility to their employees. According to Tracey Turner, executive director of “The Creative Group”, these four mistakes are:

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An ambitious statewide initiative is being led by the North Mississippi Industrial Development Association (NMIDA) with the purpose of developing and utilizing industrial cluster groups to revitalize manufacturing and industrial development in the 26 county Northeast Mississippi region. Dynamic and vibrant, industrial cluster groups can facilitate new and better jobs, higher standards of living, and greater community wealth. The goal of the Northeast Mississippi Cluster Consortium is to strengthen existing industry and business through collaboration. Collaboration among cooperating businesses will nurture and expand existing industries and provide opportunity for new industries, as well as diversify the industrial base in the state.

David Dodd, of DADCO Consulting was engaged by NMIDA to provide information to facilitate the cluster development initiative in the northeast Mississippi. Six potential cluster groups were identified: furniture wood products, chemicals and plastics, transportation equipment, food processing and metal processing. Of these six groups, three clusters, furniture, wood products, and metals, emerged as more concentrated in northeast Mississippi. The furniture, wood products, and metals cluster groups consist of representatives from primary and supplying industries, economic and industrial development associations, local and community organizations, educational and research institutions including local and state colleges and universities. The clusters are driven by industry and educational leaders with a desire to work together, along with supporting organizations, institutions, and other clusters to combine capabilities and markets in order to create an environment rich with innovation and cutting-edge technology. The group desires to become an active partner with local development teams in identifying and recruiting complimentary businesses and creating appropriate tax and regulatory structures to encourage growth. These leaders also want to push traditional industries toward the production of higher value-added products, greater profits, and expanded markets and to improve education, training, and the development of employees leading to higher skill levels, greater mobility, and better quality of life for workers. Strategies such as these are vitally necessary for the wood products and furniture industries in order to compete profitably both nationally and internationally in an increasingly competitive global environment.

The Furniture Cluster is pursuing several strategies to improve and maintain competitiveness. Currently, members are researching and exploring ways to realize cost savings through employee leasing programs, group insurance programs, and offering combined benefits programs for employees. Progress has been made towards developing a purchasing consortium of cluster group members to create economies of scale and reduce the costs of raw materials. Efforts are being made to develop new markets for Mississippi products, especially targeting nations with an emerging middle class. Future plans include national advertising and marketing of furniture from the area under a "Tupelo Furniture" brand. The Mississippi Furniture Association has endorsed the Furniture Cluster in order to continue the growth of the furniture industry in Mississippi. Mr. Jim Byrd from The Rose Hill Company in Okolona has been instrumental in the development and progress of the Furniture Cluster and currently coordinates the efforts of this group.

Dr. Liam Leightley, Department Head, Department of Forest Products at Mississippi State University is leading the efforts of the Wood Products Cluster. The main problem identified by this cluster was the disposal and/or utilization of wood waste. The cluster recently received a Make-a-Job-Impact Center grant from the Mississippi Development Authority to conduct a wood waste survey to quantify the amount and composition of wood waste generated by primary processors and secondary industries to determine how much waste is produced and to evaluate disposal methods, costs, and needs. A survey of processors and industries has been conducted. Based on information gained from this survey, a business incubator will be set up to assist small companies develop value-added products from wood waste such as fire logs, panel products, filter systems, and energy generation. The incubator will be a hands-on
research and demonstration facility where entrepreneurs can operate machinery and produce prototypes. Mr. Joel O’Briant, former Executive Director of the Winston County Economic Development Association has been instrumental in the location of a building facility in the Louisville area where the incubator is likely to be located.

Mr. Bill Rabb, General Manager of FerrouSouth is leading the activities of the metal cluster group. He has been visiting metal processing plants throughout the state to build support and participation for this vitally important cluster. The metal cluster is currently working on battling the inflated material costs and availability of supply by developing a purchasing consortium and hopefully utilizing the Tenn-Tom Waterway. The collaborative purchase of metals in larger quantities can provide each industry member better prices and consistent supplies. This group is also building a website to market the companies within the North Mississippi region as a whole in metal processing, as well as individual companies who wish to participate.

In summary, the NMIDA Cluster Consortium is a partnership of business, education, labor, government, and economic development organizations working together to create jobs for the twenty-six county Northeast Mississippi Region. The strategic plan of this consortium concentrates on facing the challenge of China and other global competitors by creating shared economic opportunities, realizing more favorable regulatory and tax environments, strengthening traditional businesses and encouraging economic growth. Key to the success of these efforts is participation, cooperation, and collaboration from all stakeholders. If you are not currently a member of the NMIDA Cluster Consortium, please consider becoming a part of this determined effort to sustain and grow the competitiveness of these vital industries in our region. Most of the groups meet monthly, so only a minimal investment of time is necessary. For more information, please contact Mr. Julia Meyer, NMIDA, 757 East Main Street, West Point, MS 39773, Phone: 662.494.4633, email: clusters@nmida.com.

What are clusters?
Clusters are defined as "…groups of companies and/or services and all of the public and private entities on which they depend, including suppliers, consultants, bankers, lawyers, education and training providers, business and professional associations, and government agencies." (Just Clusters, RTS, 2002).

Advantages of Clusters
Generate competitive advantages for companies and regions through:
1) Fostering a Globally Competitive Environment
2) Creating Shared Economic Opportunities
3) Realizing Favorable Regulatory and Tax Environment
4) Strengthening Traditional Businesses
5) Encouraging Economic Growth
In summary, it appears that the leader of a company can set the entire atmosphere, tone and attitude of his/her employees. Common practices of successful leaders cited by many management experts include creating a vision; persuading all employees to share in the vision; and inspiring and motivating everyone in the organization to perform at their highest level. Great managers have high expectations and lead by example. They demonstrate honesty, compassion, fairness, and humanity. Great leadership translates to productive employees with positive attitudes and results in improved performance in any size company – large, small, or medium.

David Brewer, a leadership consultant from San Francisco, often cites a leadership study at University of Michigan to demonstrate the relationship between good leadership practices and financial returns.

1) “Leaders make the company’s mission clear and compelling to everyone involved, including the executive team, customers, suppliers, stockholders, and the board.”
2) “The leaders are not only close to the market, but also responsive to its needs.”
3) “The leaders are team-oriented.”
4) “The leaders are consistent in their execution.”

Management Insight and Leadership Secrets of the Legendary Former CEO of General Electric, Jack Welch

1) Create a vision and inspire everyone in the organization to make the vision a reality.
2) Focus on understanding the strategic issues faced by your business and determine the talent and capital needed to win in those markets.
3) See the big picture – don’t micromanage.
4) Encourage ideas and involve and encourage everyone in the organization to share in the company vision.
5) Lead by example – 4 E’s of leadership: Energy, Energize, Edge, and Execution.

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Leadership Defined (continued)

A list of traits that great leaders have, according to Clay Nelson, president and founder of Consulting Services Network, LLC, include:

1) Great attitude – think positively, persevere;
2) Keen eye on the competition—they are not intimidated, actively research and pursue their competition;
3) Contagious passion for what they believe in—this creates passion and inspires others;
4) Accept that they don’t know everything—and keep learning;
5) Not afraid to show his/her human side
6) Honest—this fosters trust and confidence.