

Wooden Furniture Cluster: Naturally Better

Key cluster concepts: natural resource-based cluster, mixed modern/traditional/‘natural’ product lines, strong national cluster governance, significant Chamber of Commerce involvement, deep national support institutions, multiple-jurisdiction cluster

Description

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The region includes six smaller political districts spread over intersecting portions of two adjoining provinces, Salzburg and Upper Austria. The location near wood processing industry suppliers and Germany’s major markets offers significant advantages to the region. The wooden furniture industry in this area comprised in 1991 some 290 firms with about 5,800 employees. Some firms employ 500 or more, but small firms with only a few employees are the more typical case.

Since nearly half of Austria is covered with wood, there are many wood and paper cluster sites from which to choose when studying one of Austria’s most important industries. The value-chain of Austria’s solid wood and paper industry yielded a net production value of 114 billion Austrian Schillings (between 3.5 and 4% of the total Austrian production) and a export surplus of nearly 20 billion Austrian Schillings in 1991. The export surplus is achieved mainly by the sawmill and the paper industry. Although the furniture industry is a net importer relative to national demand, the region between the political districts Hallein and Ried im Innkreis (from south of Salzburg up north to the German border near Passau) hosts some very successful and competitive producers of wooden furniture. The strength of these manufacturers rests on their artistic reflection of nature. They regard wood as much more than a simple input; it is seen as a marvelous, irreplaceable element to be artistically revealed in the end product. The furniture industry segment of the wood and paper cluster presents an environmentally attractive sub-group for study, due to its low-impact dependency for natural resources. The region offers valuable opportunities to see how respect for sustainable inputs easily coexists with economic success, and how industrial clusters are governed by well-organized national and regional Chambers of Commerce.

Product Market Scope

The district produces furniture in all fields: chairs and seats, office shop furniture, wooden kitchen furniture, and other furniture. The production of the large scale producers addresses the high quality and high price market segment. Their production is preferably distributed under brand names through selected chain stores. Sales abroad often exceed the national sales. In contrast, small firms produce individually designed, high quality products for limited local markets. Their problem is that prices are often not competitive. Small firms occasionally

overcome this disadvantage through high flexibility and specially designed pieces, although such firms are among a small minority.

Performance

Performance of the region's furniture industry can be judged only after distinguishing between two groups: small manufacturers that face severe competition from cheap products offered by big chain stores, and large scale producers that are able to increase both export and national sales quite dramatically. In the first three quarters of 1997, Austrian exports in furniture increased by 24% in comparison with an 13% increase in imports. Although Austria remains a net importer of furniture, Team 7 managed to export 75% of its production in 1996 to countries like Germany, Italy, Switzerland, and Japan. It and other large firms in the region are equipped with the newest production technologies bought on the international market. Computer-assisted-technologies are now responsible for production in the large firms. In addition, these firms possess laboratories for material testing and product development. The large firms are supplied with inputs from all over Austria. However, the most important production factor - highly skilled labor - is recruited from the regional labor market.

Certain large firms such as Voglauer enjoyed continued success with high quality farmhouse style furniture, while others were forced through the 1979 recession to change their strategy. Team 7, for example, moved to the production of naturally treated solid wood furniture. Team 7 was a pioneer in the modern field of "natural living". Other leading firms in the region have explored similar opportunities to produce furniture "in harmony with nature". Tradition and nature are the key words that now describe product lines of local firms. By entering their market niche early, regional firms have re-shaped themselves successfully for international competition. Their success stimulated the local wood industry such many small firms have now become recognized suppliers of high quality products.

In sharp contrast, other small firms remain unable to buy more advanced or even use their existing machinery efficiently. Material tests have to be conducted off-site in institutes like the "Austrian Forest Products Research Laboratory"(Österreichisches Holzforschungsinstitut). Inputs supplied mainly by local firms means that the negotiation space on price or specifications is necessarily limited. Thus, the performance is quite uneven between these two groups of manufacturers. This is partly expressed through a divergence in their relative ability to react to recent developments in demand and available technologies. However, some Austrian success stories show that space remains for small firms willing to cooperate as a means of overcoming inherent size disadvantages.

Organization

1. Firms

In 1991, approximately 300 local furniture manufacturers employed 5,800 workers. However, a few outstanding firms figure more prominently in this picture of the region. They are responsible for the good international reputation this region enjoys as a furniture producer. For example, Team 7 is one of the

ten best known furniture producers in Germany (in Austria it is the best known). These firms all engage in the production of high quality end-products with special emphasis on tradition and harmony. Several regional firms supply key technologies (CAD and CAM systems) and woodworking machine-tools to the cluster.

Key Firms:

- **Team 7:** Team 7 specializes in the production of natural furniture, meaning only special timber from Austria and other natural materials are used in production. When production cannot be done in-house, production partners are sought. Team 7 and three other firms cooperated recently to provide jointly needed worker training and education. In 1997, the 410 employees of Team 7 produced turnover valued at 750 million Austrian Schillings. Germany, with 60% of total sales, has been the most important national market, followed by Austria (25%), Switzerland (7%), and Japan (3%). Although formal cooperation with the Holztechnikum Kuchl (a combined vocational training and research center for wood) is rare, HTL Mödling (school and testing lab for wood industry) is extensively involved in various Team 7 activities.
- **Voglauer Möbel:** Voglauer Möbel employs 600 employees to produce traditional hand painted furniture; it also specializes in the design and furnishing of complete hotel rooms. In the latter case, the firm cooperates with other design/production partners (regional and national) to supply a complete solution to the customer. In the case of hand painted furniture, the firm cooperates with regional seat and chair producer HASAG to offer a complete product line. The product line emphasizes traditionally designed furniture. The design is done in-house by highly qualified craft-workers. Production machinery is bought in Germany, but all other inputs are supplied by Austrian firms.
- **Wiesner-Hager Möbel:** Wiesner-Hager is specialized in the production of seats, chairs and office furniture. The design of the furniture is all done in-house. The firm cooperates with Team 7 to offer a combined training program. 460 employees produced furniture valued at 520 million Austrian Schillings in 1996. The export share was 36%, with Germany, France, and Switzerland being the most important foreign markets.
- **HASAG Möbel:** The production of HASAG covers mainly upholstered furniture. As discussed above, HASAG cooperates with Voglauer Möbel to offer completely equipped hotel rooms. In 1996, turnover valued at 300 million Austrian Schillings was produced by 300 employees, 20% of which was exported to Germany, Switzerland, and Italy.

2. Relationship between Firms

Cooperation is obviously taking place between both large and small firms in the region, although many more opportunities for cooperation and joint production exist. Some larger firms are very open to strengthen existing connections and

building new links. The small firms often work together with each other on a day to day basis, but not nothing like managed cooperation is evident in some industrial clusters. However, new links between small and large firms are becoming evident. Large firms are increasingly willing to outsource parts of the production that demand the highly flexible production system of smaller firms.

3. Support Services

Reflecting its importance to Austria, several national institutions provide support services to the industry and its cluster components. The Austrian Forest Products Research Laboratory (AFPRL) in Vienna is a major contact point for the wood industry to learn about new materials and their characteristics. The HTL Mödling (near Vienna), the best Austrian school concerned with wood, also serves as a research institute. Both institutes are reliable sources of information and quality tests. The University of Agricultural Sciences (BOKU) in Vienna offers research capacities related directly or indirectly to wood. The supra-regional initiatives “PRO HOLZ” and the “ARGE Interior Decoration” act as continuing networks for information, product development and research. The EUREKA Wood Initiative promotes pan-European market-oriented research and development.

Within the region, the Holztechnikum Kuchl plays the most prominent role by combining several different types of vocational training and research, all of them concerned with wood. It supplies highly skilled professionals to the wood industry and acts as a cooperation partner for local firms requiring assistance in fields of research and testing. The technology park Holz-Techno-Z Lungau, now under construction, sees its goal as enhancing the diffusion of innovative technologies and enforcing cooperation. The national and regional Chambers of Commerce are key organizers of this cluster, and supply it with much useful information. Beyond, the Chambers of Commerce engage in lobbying and support inter-firm cooperation. The Institute for Economic Development (WIFI) supports businesses through the provision of technical assistance. Various banks and business services not specific to the cluster form a healthy service industry environment necessary for economic development. Ready access to good highway systems is of significant importance to the region, particularly its proximity to Germany - the major foreign market.

Governance

The furniture industry in the region is governed locally and nationally mainly by the Chambers of Commerce. As the legal representative of the local firms, a local Chamber of Commerce serves as the regional economy's advocate. The Chambers' tasks consist mainly of pursuing the interests of their members and providing specialized services. For example, the Salzburg Chamber of Commerce pushed for the establishment of Holz-Techno-Z Lungau and joined the Province Salzburg in supplying financial support to the technology park. Strong pressure from the Salzburg Chamber of Commerce led to a new building

regulation that allows public buildings (like kindergardens) to be constructed of wood. The services directly offered include tailor-made courses, business and technology consulting, information on new laws, support for potential start-up businesses, expert opinion on credits and so on. Additionally, the Chamber of Commerce operates, with the assistance of a private business consultant, a special designed program for joiners called EUROFIT, which enhances the competitiveness of the local firms and promotes cooperation among them. The goal of all Chambers' activities is to shape the province's economy for regional as well as global competition.

Different branches of the Austrian Federal Economic Chambers of Commerce play key roles in organizing and supporting various sectors of the wood industry. The Austrian Furniture Industry, which is a small branch of the Austrian Federal Economic Chamber, represents the interests of its members. It also supplies a range of useful services, working closely with regional chambers. Through seminars and image campaigns, joint chamber efforts are designed to boost the long term development of the furniture industry. A competition aimed at selecting Austria's best new furniture for inclusion in a permanent collection has as its objective to stimulate the design and production of high quality furniture. Austrian Furniture Industry opportunities for possible cooperation between cluster members is boosted through the provision of a shared data base. The system of chambers has an important impact on the furniture industry, and thus, can be regarded as a meaningful and beneficial governance institution.

Institutions

Many organizations of relevance to the furniture industry are drawn from among a rich mixture of regional and national institutions. However, in sharp contrast to other clusters that are highly concentrated in one or few region(s), national institutions play a much more significant role in supporting all the elements of this widely dispersed cluster. Key examples in the field of research and development are the Austrian Forest Products Research Laboratory, the University for Agricultural Sciences, the HTL Mödling and the Holztechnikum Kuchl; all have proved to be major sources of support for the wood and thus also the furniture industry. Through marketing and public relation the initiative "PRO HOLZ" and the ARGE Interior Decoration have increased the public awareness of the quality of Austrian furniture, and thus, national demand for these new products.

Chamber Of Commerce (WK)/The Austrian Furniture Industry

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The Austrian Federal Economic Chamber coordinates and represents the supranational and national interests of Austrian commerce and industry. The nine regional chambers and the federal chamber work closely together. The task of these institutions is to represent the members' interests and to provide services and consulting to its members (by law, all firms must be members of the Chamber of Commerce). Thus, the system of chambers forms a key institution in the cluster.

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Institute for Economic Development (WIFI)

The Institute for Economic Development (WIFI) supports businesses through the provision of technical assistance and offers a variety of focused education and training programs.

The Austrian Forest Products Research Laboratory (AFPRL)

This institute acts as a valuable partner for the wood industry. Applied research is done at the institute, new materials are tested and information is provided through an extensive library.

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University of Agricultural Sciences (BOKU) Vienna

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BOKU students are able to study everything related with wood in a university setting. Beyond the instructional programs, BOKU offers a variety of activities in advanced Wood Sciences and Technology covering fields from wood biology, wood physics, forest products development and manufacturing as well as forest products marketing and trade. BOKU sees its mission as conducting and fostering basic to advanced wood science.

Key Contact: Prof. Dr. März, phone: 01/47654-1001

Holztechnikum Kuchl (Technical Institute for Wood)

At the Holztechnikum Kuchl 700 students and vocational trainees are able to study many different subjects concerning wood. Local furniture firms benefit from cooperative research and testing opportunities available through the Holztechnikum. Great interest has also been shown by firms in the newly established School of Interior Decoration. Certain firms maintain close contacts with students from all parts of this school, either as future workers perhaps as future customers (many kids of furniture chain stores visit this school). Holztechnikum also serves as a technology consultant for the Holz-Techno-Z.

Key Contact: Dr. Lackner, phone: 06244/5372-129

Holz-Techno-Z Lungau

The technology park Holz-Techno-Z Lungau is not directly located in the region, although it is strongly linked with the region through cooperative contracts with the Holztechnikum Kuchl. The Holz-Techno-Z is being built at the moment and anticipates its completion at the end of 1998. The role of the technology park is to provide facilities and infrastructure to small firms and to foster the transfer of technology.

Key Contact: Holztechnikum Kuchl, phone: 06244/5372-0

HTL Mödling

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The HTL Mödling serves two important purposes: the School for Wood trains highly qualified employees, and its testing lab performs material tests for small firms, thus forming an important link to industry. The academic personnel are heavily engaged in helping small firms by provision of information and acting as catalytic points for inter-firm cooperation.

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PRO HOLZ

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The initiative "PRO HOLZ" engages in public relations and marketing for the valuable natural product "wood". "PRO HOLZ" is a functioning network, an active supplier of information, and a product development promoter.

ARGE Interior Decoration

ARGE Interior Decoration is for the furniture industry what "PRO HOLZ" is for the basic wood industry .

EUREKA WOOD INITIATIVE

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Eleven European countries have joined to create this EUREKA umbrella project. The EUREKA WOOD INITIATIVE promotes innovative ideas to improve the competitiveness of the European wood industry. Strong emphasis is placed on market-oriented research and development activities. In addition, the WOOD INITIATIVE serves as a platform for international cooperation in research and development.

Funds

The adjoining provinces of Salzburg and Upper Austria offer different grants that improve the regional infrastructure, support small firms, promote business start-ups, enforce restructuring, increase the adaptation of new technologies, etc. These grants are small in comparison to the national grants but nonetheless play a welcome role for the local industry cluster. The regional financial support scheme usually supplements various national or international support schemes. The following major national funds are the focus of the following discussion.

Austrian Research Fund (FFF or RPF)

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The research promotion fund (RPF) for commercial enterprises finances research projects of natural and legal persons in the field of application-oriented and technology-oriented research through contributions or loans. For research projects that result in immediate economic benefits for the applicant, a fair cost contribution is assessed to the applicant. It is the essential task of the RPF to raise business-related research in Austria to the EU-level. Companies should be motivated to participate in cross-border cooperation in research and development, particularly on projects that could otherwise not be carried out or only with great difficulty. Since early 1995, this fund has been supervised by the Ministry of Economic Affairs. Because of the paucity of wood related research, the FFF started a special program "HOLZ-FORSCHNUG" to intensify research in this field.

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K-Plus

Program in preparation. This program aims at improving the links between public sector research and the industrial sector. The Austrian Ministry of Science and Transport (BMWV) is trying to promote academic-industrial collaboration through setting up competence centers. As defined by the BMWV competence centers are collaborative research institutions aimed at high-quality, pre-competitive and industrial basic R&D activities that fulfill the needs of the industrial sector and preserve high academic standards. As planned up to 60% of the competence center's budget will be provided through public funds.

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BÜRGES

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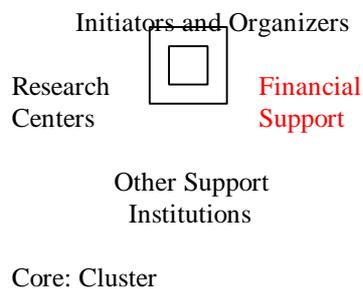
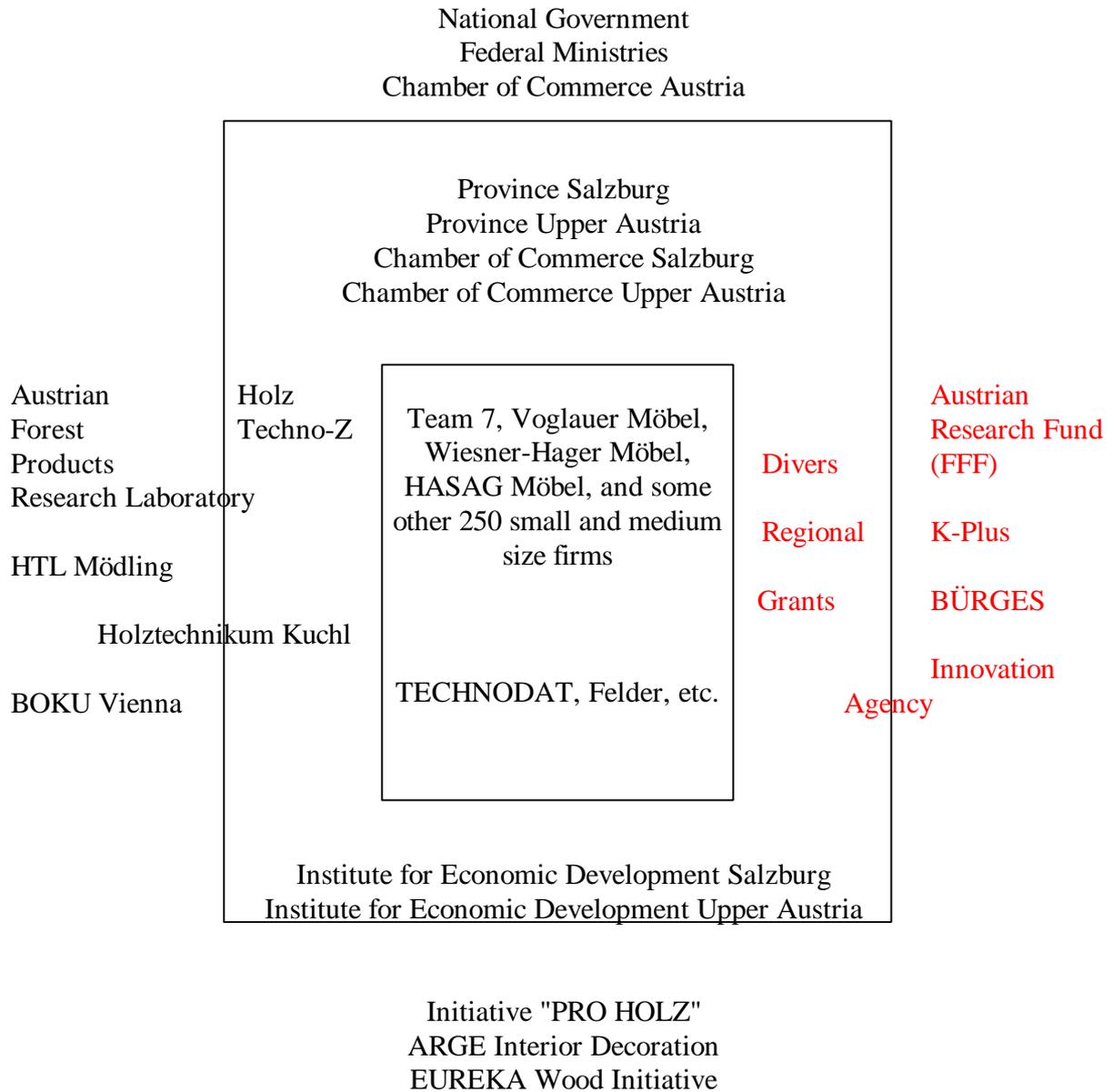
BÜRGES defines its goal as supporting the foundation of new businesses. The costs involved in setting up a new business are partly subsidized by the fund. The BÜRGES development bank provides surety for credits earmarked for investment.

Innovation Agency

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The Innovation Agency was founded in 1984 to support and encourage new ideas. The agency provides assistance to new businesses by offering consulting services and supplying seed capital. Beyond this technical feasibility and market studies are supported. The Innovation Agency has installed an internal patent loan scheme to help Austrian inventors to finance international patents.

Furniture



Inner circle: Region, Outer Circle: National/International