

# The Research on Core Competence of Furniture Company

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**Abstract** - Chinese furniture industry has become the world's furniture manufacturing center after a rapid period of development in the past 25 years. China also has become the world's largest furniture production and export country. However, most of the furniture enterprises haven't strong competitiveness. How to enhance the competitiveness and cultivate the core competence of furniture enterprises has become the focus of discussion by furniture industry and academia. This paper will discuss how to identify and cultivate the core competence from the concept and characteristics of the core competence combined with the characteristics of the furniture industry, then study how to improve the core competence with Diamond Model.

**Index Terms** - Core Competence, Furniture, Diamond Model

## 1. The Concept and Characteristics of the Core Competence

Core competence is combination of a series of complementary skills and knowledge of an organization, it has the ability to make one or more businesses to reach the first-class level in competitive field. The core competence is the resource of the enterprise, which relates to strategy, innovation, talent, management, culture, marketing, production, services, etc. It is also the common behavior of business departments and staff.

Core competence has the following four characteristics:

1) Value. The core competence has strategic value, it brings the key benefits for customers and creates long-term competitive initiative and excess profit, which exceed average profit of the industry, for company.

2) Unique. The core competence is only possessed by the company. There is almost no another company that has exactly the same or similar core competitiveness.

3) Ductility. The core competence will support company to expand the new promising business, it is a kind of ability to adapt to market changes.

4) Inimitable and irreplaceable. The core competence is the ability to integrate the internal resources, skills and knowledge of the company, which is difficult to imitate and replace for competitors. Otherwise, its unique characteristics will not exist and the competitive advantage will disappear.

## 2. How to Identify the Core Competence

Business is a combination of unique resources and capabilities. resources include human resources, material resources and organization resources. Single resource cannot form a lasting competitive advantage. Resources will become strategic resources when machine, equipment and other relevant factors can effectively become an organism. An organization forms the competitive advantage by combining and integrating a series of resources. Ability is the result of integrating a series of resources. Not all of the resources and

capabilities have the potential to become sustainable competitive advantages. The ability will become continued core competence when this ability is valuable, rare, imperfectly imitable and nonsubstitutable. According to the four characteristics of the core competence, it can be identified easily.

## 3. Study How to Improve the Core Competence with Diamond Model.

According to the diamond model theory of core competitiveness, the corporation core competence depends not only on the level of an essential factor such as corporate culture, human resources, innovation, organization, marketing, strategic planning, management, production and service ability, but also on the degree of mutual interrelations and influence among these factors, each one factor has close connection with the other six factors, as shown in fig.1:

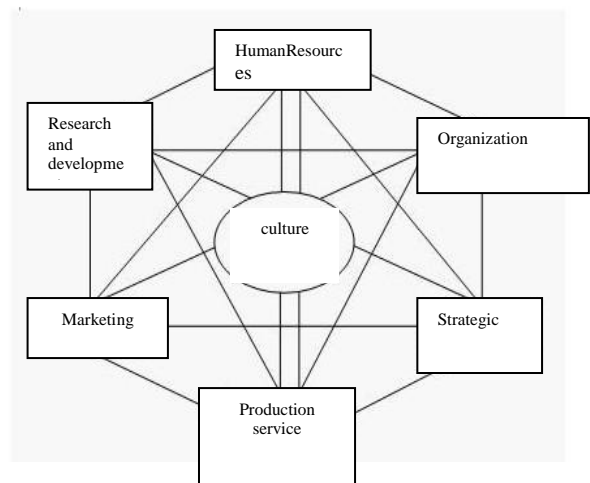


Fig. 1 Core competitiveness Diamond Model

Now, we analyze the source of furniture corporation core competence based on diamond model, which provides the reality basis for the furniture enterprise to enhance competitiveness.

### 1) How to construct the furniture enterprise culture.

Enterprise culture is not only helpful to improve the productivity of enterprises and economic benefits, but also conducive to the survival and development of enterprises. Advanced corporation culture is the core competence of enterprise, which is difficult to be completely imitated and exceeded by competitors. So the best strategy of furniture enterprise is to establish advanced corporation culture according to their own conditions and environment.

Most of the furniture enterprise managers lack the awareness of enterprise culture, some of them think the enterprise culture is very empty, there is no way to start the construction of enterprise culture, the others think the enterprise culture is the collection of banners and slogans, so there are so many slogan hanging in every corner of the office, most of slogan is philosophical statements speaking in excitement emotion. the building of enterprise culture that is divorced from reality, not get staff's understanding and recognition, the effect of which is very poor.

The enterprise culture is invisible to all, but it should follow some rules. Firstly, to determine the mind identity which includes staff values, enterprises spirit and business purpose. Enterprise value is the primary task and main content of enterprise culture construction, it's gradually formed in the long-term process of enterprise production and operation activities. Secondly, to establish visual identity, which include trademarks, brand, packaging, advertising, clothing, stationery, bags, disposable cups, printed, and all other elements of visual identity. Furniture enterprises should focus on the management of the store, exhibition hall and the product model, showing to consumers in a unified logo and image. Thirdly, the furniture enterprises should establish the behavior identity, mainly reflected in the propaganda, education, training of internal staff, foreign business, and social responsibilities. Business philosophy combined practice guide the behavior of enterprises and employee. Finally, to create spiritual through humanistic management, to build material culture through high quality product image, to construct institutional culture by strict and harmonious management, thus forming advanced enterprise culture of furniture enterprises.

The building of enterprise culture is a dynamic process with the development of enterprise development, not accomplish at one stroke, is the essence of enterprises accumulated in the development process.

## 2) Human resources

Chinese furniture industry is labor-intensive industries. But the coastal city has appeared the phenomenon of labor shortage and recruitment difficult by the impact of the supply of human resources, this phenomenon will be more common and in the future industrial development process. shortage of human resources has become an unavoidable topic in furniture industry. At the same time, total labor demand is increasing in future industry. However, high labor intensity, noise, pollution and risk gradually reduce the enthusiasm of the labor market to this industry. Enterprises should realize this point and improve the degree of mechanization. Obviously, the furniture corporation didn't do like this, but to excavate human resource by high cost. Chinese furniture industry not only lack design talent, but also lack core technological personnel and professional management personnel. It means that the whole industry is backward and affect the development of enterprises in the aspects of decision-making, policy, management, marketing strategy etc. Another way to get core competence of

enterprises is to strengthen the construction of human resources.

## 3) Research and development

There are more than 60 million employees and less than 3 thousand professional designers in Chinese furniture industry. Furniture province Guangdong has more than 6000 furniture enterprises, but less than 600 professional designers, that means the ability of research and innovation in furniture industry is pretty poor. Why does the furniture industry lack creative power? The main reasons are not attach importance to talents, poor working environment, low social treatment. No high-level professional designer means no original design. Imitation and plagiarism between furniture corporations lead to products homogenization. Furniture enterprises should cultivate many professional designers and increase investment in research and development to update product. It's an inevitable trend to drive the development of furniture industry with advanced design in the future. One source of core competence is to strengthen the ability of R&D.

## 4) Production and service ability

From the level of industrial equipment of the domestic furniture enterprises, there are almost no one corporation arrived advanced stage of industrialization which means the production line should be completely automatic, digital, information and have modern industrial system. Most of them are still in the primary stage of industrialization which mix with hand and semi-automatic production line. Although some enterprises imported automatic production line, the information and digital has not kept pace with it. So there are low efficiency of production and large amount of labor cost in Chinese furniture industry. It's hard to achieve the scale of economies effect.

Service system not only refers to introduce product patiently and carefully, delivery, installation, but also include maintenance and repair products, old furniture processing schemes. Perfect service system can keep contacts between consumers and business, then consumers will know more and more about companies and more likely to be loyal customers. Strong production capacity and perfect service system will bring competitive advantage to the furniture company.

## 5) Marketing

The lack of consumer brand cause low marketing efficiency, brand marketing should be paid enough attention in the furniture industry. There are thousands of brands in Chinese furniture industry, but no one brand form a distinctive brand image in the minds of consumers. Some of the famous brand can only know its name, not a very perceptual image. Some business owners think brand is equivalent to high grade and price, ignoring the brand popularity. Brand from high-end to popularization request the enterprise to reduce cost, reasonable planning, constant communication with consumers, so that there are a brand in mind before consumer purchase it. Chinese furniture market need many popular brand with independent intellectual rights. Other way to enhance the marketing ability is to build strategic alliance and construct strong marketing team.

#### 6) Strategic management

There are large number of companies in chinese furniture industry because of low technological content, less capital investment and not too high barriers to entry. According to incomplete statistics, there are more than 60 thousand companies in chinese furniture industry, most of them are small and medium enterprises, some of them are small family workshops. Some small and medium enterprises success by chance, courage and the imbalance of seller's market, with no strategic planning and low-level management. But now there are so many challenges and large competition pressure. Business owners and senior managers form development strategy in a comprehensive grasp of macro environment, industry environment and micro environment combined its own conditions.

#### 7) Organization and management

Furniture enterprises have the characteristic of extensive management just like many other domestic small and medium companies. There are only a few of senior managers who are multitasker with cross departmental functions. There will be more and more specialized departments and functional positions in management system formed on experience with the development of enterprises. Some of them are overlap or defect because of the responsibility of positions without systematic arrangement and clearly defined. It will directly lead to low management efficiency, hard to communication and cooperation cross different department. The goal of Individuals, departments and corporations are often not consistent. Then it is difficult to achieve the goals of enterprise and departments. Therefore, furniture companies should clearly define the key departments and main responsibilities of senior manager to avoid overlap and

defect positions. Clearly defined responsibilities will deepen the understanding of responsibility and objectives, rationally allocate the limited resources, fully mobilize the enthusiasm and initiative of staff.

#### 4. Conclusion

We can get the following conclusion based on the above analysis.

Furniture enterprises should construct distinct corporate culture that can be accepted and approved by all the staff and establish the perfect mechanism of talent resource development which can fully mobilize the enthusiasm and initiative of staff. Furniture enterprises must pay more attention to cultivate excellent designers and to the introduction of advanced equipment and technology to ensure product quality and the benefits of companies. Strong brands will improve the efficiency and effectiveness of marketing, so brand building is very important for furniture companies. Raising the level of strategic management and the necessary organizational change are also helpful to cultivate core competence.

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