Summary of doctoral dissertation

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Introduction

Nowadays, the furniture industry is changing rapidly. On one hand, it was negatively affected by the 2008 world economic crisis. Furniture industries in some countries have still not recovered. On the other hand, the furniture industry is positively affected by the globalisation. Companies are seeking more advantages in cost and quality through outsourcing and offshoring. Therefore, investigating the location strategies of the furniture industry will bring rewards. This dissertation analysed how the furniture industry in the two European countries—Spain and Denmark compete each other. There are four reasons to compare these two European countries. First, European furniture is very representative in the world furniture industry. Furniture design in Europe leads the world trends, and most of the top furniture manufactures in the world are from Europe. Second, the two countries seem to compete for the European market in export, because their main export market is the European market. Third, both countries have their special competences as strong furniture countries in the world. Spain is one of the three major European furniture producers (the other two are Italy and France) with European art and cultural traditions. Although Denmark is a small country with high costs, its furniture industry is experiencing an above-average economic performance. Fourth, the design styles of Spain and Denmark are different. The furniture designed in Spain is classic Mediterranean style from Western Europe, which pays attention to the decoration, but Denmark is a Nordic country whose design style focuses on briefness and nature. For these reasons, it is interesting to compare the two countries to see how they compete.

Research objectives and methodology

The main objective of the thesis is to analyse the most important factors of location strategies of the furniture industries in Spain and Denmark. The analysis combines both qualitative and quantitative research. Qualitative research includes the macro location strategies analysis of the industry and micro location strategies analysis of the companies in the clusters. There are four Spanish companies as well as five companies, four institutions and two universities in Denmark were contacted for collecting the information. The methods are semi-structured in depth interviews and questionnaires. Quantitative analysis (Grubel and Lloyd-GL index and multiple linear regression analysis) is to ascertain the important geographic economics factors affecting the Intra-Industry Trade (IIT). The objective is further developed into three specific objectives:

1. Identify the important macro factors of the location strategies of the furniture industry.

2. Determine the important micro factors of the location strategies of companies in the clusters in the industry.

3. Ascertain the important macro factors affecting the location strategies of IIT in relation to geographic factors.

Hypothesis

There are three hypotheses in relation to the furniture industry, companies in the clusters, and IIT analysis.

Hypothesis 1: Production, design, and transportation are important elements affecting the location competitive strategies in the furniture industries in the two countries.

Hypothesis 2: Agglomeration, clustering, linkage, and subcontracting are important factors affecting location competitive strategy of furniture companies in the two countries.

Hypothesis 3: Geographic distance, common borders, GDP, and income/capita are the important determinants of IIT in the two countries.

Conclusion

The first hypothesis is not completely confirmed for the following reasons. The analysis of the macro situation of the furniture industries of the two countries shows that Denmark has advantages in production and design. To compete with Denmark, Spain is trying to remedy their production decline by providing direct financial aid to these companies and encouraging furniture exports to emerging countries. Furthermore, Spain is putting more effort into its design-phase R&D. The

analysis of the micro situation of the furniture companies in the clusters in the two countries shows that Denmark has advantages in transportation due to high consolidation levels. In this way, they reduce more costs than Spain. However, the companies in the two countries do not have comparative advantages in production and design due to the companies' differing situations. The result also exhibits that production, design and promotion are important for the companies in clusters in the two countries. Transportation is less important than these three factors since transportation does not contain any special technique. Companies can change their transporter at any time or simply use agencies instead. However, from the macro point of view of the cluster, transportation is important since producers' efficient consolidation of transport can lower the cost of the whole cluster.

The result confirms the second hypothesis: The four factors (agglomeration, cluster, linkage and production subcontracting) are important for companies in the clusters in the two countries. The regional clusters in Valencia, Spain and the national cluster in Denmark can be taken as an agglomeration, although they have some features of the cluster because the companies in the two clusters rarely cooperate; this means they locate randomly. The regional cluster in the Skive and Salling peninsulas in Denmark has almost all the features of a cluster; consequently, it is a standardised regional cluster. Agglomeration and clusters are vital because all the companies in them can generally be profitable. For example, although there are many problems in the regional cluster in Valencia, Spain, the companies can still receive information and other support from the government and relevant institutions. Linkage is important since the companies have to have some relationship with the other actors in the cluster. Value chains can help to identify competitive advantages obtained through the linkages. Outsourcing is important for both countries, since almost all the companies contacted in this analysis have outsource activities.

Concerning the third hypothesis, the findings identify some differences. Geographical distances and common borders are critical variables for the IIT in the two countries in both the GL index and multiple linear regression analysis. For both countries, GDP is not important in the GL index analysis. In the regression analysis, it is important for the IIT in Spain, but not Denmark. Income/capita is not important for either of them in the GL index or the regression analysis.

In the analysis of the IIT, there are two important findings. One is that the IIT in Spain is more diversified than in Denmark for the following two reasons. First, all the five major trade partners of Denmark are European countries. However, in the five major trade partners of Spain, only three of them are European countries, whilst two are non-European countries (Morocco and

Israel). Spain has much two way trade with these two countries because they can use the transportation advantage of the Mediterranean Sea. Second, the result of the regression analysis demonstrates that Spain undertakes frequent two way trade with high GDP countries. This phenomenon is not found in Denmark. Another finding is that the two countries compete for the European market due to geographical distances; additionally, common borders are important to both, and the main import and export markets for both countries are Europe.