

Dream Business Model for Hardwood Industry

Thursday, August 12, 2010

The Foundation of Business Sustainability

In the woodworking and furniture industry, why can companies like IKEA continue to perform well even after being in business for over 60 years, while others have failed and faltered?

To answer such a question, I draw on over 30 years of study and research, especially on the companies I have visited in Taiwan, the U.S., Canada, Korea, Japan, Singapore, Indonesia, Thailand, Malaysia, China, Vietnam and Russia, to find the link in their prosperity and sustainability of their operations. My research approach is rather extreme. After 10 years of being an academic, I chose to become an entrepreneur myself in order to identify the gap between theory and practice.

From years of hands-on experimentation I have concluded that there are four elements required in sustaining a business's prosperity, namely having the right motivation, executing the fundamentals well, seeing the big picture and having an innovative business model that warrants long-term growth.

When we first start a business, survival is the name of the game. A startup must grab any business opportunity that comes its way. In other words, the company must be short-term goal oriented. The meaning of "having the right motivation" is how soon the company can grow out of short-term thinking. The reality is that most business owners never end up changing their way of thinking. That is why the majority of startups don't last more than 6 to 10 years.

The logic behind business owners having to think long term is very straightforward. I often hear my fellow businesses owners complain about their employees not being motivated. However, they are seldom inquisitive about why motivated people would want to work for them when their businesses have nothing to offer the employees for their personal long-term growth.

If business owners care to look at things from the employees' angle, they would naturally be on the right track for long-term thinking. In other words, instead of just chasing immediate profits, business owners also would have to address the issues of business fundamentals. Business fundamentals are the management disciplines required to shape a good company, such as having a clear company goal, a productive company culture, good control over cost and quality, and most importantly, the willingness to invest in the education and training of employees.

Exercising these disciplines is not at all easy, but they are essential

Purpose of Blog

To share and exchange entrepreneurial experiences and to promote the forestry industry.

The emphasis of the blog is business or academic related issues, such as:

(1) The industry and its market trend; (2) Competition; (3) Company vision and goals; (4) Principles and constraints of the business model; (5) Company culture; (6) Merchandising; (7) Sourcing; (8) Pricing; (9) Advertising; (10) Unique sales proposition; (11) Employee productivity; (12) Inventory turnover; (13) In-house manufacturing; (14) Custom-order service; (15) Internet sales.

Targeted Participants in US and China:

(1) Entrepreneurs; (2) Corporate Executives & Managers; (3) Academics; (4) College Students

(Responses can be in either English or Chinese)

Blog Archive

- ▼ 2010 (2)
 - ▼ August (1)
 - [The Foundation of Business Sustainability](#)
 - July (1)
 - 2009 (1)

About Dr. Hardwood



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About Business Model

The Company: Global Forest Corp, Scottsboro, Alabama, founded in 1990.

Goals of the Dream Hardwood Center Business Model:

(1) A nationwide big box retail chain where consumers can find all their hardwood

to a business's sustainability. Case in point, a company without a clear long-term goal is equivalent to not providing a direction for employees to better themselves or providing employees hope for their futures.

However, even companies who think long term and practice good management disciplines may still be adversely affected by the effects of globalization such as imports competition. In other words, if businesses can't see the big picture in global competition, market changes, raw material trends, economic cycles, etc., they will still have sustainability issues.

The signals of changes in the environment are usually pretty clear, but the effects are gradual. We business people, however, tend to be overly optimistic and resistant to making any major changes. Therefore, there won't be any miraculous change for the better; failure is usually just a matter of time.

Ashley Furniture is a good example of effectively seeing the big picture. They started their import program over 30 years ago. But instead of closing down their domestic productions like some other large companies, Ashley imports only to compliment their domestic manufacturing thus maintaining their flexibility. Once they began retailing their own products, Ashley became the number one furniture company in the U.S. while doing around \$3 billion annually.

From my 20 years of hands-on research on business models and sustainability, I believe that in our industry only IKEA has a "Blue Ocean Strategy," which means "Creating an Uncontested Market Space and Making the Competition Irrelevant. IKEA has created a unique retail business model that enables them to keep innovating their products, services, manufacturing and store design. That in turn renders them capable of generating \$30 billion in revenues annually with only about 300 stores. And they still have plenty of room to grow in the global market.

A worthwhile question to ask is that if a company happens to come up with an unprecedented business model to compete in the market, will that ensure their sustainability? The answer is definitely no, unless they can anchor securely the other three foundation elements: motivation, fundamentals and big picture. The fate of iFurniture is a clear illustration of my point.

So I have made my observations about what has been happening in our woodworking industry for the past 30 years and have talked the talk. What then can I suggest companies to enhance their sustainability and walk the walk? Although there are clear paths and methodologies for any situation regardless of the size of the business, there are no short cuts. One place to start is to step outside your box and find opportunity to interact with academics. At least they can help you with seeing better the big picture.

As a non-consultant businessman, I believe that I have done sufficiently enough to share my general perspectives. If any reader wishes to discuss specifics, I am willing to try it openly in this blogosphere.

materials and finished products needs

(2) A workplace ideal for wood technology graduates to develop lifelong careers and to own individual shares of the company

(3) A business that can stay innovative by guiding and funding academic wood product research projects and then utilizing the results

A prototype store, Hardwood Center®, was created in 1990, focusing primarily on research while waiting for the right opportunity to grow. The factors that have been researched include but are not limited to: (1) The industry and its market trend; (2) Competition; (3) Building and crafting a business model; (4) Establishing company goals; (5) Cultivating company culture; (6) Merchandising; (7) Sourcing; (8) Pricing; (9) Advertising; (10) Showroom innovation; (11) Employee productivity; (12) Inventory turnover; (13) In-house manufacturing; (14) Custom order service; (15) Internet sales.

* The above blog I wrote also to post on the Woodworking Network
Posted by [Spencer Lei](#) at [4:39 PM](#) [No comments:](#)

Thursday, July 29, 2010

Want to be Proud? Must Dare to Dream & Dare to Do

After being a member of the forest products community for over 40 years, I have yet to see our community demonstrate continual progress or the know-how to become better. Case in point: although we have the technology, raw materials and markets in our own back yard, the imported wood furniture has still taken over two-third of our own domestic market share. While we move our furniture manufacturing offshore to make easier profits, foreign companies such as IKEA are making major capital investments in setting up their production here. While forest products are still the largest or second largest industry in some states, the forest products departments in the state universities, however, can hardly find enough students interested in enrollment. Just how can we feel proud of being a member of this community if we continue to keep going downhill? Are there any ways that we can revitalize our community?

As a research scientist who has witnessed and even participated in the export furniture boom in Taiwan for 10 years, I have always been inquisitive about these exporting companies' sustainability in a matured market. In order to find out how woodworking companies can manage to stay prosperous and achieve sustainability, I decided to carry my study further and become an entrepreneur to research for answers in the matured market of the US. After 10 years of being an academic plus 20 years as an entrepreneur, I believe that I can provide further insight and ideas on how to revitalize our forest products community. In this blog, I will start with sharing a rewarding experience of mine with my fellow academics, and then propose an innovative approach to strengthen our forest products education.

It is easy to see that there is a disconnect between academic institutes and the industry. Just which side should take the initiative to close the gap? If we want to be inquisitive about this, we have to start by first acknowledging that even academic institutes need to generate products, namely graduates and research findings, in order to get funding. Where then is the market for our products? Apparently the industry is our largest market. Therefore, there should be plenty of incentives for us to study our own market in order to generate better products. If we fail to attempt that, we are either short-sighted or simply lazy.

In order to make the distinction between theory and practice, we need to learn how businesses are operated from business people first. We can then know how to advise them effectively. From my own experience, once I had gone through this process, my teaching and research projects have all become much more meaningful. I would also emphasize that, while dealing with the industry, maintaining our modesty and integrity can carry us in a long and rewarding way. From this reciprocating process, "Knowledge is

power” will become even more evident to us academics. And that can really make us feel proud.

If I was a university professor now, I would put together an elective entrepreneurship course for sophomores and up in the school of forestry or school of agriculture. The objective is to expose students to the concept of becoming an entrepreneur early on. The design of the course should first cover some concepts in the basic disciplines required in running a small business, and then invite in small business owners and entrepreneurs as speakers to share their real life experiences in this two hours a week class.

The purposes of having this class are threefold. First is to show students that most businesses compete with their expertise knowledge and capability. Thus the students may be motivated in having a sense of direction and study harder while in school. Second is to let students be aware that just having good ideas and a willingness to work hard are no guarantees for success in the business world. They are better off forming the notion that they should work for other people first to gain experience and put their abilities to the test. The third is to allow students to know that becoming an entrepreneur is not for everyone. From learning how challenging it is to run a business, hopefully they can appreciate their prospective employers more and even develop better work ethics. I am confident to say that for every accomplishment achieved in life, it all started from having a correct concept. Providing this correct concept is what this entrepreneurship class is all about.

Yes, I dare to dream about that a lot more well-educated and well-prepared entrepreneurs will join us in the future. With their youth, energy, creativity, and passion for success by adopting correct methodology, our community will have better chance of being revitalized. We can then all feel proud again. To make this possible, we academics must dare to break the status quo now by creating an entrepreneurship class in the school of forestry in our universities.

Posted by [Spencer Lei](#) at [12:44 PM](#) [No comments:](#)

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