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Key Factors that Contribute to the Performance of Furniture Companies in Ghana

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Abstract
The Furniture industry in Ghana is not developed to international standards. Traditional apprenticeships make up the majority of the industry. The furniture industry in Ghana is dominated by imported products. This study determined some of the factors that lead to the poor performance of furniture firms in Ghana. The performance of furniture firms in Ghana especially the small sized ones is hindered by limited creativity and innovation, and this results in few unique products, low ability to meet customers' expectations, and poor performance. These challenges could be solved by engaging the services of more creative, skilled and competent staff.
Keywords: Furniture Industry, Ghana, performance.

1. INTRODUCTION

Furniture are moveable or free standing objects such as table, chair, bed, wardrobes and cupboards normally for use or for ornament in a house or an office to make it suitable for living or working condition (Adupong, 2011). Furniture is traditionally segmented into 3 sub-sectors based upon the purchaser's characteristics:

- Domestic: serving the public, mainly through retail outlets and for household use.
- Contract: furniture for public areas such as hotels, schools, cruise liners, hospitals, restaurants, residential accommodation, stadia and airports.
- Office: desks, work stations, seating, tables, cabinets and other items for the office environment. In Ghana there is no clear cut definition or segmentation of the furniture industries as most companies deal in all of the types of furniture items.

The timber industry in Ghana is known to contribute about six percent (6%) of the Gross Domestic Product (GDP) (Bank of Ghana, 2004). The timber industry contributes 11% to the total export earnings in the country (Acquah and Whyte 1998). Also the industry employs about 100,000 workers directly and close to 2,000,000 people depends on the industry for their livelihood (Agyarko 2001; Bank of Ghana, 2004).

The furniture industry in Ghana is going through major challenges, despite the countries abundance of rich resources, including timber and many raw materials for making any kind of furniture pieces and could have been the major source of employment (Adupong 2011). However the future and survival of the industry appears to be very weak and needs serious intervention. The importation of furniture pieces is gradually collapsing the business of local producers. Available statistics shows that furniture products imports into the country rose sharply by almost 400% between 2005 and 2011 (UNCT, 2011). Most of the furniture is imported from the Asian countries, Italy, and South Africa. According to Adupong (2011) a recent survey by the Association of Ghana Industries (AGI) showed that 78% of furniture on the Ghanaian market is imported, leaving only 22 percent to the local manufacturer. The imported furniture is perceived by Ghanaians' to be superior in quality and design to the local furniture (Budu-Smith, 2005). The few leading firms currently in operation have reduced their manufacturing capacity drastically and resorted to importation of office and household furniture and are serving as conduits for the sale of foreign manufactured furniture. Most furniture showrooms in the major cities in Ghana display a mixture of foreign and locally made furniture products (Ghana TEDD Gazette, 2000).

Ghana's tertiary wood sub-sector is identified under the Ghana Wood Industry Study as a dying industry. Numbers in the formal and informal sectors are estimated to have declined by 50% and over 60%, respectively, between 1990 and 1999 (Ghana Forestry Commission, 2001).
The aim of this study was to determine key elements that contribute to the low performance of furniture companies in Ghana.

2. METHODOLOGY

2.1. Sample Size

From information obtained from the Furniture and Wood Products Association of Ghana (FAWAG), 420 furniture companies nationwide were identified. One hundred and eighty of the companies with employment

capacity less than 10 workers were eliminated. The remaining 240 furniture companies which happened to be in the key regional capitals of Accra, Kumasi, Takoradi, Ho, Koforidua and Tamale were used for the study.
A classification system based on number of employees and operational capacity of wood volume was used to group the 240 companies as follows: 30 in Group A, 90 in Group B and 120 in Group C.

- Group A – Large furniture companies that employed over 80 workers, with operational capacity of wood volume over and above 20,000 m^3 per annum.
- Group B - Medium sized, employing between 60 - 80 workers, with operational capacity of wood volume between 5,000 – 20,000 m^3 per annum.
- Group C - Small scale furniture companies employing between 10 - 40 workers with operational capacity of wood volume of 5,000 m^3 per annum or less.

2.2. Data collection

Out of questionnaires sent out to the 240 furniture manufacturing companies to obtain information on key elements that contribute to the performance of the furniture companies only 220 questionnaires were received and processed.

3. RESULT AND DISCUSSION

3.1. Key factors that contribute to low performance of furniture companies in Ghana

Figure 1

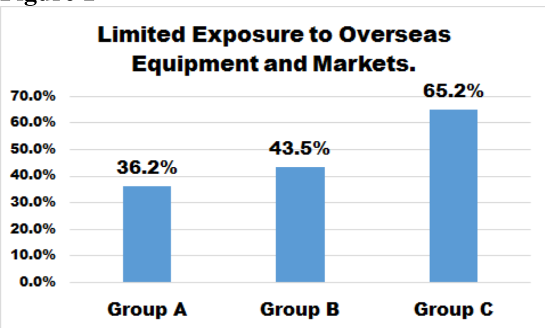
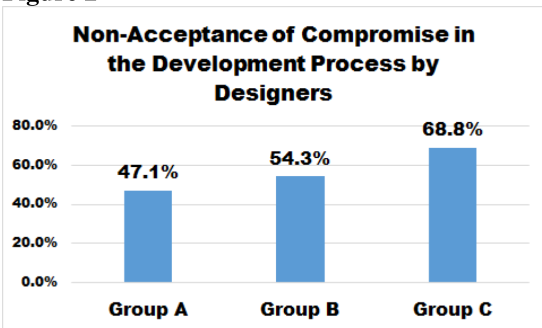


Figure 2



The extent of exposure of furniture Companies to modern equipment and markets are: large firms > medium firms > small firms (Figure 1). This may be linked to the firm's ability raise capital to procure the modern equipment. Smaller firms are less likely to obtain loans from banks for expansion. According to Damptey (2012) the main challenge facing medium sized furniture firms in Ghana is limited access to funds.

The lack of modern equipment limits the smaller firm's ability to meet the standards of the international market and this limits their penetration into overseas markets. Access to international markets allows increased scale of production, leading to lower unit costs through economies of scale (Harrison, 2011).

Smaller firms are less inclined to compromise with customers and accept modifications during designing of furniture products to meet customers' expectations (Figure 2). The result is that most furniture pieces from smaller firms look the same. Larger firms who normally deal with larger orders which bring more revenue accept modifications proposed by customers more readily.

Figure 3

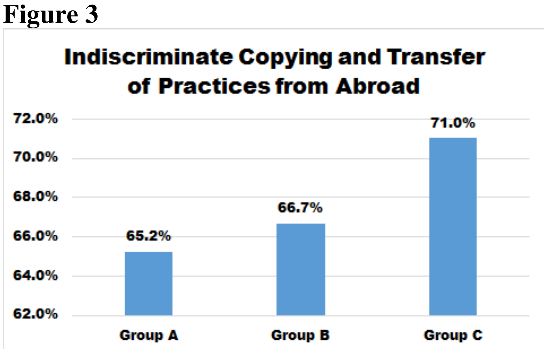
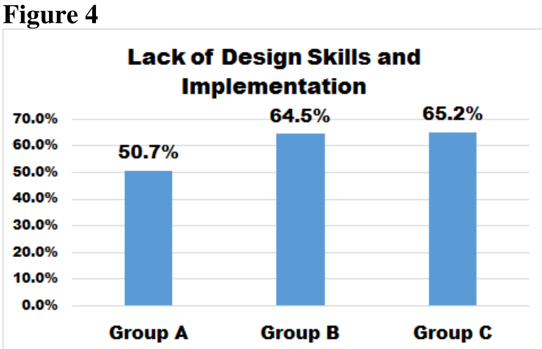


Figure 4



Smaller firms also indiscriminately try to ensure that their products imitate those from abroad. They do this by trying to manufacture pieces that they see in pictures in brochures (Figure 3). This lack of innovation and lack of investment in product development makes the smaller firms less competitive than the larger ones

(Berginc, 2011). According to Berginc (2011) research of the market and customers is critical in developing innovative products.

The lack of innovative products from the firms is mirrored by the lack of design skills in the firms. The smaller firms which innovate less have less design skills than the larger ones (Figure 4).

Larger firms are able to build their own products more than medium and small sized firms (Figure 5). Larger firms therefore practice more wood economy because they own the designs and have more command over the process than smaller firms (Figure 6). Larger firms are therefore more profitable than smaller ones.

Figure 5

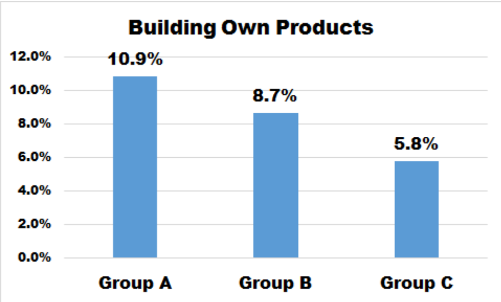
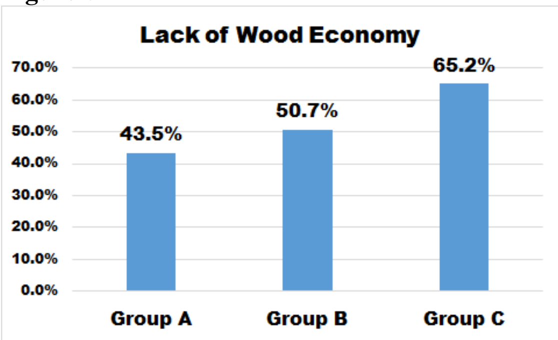


Figure 6



The middle level manpower for the furniture industry in Ghana is Higher National Diploma (HND) graduates in Furniture Design and Production. The HND programme is run by only the Polytechnics in Ghana.

A study by Damptey (2012) on a medium sized furniture company with 61 workers in Accra, Ghana showed that 2.5% of the workers had a postgraduate degree, 7.5% had first degrees, 22.5% had HND, 37.5% had senior high school certificate and 30.0% had junior high school certificate. The study therefore shows that majority of the respondents had secondary education while minority of the workers had tertiary education. In this study, the lack of middle level skilled manpower is more pronounced in the smaller than the medium sized and larger firms (Figure 7). The smaller firms were also less equipped (Figure 8).

Figure 7

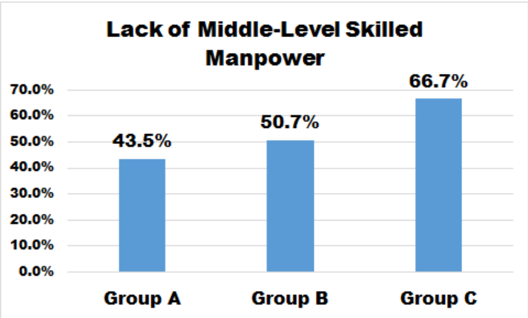
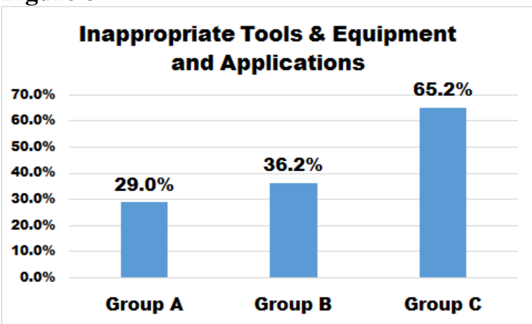


Figure 8



While small firms identified teamwork, a competitive spirit, commitment to results and motivation as keys to improving the performances of the firms (Figure 9 and 10), medium and large sized firms were more committed to increased creativity and innovation and meeting the customers' needs (Figure 11 and 12).

3.2. Key factors for better performance of furniture companies in Ghana

Figure 9

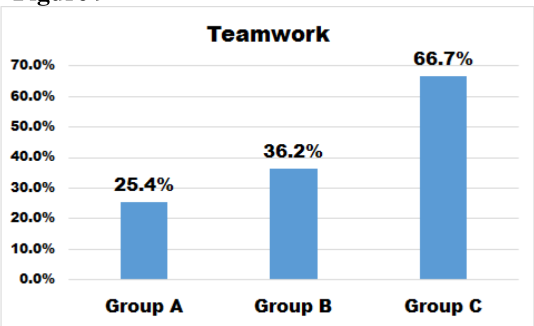


Figure 10

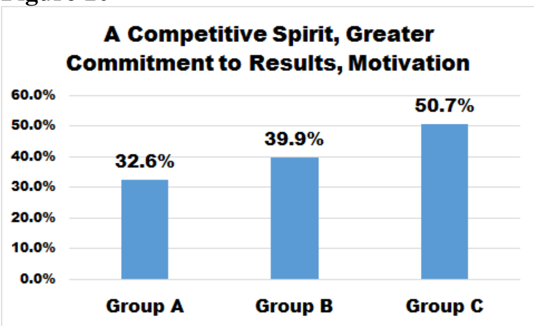


Figure 11

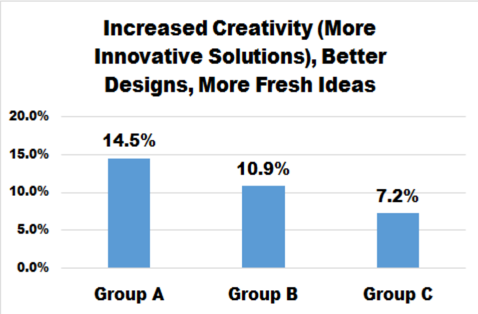
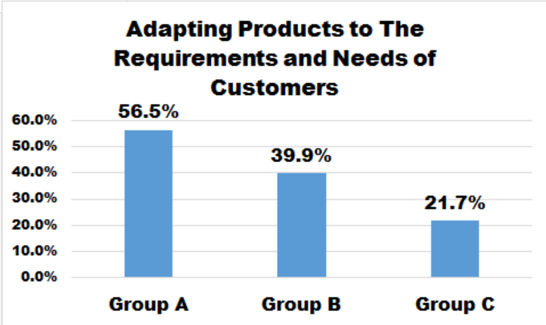


Figure 12



There are significant and moderate-to-strong associations between satisfaction levels and a firm's financial and market performance. There are strong links between customer satisfaction and revenue (Williams and Naumann, 2011).

4. Conclusion

The research showed that the performance of furniture firms in Ghana especially the small sized ones is hindered by limited creativity and innovation, and this results in few unique products, low ability to meet customers' expectations, and poor performance. These challenges could be solved by engaging the services of more creative, skilled and competent staff.

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Damptey (2012)

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