

The Hungarian furniture acts a particular part in the processing industry. The valuable and rich traditions, the high qualification level, the remarkable capacity built up earlier, the supply discipline, the high quality development, etc. – all these facts made the industry possible to remain on its feet, and to resolve a nearly two decades old crisis to achieve good results despite the balks due to change of regime (change of ownership, decrease in domestic demand, loss of Eastern markets, import liberalisation).

1. Target of the Research

The basic purpose of the research is to explore the Hungarian furniture production to ease the accession in the EEC and to maintain and initiate the development process. Its means are: the analytical and evaluating introduction of the Hungarian industry its past and presence as well as its chances with special regard to the expansion of the Fifteens, i.e. to which extend and direction they can alter the present position. When duly prepared the advantages can better be pushed and disadvantages moderated – the study says.

In this sense the investigation reveals values rooted in the past and the current values available that made the furniture production capable to achieve better production and sales figures in many respects higher than the average Hungarian industrial level. Both the good results and the problems have been considered: the huge shortage of capital the spontaneous privatisation the old technology and the lack of expressed mutual interest primarily among wood producers, and processors the foreign ownership of the inland marketing chain – all these are problems to resolve. On basis of the SWOT analysis the target was set up to find out: what kind of possibilities are available to deepen the strength and to combat or tender weakness.

The awareness of the relevant policy of the European Union help receive information how Brussels handles the furniture production of the Fifteens. It is necessary to look into the system because the standard principle of the economic environmental programs will become effective just after the accession of Hungary (there will not be significant moratoriums in the field of

processing industry) that will also have an effect on the domestic furniture industry. The introduction of the production and selling figures of the furniture industry in the EEC and in the most important countries may help govern the local actors.

The research had in mind to draw inferences on basis of which the ways and forms of development can be seized with high certainty for the performers of the section, the forms, co-operations, policy that help closing up. The right preparation grants good chances for the Hungarian furniture not only to avoid convulsion but on the contrary: to get in a better market position so that the national sales and the exports increase considerably.

When defining the target the main principle was focused on the user. It is without saying that the producer and the trader or the employee and the researcher all they have other interests. All of them however have something in common: all they are interested in getting acquainted with the position of the Hungarian furniture production and relating industries, and in improvement thereof.

2. Antecedents and applied methods

The subject of the research is the Hungarian furniture production. The issue has a lot of aspects both from a technical economic, and culture historical approach. The bibliography of the essay shows only a narrow segment of the wide range of the sources in the issue. A comprehensive analysis of the section has not been done since mid of the eighties.

The historical antecedents of the modern furniture is short. The modern wood process and industrial furniture production in Hungary starts only in the last third-quarter of the 19th century, so this is a relative young industry in our country. The development of the industrial production in the Carpathian Basin depends strongly on the political changes. Trianon reduced the supply of raw materials that resulted in the loss of the traditional markets, the socialism created new proprietary circumstances by nationalising private undertakings

and with its quantitative approach. And finally the change of regime in 1998 had a drastic effect on the industry resulting not only in the privatisation but also leading to the loss of the Comecon markets and to the realignment of the domestic trade (decrease in construction of apartments, the vanishing of the whole trade, import liberalisation).

Not even the future is free from policy: the expected accession in EEC will have a definitive effect on the national producers and traders of furniture and as well as on the whole (first of all wood) industry. It is certain that after the accession the whole furniture industry will again undergo a transformation as it happened earlier in time of the political changes. The key difference is now however that the new process – on the contrary to preceding events - can be managed and still there is a short time for preparations.

The bibliography on the section has even shorter antecedents. Though making furniture has a several thousand years' history and old traditions in Hungary the professional bibliography of the Hungarian industrial production is not a century old. In other countries things did not go faster, either: the first works about to the industry in English and French and German appeared only in the early 19th century containing first of all technical knowledge that can be evaluated scientifically. In the Carpathian Basin however the first books appeared half a century later, as for the more Eastern countries even later. At present there is a dual tendency: on one side there is the rich and increasing technical literature, on the other side the few and decreasing volume of economic literature.

The research method is diverse due to the wide spectrum of the doctorate. The possible indirect subjects relating to the topic are also investigated: the design of an ever increasing importance in the future, the quality, the supplier-sub-contractor system, modern production proceedings, up-to-date logistics, etc. The work started with collecting information: the national and international literature (libraries, second-hand bookshops), consultations with workshops of engineering and economic education, discussions with designers, producers and traders, trade associations, state institutions (Ministry of Economy, Hungarian Central Statistical Office etc.) furthermore information gained by

surfing on Internet created the basis of the issue. Another way of research was necessary however– personal contact, parasociological approach – to get acquainted with the black and grey economy, illegal production, trade in garage without billing, etc.).

Systematisation and selection followed the data collection then classification and analysis. The next step was the evaluation and the exploitation of possibilities, suggestion how to get forward. The first views about several topics were argued often several times before the final version got laid down in writing and they became formulated in the paper only after their revision. These comments were quite useful because new issues got mentioned, not once new standpoints new aspects arouse.

The process method followed flexibly the requirement of the researcher's attitude towards the given subject. Therefore the chapters about the early years, the trade guild and the history are mainly of encyclopaedic nature. At the same time however personal interviews and own experience helped write down the chapters about the present situation. As for the future the SWOT analysis and examples taken from Western countries made it possible to draw it up. Also the theme was determinant whether to give preference to library, or to verbal and other sources. The right separation of the chapters reconciled the relative different conceptions and studying methods.

3. Principal statements

The elaboration of the issue follows chronology. After the introduction of the issues comprehensive establishments and evaluations are made, the importance thereof differs depending on the subject. Theses are:

- 1 *The furniture production recovered from the effects of the change of regime, got over the crisis and arrived at the start of a boom.* The analysis declares that the Hungarian furniture industry survived the spontaneous privatisation and the general economic crisis and it shows the first signs of development from 1998 –

1999. The general economic growth, including the boom of the construction industry with the support of credits on more favourable terms and the increase of wages all these improve the possibilities for the sales and production of the Hungarian furniture industry.

- 2 ***The future of the Hungarian furniture production is to find to some extent in the well proved projects of the EEC:*** the support granted to small – and middle sized undertakings, the regional policy, environmental subventions, up-to-date quality regulations and management of productions systems, innovation, the strengthening of R+D, clusters, innovation parks, etc can be treated as a pledge of the further growth. The investigation of countries being already EEC –members shows that the reason for the growth can be found in this direction, the proportion of wage work is decreasing.
- 3 ***According to the study the reserves of the section are high:*** the technical management, the expert force is excellent, the education is better than that of competition in the Eastern-Mid European countries and that of other Hungarian industries. Furthermore there are remarkable inherited technical capacities and the application of modern substances, the delivery time and the good quality create problems less and less.
- 4 The analysis indicated some problems, too. ***There is a lack in functioning capital, the free flow of information, PR, marketing, distribution, national marketing organisation, and support of exports.*** There are the international distribution chains of furniture already available in Hungary and more are expected after accession in the EEC. It would be advisable to establish Hungarian organisations till then. Ways are: the co-operation of the manufacturers, new production and distribution technologies (just in time, franchise etc.) and state support (lobby).

- 5 ***The study examined also the background of the section, a lot of relating territories have to be developed.*** The Hungarian design is still in an early stage, if there is no international reputation the excellent experts work in vain. The production of appurtenance and fittings is not sufficient. The modern management, product development, logistics, controlling, sub-contractor – marketing information system and environmental aspects can help to achieve success. The quality control exists rather in larger companies, but the more serious environment protection does not work there either, though it is the future.

- 6 ***The change of regime made the crafts trade possible to develop.*** The demand in period furniture is growing and its production has its renaissance too. The same is true for the upholstered furniture of fewer tools. The handicraft of long traditions and international success has new chances. The new tax regulation from 2003 and the support of micro- and small sized companies may strengthen the field.

In course of the work it turned out the Hungarian furniture production possesses good conditions compared with other industries that should by all means used up both in the domestic and in exports. Its development should have effect on the increase of the relating industries too (textile industry, plastic industry) and initiate advantageous proceedings (employment rate, innovation, etc.)

4. The new and recent results of the study

This issue was not investigated in the last fifteen years in Hungary in this approach and depth. The Hungarian furniture production got into changed circumstances and adopted them spontaneously. The studies written with an eye to the planned economy are of less importance during the past period of time. Though some fresh and comprehensive essays about some partial fields appeared in the meantime (e.g. a few segments of the national furniture

distribution) and some results can be found there but even these works miss a comprehensive analysis.

In a basically altered situation, in a section - the furniture production - the study tried to find out how undertakings involved in the market can be supported by research work and investigations, so that the advantageous processes keep strengthening and the disadvantages decrease. A lot of new – earlier not existing – features can be identified.

- 1 In course of the last two – three years the Hungarian furniture production has a boom. ***This is a new phenomenon, this section could not show such a result since the seventies.*** If the furniture production is able to keep race then it may become a successful industry by the mid of the decade and this time lag of 10-12 years can be fully made up, or even more advanced.
- 2 The SWOT analysis justifies that there are essential reserves in the national furniture industry and part of it can be directly utilised. This can result not only in the growth of production but also the efficacy and profit. Through innovation in the production there is a possibility to save costs of raw materials and labour. ***This future is the new buyer-focused, computer-managed production and distribution.***
- 3 The accession in the EEC can increase the production and distribution chances of the section in case of suitable preparation. The export will change from the contract manufacturing to the sale of own products that requires both organisational restructure and competitive background of supplier system sub-contractor, marketing and distribution. ***The Hungarian furniture production has not had such a chance to sell to such a big market under such favourable circumstances since Trianon.***
- 4 ***The characteristic feature of the new situation is that there is no uniformed strategy.*** As many firms, nearly as many solutions. The

evil lays in the detail, which means in the realisation. The strategic thinking, the knowledge of the market (competition, trends of fashion etc.) effective production management, integrated logistics, benchmarking, reengineering manager-thinking plays a vital role.

- 5 The investigation justifies that *the furniture production is the incorporated innovation*. New markets (instead of Comecon countries) new products (other requirements), new productions processes (just in time), new techniques and technologies (technical development) new forms of connections (innovation park, technological park). It is true even then when the production runs with old machines in several places, in amortised buildings. The innovative techniques may give an impulsion to the development of the furniture production.

5. Practical use of results

The past and the current situation of the national furniture production and the examples of the already EEC member countries indicate us that in case of sufficient preparation the Hungarian manufacturers have a real chance to develop the section after accession in the EEC. The study elaborates the world of a complex production of furniture. In this view it is too comprehensive so that it could not be regarded as a realisation plan, but with the systematisation of the received information, and conclusions this could be of good help to the directors of the furniture industry, even if it does not do more than confirm their thinking. Well, cui bono, cui prodest?

It is also useful for **not** industrial scale. From the handicraft chambers to the small and middle-sized company programmes and several co-operations, strategic alliances and micro-sized undertakings everybody can make use of the information. It can be seen which way they has to choose alone and where they have to create a supplier- sub-contractor system or where to join a cluster.

Technical unions, agencies can also find something new or others at least. The outsider can observe the events and connexions in a neutral way.

The first line of the economy management (Ministry of Finance, Ministry of Economy) will get the whole life curve of the industry with critical comments. If there will only once more Hungarian industrial policy then these background studies are inevitable.

The second line of the economy management is not forgotten, the institutions with influence on regional development or on the contrary, should it be advantageous bank credit or promotion, regional support of export-credit insurance. (ÁFB, ITD Hungary, Eximbank, etc.)

The analysis of the furniture production can also be informative for other industries as. Though production methods, sales techniques etc. extremely differ from each other there are a lot of territories of the processing industries facing the same problems and life curves. The analyses and advises of the study may serve as a base to elaborate their own development program.

The practice should not mean copying. As many potential users the same aspects. The corpus piece manufacturer is in another situation than the upholsterer, or the contract manufacturer, the manufacturer of own products. Is not possible to fulfil all requirements together and at once, it could not even be a target. It is however important that everybody receive useful information and the statements of the study help them come to decision.

6. Publications

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- Innovationen im Transformationsprozess
Die Rolle der Joint-ventures im Übergang zur Marktwirtschaft in Ungarn
ifo Institut für Wirtschaftsforschung, München, 1993
- Exportgondok vállalati vélemények tükrében
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- A magyar bútorgyártás az EU tagság elnyerésekor
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