

FACTORS AFFECTING THE COMPETITIVENESS OF SELECTED HOME FURNITURE EXPORTERS IN CEBU

CARYL CHARLENE E. JIMENEZ, MBA

ABSTRACT

This study attempts to identify the key factors that affect Cebu furniture manufacturers using Michael Porter's Five Forces Model (1998) of competitive analysis. The study explored factors from the departments of marketing, production and finance to specific functional strategies to target competitive advantage against other Asian producing countries in equally producing high quality innovative furniture pieces in the international market. The study discussed possible strategic thrust for Cebu furniture companies in attaining competitive advantage in the age of globalization.

The wave of globalization has affected largely industries in all parts of the world. The open trade policy has thrown the Philippine economy to a competitive global arena where countries fight for space and place in the international market.

"Take change by the hand or it will take you by the throat." Attributed to Winston Churchill, this brief sentence emphasizes the need to understand and embrace change in general (Bullard and West, 2002). Change is necessary to be abreast with the impact of globalization. With innovation at the forefront of many businesses worldwide, what is its impact with the home furniture exporters in the country mainly in the Cebu area? Moreover, within the organization, what can furniture manufacturers do to *"take change by the hand"* in the integral departments of marketing, financial and production to be competitive today and in the near future?

In the Philippines, the furniture industry has fully emerged as the trendsetter among the furniture-producing countries of Asia, earning the title as the "Milan of Asia". With the rich tradition in furniture making combined with native artisans with excellent design flair and deft hands, the country ranks among the world's best and continues to capture worldwide acclaim in the international market. Despite the country's economic crisis, the furniture export industry maintains an impressive record of accomplishment as a major export earner and net exporter. As such, it has earned a place in the government's list of top ten export priority products. The thriving industry is now at the forefront of the country's drive towards global competitiveness.

The country has three main centers of furniture production: Metro Manila, Pampanga and Cebu. It is the Small and Medium Enterprises (SMEs) that mainly dominate the industry, with 98% of the estimated 15,000 manufacturers employing less than two hundred employees. In fact, 63% of the firms employ no more than nine workers. The large furniture manufacturers, mostly comprised of exporters, employ around 43% of the industry's total workforce of 481,500 direct workers.

Another 300,000 people are indirectly employed as subcontractors (FPRDI, PCCARD, 2000).

Furniture export performance for the period of 1995 to 1999 yielded an export growth between 8 to 11%. The United States remains to be the country's biggest market, importing as much as 59% of our total exports. During the export ban on rattan poles in the 1980s, wood furniture products were the alternative resource that replaced rattan as the most common material used in furniture making. The use of metal, mixed media and parts of furniture followed suit as a process of innovation. As of December 2000, furniture exports to the United States amounted to US\$225.4 M. Other export markets include members of the European Union which amount to US\$52.5 M. In the United States, the Philippines ranks as the eighth among the top sources for imported furniture, with China leading the forefront, having exported US\$3.7 B to the United States as of year 2000. (FPRDI, PCCARD, 2000)

In 1986, the Philippines established itself as the top exporter of furniture among its Association of South East Asian Nations (ASEAN) counterparts. Today, the country's ranking dropped to the fourth, next to Malaysia, Indonesia and Thailand. In terms of absolute value of exports, the Philippines pales when compared to Malaysia, Indonesia and China which recorded furniture exports of US\$1.2 B, 860 M and 3.7 B, respectively (FPRDI, PCCARD, 2000).

According to studies as of year 2000, the world furniture export market was estimated at US\$52 B. This means that in the year 2000, the total Philippine furniture exports were valued at US\$381 M. These figures barely cornered $\frac{3}{4}$ percent, or 0.733%, of the global market share for furniture. Glaring facts that furniture and timber industries in other parts of the world more effectively supply this global market demand (FPRDI, PCCARD, 2000).

There is a growing concern that the local industry has not grown in leaps and bounds as compared vis-à-vis to its neighboring countries. China has aggressively adopted manufacturing and technology strategies with an emphasis on cost combined with the importance of quality leading furniture manufacturers to incorporate a flexible production system to produce innovative furniture pieces. The Secretary- General of the Chinese National Furniture Association (CNFA) in fact predicted that within twenty years Chinese furniture will "match foreign producers for variety, quality and technique" (Robb and Xie, 2003). The interest of the researcher was further fortified to pursue the study as the statistics in the country show that while the country showed an export growth of 13% from years 1999 to 2000, China has garnered an export growth of 37% in the same period. With China's accession to the World Trade Organization (WTO), it becomes a major threat to almost all manufacturing businesses not only to those engaged in furniture manufacturing as it boasts of a 500 Million workforce combined with low labor costs.

While furniture-manufacturing still remains relatively labor intensive, because of high interest rates, strict financing requirements and foreign restrictions in the 1980s, manufacturers had found it difficult to expand or modernize facilities and

import modern equipment. Capital investments and other fixed assets amounted to 3.5% of manufacturer's total expenses in an industry that depend more on manual technology and simple woodworking machines. Other productivity impediments include sourcing and cost of raw materials, sustaining product innovation and more. The country already has a disadvantage of higher labor costs and interest rates; wherein China and Indonesia are close at our heels posing as huge threats to the flourishing industry. Given such obstacles, there are still areas wherein Philippine furniture exporters can gain competitive advantages that this research aims to achieve.

These considerations lead to the development of this study in order to identify the key factors that affect furniture manufacturers; from the departments of marketing, production and finance to specific functional strategies to target competitive advantage against other Asian producing countries in equally producing high quality innovative furniture pieces in the international market.

The study determined the furniture manufacturers' strategic thrust towards its competitive advantage in the age of globalization. Specifically, this study obtained answers to the following objectives:

1. Determine the factors that affect the competitiveness of furniture firms.
2. Identify the strategies adopted by the firms to sustain competitiveness.
3. Distinguish the extent of functional departments' contribution to competitiveness.
4. Identify the relevance of the model equation to enhance the competitiveness of the furniture industry in the country.

Theoretical Framework

Michael Porter's Five Forces Model (1998) of competitive analysis as shown in Figure 1A, is a widely used approach for developing strategies in many industries. With the intensity of competition among firms varies widely across industries, the nature of competitiveness in a given industry can be viewed as being influenced by the five forces which are threat of new entrants, threat of substitute products, bargaining power of suppliers and bargaining power of buyers. In the furniture industry like most industries, a company must develop an edge over rival or competing firms, wherein it is instrumental that a firm must fully understand the industry context that the company operates.

Rivalry among competing firms is considered the most powerful among the five competitive forces. The success of a firm's strategy will depend largely on the extent that the firm is willing to provide competitive advantage over the strategies pursued by another rival firm. Changes in strategy may be in the form of lowering

prices, enhancing quality standards, adding product features, providing more services, extending warranties and increasing advertising.

The potential entry of new competitors increases the intensity of competitiveness among firms. Barriers to entry for these new firms can include the need to quickly gain economies of scale, to gain technology and specialization, strong customer loyalty, strong brand preferences, large capital requirements, inadequate distribution channels, government regulatory policies and tariffs, inaccessibility to raw materials, unfavorable locations and over saturation of the market. However, despite implementation of these barriers, new firms may still permeate the market by offering higher-quality products with lower prices. A firm must provide counteractive measures through assessing or monitoring potential new entrants and capitalizing on existing strengths and opportunities.

Presently, many industries are in close competition with producers of substitute products in other industries. The threat of substitute typically impacts an industry through price competition where a product's demand is affected by the price change of a substitute product. The more substitutes available in the market, the demand becomes more flexible since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. The market shares that these products obtain measures the strength of substitute products.

The bargaining power of suppliers greatly affects the intensity of competition in an industry especially where instances of large number of suppliers exists, few good substitute raw materials or the cost of switching raw materials is costly. Producers and suppliers must work out strategies to assist each other to enhance long-term profitability through improved quality, reasonable prices, and development of new services, just-in-time deliveries and reduced inventory costs.

The bargaining power of consumers represents a major force affecting the intensity of competition in an industry. Factors may increase or decrease the buying power of consumers such that firms use strategies by offering extended warranties or special services to gain customer loyalty whenever the bargaining power of consumers is substantial.

The Five Forces Model provided useful ways of thinking about and analyzing the nature of competition within an industry to identify opportunities and threats. However, managers need to be aware of their limitations, as these are not yet proven empirically. In the study, the researcher adopted some factors as the variables for the model.

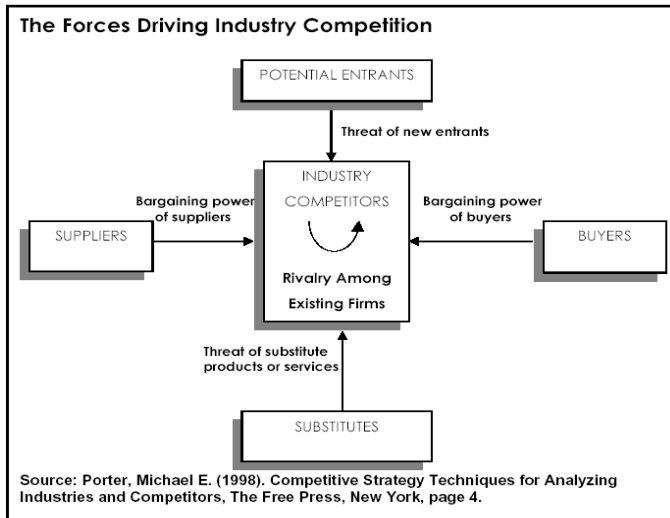
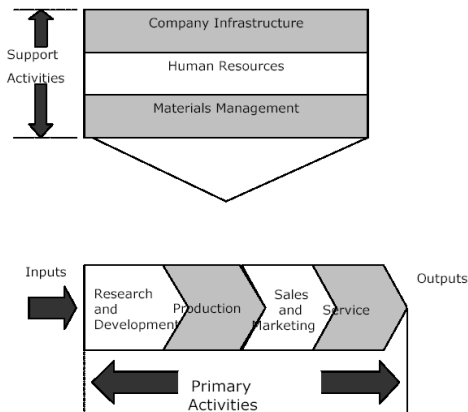


Figure 1A Theoretical Framework of the Study

At a macro level, the changes in the Five Forces of Michael Porter provided a clearer understanding to the opportunities and threats affecting a firm. Such that the firm must then formulate appropriate internal strategic responses based on the theory. The researcher through Michael Porter's Value Chain Framework made a parallel analysis as it complimented the Five Forces Theory at a micro level.



Source: Hill, Charles W.L. and Jones, Gareth R. (2002). *Strategic Management An Integrated Approach*, Fifth Edition, Houghton Mifflin Company, New York, page 134.

Figure 1B The Value Chain

The value chain, a process of transforming inputs into outputs, comprises a number of primary and support activities. Each activity adds value to the product, while achieving superior efficiency, quality, innovation and customer

responsiveness requires strategies that embrace several distinct value creation activities. These goals are regarded as cutting across the different value creation functions of a company or cross-functional integration (Hill and Jones, 2002).

The primary activities are executed together with design, creation and delivery of a product, as well as its marketing and its support and after-sales service. The research and development activities are concerned with the design of products and the production process. With a superior product design, research and development (R&D) can increase the functionality of products, which makes them more attractive to consumers. The role of the research and development is to ensure efficient production process, thus lowering production costs.

The production activities are concerned with the creation of a good or services wherein a company creates value by performing its activities efficiently so that lower costs results are equally consistent in performing high product quality which leads to differentiation and lower costs.

Through brand positioning and advertising, the marketing function can increase the value that consumers perceive to be contained in a company's product. The marketing and sales can also increase value by discovering consumer needs and communicating them back to the research and development (R&D) function of the company, which can then design products that had better match the needs based on consumer feedback.

The role of the service function of an enterprise is to provide after-sales service and support. This function creates a perception of superior value in the consumers by solving customer problems and supporting customers after they have purchased the product.

The support activities of the value chain provide inputs that allow the primary activities to take place such as materials management, human resource and information systems.

The materials management or logistics function controls the transmission of physical materials through the value chain, from procurement through production to distribution. The efficiency in carrying out the task lowers costs, thereby creating more value.

The support activity of human resource ensures that people are adequately trained, motivated and compensated to perform their tasks efficiently as human capital is the greatest resource of a firm. The information system combined with communication features of the Internet creates efficiency and effectiveness which the company manages its other value creation activities.

The final support activity is company infrastructure, wherein the companywide contexts within which all the other value creation activities take place. The infrastructure includes the organizational structure, control systems and culture

of the company. Since top management can exert considerable influence on these aspects, top management should be viewed as part of a company's infrastructure.

Given the present obstacles that firms confront with globalization, it is critical that firms take matters into their own hands by formulating internal strategies specifically targeting the functional departments to enhance competitiveness and growth. Moreover, given the ever-changing business environment, local manufacturers need to formulate long-term beneficial strategies to survive the competition prevalent in the furniture industry worldwide.

METHOD

Research Design

The researcher utilized a descriptive research design, specifically survey. Data collected through descriptive research can provide valuable information about the study units along relevant characteristics and about associations among those characteristics (Arboleda, 2004).

The survey research determined the feasibility of the model equation from the previous study to the Cebu production cluster wherein frequency and regression analysis were used to validate the relationships.

Population

The samples were drawn from the trade associations namely the Chamber of Furniture Industries of the Philippines (CFIP) and Cebu Furniture Industry Foundation (CFIF). The furniture export firm Kosmos Furniture Design composed of a management team and selected employees were included in the study.

Sampling Technique

A non-probabilistic judgmental sampling design approach was utilized in the research, wherein not every element of the total population has a chance of entering the sample. The data survey from the Cebu cluster was obtained from the thesis proposal of Miss Leah Angeli Paclibar and Miss Nikki Garcia, Business Management students majoring in Marketing and Sales.

The researcher interpreted the survey results to determine whether the model equation from the previous study of the author was applicable to Cebu as the remaining production center not included in the study.

Sources of Data

A structured questionnaire utilizing a four (4) point Likert scale served as the primary source of information. Focus group discussions through in-depth

interviews from consulting experts and professionals from the furniture study were also utilized to supplement the survey.

Research Model

From the results of the frequency analysis and secondary data from the previous study, the variables of price, volume, raw materials, labor cost, transportation costs and capitalization were also used for the Cebu production center to determine the research model's relevance to the research.

MODEL EQUATION:

$$Y_p = f(LC, C, TC, V, RM)$$
$$Y_p = a + b*LC + c*C + d*TC + e*V + f*RM$$

Where: P - price in pesos (in 1000's) based on FOB shipping point, with a direct or indirect relationship with the variables of labor force cost, raw materials, and capitalization.

LC - labor force cost in pesos (in 1000's), fifty percent in the FOB costing price is comprised of labor cost. A direct relationship to price as mandated by government wage order.

C - capitalization in pesos (in 1000's) contributes ten percent of the FOB costing price. A direct relationship to price as influenced by capital infusion of the firm.

TC - transportation cost in pesos (in 1000's) comprises fifteen percent of the FOB costing price. A direct relationship to price as influenced by order shipment destination/s.

V - volume in pesos (1000's) comprises fifteen percent of the FOB costing price. A direct relationship to price as influenced by quantity of orders or contracts.

RM - raw materials in pesos (1000's) comprises ten percent in the FOB costing price. A direct relationship to price as influenced by availability of raw materials.

RESULTS AND DISCUSSION

Factors that affect the competitiveness of furniture firms in Cebu.

The results of the frequency analysis on Table 1, addressed the factors that affect competitiveness as identified below. For the variables with a sixty percent value and above was utilized as it provided a higher percentage for the data analyzed.

The sample data provided that in the supplier factor revealed that delivery schedules, supplier location and relations and availability of suppliers commonly received a less affect or a moderately affect rating notably due the present Cebu respondents belong to an outsourced company and not a direct manufacturer of furniture, a variation from the previous population.

Data revealed that for the raw material factor, eighty nine percent of the respondents surveyed agreed that the Executive Order (EO) on the prohibition of the use of abaca wood less affects competitiveness. Cebu manufacturers are innovating with mixed media sources deviating from dependence on abaca as main components in furniture production.

Results showed that on the competitor factor, fifty six percent of the respondents agreed that improvements with other existing furniture companies has a less affect on competitiveness while seventy eight percent of the respondents expressed that the emergence of other furniture producers in Asian countries moderately affects competitiveness. Indicating that domestic competition is not a threat to local furniture manufacturers but international specifically Asian competition posed a significant threat to competitiveness.

Among the customer factors, almost all received a less affect or does not affect rating except the demand on products where seventy-eight percent of respondents agreed that the demand on products moderately affects competitiveness wherein customers dictate the volume of orders, the deciding point of buyers when placing orders to manufacturers.

Table 1 Factors that affect the competitiveness of furniture export firms in Cebu

Variable	Description	%	Weighted Mean	Interpretation
1.1	Availability of supplier	100.00	1.56	Less Affects competitiveness
1.2	Location of supplier	11.10	1.89	Moderately affects competitiveness
1.3	Pricing given by supplier	44.40	1.56	Strongly Affects competitiveness
1.4	Delivery schedules of supplier	88.80	2.00	Less Affects competitiveness
1.5	Supplier relations	66.60	2.00	Less Affects competitiveness
2.1	Government Policy on Anti Smuggling EO on the prohibition on the use of abaca wood	77.70	2.78	Does not affect competitiveness
2.2	abaca wood	88.80	2.89	Does not affect competitiveness
2.3	Availability of wood and aluminum resources	55.50	1.44	Moderately affects competitiveness
	Emergence of other Asian countries in the furniture industry	77.70	1.22	Moderately affects competitiveness
3.2	Improvement of other existing furniture companies	55.50	2.44	Less Affects competitiveness
4.1	Location of customers	66.60	2.89	Does not affect competitiveness
4.2	Demand on products	77.70	1.22	Moderately affects competitiveness
4.3	Customer standards	100.00	1.78	Less Affects competitiveness
4.4	Customer relations	88.80	1.33	Less Affects competitiveness

Table 1A Summary of the factors with above 60% value

Variable	Description	%	Weighted Mean	Interpretation
1.1	Availability of supplier	100.00	1.56	Less Affects competitiveness
1.4	Delivery schedules of supplier	88.80	2.00	Less Affects competitiveness
1.5	Supplier relations	66.60	2.00	Less Affects competitiveness
2.1	Government Policy on Anti Smuggling EO on the prohibition on the use of abaca wood	77.70	2.78	Does not affect competitiveness
2.2	abaca wood	88.80	2.89	Does not affect competitiveness
	Emergence of other Asian countries in the furniture industry	77.70	1.22	Moderately affects competitiveness
4.1	Location of customers	66.60	2.89	Does not affect competitiveness
4.2	Demand on products	77.70	1.22	Moderately affects competitiveness
4.3	Customer standards	100.00	1.78	Less Affects competitiveness
4.4	Customer relations	88.80	1.33	Less Affects competitiveness

**Note: This was used to derive progressive model for econometrics. A percentage from 60% and above was classified for model development

Strategies adopted by the firms to sustain competitiveness.

The results of the frequency analysis on Table 2 enumerated the strategies prioritized by each functional department. For the variables with a sixty percent value and above was utilized as it provided a higher percentage for the data analyzed.

Data provided that all marketing strategies were considered to contribute to a less extent except for marketing research on the industry which was considered the most important to the respondents as this increases market viability and direction to forecast product lines to buyers.

Product quality output remains to be a high priority as data showed that seventy-eight percent of the respondents signify the importance of quality as a production strategy to remain competitive.

In research and development, a hundred percent of the respondents agreed that the creation of designs and innovations remain to be a priority as a factor for competition as the industry is strongly influenced by design trends.

For finance, while a hundred percent of the respondents agreed that the budget on company operations was significant, the impact on competitiveness contributes to a less extent. This indicates that a continuous influx of contract orders is still necessary to for a firm to operate on an annual basis as buyers base product style forecasts in advance seasons. This also signifies demand on specialty products or items produced in a particular country.

Table 2 Strategies that contribute to the competitiveness of furniture export firms in Cebu

Variable	Description	%	Weighted Mean	Interpretation
5.1	Marketing Plan Update	66.60	1.33	Contribute to a slight extent
5.2	Marketing Research on the industry	66.60	2.11	Contribute to a moderate extent
5.3	Strategic location for operations	88.80	1.56	Contribute to a slight extent
5.4	Advertisements and promotions	100.00	1.22	Contribute to a slight extent
5.5	Trade Fairs and other events	88.80	1.33	Contribute to a moderate extent
6.1	Quality control on products	77.70	2.00	Contribute to a moderate extent
	Transactions with subcontractors and employee relations	100.00	1.78	Contribute to a moderate extent
	Technologically advanced machineries, equipment and software	100.00	1.11	Contribute to a slight extent
7.2	Creation of new designs/software	100.00	1.67	Contribute to a moderate extent
8.1	Budget on company operations	100.00	2.11	Contribute to a slight extent
8.2	Currency issues (foreign exchange)	77.70	1.56	Contribute to a slight extent
8.3	Financial statement updates	44.40	1.64	Contribute to a moderate extent

Table 2A Summary of the factors with above 60% value

Variable	Description	%	Weighted Mean	Interpretation
5.1	Marketing Plan Update	66.60	1.33	Contribute to a slight extent
5.2	Marketing Research on the industry	66.60	2.11	Contribute to a moderate extent
5.3	Strategic location for operations	88.80	1.56	Contribute to a slight extent
5.4	Advertisements and promotions	100.00	1.22	Contribute to a slight extent
5.5	Trade Fairs and other events	88.80	1.33	Contribute to a moderate extent
6.1	Quality control on products	77.70	2.00	Contribute to a moderate extent
	Transactions with subcontractors and employee relations	100.00	1.78	Contribute to a moderate extent
	Technologically advanced machineries, equipment and software	100.00	1.11	Contribute to a slight extent
7.2	Creation of new designs/innovations	100.00	1.67	Contribute to a moderate extent
8.1	Budget on company operations	100.00	2.11	Contribute to a slight extent
8.2	Currency issues (foreign exchange)	77.70	1.56	Contribute to a slight extent

**Note: This was used to derive progressive model for econometrics. A percentage from 60% and above was classified for model development

3. Model Equation using Linear Regression

To qualify the responses derived from the surveys, a linear regression analysis using multiple predictors was used to develop a model to enhance the competitiveness of the furniture industry. The variables of price, raw materials and volume were classified for model formulation as these were derived from the frequency analysis with a sixty percent and above result. Other variables such as transportation cost, labor cost and capitalization were used from the data collected.

$$Y_p = f(T, L, C, RM, V)$$

$$Y_p = a + bT + cL + dC + eRM + fV$$

$$Y_p = 2.781 + .183T - .554L - .173C - .464RM + .146V$$

(t=1.675) (t=-3.041) (t=-1.632) (t=-6.093) (t=1.884)

$$\text{Adjusted R square} = 0.774 = 77.40\%$$

$$F = 8.513, p = 0.11$$

Where: P = price in 1000 pesos

LC = labor cost in 1000 pesos

C = capitalization in 1000 pesos

TC = transportation cost in 1000 pesos

V = volume in 1000 pesos

RM = raw materials in 1000 pesos

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	2.781	.458		6.072	.001	1.660	3.902					
TRANSP	.183	.109	.338	1.675	.145	-.084	.450	-.217	.564	.240	.507	1.972
LABOR	-.554	.182	-.644	-3.041	.023	-1.000	-.108	-.258	-.779	-.436	.459	2.179
CAP	-.173	.106	-.277	-1.632	.154	-.433	.067	.188	-.554	-.234	.715	1.398
RAWMAT2	-.464	.076	-1.017	-6.093	.001	-.650	-.278	-.822	-.928	-.874	.739	1.353
VOL2	.146	.078	.424	1.884	.109	-.044	.336	.000	.610	.270	.406	2.460

a. Dependent Variable: PRICE2

The above data considers the variables such as labor cost, capitalization, transportation cost, volume and raw materials as the predictors of price. The relationships between these variables are strong since the adjusted R square is 0.774, indicating that 77.40% in the variation of price was significantly explained by transportation and volume.

$$Y_p = 2.781 + 0.183T + 0.146V$$

From the multiple regression result, transportation and volume had a direct relationship to price while the other variables of capitalization, raw material and labor force cost had an indirect relationship to price.

Conclusions

The study indicated that the five forces of Michael Porter influenced the factors that affect the competitiveness of furniture firms. The significance of price, transportation cost and volume emerges to be the primary issues that firms must address to enable them to be internationally competitive. Based on the results, the mentioned variables were significant as it affects the competitiveness of the respondent furniture exporters.

Price or cost directly influences the other variables wherein an attractive price dictates contract orders of a firm. Volume was influenced by production output and customer responsiveness influences repeat or continuous orders of saleable furniture pieces. Transportation costs are now included as an important variable in the study

as unstable fuel prices in the world market greatly affects business worldwide. In addition, the raw material variable is not significant in the Cebu cluster, a variation from the previous study as firms use innovative designs on furniture pieces and include mix media materials to be less independent on rattan.

The results indicated that furniture firms focused on building strategies on the functional level specifically on the marketing, production and finance departments. These strategies were directed at improving the effectiveness of basic operations within the firm, to achieve overall goals of efficiency, quality, innovation and customer responsiveness on products. Successful furniture exporters were able to able to maintain their competitive position against other furniture manufacturers by building competitive advantage through functional level strategies. In the production department, upgrading the production systems/processes and improving quality standards in the production department gained the highest rankings signifying directly affecting a firm's competitiveness catering to both buyer and consumer increasing demands for home furniture worldwide.

In the marketing department, strategies of increasing marketing promotions and research received the highest result in directly affecting competitiveness by strengthening the market viability of a firm in an international scale by capitalizing on the existing developed markets and locating new market segments to compete in.

Strategies in the financial department stressed that firms were concerned that in order for firms to be competitive necessary funds must be available when needed and priorities of the firm are maintained and controlled.

The contributory role of each of the functional department was limited to their functions. However, there were times when each department may embrace two or more functions, which requires close coordination to achieve overall company objectives. The role of each functional department was to ensure that strategic priorities of top management were understood and disseminated in operations. If the desired result was not met, then the manager of that specific department had the responsibility to inform top management of a particular strategy's limitations.

In the model equation, data revealed that only two variables significantly explained price, which were transportation and volume while capitalization, raw materials and labor cost had an indirect relationship to price. With volume, literature studies stress on a flexible production system responsive to scheduling adjustments to increase orders and marketing strategies based on innovation and risk to influence the increase of customer volume and product repurchases. These studies coincide with the results of the linear regression as increase of contract orders increases competitiveness. Philippine furniture manufacturers should address the low productivity level inherent in the manufacturing sector to increase the level of exports of the country as this has a direct relationship to price.

While data on the transportation cost also reveal a direct relationship to price as opposed to the previous study. Transportation costs on country of origin to shipment destinations either single or multiple via sea freight or air cargo greatly

affects competitiveness, as local firms have to frequently adjust FOB price to the unstable weekly fuel prices. With regards to labor force cost, results reveal also an indirect relationship as opposed to earlier expected indications as costs according to literature studies reveal that competitive success is no longer about lowest labor cost but issues on quality, efficient production processes, compliance to worker safety and environment protection.

Results in this study reveal a significant difference of variables affecting the Metro Manila/Pampanga and Cebu as production centers. While the Metro Manila/Pampanga cluster has the variables of capitalization, raw materials and volume that directly affects price, the Cebu cluster has only transportation and volume as variables affecting price. Therefore, we can assume that although these clusters belong in one country, these areas are still different and unique in terms of the conditions affecting their competitiveness.

Recommendations and directions for future research

From these insights, the researcher recommends intensive strategies focused on market penetration, market development and product development to uplift the Philippine furniture industry as a whole.

Market penetration strategies may involve increasing market share with current contract buyers for present products in present markets and intensifying efforts to garner new furniture manufacturing contracts with new buyers to offer increased production capacity and new competencies to increase sales volume. By developing a flexible production plan for chase orders will differentiate the company from its competitors. Usually chase orders are furniture pieces that are considered core items of buyers and are not based on seasonal trends or chase orders that are saleable in the market thus a need for repeat orders.

Market development strategies may involve firms introducing present products into a new geographical area that is the European Union (EU) market. Firms must capitalize on the brand name it has developed in the US market segment by locating new market segments to compete in. Firms should aggressively direct market themselves to European furniture trade fairs or directly to the buyer to present portfolios to gain market entry.

Product development strategies involve increasing sales by improving or modifying present products or services, in fact, some firms have adopted strategies on outsourcing labor in China to compete with prices, but the strategy drawback on design pirating. However, the overall picture of an effective production strategy is with improved services, on-time delivery schedules are met which reduces shipment delays, additional freight shipment charges, charge backs or cancellations from buyers. At the same time, customer satisfaction is achieved because usually orders are sold in advance to stores, mail catalogs or Internet purchases. With improved products, firms may offer products such as children's furniture to current buyers or to prospective buyers in the United States as trends still dictate to a high demand of children themed furniture similar to the increase of children's apparel in the garment

industry. Firms can incorporate this new development in its production capacity, as price points offered by buyers are high and workable.

With the model equation, firms may be able to utilize it to their advantage to be price competitive against the other Asian players in the market. As long as firms focus on the variables of volume and transportation costs which has a direct relationship to price, price will remain to be competitive. The motivational factor that attracts buyers to place orders with China and Indonesia is primarily low prices on products and vast sources of raw materials. Quality may be a concern but buyers reason that quality can be learned and improved in the long term.

The researcher also recommends further researches concerning the variables not considered for model development with less than 60% value as these may also have an alternative effect towards competitiveness, which may improve the existing model. The researcher also encourages studies that include the external factors that affect furniture firms and other functional departments strategy contribution to competitiveness such as research and development (R&D), human resources, materials management and information systems.

In the age of globalization, Philippine furniture firms have to evolve and be flexible to the ever-changing business environment to keep up with competition prevalent in the furniture global market. With Chinese manufacturers adopting competitive strategies to enhance their position in foreign markets by lifting the level of performance on a variety of objectives, China's World Trade Organization (WTO) accession all the more fuels their continued expansion and performance in the industry by and placing pressure on other major exporting nations.

Similar from the previous study, top management remains to be conservative or traditional in strategy at the expense of potential competitive growth to cut down on cost. Top management still has the prerogative to decide on which strategy is best suited for the whole organization. The functional department supports top management to ensure that strategies are aligned and disseminated within the department. With globalization, a traditional management style is no longer effective as strategic orientation in achieving competitive advantage is geared towards flexibility, innovation and how well their organization competes in the global market place.

To date, buyers have a renewed interest to place orders in the country as goods made in China has saturated the North American market, giving customers less variety and options. With this opportunity, firms must immediately "take change by the hand" and become organized, to surpass other Asian players in equivalently producing innovative and quality furniture at a competitive price.

REFERENCES

- Arboleda, Corazon R., Writing a Thesis, Manila, 2004.
- Bullard, Steven H. (2002). Innovate or Evaporate Business Concept Innovation in the Furniture Industry in the Age of Information. Institute of Furniture Manufacturing and Management, Mississippi State University, Mississippi.
- Bullard, Steven H. and West, Cynthia D. (2002). Furniture Manufacturing & Marketing: Eight Strategic Issues for the 21st Century. Forest and Wildlife Research Center, Mississippi State University, Mississippi.
- Castellina, Giovanna (2002). Ready- to- Assemble furniture still growing, World Furniture International Markets Review, 12-15.
- Chakravarthy, Balaji and Lorange, Peter (1991). Managing the Strategy Process: A Framework for a Multibusiness Firm. Prentis Hall Engelwood Cliffs, New Jersey p xiii.
- Culbreth, C. Thomas, Miller, Michael and O' Grady, Peter (1996). A Concurrent Engineering System to Support Flexible Automation in Furniture Production, Robotics & Computer-Integrated Manufacturing 12 (1), 81-91.
- David, Fred R. (2003). International Edition Strategic Management Concepts & Cases 9th Edition, Pearson Education, Inc., New York, Vol. 2, 98-101
- Forker, Laura B., Vickery, Shawnee K. and Droge, Cornelia L.M. (1996). The contribution of quality to business performance, Int. J. Operations and Production Management 16 (8), 44-62.
- Foster, Jeremy J., Data Analysis Using SPSS for Windows, Sage Publications Ltd., London, 1998.
- FPRDI, PCCARD under a DOST Project (2000). An Assessment of the Philippine Furniture Industry.
- Fuller, Peter B. (1994). Assessing Marketing in Small and Medium-sized Enterprises, European Journal of Marketing 28 (12), 34-49.