

Bentwood components for furniture manufacturing

A Spanish manufacturer of bentwood components for the furniture industry | Benicarló, Spain | 1997-1999

Case reference	3
Organisation	A Spanish manufacturer of bentwood components for the furniture industry
Anonymity	Partially Anonymous
Case type	D — Recollective
Industry	Manufacturing
Location	Benicarló, Spain
Period	1997-1999
Linked project	1997C0003
Programme	TQM & Deming's Method
Protocol	01RDP-1TQM

Executive Summary

The Company* had built a strong position in Spain's bentwood components market through its manufacturing capability and product innovation. Its position changed sharply after its production manager left in 1996 and established a competing business using knowledge of the Company's customers, prices, suppliers and production methods. The competitor's substantial price reductions drew away most of the Company's bentwood customers, placing the company under severe financial pressure.

An initial response based on lower prices and new customer acquisition kept the business operating but did not restore its viability. The Company then introduced integrated cost management to establish prices that were both competitive and sustainable. Following early progress, management extended the approach through Total Quality Management and an explicit practice of honesty in its commercial relationships. The historical account reports that the Company recovered practically all the lost customers by the end of 1998, entered more profitable market segments and opened a second production plant to meet growing demand.

*The company's name and the names of individuals have been withheld for partial anonymity.

1. Case Context

In the early 1990s, the Company* industrialised the manufacture of curved wooden components for furniture. The resulting growth transformed a small workshop into a substantial manufacturer. The company reinvested profits in plant capacity and production technology, developed a patented product and received recognition for quality and exports.

Its strong market position also created exposure when a senior production employee left with detailed knowledge of the business. After his new company competed aggressively on price, the Company lost a large share of its bentwood customer base. Lowering its own prices and seeking new customers slowed the decline, but the financial position remained critical. An expensive attempt to improve management information through a new computer system failed to meet expectations and delayed access to the information the company needed.

DELIVERY PROGRESS

PHASE PRG | PROGRESSIVE

Implementation conducted through a continuous progression of tasks, without formally differentiated execution phases.

MDL010 - Operational Core

OP271 - Operational Architecture		Completed
Defines the organisation's functional configuration, accountability structure, execution flows, resource allocation, governance mechanisms, and performance controls.		
Initial Situation	The Company* had lost most of its bentwood customers following the entry of a new competitor founded by its former production manager. The competitor knew the Company's commercial and production arrangements and offered substantially lower prices. The Company responded by reducing prices and seeking new customers, but the resulting growth was too slow to resolve its accumulating losses. An unsuccessful investment in a management information system further delayed the reliable cost information needed to make sound pricing decisions.	
Strategic Challenge	Recover customers and restore financial viability in a market where price competition had intensified. The Company needed to determine which prices it could sustain, win business without perpetuating its losses, and rebuild the quality and trust associated with its earlier market position.	
Strategic Approach	Management selected a smaller local systems provider with a stronger focus on business management. The first priority was an integrated cost management system that could provide precise, current cost information and support sustainable, competitive prices. The Company maintained its commercial effort as this system took effect. After observing progress, management expanded the approach to Total Quality Management, applying its principles across the business and pairing them with an explicit commitment to honesty in customer relationships.	
Deployment Method	Integrated Workflow	
Achieved Result	The historical account reports a gradual financial recovery, acquisition of new customers, and the return of practically all customers lost to the new competitor by the end of 1998. It also reports entry into new, more profitable market segments and the opening of a second production plant to specialise production lines and meet growing demand. These are recorded outcomes in the historical case account; their quantities and financial effects have not yet been independently verified.	
Level	LV03	

CASE VERIFICATION

Evidence	Type	Date	Verification	Notes
Contemporaneous company records	Primary company evidence	Case Period	Historically documented	Evidence was supplied directly by the company during the case. The published historical account has not been separately reconfirmed with the company.

Evidence Register

No evidence recorded for this case.