

Attacking challenges

'The La-Z-Boy people' (Morgan Furniture Ltd) have a sparkling new logistics centre at their Glenfield factory. Opened just last month, it features towering 12-metre racks of raw materials and fabrics serviced by special high-lift forklifts, and displays a logistics approach that has slashed delivery time and put the company at the forefront of furniture manufacturing.

Morgan Furniture Ltd has evolved from a small post-war upholstery and joinery maker into an international furniture business with a powerful presence in the Australian market.

The La-Z-Boy story in New Zealand started at the Auckland Easter Show in 1968, when Takapuna furniture maker Jack Morgan met up with the La-Z-Boy Australian licensee Jason Industries. Following that meeting, Jack Morgan's firm started manufacturing under a sub licence to the maker of Jason chairs - the Australian name for La-Z-Boys.

The relationship proved significant. The two companies were among the first signatories to NAFTA Schedule B, the forerunner of CER, selling raw materials to each other in duty-free company-to-company transactions. "We sent wood to Australia, they sent steel to New Zealand," explains Morgan Furniture MD John Dashwood.

The relationship lasted till the 1980s when Jason Industries changed direction and the New Zealand operation took a direct licence with La-Z-Boy Inc of the US. In 1995 the company took the opportunity to buy out Jason Industries, reinforcing their presence in Australia.

But it wasn't plain sailing. During the eighties and early nineties the New Zealand economy was going through profound changes. Tariffs were reducing, there were job lay-offs and domestic demand was faltering. Between 1987 and 1993 the company was forced to downsize from 360 to 80 employees.

"It created a watershed," says Dashwood. "It made us realise that our domestic market had to be Australasia since our plant was too big for New Zealand alone. So we went to Brisbane with some sample chairs, set up in a hotel room, and made our first Australian sale."

Working with Tradenz, Morgan Furniture reinvented itself to take on the Australian market. Agents were appointed, supply chain management and production methods were changed, and a large warehouse in Sydney established. Now sixty per cent of Morgan Furniture's output is sold in Australia. Auckland is still the centre of manufacturing, with leather items made in Thailand.

A second watershed – a conceptual one - came in the late nineties: the company discovered American economist Eli Goldratt's 'theory of constraints', an approach that has helped many large companies to reduce manufacturing time, allowing faster delivery of orders and a jump-start on competitors.

Introducing Goldratt's theory has had an astounding impact at Morgan furniture - shortening the manufacturing cycle from around 49 days to 9 days.

The theory helps manufacturers focus on complex processes and remove impediments that slow the system down. John Dashwood explains: "When you focus on productivity, you are trying to maximise resources to get the greatest value out of inputs, but that often means a slower process. For us, timely delivery to our customers is more important than cost centre productivity, and the constraints theory helps us focus on that. Once a customer has decided they want our product, we want to fulfill their desires – we don't want them having to wait!"

Morgan Furniture will continue to rely on a customer focus to address new challenges thrown up by changing demographics and markets.

One change is the move towards apartment dwelling, requiring smaller furniture in contemporary design.

Another is the growing market for technological add-ons like built-in massagers, phone attachments and thermo-electric cooler attachments set into the La-Z-Boy arms to keep drinks cold.

Market changes include the rapid growth in imports, especially from China. The scale of Chinese imports is daunting, but on the other hand the size and location of Chinese operations means a continued market opening for small runs with customer-chosen features.

And the company is attacking another challenge with gusto - design. Along with other initiatives, Morgan Furniture has signed up to be part of the government Design Audit scheme. John Dashwood says the potential for design refinements is large: "We've got world-class manufacturing; now we want world-class design."