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# **Local Embeddedness Matters!**

**A Study of the Meaning of Locality for the Production Process in the Kitchen  
Furniture Industry in East Westphalia and Lippe**

by

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*for*  
*Gudrun Frommholz*

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## **Declarations**

I, Götz Harald Frommholz, hereby certify that

- (a) this thesis has been composed by myself
- (b) the work is my own
- (c) the work has not been submitted for any other degree or professional qualification

Date:

Götz Harald Frommholz

## **Abstract**

New institutionalism in sociology addresses how institutional pressure influences organisational behaviour. Its particular impact on “new economic sociology” is to establish a counter perspective to neo-classical economics by criticising the rational actor model of behaviour and emphasising cultural and cognitive references for business actions. Recent developments in new institutionalism increasingly focus on researching national and international contexts, which demonstrate a keen interest in non-local environments. Micro sociological research accordingly receives limited attention and the meaning of locality for production strategy in relation to markets is largely neglected.

This thesis presents evidence from the kitchen-furniture industry of East Westphalia and Lippe (EWL) in Germany that, in an increasingly globalised economic system, local institutional contexts continue to influence business behaviour significantly. The thesis demonstrates the importance of locality for production organisation and business strategy in this case. The research aims to contribute to new institutionalist theory by establishing the relevance of “localness” and to encourage research to re-engage in meso-analysis on the sub-national level.

The analysis presents results from a qualitative case study, which encompasses in-depth interviews, as well as results derived from contextual analysis of the industry’s structure and performance and statistical indicators provided by local institutions. The study tries to understand why about 70% of German produced kitchens, and about every fourth kitchen in Europe, originates from EWL. The findings demonstrate that managers’ evaluations of local production networks, regional cultural norms and values, shape managerial cognitive frameworks, which influence business behaviour significantly and can create meaning for locality of production sites.

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Writing a thesis in English as a German native speaker proved to be a challenging and rewarding task. In order to overcome any last language barriers, I used the lector-ship service of editage.com for proofreading and correcting flaws regarding spelling, grammar, and style of language. I am very grateful for the help I received from Melanie and Greg Freeman. Thank you for spending your free time helping me to translate and correct my interview passages.

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## **Introduction**

Since its founding more than 30 years ago, new institutionalism has become a well-researched and theorised area within sociology. Seminal texts such as those by John Meyer and Brian Rowan (1977) and Paul DiMaggio and Walter Powell (1983) have motivated many scholars to research the meaning of economic institutions in societal development. Organisation studies and sociological new institutionalism have provided the tools for understanding, for instance, why many economic, governmental, and non-governmental organisations share common structures and strategies and why and how practices and strategies are globally diffused.

The field of economics has been opened up to sociological new institutionalist analysis by authors such as Mark Granovetter (1985) and Harrison White (1981), who have focused on economic action in areas that had largely been the domain of economic science. Thanks to this groundbreaking work, sociology has established that economic action is not ruled solely by a calculus of rationality and efficiency but is influenced by the social relations in which economic actors are embedded.

Embeddedness has evolved into one of the most influential and important arguments within economic sociology for explaining economic behaviour (Krippner and Alvarez 2007). Analyses of networks, institutions, and cognitive and cultural arguments are used to explain, for instance, consumption and employment practices (e.g. Gallie 2007b; Rafferty 2011). While research has made significant progress in understanding how embeddedness influences economic behaviour, recent new institutionalism has tended to neglect the influence of locality. New institutional research has demonstrated a preference for ‘non local’ contexts (DiMaggio and Powell 1991, 13); thus, locality does not seem to have a place in sociological new institutionalism. This seems odd, as other multidisciplinary new institutionalist research pointedly focuses on locality, in the form of political economies and sub-national production networks (e.g. Crouch, et al. 2009; Hall and Soskice 2001). Recent developments within sociological new institutionalism have proclaimed the importance of locality to business behaviour, representing a minority in the mainstream research but also bearing the potential to contribute to a deeper

understanding of economic behaviour, clearly something worth pursuing (Bowen 2011; Marquis and Battilana 2009).

The question of locality arose because of personal experience. I come from East Westphalia and Lippe (EWL), located in the north-western part of Germany, a region famous for its furniture production. Two hundred years of industrial history created a network of businesses specialising in furniture production. While most branches of the furniture industry have off-shored to foreign production sites, one industry has remained: the kitchen furniture industry. According to the kitchen employers' association, about 70% of all kitchens produced in Germany originate from EWL. The interesting fact about this local industry is that all businesses have their production sites in this region, with no off-shored production. The industry's production is still 100% German but is also integrated in an international market. Interestingly, this includes mass-producers as well as businesses that manufacture expensive premium products.

That the businesses stay in this region seems to indicate that locality may be meaningful to the kitchen furniture industry in EWL. In order to find out what impact locality has on the meaning of embeddedness for the kitchen furniture business in EWL, I have formulated the following research question:

*How do managers in the cluster of the kitchen-furniture industry of East Westphalia and Lippe assess the importance of the local business environment, and how does this shape business practice?*

The aim of this thesis is to find out whether kitchen furniture business managers are aware of locality and whether production locality matters to them. By answering this research question, this thesis aims to contribute to two aspects of new institutionalist theory and research. First, a recent strain in sociological new institutionalism argues that organisational diversity has been relatively neglected but is important in understanding business strategies. Theory and research have been shaped by assumptions of institutional convergence and isomorphism to the neglect of diversity and locality (cf Beckert 2010b; Marquis and Battilana 2009). This research

contributes to the possibility that regional embeddedness can produce a diverse business practice, rooted in not only the national but also the sub-national level. Second, this thesis aims to contribute to recent calls for an analysis of embeddedness that not only emphasises its structural aspects but also takes its cognitive-cultural influences into account (cf Beckert 2009a; Fligstein and Dauter 2007). This research not only explores how businesses are embedded in local production networks but also aims to explain how locality influences managers' cognitive frameworks and how cultural assumptions shape the value attributed to labour as a factor in business strategy and structure.

A qualitative approach was used in this research. Thirty semi-structured in-depth interviews with managers were conducted between December 2009 and April 2010. The main participants were 19 managers from the kitchen furniture industry; eight managers from the upholstery industry and three from the cabinetmaking industry were added as reference groups, but these have not been explicitly analysed owing to our limited space.

Interviews were used because they promised to provide more insight into managerial perspectives on locality. Semi-structured interviews, rather than structured or open interviews, were used to ensure comparability. Structured interviews do not provide the necessary freedom to follow themes arising within the interview situation. The use of an interview guideline provided the means of comparing specific topics and perspectives among the different industrial segments and branches represented in the research. This approach cannot take all aspects of embeddedness into account or explore all mechanisms that influence institutional diversity. The research is limited to managerial perspectives and, thus, can provide only exploratory indicators of local embeddedness.

Nine chapters comprise this thesis. Chapter one introduces EWL as the research field. It provides an overview of the region's history and describes the economic development and its effect on EWL's socio-economic structure today. It also explains why EWL is often referred to as the 'furniture Mecca'. The second part provides a detailed introduction to EWL's kitchen-furniture industry and introduces the special situation of that industry in comparison to other branches of the furniture industry in the region. The chapter also provides an overview of the kitchen furniture

industry's segmentation and its characteristics regarding, for instance, market share, size, and export rates.

Chapter two presents the conceptual framework, derived from economic sociology, and introduces five dimensions—structural, cognitive, cultural, institutional, and political—of organisational and business embeddedness. Part two introduces the concept of the local embeddedness of businesses. It describes the theoretical reasons for exploring the meaning of locality and develops a definition of local embeddedness. The chapter concludes by explaining how the latter concept is used in this research.

Chapter three outlines the methodology. It deals with the challenges of interviewing managers and explains why gatekeepers were used and the process of selecting the businesses used in this research. It discusses the representative quality of the thesis and provides an overview of the interviewee sample, according to field of responsibility and industry. The German-influenced expert interview was used as the tool for data collection; one section thus defines it. A separate part explains the course of fieldwork, addressing the importance of the timing of the interviews with managers and the importance of gatekeepers to the success of the data collection. It also discusses the researcher's personal appearance and behaviour within the interview situations. The chapter concludes with the description of the analysis process, in which the qualitative data analysis software NViVO was used.

The analysis begins with chapter four, which mainly deals with the structure of production and how businesses organise this differently. It examines managerial descriptions of kitchen furniture production in EWL and explains how managers distinguish kitchen furniture from other kinds. They do this by stressing the complexity of kitchen furniture production. This involves time-intensive planning, which is related to the great variety of items and their configuration, from which the customer can choose. A description of the differences between assembled and flat-pack kitchen production follows; managers explain the particular attributes of EWL kitchen furniture production. Increasing automation, which lowers labour costs, and high transportation costs define the production process of assembled kitchens, intended to ensure international competitive advantage. Flat-pack producers, on the other hand, are less automated, and have higher labour costs per item produced and

lower transportation costs. This makes them internationally comparable, resulting in increased international competition. The chapter ends with a discussion of the fragmentation of the production chain, which makes the industry dependent on sub-contractors.

Chapter five's central aim is to describe how the industry's segmented structure is also related to different managerial cognitive frameworks. Managers in different market segments have distinct perceptions of their business. The first part of the chapter introduces these segmental differences, showing that cognitive patterns in relation to market structures contribute to the creation of market niches. The chapter also introduces the 'SME way'. Despite differences between market segments and business scales, all have similar self-definitions and expectations about their business processes. The 'SME way' is their common self-definition, and the self-perception of being a small and middle-sized enterprise in turn structures business processes.

Chapters seven and eight deal with the importance managers place on the value of labour in EWL, which is local labour. This is done in order to explore how structural position and cognitive framework influence business practices and strategies. Chapter six introduces the importance of labour from the perspective of managers in the different segments of the industry. All managers describe labour as an important factor in relation to specific aspects of the production process, despite significant differences in production modes. Chapter seven examines institutional, cognitive, and cultural grounds as explanations for this assessment. Managers value vocational training, and not only as an institution; managers use vocational training as a cognitive benchmark for employee skill levels and relate this training with German culture and values. This also shows that not only is this professional institutionalised education seen as an asset for the industry but managers also describe the labour force in EWL as special. They explain how they value not only the quality of the work produced by German labour but also the locality of EWL in particular. Managers explain this by assuming that people in EWL are distinctive in their work attitudes and are more attached to furniture production. They formulate this in reference to not only international labour but also to specific regions in Germany.

Chapter eight explains why EWL as the locality for production is so important for managers by addressing two central findings. The first section deals with the

importance of sub-contractors for the region. Managers see sub-contractors as a significant asset in kitchen furniture production and rely on them heavily. Managers also rely heavily on trust in their relationships. They demonstrate the view that local closeness increases trust, which demands a close local proximity to sub-contractors, creating meaning for locality. Section two deals with how customer expectations influence business behaviour. Customers demand such things as short delivery times and transparent production processes that are organised in Germany, which contributes to the managerial assessment of locality. The chapter also briefly deals with managerial assessments of the presence of the furniture cluster, the connection to transportation networks, geographical proximity, and the quality of local labour. Chapter nine reviews the indicators of local embeddedness and concludes that it indeed matters. It shows that their immediate environment influences the way managers assess the value of the proximity of the production site. For instance, they display a decisive awareness of and identification with locally organised production networks and the perceived quality of labour (influenced by local institutionalised vocational training), the quantity of potential workers, and a perceived 'furniture' affinity felt by the local population. In short, managers use locality as a production strategy as well as a marketing strategy.

# 1 Description of the Research Field

Most data about the kitchen furniture industry are provided by the Verband der Deutschen Küchenmöbelindustrie (VdK), the employer's industry association.<sup>1</sup> The data are kept in an internal online database, to which I was granted access. Data presented that are not marked otherwise come from this source.

## 1.1 EWL: Regierungsbezirk Detmold

The research field is located in a region with the official name 'Regierungsbezirk Detmold', a local governmental district that supports the governance of the Bundesländer, the German federal states. The following figure shows its hierarchical position in Germany's administrative structure:

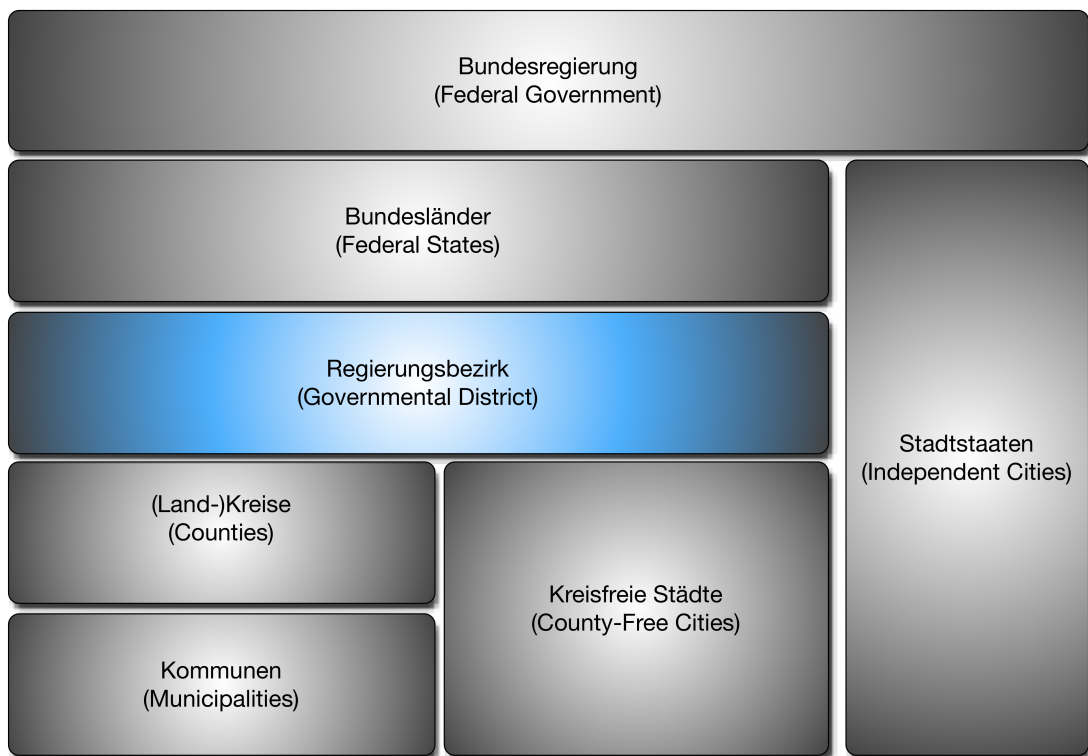


Figure 1: Hierarchical Position of a Regierungsbezirk (created by the author)

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<sup>1</sup> See chapter three

The Regierungsbezirke help the Bundesländer govern their administrative territories. These districts are the next highest political reference for counties, county-free cities, and municipalities. The Regierungsbezirk Detmold acts as an interface that coordinates, for instance, infrastructure planning, science and research, education, and environmental protection between the Bundesländer ministries and the municipalities. This concerns all tasks except judiciary and police responsibilities. The area accordingly provides a solid institutionally embedded framework for market actors.

The Regierungsbezirk Detmold is one of five<sup>2</sup> governmental districts within the Bundesland of North Rhine-Westphalia<sup>3</sup> (NRW). The following graphic shows its geographical position in Germany:

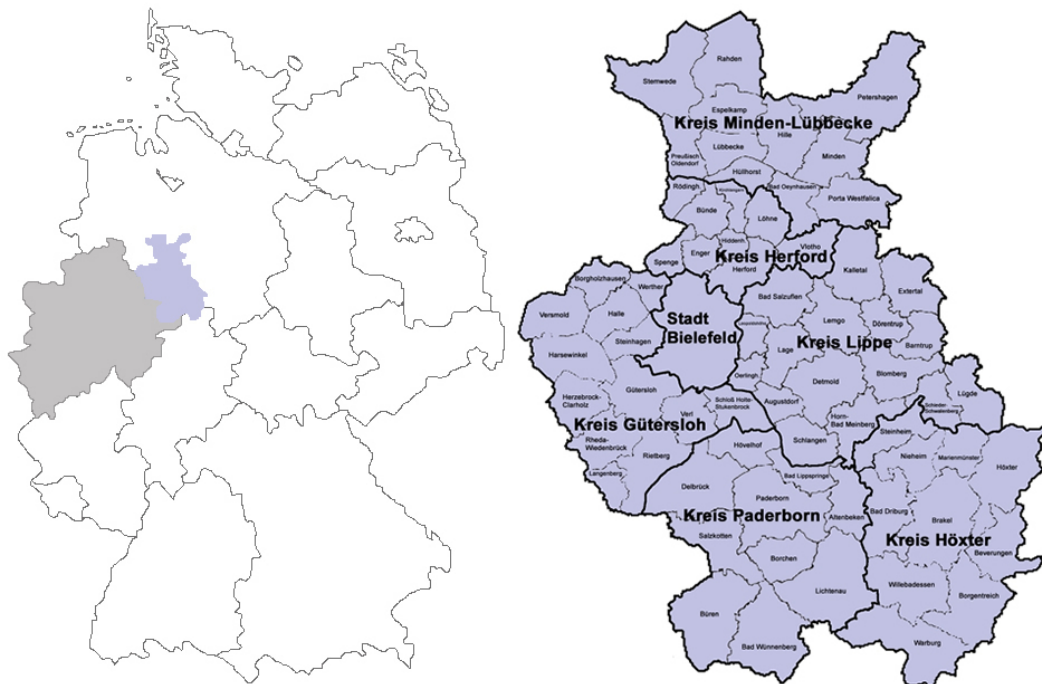


Figure 2: Germany and the Regierungsbezirk Detmold (source: Regierungsbezirk Detmold)

<sup>2</sup> The others are Münster, Arnsberg, Düsseldorf, and Köln

<sup>3</sup> In German, 'Nordrhein-Westfalen'



The left side of the figure shows the district's position within Germany; the grey field represents NRW while the blue field shows the Regierungsbezirk Detmold. The right side presents the district's seven counties,<sup>4</sup> comprising 69 smaller cities and towns and one county-free<sup>5</sup> city. While the official title of the area remains 'Regierungsbezirk Detmold', the commonly used name is 'Ostwestfalen-Lippe', or East Westphalia and Lippe (EWL), because of the relatively recent status of the region as a governmental district. Its current regional borders are the result of the aftermath of World War II (WWII). East Westphalia used to be a governmental district before the war, as part of the Prussian kingdom within the German Empire. Its former official name was 'Regierungsbezirk Minden', which existed between 1815 and 1947. While East Westphalia was politically attached, Lippe has a history of independence. It had been a self-sufficient dukedom for several hundred years until it converted into a democratic free state within the Weimar Republic in 1919. After the end of WWII, Lippe decided to join the new Bundesland of NRW and merged politically with East Westphalia, forming today's EWL and becoming the 'Kreis Lippe'.

Even though the region is organised as a district, separate identities and institutions remain. For instance, EWL has two Industrie und Handelskammern (IHK),<sup>6</sup> one located in Bielefeld and in charge of East Westphalia and the other in Detmold responsible for the Kreis Lippe. Apart from the economic institutional division, separate cultural identities exist as well. For instance, being from EWL and having grown up in East Westphalia, I consider myself an 'Ostwestfale'<sup>7</sup> and not a 'Lipper'. The district's history suggests that strong cognitive cultural ties have evolved over time; these are likely to influence managerial perspectives.

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<sup>4</sup> A county is a 'Kreis'

<sup>5</sup> The only county-free city in the area is the city of Bielefeld

<sup>6</sup> In English, 'Chamber of Commerce and Industry'

<sup>7</sup> East Westphalian

### 1.1.1 Economic History and the Development of the Furniture Industry

The EWL region has a long handcraft tradition going back to the 15<sup>th</sup> century, when the region was famous for its linen production.<sup>8</sup> Lippe has less of an industrial past because of its former concentration on agriculture. East Westphalia has been specially promoted for its textile industry within the Prussian kingdom because it belonged to its most highly industrialised regions and thus promised to guarantee state income. The rest of Prussia was still dominated by an agricultural economy. Crucial for the economic success of industrialisation was the construction of the railway of the *Köln-Mindener Eisenbahn-Gesellschaft* in the first half of the 19<sup>th</sup> century, which connected the area to harbours and to the charcoal mines of the *Ruhrgebiet*. The railway is the life-line of the region and is still home to the most populous cities, even though the Autobahn has taken over much of the transportation of goods.

The middle of the 19<sup>th</sup> century marked the beginning of the economic decline of East Westphalia. The mechanic loom introduced in England increased the import of industrially produced linen from the UK and Belgium in the 1820s and put an increasing amount of local manufacturers out of business. The textile companies, able to produce on an industrial level, kept to the most populous areas, such as Bielefeld. The result was the impoverishment of vast segments of the countryside, resulting in a rural exodus. Many people were forced to emigrate.

Part of East Westphalia was highly industrialised and home to a flourishing textile industry able to sustain a small part of the population, though the larger part harboured an ever-growing poor population for whom no work was to be found. For this part of the population, the railways brought relief. Not every good could be industrially produced at that time—the cigar, for example. In the 1860s, the production of tobacco products became the area's dominant industry, creating income opportunities for the rural poor. In time, the area of the *Ravensberger Land* evolved into an important tobacco production region, with a strong reputation and significance for Europe until the end of World War II. The small city of Bünde is still the home of the German federal tobacco customs office. The tobacco industry

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<sup>8</sup> The information presented about EWL's history in this section is collected from the website of the Landschaftsverband Westfalen Lippe ([www.lwl.org](http://www.lwl.org)) and the Museumsinitiative OWL. Further information about the economic development of EWL and references can be found at the following address: <http://www.lwl.org/industriekultur-owl/> (last viewed on 13.06.2011, 8:35 am).

declined after 1945. The import of cigarettes through the American and British occupation forces and the accompanying introduction of the mechanical tobacco winder marked the end of the handcrafted and homemade cigars of the area.

While the linen industry withered and tobacco manufacturing became the new main pillar of labour, the furniture industry quietly thrived and became the second dominant engine for the industrial production of goods. There were three main reasons for the success of furniture production. The first is cheap labour. The economic collapse of the textile industry caused mass unemployment. The labourers had to compete against each other, but, furthermore, the fact that East Westphalia and its surroundings were still very agricultural meant that the unemployed industrial workers had to compete with farmers seeking to earn extra money besides their farming profits, putting additional pressure on wages. Labour was thus cheap because there was no alternative labour market. Additionally, the forest-rich landscape provided the abundant raw material the industry needed for its product. The last reason is the fact that the railway provided the mobility and connection needed for a flourishing industry.

The rising incomes within the German empire during the second half of the 19<sup>th</sup> century changed the way people set up their home interiors. The new collective wealth provided a new market for the furniture industry. Carpenters extended their workshops and transformed their businesses from individual made-to-order production into series production. The steady extension of the railway-system further transformed furniture into a mass product, which could be exported from its home region throughout the whole empire. The result of this development was the establishment of many new production sites that, for the first time in this region, introduced a 'real' division of labour. Factories specialised in cabinets, kitchens, or upholstered furniture and created a new market for all sorts of component suppliers. Businesses had been carpentry shops producing all kinds of furniture until this point. In time, the establishment of this new economy created alternative production methods and called for improved education. Therefore, the city of Detmold introduced a new school in which, starting in 1893, carpenter journeymen were able to take practical and theoretical classes. The *Tischlerfachschule* was integrated into the *Fachhochschule Lippe* in 1971, which was again restructured and re-founded as

the *Hochschule Ostwestfalen-Lippe* (University of Applied Science) on 1 January 2008, which hosts about 5.000 students today.<sup>9</sup> It is, besides the Fachhochschule Rosenheim, the only University of Applied Science in Germany that specialises on furniture production. The *Hochschule Ostwestfalen-Lippe* is one of 9 institutions of higher education in EWL today. When EWL's tobacco industry practically disappeared after World War II, the furniture industry became the local economic backbone. The furniture tradition in EWL is now over 200 years old.

### **1.1.2 EWL's Socio-Economic Structure Today**

The EWL region's traditional rural structure still influences its economy. Small and middle-sized enterprises (SME) dominate the business landscape. Only 32,5% of the people work for businesses with more than 500 employees. This is 11,4% above the average SME employment in NRW and 7,6% above the German average,<sup>10</sup> yet the region's economic weight is considerable. Its GDP of 53 billion € is larger than the GDP of the federal states of Thüringen, Sachsen-Anhalt, Mecklenburg-Vorpommern, Brandenburg, Saarland, and Bremen.<sup>11</sup> This makes it one of the most economically important areas of Germany.

The country's unemployment rate in May 2011 was 7% (BA 2011, 16), while EWL's was 6,6%, 2,1% lower than the NRW average (Bezirksregierung Detmold 2011a). Vocationally trained employees continue to be the most important part of the labour force; 59,5% of local workers have gone through vocational training, of whom 24.910, or 38%, are going through training in a technical craft like wood mechanics.

The wood mechanic is the 'vocational successor' of the industrial craft of the carpenter. This new vocation has been introduced as the response to the furniture industry's demand for more carpenters with machine operating abilities. The wood mechanic combines the analogue craft of the carpenter with the digital skills of a programmer.

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<sup>9</sup> Source: OWL Marketing

<sup>10</sup> Data about SME in NRW and Germany were provided by the Institut für Mittelstandsforschung Bonn; [www.ifm-bonn.de](http://www.ifm-bonn.de)

<sup>11</sup> <http://www.ostwestfalen-lippe.de/owl/wirtschaft/wirtschaft-intro.php?navanchor=1010015> (last viewed on 06.06.2011, 11 am)

Meanwhile, 17,8% of the labour force has no vocational training. Only 8,3% have a higher degree, reflecting the very ‘hands-on’ labour structure of the region (IHK Bielefeld 2011a, 40; IHK Bielefeld 2011b; IHK Lippe 2011b). This has given it the lowest average turnover rate per employee among NRW governmental districts. The strong food, furniture, and textile industries in the region cannot compete with, for instance, the car-centred industries of Cologne and Bochum (Keil 2008, 9).

Over two million people live in EWL today. Over one million participate in the labour market. Provided below is the 2010 list of the region’s largest industrial branches (OWL Marketing 2010):

Branch	Businesses	Employees	Turnover (1.000 €)
Machines	298	43.521	9.454.973
Food and Tobacco	188	19.482	8.937.713
Furniture <sup>12</sup>	176	20.318	4.385.914
Office Equipment	149	26.320	5.920.237
Metal (Parts and Tools)	249	27.573	5.4.31.525

**Table 1: Largest Industrial Branches in EWL (source: OWL Marketing)**

The tobacco and furniture industry traditionally belong to the top five industries. These ‘old’ industries still produce about 25% of the GDP. Even though the economic importance of the furniture industry for the region has declined, it still has economic weight, especially because many businesses in the metal and machine industries are attached to the furniture business as sub-contractors and machine suppliers.

### **1.1.3 The Region Is Often Referred to as the ‘Furniture Mecca’**

The furniture industry is particularly important for one county, Kreis Herford, where 44% of employees work in the industrial sector, making the Kreis Herford region the second most heavily dependant on industrially produced goods in EWL. Meanwhile, 31% of the local industry produces furniture. The next largest industries are metal parts (13%) and machine (10%) production. Many of these are sub-contractors for

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<sup>12</sup> Data provided by the Verband der Deutschen Küchenmöbelindustrie (VdK)

furniture producers. The Chamber of Commerce and Industry estimates that the furniture industry is responsible for about 50% of employment. Almost 30% of EWL's furniture businesses are located here. This influences the labour market structure: 80% of the labour force, with and without vocational training, stands against a mere 6% of academics, depicting the strong dependence on manual labour represented by the furniture industry and adjacent sub-contractors (IHK Bielefeld 2011a).

The EWL region is particularly important for the German furniture industry in general as is often labelled the 'Furniture Mecca'.<sup>13</sup> There is no comparable furniture cluster anywhere in Europe, perhaps not even in the world. In 2010, there were 1.030 furniture businesses with more than 20 employees in Germany, of which 176 produced in EWL. These businesses employed 20.318 people, 20% of the entire labour force. They also produced 25% of the overall turnover of the furniture business, but this market share is only a shadow of its former significance.

The market experienced severe problems in the beginning of the 2000s because of fast growing international competition. The upholstered furniture businesses, especially, struggled to keep up with international expansion, resulting in an export deficit of almost 23% and a dramatic loss of about 40% of its employment between 2000 and 2008. In the same period, 63% of the market's businesses vanished. Many went bankrupt or off-shored their production to other countries, following the general trend of the German industrial sector. Local firms were not able to compete with the cheap prices of internationally produced furniture. Then, 2006 marked a change in the market to the advantage of the German furniture industry. The kitchen furniture industry's performance was especially outstanding in 2006, when it was able to grow at a rate of 11%.<sup>14</sup> This development was the result of a positive development in international markets. These had been under stress, especially during 2005, resulting in a dramatic export loss. However, 2006 demonstrated that the recession was over and that consumers were willing to buy kitchen furniture again. The 11% industrial growth was an achievement no one was able to predict.

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<sup>13</sup> [http://www.moebelkultur.de/news/cross-marketing\\_mit\\_mbel-industrie/4844.html](http://www.moebelkultur.de/news/cross-marketing_mit_mbel-industrie/4844.html) (last viewed on 06.06.2011, 4 pm)

<sup>14</sup> Data provided by the VdK

## **1.2 Research Focus: The Kitchen Furniture Industry in EWL**

The upholstered furniture industry is an example of the general development of the furniture industry. It followed the lead of other industrial branches, like the car industry (e.g. Sinn 2005a) and textile industry (e.g. Lane and Probert 2009), in the globalisation of the production chain. While Poland used to be a typical off-shore resource for this industry, today's businesses are showing a tendency to move further east. The main managerial reason is that armchairs and sofas are very handcraft-intensive products, with a nearly 60% labour cost per item, making the businesses sensitive to wage costs. Only a few producers remain in the area, producing mainly expensive furniture. A total of 119 upholstered furniture businesses were operating in Germany in 2002. They employed 17.370 people and produced a yearly turnover of 2,64 billion €. In 2010, only 38 firms remained, employing 9.838 people. The turnover for 2010 was 1,68 billion €. Nine upholstered furniture companies continue to produce in EWL. The kitchen furniture business presents a slightly different situation. In 2002, 115 German kitchen furniture producers employed 19.738 people and produced a turnover of 3,48 billion €. In 2010, 86 kitchen-furniture businesses employed 15.378 people. These businesses produced a 3,93 billion € turnover.

In contrast to the upholstered furniture industry, EWL is of particular importance for the overall kitchen furniture industry. Thirty-five kitchen furniture businesses (40,7% of Germany's total) produce in the area. They employ 53% of the entire workforce within the furniture industrial branch and produced 64,5% of the industry's turnover in 2010. Just how important the kitchen furniture industry is to furniture production in the area is shown by the following numbers in comparison to the overall furniture production in Germany. The 86 kitchen furniture businesses in Germany, comprising about 8,4% of the furniture industry, produce about 22% of the overall turnover of the furniture production. The share of the 35 businesses in EWL of the overall national turnover is about 14%. Local kitchen producers represent 20% of the district's furniture businesses, but they produce almost 58% of the district's furniture turnover. More than 60% of the kitchens produced in Germany are from East Westphalia and Lippe. This gives an impression of the region's value for the national industry. It is estimated that every fourth kitchen in Europe comes from here. The

kitchen furniture industry is the icon of German furniture production. No other furniture branch dominates the German market like the kitchen producers do.

### **1.2.1 Structure of the Kitchen Furniture Industry**

The kitchen furniture industry can be categorised into different segments, defined by two formal factors: price and mode of production. The result is the general segmentation of the market into three categories: premium producers, mass producers, and niche producers. It is important to consider each branch of the kitchen-furniture industry separately, rather than observing the yearly turnover and drawing conclusions about the entire industry. Size, turnover, and productivity vary widely. Five businesses share about 70% of the overall market in Germany and are also part of the world's leading kitchen brands.

#### **1.2.1.1 Premium Producers**

Premium producers are the figureheads of the industry and introduce novelties in design and technology. This has changed the concept of kitchens, turning the household working environment into a status symbol. The term 'German kitchen' is already synonymous for fitted kitchens in China.<sup>15</sup> Three premium kitchen producers made it into the top ten in the 2009 German luxury goods ranking, part of a study the magazine *Wirtschaftswoche* conducts every two years. It comprises the three market leaders in the Premium Segment: Siematic, Poggenpohl, and Bulthaup. These businesses were almost able to repeat their success, with two businesses rising in the ranking and only SieMatic landing in 11<sup>th</sup> place.<sup>16</sup> Today, for instance, even the Pope owns a premium kitchen from EWL.<sup>17</sup> The following is a short profile of the most important businesses in the premium segment.

Siematic<sup>18</sup> produces in Löhne, Kreis Herford, employs about 600 people, and has a yearly turnover of about 150 million €.

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<sup>15</sup> <http://www.welt.de/print/wams/wirtschaft/article12304057/Ein-Angriff-auf-die-deutsche-Kueche.html> (last viewed 13.06.2011, 12:47 pm)

<sup>16</sup> The rankings can be found in the appendix.

<sup>17</sup> <http://www.wiwo.de/unternehmen-maerkte/herr-siekmann-richtet-fuer-benedikt-an-159816/> (last viewed on 13.06.2011, 1:50 pm)

<sup>18</sup> [www.siematic.de](http://www.siematic.de), also in English; data provided by the business



Poggenpohl<sup>19</sup> established itself 110 years ago as the first German kitchen brand with its production plant in Herford. Today, it is the most famous kitchen brand in the world and exports 75% of its products to 70 countries. Poggenpohl employs 571 employees. The company produces a yearly turnover of 128 million €. The UK and USA are the most important foreign markets. Dubai is becoming increasingly important, having bought more than 1.600 kitchens so far. In 2000, Poggenpohl became a daughter enterprise of the Swedish kitchen conglomerate Nobia AB, the largest furniture-producing conglomerate in Europe.

Bulthaup<sup>20</sup> is situated in Bodenkirchen, in the southern part of Germany. The company employs 500 people and produces a turnover of 130 million €. It exports 76% of its goods.

Premium producers usually sell kitchens starting at around 15.000 € and above, though there is no price limit. A kitchen can easily cost several 100.000 €. The reason is the materials, size, and custom shop alterations. Because every kitchen is unique and made to suit customer wishes, the materials and design change with each product. The current trends in the premium segment are expensive brushed steel finishes and complicated handle-free kitchens. Sub-contractors' products largely define the kitchen price, special wood, electrical devices, metal hardware, and special discounts in retail stores being the most important factors. A kitchen's price is not easy to understand for the end customer because it is not 'linear' (Heinemann and Haug 2010, 235f). The uniqueness of each kitchen is the result of artisan work. Premium producers employ more vocationally trained people than other segments and have the least automated production process. The price of premium-produced kitchens is the reason businesses depend on export. Current estimations have the market share of kitchens costing over 15.000 € at about 4%.

### **1.2.1.2 Mass Producers**

The mass production segment is divided into two branches: assembled and flat-pack kitchens. Assembled mass producers usually target the 'middle' market segment and cover it completely. This means that about 1,05 million kitchens are sold each year in

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<sup>19</sup> [www.poggenpohl.de](http://www.poggenpohl.de), also in English; data provided by the business

<sup>20</sup> [www.bulthaup.com](http://www.bulthaup.com); data provided by the business

Germany. A kitchen sold in Germany has an average price of 5.335 €. The ‘middle’ is usually in the 3.000 to 10.000 € price range. This is the main range for assembled kitchen mass producers. Flat-pack producers target the lower price ranges. Kitchen cupboards are available for 270 €. Prices can go up to 5.000 €. The price of kitchens in the mass segment depends largely on electric devices such as ovens, microwaves, and dishwashers.

Flat-pack producers differ significantly from assembled kitchen producers. They often outsource large elements of their production to sub-contractors (this is, for instance, the case for one of the businesses that participated in this research). Flat-pack businesses concentrate on packing and wrapping parts. They therefore have the least need for vocationally trained personnel because, first, they do not have to assemble the kitchens and therefore require less craftsmanship in the production process.<sup>21</sup> Second, this makes the logistics of the production process a lot easier because the production of parts needs less synchronisation. Part A does not have to meet with part B at a specific point in the production process. When a part is produced, it just can be put aside to ‘wait’ for the other parts. The production process of flat-pack kitchens just requires that all parts need to end up at the end of the production chain to be wrapped and distributed. This market segment is the only segment of the furniture industry that needs to worry about the import of internationally produced goods.<sup>22</sup>

Assembled kitchen mass producers are the big ‘fish in the pond’. Five of them share about 70% of the entire kitchen furniture market in Germany. This market share was possible only because of high degrees of automation. These businesses often compare themselves to the car industry. Every step in the production chain is timed and automated; logistics is everything. These producers have moved away from traditional handcraft kitchen production and have minimised the organisation of work to the operation of machines. Below are brief profiles of the ‘big fish’:

Nobilis<sup>23</sup> is the market leader. It sells about 27,1% of the kitchens assembled in Germany, producing in two plants in Verl, East Westphalia. Its 1.926 employees produce 445.000 kitchens each year and 2.035 kitchens and 5.000 electronic devices

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<sup>21</sup> See chapter six

<sup>22</sup> See chapter four

<sup>23</sup> [www.nobilis.de](http://www.nobilis.de), also in English; data provided by the Nobilia

a day. The yearly turnover is about 700 million €. The business exports 35% of its products.

Alno<sup>24</sup> is the second largest producer and owns 17% of the market. The corporation is located in Pfullendorf, in the south of Germany, but also owns Wellmann Küchen (Enger, East Westphalia). Alno employs about 2.000 people. The company's yearly turnover is approximately 600 million € and has an export volume of about 40%.

Nolte<sup>25</sup> owns about 10% of the market and is one of the oldest businesses. The firm was founded in the 19<sup>th</sup> century and has its home in Löhne, East Westphalia. It introduced assembly-line work to the furniture business in 1945. Its two production plants assemble 700 kitchens a day and 130.000 kitchens a year. Nolte employs 1.100 people, has a yearly turnover of 290 million €, and exports about 30% of its products to 40 countries.

Schüller-Küchen<sup>26</sup> was founded in 1965 in Herrieden, close to Nürnberg in the south of Germany. The company employs 935 people, produces a yearly turnover of about 210 million € and owns a market share of 8%. Schüller exports about 25% of its products; Europe is its most important foreign market, consuming about 80% of the businesses' export.

Häcker Küchen<sup>27</sup> owns a 7,8% market share and is located in Rödinghausen, East Westphalia. Häcker supplies 850 people with jobs and produces a yearly turnover of 300 million €. The business exports 50% of its products to 51 countries.

Three of these market leaders are from East Westphalia. They employ 40,9% of the work force of the kitchen furniture industry. Nobilia, Nolte, and Häcker employ 43% of the industry's workforce in East Westphalia. Nobilia, Alno, Nolte, Schüller, and Häcker produce 51,9% of the overall turnover within the industry. Nobilia, Nolte, and Häcker generate 48% of East Westphalia's kitchen furniture industry's turnover.

### **1.2.1.3 Niche Producers**

Niche producers operate between the premium producers and the mass segment. They are considerably smaller than the assembled kitchen mass-producers and less

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<sup>24</sup> [www.alno.de](http://www.alno.de), also in English; data provided by Alno

<sup>25</sup> [www.nolte-kuechen.de](http://www.nolte-kuechen.de), also in English; data provided by Nolte

<sup>26</sup> [www.schueller.de](http://www.schueller.de), also in English; data provided by Schüller

<sup>27</sup> [www.haecker-kuechen.de](http://www.haecker-kuechen.de), also in English; data provided by Häcker

automated in their production, but they are generally more automated than the premium segment. The businesses usually sell moderately priced kitchens. This puts them in direct competition with the market power of the 'big fish'. The niche segment cannot compete through pricing; the productivity of the mass-producers is too high. They therefore need to find a way to produce something mass-producers cannot: product individuality through unique design. The highly automated production lines of the mass segment do not allow as much flexibility in the production process as the niche segment does. Niche producers therefore use the design elements of the premium producers and try to copy them for a 'smaller purse'.<sup>28</sup>

The niche segment consists of small and middle-sized businesses like Ballerina, which was founded in 1978 in Rödinghausen, East Westphalia. Ballerina produces individual, high quality hand-crafted kitchens; 240 employees are responsible for assembling 25.000 kitchens a year and an annual turnover of 42 million €; 52% of its products are exported. Another example is RWK Kuhlmann in Enger, East Westphalia. The factory produces kitchens worth 25 million € per annum and exports 55% of its products. Rabe and Meyer Küchen in Bünde, East Westphalia, achieves a yearly turnover of about 50 million € while employing 250 people. The company has been operating for over 75 years.

The high export rates are the result of the mass-producers' domination of the German market. Unlike with the premium segment, it is not the high price of the furniture that has caused this; rather, they had found their international niche, where the market is not as established as it is at home.

### **1.2.2 Integration of the Industry in International Markets**

The industry is highly globalised, knowledge-intensive, and fragmented. Globalisation manifests itself literally in the export statistics. As seen above, the market leaders export 25 to 50% of their produced goods. The branch's average export was 37% in 2010. The industry is expanding its market every year, successfully exploring new territory. It exported goods with a value of about 1,42 billion € in 2008, representing 35% of the overall turnover. About 1,35 billion €, or

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<sup>28</sup> See chapter five

95%, have been achieved through trade with 25 countries. The top 5 export countries are the Netherlands, France, Swiss, Belgium, and the UK. The USA is, however, the most important export country outside of Europe, standing in 8<sup>th</sup> place in the list of the 25 most important export partners. The eastern hemisphere is becoming more important, though. Russia, in 10<sup>th</sup> place, is a growing market for the industry, achieving an economic growth of 16% in the last year. The Chinese market grew by 8%; Hong Kong alone grew by 28%. South Korea is growing as well, selling 19.793 € worth of kitchens, for a turnover growth of 35% in the last year. The 2008 turnover in the United Arab Emirates grew by 170%.

Export has been extremely successful for a number of years. In 2007, the industry's exports grew by 22%. It is notable that foreign trade grew by 79,25% within six years, showing the effects of globalised markets on the industry. This development is not always an advantage for the market; it makes the industry sensitive to global risks. The export dependent kitchen businesses lost virtually all their international markets during the beginning of the financial crisis but are slowly recovering from it.

### **1.2.3 The Industry Works with a Close Network of Sub-contractors**

Sub-contractors deliver about 50% of a kitchen, depending on the market segment. The industry has been growing its own network of contractors within close range of their businesses for over 200 years. There is a symbiotic relationship between the kitchen producer and its suppliers, who sometimes produce only items for use in kitchen furniture construction. This is why these sub-contractors are often involved in the planning process of a kitchen. Without the expertise and cooperation of the sub-contractors, it is impossible for the kitchen producer to design and produce a kitchen fit for the market.

These sub-contractors play an important role in not only the kitchen-furniture industry but also the region. Here are a few other examples of the importance of sub-contractors. Hettich International<sup>29</sup> is one of two world market leaders mainly supplying the kitchen furniture industry. Hettich has its headquarters in Kirchlengern, East Westphalia, and employs 5.800 people in 36 production plants in North and South America, Europe, and Asia. The company produces a yearly

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<sup>29</sup> [www.hettich.com](http://www.hettich.com), also in English

turnover of about 777 million €. The main products are metal fittings for the furniture industry, especially the kitchen furniture industry. The other market leader is the Austrian Julius Blum GmbH,<sup>30</sup> which produces metal fittings exclusively for the kitchen furniture industry. The Blum Group employs 5.070 people and achieves a yearly turnover of about 1 billion €. The company Kesseböhmer Metallwaren<sup>31</sup> also supplies for the kitchen furniture industry. It achieves a yearly turnover of 250 million € and employs 1.750 people. It is not only the big businesses that are important for the kitchen producers, though. The small and middle-sized highly specialised businesses that are almost adjacent to the production facilities are vital for the business and, more importantly, dependant on its success. One of these businesses is the Danielmeyer<sup>32</sup> company of Löhne, which produces high quality worktops for kitchens and is completely dependant on the success of the kitchen industry. The interdependent situation of the kitchen furniture industry shows that its success affects not only its own industry. This symbiotic situation also means that the sub-contractor's success is determined by the economic situation of the kitchen producers; thus, the kitchen furniture industry contains two markets: the kitchen producers and the sub-contractors.

## **2 A Review of Theory and Literature about the Meaning of Embeddedness**

This thesis examines the argument that it is not only globally distributed production chains and national institutional frameworks that have a significant influence on managerial strategies and behaviour in manufacturing. Instead, the embeddedness of businesses in particular places, in addition to other forms of embeddedness, may have a significant influence on the way business is conducted and managers constitute meaning. It analyses, in particular, how managers interpret the significance

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<sup>30</sup> [www.blum.at](http://www.blum.at), also in English

<sup>31</sup> [www.kesseboehmer.de](http://www.kesseboehmer.de), also in English

<sup>32</sup> [www.danielmeyer.de](http://www.danielmeyer.de), also in English

of locality for business organisation and production. The claim that local embeddedness matters is influenced by current multidisciplinary new institutionalist research. New institutionalist analyses of business behaviour have increasingly focused on macro-oriented research that deals with, for instance, institutional influences on political economies and has developed a multidisciplinary approach, which does not necessarily emphasise sociological themes. Such research is interested in economic practice influenced by the formal institutional framework of political economies. It focuses on the evaluation of, for instance, corporate financing, corporate relations, and the employment practice of skilled and less skilled employees (eg. Hall and Soskice 2001). While this research deals primarily with comparisons of political economies, others analyse how businesses have shaped and responded to global production and supply chains. This research level analyses business behaviour, embedded in different political economies at the same time (eg. Lane and Probert 2009). Sociological new institutionalism is particularly interested in the emergence of supra-national forms of governance and the way these affect organisational behaviour in general (eg. Zürn 1998). Such research does not take into account the meaning of locality in relation to globalised institutional frameworks and international markets.

The theory and literature discussed here consists of two theoretical strands of new institutionalist research and theory. First, new institutionalism in organisation studies and sociology (e.g. DiMaggio and Powell 1983; Meyer and Rowan 1977) and, second, what Jens Beckert (2009a) calls the ‘new economic sociology’. While the new economic sociology is influenced by many theoretical roots (cf Convert and Heilbron 2007), it remains a significantly new institutionalist influenced sub-discipline in sociology (Hasse and Krücken 2009). Both strands of literature are fruitful contributions to the general understanding of societal dynamics in relation to the operation of markets. Economic sociology is of particular importance because of its arguments about institutional mechanisms. New institutionalism in sociology is often criticised for having a paradigm that overemphasises convergence mechanisms in societies, which are argued to be progressing towards global institutional and organisational homogeneity (Beckert 2010b; Crouch, et al. 2009; Davis and Marquis

2005). Research conclusions persist in this claim even though other institutional analyses have demonstrated an abundance of institutional diversity (e.g. Bruff 2010; Soskice 2005; Voelzkow and Crouch 2009). This thesis follows Jens Beckett's (2010b) theoretical analysis that homogeneity is not a requirement in sociological new institutionalism and that, indeed, there are theoretical grounds for examining diversity. Institutional mechanisms are indeterminate. They can influence convergence and diversity. Economic sociology can contribute to this research, as Beckett claims. It is less paradigm-driven, does not claim to be a theory of society, and is therefore open to diversity. It can thus contribute to the understanding of economic action in sociological new institutionalism. It must be added at this point that economic sociology is not a unique new institutionalist analysis but is largely influenced by it, comprising different theoretical approaches and focusing on diverse research topics. This thesis contributes to the claim concerning possible diversity by examining local embeddedness as contributing to diversity in managerial strategies.

The claim that local embeddedness matters contributes to a sociological new institutionalist theory of embeddedness. From this perspective, managerial strategies and business behaviour cannot be understood without the local context. This context provides regionally bound cultural values, assumptions, and norms that influence managerial strategies at a very local level. Such local norms and values may influence the preference for vocationally trained employees. Local industrial clusters may have this preference because they traditionally employ skilled artisan employees and are therefore customarily fond of vocational training as a symbol of artisan skill. Other clusters may not have such a preference because their histories may be more industrially dominated and less skill demanding, creating different meanings for vocational training, which may impact employment structures. Diversity does not, therefore, necessarily aim at the observation of similar organisations of businesses but considers diversity as divergent strategies and business practices, which influence economic behaviour.

This chapter is structured as follows. It begins with the introduction of how markets and business behaviour are understood in the context of this thesis. The section draws on Pierre Bourdieu's concept of the field in order to describe firm behaviour and the social structure of markets. The second part deals with the theoretical



positioning of the thesis within the multidisciplinary field of new institutionalism. The chapter therefore introduces five different sociological aspects of embeddedness. The third part of the chapter argues that the factor of ‘locality’ has not been satisfactorily accounted for and introduces the concept of local embeddedness, leading to a discussion of its application in the thesis.

## **2.1 Markets as Fields**

Before we move towards the concept of embeddedness used in this thesis, it seems appropriate to first introduce how new economic sociologists describe the importance of markets for modern society. ‘Markets are the central institutions of capitalist economies. The development of modern capitalism can be viewed as a process of the expansion of markets as mechanisms for the production and allocation of goods and services. (...) The increasing separation of the economy from the household and its organization through market exchange allowed for a scope in the development in the division of labor and production of wealth that would otherwise have been unattainable’ (Beckert 2009a, 245). A valuable addition to sociological explanations of economic action stems from Pierre Bourdieu’s concept of the economy as a field. The reason for this lies in the direct critique of neo-classical economic theory. Here, economic action on markets is based on rationality where decisions are made in full awareness of available choices and access to all encompassing information and which provide the basis for maximising actors’ profits. Bourdieu, on the other hand, views this as a futile approach to properly understand markets and economic behaviour (Bourdieu 2012; Kaesler 2002, 257f; Swedberg 2011). ‘Thus field theory stands opposed to the atomistic, mechanistic vision which hypostatizes the price effect and which, like Newtonian physics, reduces agents (shareholders, managers or firms) to inter-changeable material points, whose preferences, inscribed in an exogenous utility function or even, in the most extreme variant (formulated by Gary Becker, among others), an immutable one, determine actions mechanically’ (Bourdieu 2012, 197). From this perspective, the economic approach is over simplified. The critique states that the rational choice model, by dominating economic theory, lacks the ability to understand the impact and complexity of the social for decision-making processes on markets. Rather than

viewing actors as fully aware of their actions and responsibility for making decisions, neo-classical economic theory envisages decisions in a 'sterile' market environment, which is mostly free of social norms and values in which prices - the allocation of financial capital - are the only effective control mechanism that establishes structural order and guide economic action. Instead, Bourdieu states that markets are highly socialised environments. They consist of more than the mere process of the exchange of money. Actors interact with each other and with their environments, shaping market structures and establish such things as rules, norms, and values for economic behaviour. 'Agents, that is to say, in this case firms, create the space. That is to say, the economic field, which exists only through the agents that are found within it and that deform the space in their vicinity, conferring a certain structure on it' (ibid, 193).

For Bourdieu, the structure of, and behaviour in markets, is ruled by a constant struggle in a field of power relations. He views economic fields as the struggle for ownership and use of capital, which determines a firm's power in these fields. But in contrast to economic concepts of capital, Bourdieu writes that economists fail to understand a fitting concept of capital, instead reducing economic action to the mere exchange of goods. His approach draws on the Marxist tradition that the ownership and division of capital is a fundamental issue in society that extends over the borders of markets. The field approach agrees with economic theory that markets do allocate capital. However, it identifies not only one form of it. Bourdieu introduced the idea of other varieties initially dividing the term capital into three categories, which depict a more complex understanding: economic, cultural, and social (Bourdieu 1983b). These categories are then further diversified by the introduction of symbolic capital, and even more sub categories for markets that deals with such concepts as technological capital or juridical capital (cf Bourdieu 1985; Bourdieu 2005).

### **2.1.1 Economic Capital**

Economic capital is defined as the known concept of economic theory, which encompasses the ownership of money, business shares, means of production, machines etc. the ownership of financial resources especially enables businesses to buy the other forms of capital. Therefore, the availability of money determines

access to more money (banks and investors), employing highly skilled workers, or either to develop or buy new technologies, which provides the businesses with competitive advantages in their markets (Bourdieu 2012, 194f).

### **2.1.2 Cultural Capital**

While Bourdieu admits that economic capital remains the key category for the distribution of power in markets, he emphasises the growing meaning of cultural capital. For him, it is the future form of capital that will be decisive for economic and social success. He divides cultural capital into three distinctive categories.

#### **2.1.2.1 Embodied Cultural Capital**

Embodied cultural capital largely refers to a person's knowledge and education, which has been accumulated over time. It basically refers to a person's socialisation, or in Bourdieu's term, someone's Habitus (Bourdieu 1983a; 1983b, 187). This form of capital refers to a person's skills and ability to participate as well as to prevail in society and in markets. This concept is very similar to the concept of knowledge used by literature that deals with knowledge management and so-called knowledge economies or societies. In this context, the embodiment of knowledge of employees becomes a key to success for businesses. Sometimes referred to as tacit knowledge, this type of capital becomes extremely valuable for businesses because it is not accessible or extractable from a person (e.g. Casey 2004; Roumois 2007; Willke 1998; Yapp 2000). This is relevant to my research, as a means to discuss whether or not managers perceive employees' embodied cultural capital as playing a significant role in the success of the kitchen furniture industry in EWL.

#### **2.1.2.2 Objectified Cultural Capital**

On the other hand, objectified cultural capital is not as tacit. This form relates to objects that can be bought but require embodied cultural capital in order to be of value for the owner. The ownership of these objects can be acquired by the use of economic capital, but this only refers to the legal ownership and does not relate to the ability to put them to use (Bourdieu 1983b, 188-189). In other words, businesses,

like kitchen producers, can purchase different kinds of machines, which could require additional technical skills or the knowledge of software programming in order to be successfully implemented into production processes. This requires the entrepreneur or CEO to either learn the according skills to operate these machines or to hire employees who own the embodied skills in order to operate them. Naturally, objectified cultural capital differs in the requirement of the embodied cultural capital to put it to use. For the case of the kitchen furniture industry, this could mean that businesses with different degrees of automation and organisation of the production process require different forms of embodied cultural capital (skills) due to the requirements of the objectified cultural capital (machines) implement in the production process.

### **2.1.2.3 Institutionalised Cultural Capital**

Institutionalised cultural capital deals with the formal titles people receive by undergoing education in institutions like schools and university (Bourdieu 1983b, 190). High school diplomas, certificates gained through extension studies, passing vocational training, and receiving the status of journey- or master craftsman represent institutionally controlled and awarded degrees of knowledge that especially provide peoples' legitimacy on the labour market. By passing tests and receiving certificates employees provide qualitatively und quantitatively measurable degrees of their embodied cultural capital for employers to see. Titles award 'cultural competence' and guarantee societal acceptance and value according to the value of the title (Bourdieu 1987, 47f). Titles enable employers to assess the relevance of (potential) employees' set of skills and how to value it in relation to the needs of production organisation. For instance, a kitchen producer seeks to employ a person who can undertake necessary repairs and perform substantial maintenance work for the production line. An employer probably seeks somebody whose vocational training can prove that he or she has the according set of skills in order to fulfil the predefined job requirements. This means that people without vocational training pre-emptively will not be employed, regardless of their embodied cultural capital because of the lack of a title, which arguably guarantees the possession of a certain set of skills. The same is the case for titles, which do not fit the job description. For

an employment opportunity used in this example, an employer would likely hire an electrician instead of a carpenter because of the skill profile that makes an electrician more suitable for the position. The educational title a person owns significantly influences the chances on the labour market, determines social mobility, and provides social status. This is especially the case for the German context, where education largely defines a person's labour market success (Hartmann and Kopp 2001; Hradil and Schiener 1999, 373f). For the case of this research managers in the different segments are therefore expected to relate to, and emphasise, the importance of educational titles of employees involved in the production process.

### **2.1.3 Social Capital**

Social capital refers to the network of social relations a person or a business belongs to (Bourdieu 1983b, 390f). It is a collective concept because it always views an individual or an organisation in a set of social relations, which provide and deny access to resources. For instance, these relations are based on bilateral recognition or institutionalisation through, e.g., formal contracts. Social capital relates, for instance, to being part of a certain class that provides status, having access to research funds because of one's membership in a university. The amount of social capital in work relationships significantly enhances productivity (Bandiera, et al. 2008). It especially refers to business' success in markets. 'Social capital is the totality of resources (financial capital and also information etc.) activated through more or less extended, more or less mobilizable network which produces a competitive advantage providing higher returns on investment' (Bourdieu 2012, 194f). In the case of the kitchen furniture industry in EWL, this relates, for instance, to the corporation of businesses with competitors and the role of sub-contractors used in the production process. The activation of such social capital can determine the introduction of next technologies by subcontractors as well as the ability to access foreign markets due to previously established contacts with, e.g., interior designers or retailers.

#### **2.1.4 Symbolic Capital**

Symbolic capital is the fourth category Bourdieu adds to the concept of capital. While social capital addresses the own access to resources enabled by the network of social relations, which means access attributed by membership in a collective, symbolic capital addresses the ability of an individual or a firm to display power. ‘Symbolic capital resides in the mastery of symbolic resources based on knowledge and recognition, such as “goodwill investment”, “brand loyalty”, etc.; as a power which functions as a form of credit, it presupposes the trust or belief of those upon whom it beards because they are disposed to grant credence (it is this symbolic power that Keynes invokes when he posits that an injection of money is effective if agents believe it to be so’ (Bourdieu 2012, 195). Symbolic capital is especially related to the production of goods. For instance, a brand’s marketing of goods, displaying corporate social responsibility, and demonstrating a support for environment friendly production processes, increase the symbolic value of business products and exceed the rational calculus of production costs. They become symbolic goods. ‘Symbolic goods are a two-faced reality, a commodity and a symbolic object: Their specifically cultural value and their commercial value remain relatively independent although the economic sanction may come to reinforce their cultural consecration’(Bourdieu 1985, 16).

#### **2.1.5 Field Position, Struggle, and Change**

The above forms of capital are distributed unevenly among the businesses sharing a market. They share the similarity of products and establish a competitive relation because of this. This produces a struggle for the ownership of capital and the according market power. The more capital a firm is able to accumulate the greater is its dominance of the market share. This defines the position of a business, the structure of power relations in a market, as well as its range of economic choices. ‘Firms undertake actions there which depend, for their ends and effectiveness, on *their position in the field of forces*, that is to say, in the structure of distribution of capital in all its species. Far from being faced with a weightless, constant-free world in which to develop their strategies at leisure, they orient by the constraints and possibilities built into their position and by the representation they are able to form of

that position and the positions of their competitors as a function of the information at their disposal and their cognitive structures' (Bourdieu 2012, 199f).

Ownership of capital therefore positions businesses in the field of forces and determines who is in a dominant position and who is not. 'To apply the theory of fields to markets, one must focus on the behaviors of the organizations that produce the goods or services in the market. The incumbent firms are defined as those who dominate the field by being big, defining the product, and undertaking moves to reproduce their position vis-à-vis smaller, challenger firms' (Fligstein 2001, 68). Market dominators seek stability, to legitimise their dominance, by implementing strategies that prevent smaller firms or businesses that recently entered the market from undermining their 'authority'. In order to counteract the threat of destabilisation and uncertainty businesses seek long-term contracts with suppliers, which hinder them to produce for competitors. Well-established customer relations also contribute to the stability of markets. Sometimes businesses even join forces in order to ensure their dominance on the market and prevent new businesses from arising. Firms therefore establish well-institutionalised network relations that structure the power relations and positions of businesses within the market. The result of this is the formation of market segments that, because businesses try to reproduce their market power, develop strategies in order to protect their own market share. The result is the active avoidance of competition of businesses in a market in order to ensure market stability while adapting behaviour in relation to each other, reproducing its social structure (cf Bourdieu 2005; Fligstein 2001, 69ff; White 1981).

Even though markets tend to reproduce their structure and therefore create a degree of stability, they can change. New economic sociology has identified three interconnected mechanisms that can influence the field: networks, institutions, and cognitive frames (cf Beckert 2010a).<sup>33</sup> The power relations within fields are facing internal change as well as external influences. For instance, hostile takeovers, financial crisis, new technologies, change of management, wars, or new laws can influence markets significantly, creating instability and opportunity for businesses to redefine their own position within a market.

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<sup>33</sup> Networks, institutions, and cognitive frameworks are further discussed in the according sections dealing with embeddedness.

In terms of fields, the analysis of my data will attempt to describe what kinds of capital the market leaders and different industry segments use in order to position themselves in the field and whether different forms of capital are distinct identifiers for each market segment. What does symbolic capital mean for premium and niche producers? What role does economic capital play in the reproduction of dominance for mass producers?

## **2.2 New Institutional Perspectives on Embeddedness**

New institutionalism is a concept used in many academic disciplines, with different theoretical assumptions. This thesis follows the sociological tradition, which sets itself apart from, for instance, economic new institutionalism (cf North 1990) or historical new institutionalism (cf Thelen 1999). The sociological tradition has four distinct attributes (Preisendörfer 2008, pp.145): first, theory is generally sceptical about all forms of ‘homo economicus’. This means that theory rejects the assumption that rational actors behave solely in their own self-interest in order to maximise profit. The sociological approach argues that economic action is not necessarily ruled by rational choice and efficiency. Businesses are viewed as being often inefficient (e.g. Fligstein 1990), as pointedly demonstrated by the following: ‘The new institutionalism in organization theory and sociology comprises a rejection of rational actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supra-individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals’ attributes or motives’ (DiMaggio and Powell 1991, 8). Second, institutions, including formal and informal rule systems, routines, normative guidelines, and cultural standards, play a central role as explanatory variables. Third, new institutionalism is part of the theoretical movement towards a constructivist and culturally dependent mode of analysis, which can be subsumed under the title the ‘cognitive turn in sociology’ (e.g. Fuller 1984). Fourth, the interest in ‘supra-individual’ analysis opposes methodological individualism and thus describes agency as the result of external influences rather than intrinsic individual motivation.

In relation to cultural cognitive dimensions, this thesis understands institutions in the following way: ‘Institutions are not simply the formal and informal constraints that



specify the structure of incentives...or discrete institutional elements—custom, shared beliefs, conventions, norms, and rules—which actors orient their actions to when they pursue their interests. In this view, institutions are social structures that provide a conduit for collective action by facilitating and organizing the interests of actors and enforcing principal-agent relationships’ (Nee 2005, 55).

This sociological perspective has a significant influence on the understanding of the embeddedness of action in social relations. The meaning of embeddedness is described by Mark Granovetter: ‘Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations’ (Granovetter 1985, 487). Granovetter bases his concept of embeddedness on the work Karl Polanyi developed in his seminal book *The Great Transformation* (Polanyi 2001). Polanyi used his concept of embeddedness as part of his social theory where economies are either embedded or disembedded in societies according to their state of development. Polanyi distinguishes among different economies that are differently embedded in societal history. His approach reminds one of historical and figuration sociology, but Granovetter does not use this macro perspective. His approach considers the micro and meso levels of networks and how these are embedded in social relations (cf Krippner and Alvarez 2007). Granovetter is thus more *problem* driven in his research than Polanyi’s *paradigm*-driven societal analysis. Because of the limitations of this research, which can provide only an example of an insight into a local production market, it can be only a *problem*-oriented approach and therefore uses Granovetter’s approach to embeddedness. This is done in acknowledgment of Polanyi’s work, without diminishing his contribution to perspectives on embeddedness.

It is Granovetter’s central conviction that businesses do not act solely with a focus on efficiency or profit making. His argument formulates a counter-perspective to economic theory’s emphasis on the rationality and efficiency paradigms: ‘In essence, the embeddedness approach differs from transaction cost economics in its emphasis on informal solutions to address the problem of trust, as opposed to formal institutional arrangements’ (Nee 2005, 53).

The argument pursued in this thesis relates to this model of embeddedness, which evaluates not only formal institutional rule systems but also the socially embedded cognitive and cultural aspects of business activities. The thesis examines managerial accounts, which articulate the socially constructed meaning of embeddedness. It therefore follows the sociological new institutionalist research aims specified by Lynne Zucker (1977). She addresses the cultural influences on institutionalised behaviour and cognitive patterns and how these govern individual and organisational perceptions. This thesis focuses on the theoretical implications for sociological new institutionalist research of the social construction of markets by the businesses embedded in them.

Embeddedness is multidimensional and complex. Zukin and DiMaggio (1990) have categorised embeddedness in four ways: ‘We use “embeddedness” broadly to refer to the contingent nature of economic action with respect to cognition, culture, social structure, and political institutions’ (ibid., 15). This thesis additionally differentiates between political and institutional embeddedness, because of the increasing focus on the analysis and comparison of political economies in new institutionalist research.

### **2.2.1 Structural Embeddedness**

Structural embeddedness has probably received most attention in contemporary economic sociology research. It deals with the networks of social relations that organisations and businesses are embedded in and how social relations within these networks promote, for instance, the diffusion of norms, values, and practices. Research evaluates the degree to which, for instance, chefs support the promotion of local food industries by schooling staff, giving cooking lessons, and diffusing their personal opinions in their networks through their connection with staff and trainees (Inwood, et al. 2009). Theresa Lant and Joel Baum (1995) conducted research in Manhattan’s local hotel industry using a set of 170 participants. They have shown that interaction and inter-organisational cognitions are significant for the development and diffusion of shared norms, structures, practices, and networks in social groups like businesses. The competitor categorisation perceived by hotel managers and their evaluation of price, size, and local proximity have shown how actors in competitive markets orient and define each other and mimic and diffuse

strategic behaviour through observation. Other researchers address membership in social networks and how members benefit from these relations in contrast to those who are excluded from them. Paul Ingram et al. (2005) demonstrated that membership in intergovernmental organisations such as the World Trade Organisation supports trade behaviour between members and prevents those who have no access to these networks from profiting. They also showed that multiple memberships in different networks composed of the same actors increase relations between them.

As these examples illustrate, researchers of structural embeddedness focus on networks and how their social relations influence actor behaviour in these networks. Richard Swedberg (2005) attributed the attention paid to structural embeddedness and the analysis of networks to the resulting flexibility of the method, 'which allows the researcher to both keep close to empirical reality and theorize freely' (ibid, 245). Network analysts argue that research on networks combines knowledge about the micro and macro levels: 'the analysis of processes in interpersonal networks provides the most fruitful micro-macro bridge. In one way or another, it is through these networks that small-scale interaction becomes translated into large-scale patterns, and that these, in turn, feed back into small groups' (Granovetter 1973, 1360).

Network analysis has been used by two of the most influential contributors to the topic of embeddedness for new institutionalist perspectives: Harrison White and Marc Granovetter. White (1981) uses network relations in order to establish how markets work and are created. He argues that a market consists of a limited group of businesses that produce goods and sell them. He therefore focuses on production markets, where businesses either buy or sell goods, whereas, in exchange markets, actors buy *as well as* sell (Swedberg 2005, 245). This is of particular interest for this thesis because it, too, deals with a production market. According to White (1981), businesses watch each other in their networks. Markets are therefore created by the observation of businesses that identify other businesses producing similar products (in this research, kitchens). Not only do businesses define themselves this way, but customers also contribute to market creation and segmentation by identifying, for instance, product quality: 'Markets are tangible cliques of producers observing each other. Pressure from the buyer side creates a mirror in which producers see

themselves, not consumers' (ibid., 543). Observation is possible because businesses radiate 'signals'. The 'signalling' of price and quality among competitors within a market influences the creation of market segments, helping actors define where they can situate themselves in comparison to other companies sharing the same market, avoiding competition with other businesses. White explains this as a 'role-playing game' that enables actors to establish market segments and provides stability within the relationships of these: 'Markets are self-reproducing social structures among specific cliques of firms and other actors who evolve roles from observation of each other's behavior. I argue that the key fact is that producers watch each other within a market' (ibid., 518).

Granovetter (1985; 1973) established that trust is a significant factor within networks of social relations. Repeated social interaction leads to the ability to predict the behaviour of others, which ensures security. Variables like friendship and regular contact establish strong ties within networks and ensure stability. Close ties, established over time, create bilateral trust. These relations provide the foundations for buyers and sellers and for business and customer, so that none of the sides will try to cheat on the other in future business. A profound observation by Granovetter elaborates the role of 'weak ties'. This is particularly interesting for business-networks because of the role of inventions and new business ideas. These 'weak ties' are important within social networks because they represent connections between actors that do not interact often. The strength of these ties is rooted in the kind of information they can provide. While 'strong ties' represent reliability in the form of repeated interaction and knowledge of the other person's behaviour and resources, 'weak ties' provide new information.

While these findings are significant contributions to understanding market networks, they do not address less explicit motivation, based on cognitive cultural grounds: 'On the negative side, the networks approach does not come with a theory of markets, but constitutes a general method for tracing relationships. Why people engage in an exchange, and under what circumstances a market can be established, are not part of a theory but something that has to be added—and rarely is' (Swedberg 2005, 245).

### 2.2.2 Cognitive Embeddedness

The 1970s symbolise the rise of what critics label ‘neoliberal’ economic theory. It represents the development away from the demand-driven theory of John Maynard Keynes towards the supply-oriented theory influenced by Milton Friedman. While Keynes defended the importance of governmental actions in regulating the economy, the new economic theory demanded less state intervention and less restricted markets. The central argument involves the impact of prices on markets. They are viewed as a balancing regulative force, providing the basis for economic action that leads to prosperity for all involved (cf Willke 2003). The basis for this view of market behaviour is related to perspectives on economic action heavily influenced by Adam Smith. The individual is viewed as a rational actor who can make his decisions freely. The actor is led by an invisible hand, which keeps him from destructive behaviour and prevents him doing harm to individuals and society. Because of this rationality, governmental influence on economies is viewed as unnecessary, even a hindrance (Zerche, et al. 2000).

Modern neo-classical economists, often referred to as neo-liberals, have a distinct view on this rational actor behaviour: ‘First, individuals have a utility function based on their *preferences* for goods or other objects. These preferences are stable, change slowly, and are transitive. Processing or consuming these goods brings utility (*use*)’ (Hass 2007, 20).

A classic example of this is how economic textbooks explain the matchmaking processes between employers and potential employees. Economists distinguish between the market price for labour, which they define by such things as level of education, work experience, and the quantity of workers available in the labour market, and the price the potential employee seeks for the input of labour, which is determined by the amount of time a person is willing to offer. Economists postulate this on assumptions about the time the person offers on the market and the time the individual consumes for personal uses and accordingly does not offer to the market. This is determined by, for instance, personal free time, household work, raising children, and education (Franz 2006, 197). People supposedly rationally determine how much time they *prefer* to offer in order to maximise their own *use* of time in relation to earned money.

The above exemplifies how economists simplify human behaviour by postulating that rational actors make rational choices: 'Rational choice assumes that we can calculate costs and objects we desire: somehow we count costs and benefits, even if roughly, and *numerically*' (Hass 2007, 20). This lets economists assume that they can identify all the information and motivations leading to economic decisions. This is central to the criticism offered by new institutionalist sociology's accounts of cognitive embeddedness. Sociologists stress that the rational actor and all-encompassing information about decision-making processes do not exist.

Sociological new institutionalism bases this criticism on the cognitive embeddedness of actors influenced by bounded rationality and subjectivity (ibid., 13-14). Cognitive embeddedness asserts that bounded rationality describes the impossibility of achieving all-encompassing information about interaction partners or desired goods. Not all information is available to actors, thus they use 'short cuts' to overcome situations of minimal information. Using the above example, it is impossible for the employer to take all information about a potential employee into account. Nor is it possible for the potential employee to know everything about the employer's motives. For instance, a potential employer seeks a person who is trained in mechanics and is able to operate complex production machines. He may use the formal vocational training of employees as such a short cut because it lets the employer assume that the formal vocational training equips a potential employee with the sought skills. This enables him to formally distinguish between perceivably suitable employees.

The theme of subjectivity is used to criticise the model of actor objectivity according to not only the different available information but also the differently perceived situations. Businesses and individuals have different tools by which to make sense of their circumstances. For instance, sociological systems theory, in the tradition of Niklas Luhmann, explains knowledge creation in a specific way (e.g. Willke 2004): people and businesses are described as systems. Both use the tools available to them to observe their environment in order to understand it. The tools are, for instance, eyes, ears, and cognitive capability for humans; this can be software, protocol routines, or market research for businesses. Each system uses these tools individually to derive information from observable data. This process enables a system to

concentrate on only some data because selecting some parts of information means disregarding others. Cognitive processes are always capable within limits and are not able to process and see all available information, which rules out the possibility of objectivity. The context of information is particularly important. People and businesses derive knowledge from information by putting it in the context of their experience, which significantly influences the meaning of new information. Because neither people nor businesses share identical experiences, perspectives are always subjective.

Research on cognitive embeddedness and its concept of bounded rationality has been significantly influenced by the work of John Meyer (Meyer and Rowan 1977). According to Zukin and DiMaggio (1990, 16), this is especially the case concerning two factors. First, Meyer makes a distinction between formal rationality and efficiency. Formal rationality means, in this case, that businesses devise structures to pursue goals. Efficiency is then defined as the rate of success in goal attainment. Meyer (eg. Meyer, et al. 2005) sees the increasing development of bureaucracy as an outcome of cognitive embeddedness. His world polity approach analyses how Western types of organisation are diffused globally. This is not a result of their de facto supremacy in comparison to other forms of organisation but rather of the belief of their actors in their superiority. Organisation is tightly connected with legal-rational forms of organisation in relation to Max Weber's concept of bureaucracy. While there are different forms of organisation in different countries, Meyer stresses the tendency towards a Weberian form of bureaucracy in order to create legitimacy. Bounded rationality is therefore represented by the cognitive short cut between the structure of organisation and the hoped-for success as goal attainment.

### **2.2.3 Cultural Embeddedness**

The concept of cultural embeddedness describes collective beliefs and ideologies and provides the basis for the establishment of formal rules: 'When we say that economic behavior is "culturally embedded", we refer to the role of shared collective understandings in shaping economic strategies and goals. Culture sets limits to economic rationality: it proscribes or limits market exchange in sacred objects (e.g.

human beings, body organs, physical intimacy) or between ritually classified groups' (Zukin and DiMaggio 1990, 17).

Rule systems like law, codes of practices, or secularity are based on cultural frameworks. These significantly contribute to the cognitive embeddedness of actors because culture determines many parts of how actors perceive their environment through their cognitive framework. This relationship of culture and its effect on society is not a new topic. For instance, Max Weber (1958) formulated in his classic work *The Protestant Ethic And The Spirit Of Capitalism*, an analysis of why modern economic development started in Europe and not in China or anywhere else. He elucidated the role of cultural influences such as religion in societal processes like economic behaviour. Before Weber, Karl Marx had established a connection between societal stratification and cognitive patterns when he discussed his concept of class. In this view, each class is subject to distinguishing cognitive frameworks that define class related identities and views. The sociology of knowledge and figuration theory also represent early attempts to explain how culture and its different historical roots influence ideologies and therefore the cognitive patterns of individuals, social groups, and societies: 'We are constrained by categories through which we interpret the world, assumptions about how the social world normally operates, and knowledge of social action. This is "cultural embeddedness": categories, assumptions, and rituals from contexts of our social lives shape our decisions and actions' (Hass 2007, 14).

Economic behaviour is therefore not separable from its cultural context, nor can a producer of goods be freed from cultural influence, nor can the consumer make any buying decisions without taking the cultural context into account. Scholars of culture and consumption have made significant contributions to understanding the importance of cultural influences on economic behaviour. Products are infused with meaning for customers.

Markets are undeniably connected with the development of modern capitalism, though they are not free of norms and values, which are, for instance, culturally and historically integrated. Markets are accordingly important research objects in the analysis of how consumption establishes meaning, status, and morality for participants: 'Consumption reproduces the material lives of consumers and provides



them means to express their identities and affiliations with status groups. But most importantly for these scholars, the meanings attached to products that are negotiated by consumers and producers shape the interpersonal relations of embedded market exchange and, in turn, are shaped by them' (Fligstein and Dauter 2007, 115).

Scholars of culture and consumption analyse national labour markets and the way norms and values affect employment relations. For example, American employees are spending more time in the working place because it is unacceptable to trade money for free time, 'which leads to higher levels of consumption than there would be in an economy without these labour market biases' (Schor, et al. 2010, 276). For instance, the above example of the employer and the applicant does not take these cultural grounds into account. Economists do not consider culture. Actors are embedded in classes, different national contexts, which create cultural expectations resulting in contingent consumer behaviour in all parts of society. For instance, researchers analyse such topics as fashion and how class-culture and emotional reproduction influence consumption among class and gender (Rafferty 2011). This is reproduced by producers of goods as well as their customers (Zukin and Maguire 2004). In production markets, customers face an abundance of products and need to be convinced that they are worth buying. Ethical value and morality are results of culture and are fundamental for economic behaviour (Zelizer 2005). Consumers do not just spend money on markets; it has a symbolic meaning for the consumer. Different groups of people spend their money differently. Consumption is a social 'marker' that provides status (Zelizer 1989). This accordingly influences how businesses advertise their goods and define customer target groups. Selling goods in markets is therefore a highly culturally influenced process. Kitchen producers are no exception; they are instrumental in these processes of meaning creation and status differentiation.

#### **2.2.4 Institutional Embeddedness**

Economies are embedded in institutional ties: 'Economies are not just immediate exchanges between buyer and seller—they are also rules that structure exchange and production of goods and services, working conditions and employment, and the like' (Hass 2007, 14). Institutions enforce punishment when businesses do not comply

with rules, norms, and values. This can be a customer's disregard for unethically produced goods or law enforcement and corporate punishment when businesses break laws. Businesses usually comply with institutional pressure in order not to waste resources, which necessarily happens if they face institutional punishment. Businesses constantly seek convergence with their institutional framework by relentlessly seeking legitimacy (e.g. Boon, et al. 2009; Clegg, et al. 2007; Dowling and Pfeffer 1975): 'Organizations require more than material resources and technical information if they are to survive and thrive in their social environment. They also need social acceptability and credibility' (Scott, et al. 2000, 237). By accepting and implementing exterior norms and values, enterprises ensure continuity and, ideally, success: 'Organizations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behavior in the larger social system of which they are part. Insofar as these two value systems are congruent we can speak of organizational legitimacy' (Dowling and Pfeffer 1975, 122).

Meyer and Zucker (1989) exemplify this in their classic work using four case studies conducted using four firms. Their findings prove that the economic principle according to which enterprises produce only as long as they are making a profit does not fit economic reality; their results demonstrate evidence to the contrary. The results show the symbolic strength of organisational legitimacy, acceptance, and high valuation in its social environment. Their research comprised not only non-profit organisations but also for-profit businesses. Their case study of the *Harold Examiner* newspaper showed that the ties of the entrepreneur family-owner were stronger than the market pressure to close the company, such that the owner accepted turnover deficits of millions of dollars. Another of their case studies exemplified the power of protest. The archdiocese of Los Angeles had determined to close one of their schools, but this was prevented by massive public protests, forcing the church to refrain from closing it down and accepting continuous losses in order to please public opinion.

New institutionalism argues that organisations develop a structural similarity with their environment as a means of seeking legitimacy. This 'isomorphism' works at different levels of organisation. It can, for instance, imply a similarity in the use of

business strategies or in the form of organisation. Theory follows the paradigm that organisational behaviour is not autonomous but is defined by the actor's embeddedness in a specific context: the socially constructed institutional environment influences options significantly. According to Victor Nee, it is new institutionalism's central 'claim that institutions matter and that understanding institutions and institutional change is a core agenda for the social sciences' (Nee 2005, 50). This means that organisations integrate general values, normative rules, and cultural practices from the environment into their inner procedures (Preisendörfer 2008, 147). This can mean, for example, the attribution of higher value to skilled workers, the acceptance of a legal framework for employee protection, or a stronger charitable involvement in communities.

Isomorphism is the result of institutional pressure. Theory has widely accepted that three core mechanisms are the foundations of this process (DiMaggio and Powell 1983): coercive, mimetic and normative. Coercive isomorphism results from formal and informal pressure from other organisations. One common coercive incentive is a new fire safety guideline for the kitchen furniture industry that forces businesses to introduce new technologies and safety procedures to meet these new standards. Mimetic isomorphism deals with the risks of uncertainty. For instance, uncertain market conditions caused by the recent global financial crises may lead to copying organisational structures and the strategies of successful competitors to ensure survival. It can therefore be theorised that smaller niche kitchen producers experience greater pressure from big companies in the kitchen furniture industry. These smaller companies probably observe that premium producers are successful by setting themselves apart from the rest of the market through the use of exclusive designs. Niche producers are mimicking this strategy by working together with exclusive designers that promise to give them a comparative advantage to the bigger mass producers. Normative isomorphism is described as the result of expectations resulting from market developments. For instance, businesses aim to have an advantage over competitors. Competition acts like a mechanism that drives businesses to continuously integrate new technologies in their production to attain an advantage on the market. This can lead to a normative degree of technology in production markets.

### **2.2.5 Political Embeddedness**

It can be argued that political embeddedness is a type of institutional embeddedness. Political embeddedness is perceived, however, to be very important for economies as a separate research field: ‘Political embeddedness in the largest sense refers to the global context of investment flows and shifts in the sites of production. Some researchers see a narrow tie between the political micro-climate in specific countries and regions and new “spatial divisions of labor”. A broader influence can, however, be attributed to the global political-economic shifts that generate transnational migration of economic resources and actors’ (Zukin and DiMaggio 1990, 22). Economies are not autonomous systems but must be viewed in their national and international contexts. Political systems have a significant influence on business behaviour. Tax legislation, welfare, and the legal organisation of unions shape the economic environment of businesses (Hass 2007, 15). Political embeddedness significantly increases in importance when one considers that national borders lose their restrictiveness for companies, which are now able to organise their production chains on a global scale and target multinational customer groups. National economies stand in stark competition and are seeking the favour of businesses like never before.

The varieties of capitalism debate (VoC) has become a strong methodological and theoretical approach to analysing political embeddedness. The VoC perspective is especially relevant in this case because it analyses (amongst other objectives) different modes of employment strategies and how they are practiced in different institutional settings; VoC is interested in the institutional socio-economic frameworks in national political economies that convey different modes of production and consequently influence business behaviour: ‘This school cannot easily be subsumed under conventional scientific disciplines. Political scientists, researchers in the field of public administration, sociologists, as well as economists are attempting to overcome conventional borders of their disciplines, in order to generate a holistic image, containing various national or regional capitalist production systems’ (Crouch and Voelzkow 2009b, 3).

The VoC method generally categorises national economies in two ways: co-ordinated market economies (CME) and liberal market economies (LME). The

important factors of these regimes are corporate governance and business financing, the vocational training system or industrial relations. Short term business financing, deregulated labour markets, a general low degree of vocational training, and tough competition among businesses characterise LMEs; CMEs, on the other hand, are characterised by long-term business financing, cooperative industrial relations, extensive vocational training, and cooperative relations among businesses (Voelzkow, et al. 2007, 23).

The research conducted on VoC emphasises the importance of these diverging production regimes and their meaning for, for instance, employee skill development, employee organisation, and job security: ‘The central argument is that quite different employment dynamics can be found between capitalist societies depending on the way that firms try to solve their coordination problems with respect to industrial relations, vocational training, corporate governance, inter-firm relations, and the cooperation of their employees’ (Gallie 2007a, 13).

This theory claims that different production regimes reproduce a certain preference in relation to employment strategy. Coordinated economies are supposed to favour ‘higher skill levels, greater individual job autonomy, a greater extension of teamwork, [and] better workplace representation’ leading to ‘consensual decision making, and higher job security’ (Gallie 2007b, 99). National labour markets are distinguished by their different expectations about employee skills; thus, the UK’s labour force is considerably less professionally skilled than the German. Germany and Sweden, both coordinated economies, differ (again) in that the German labour market is more professionally skilled than the Swedish. The Scandinavian country’s social skills, on the other hand, are usually higher than Germany’s (ibid.). Different labour markets also suggest different job preferences. Martina Dieckhoff (2008) has researched the significance of vocational training for individual successes in the labour markets in the UK, Germany, and Denmark. Her results show that ‘in the specific skill regimes of Germany and Denmark vocational training has very positive effects on labour market attainment; in the general skill system found in the UK returns to vocational training are rather modest’ (ibid., 103).

The debate emphasises the importance of national political institutional frameworks. It also stresses the similarities among production regimes. For instance, either the

private ownership of the means of production or competitive markets may be the underlying conditions for capitalist economies. Apart from the similarities, VoC research focuses on the diversity of production regimes and the ways they perform using a more or less coordinated institutional framework (Crouch and Voelzkow 2009b, 3). Institutions are the result of actions undertaken by local and institutionalised agents. National economies are understood to be the products of local history and culture (Hall and Soskice 2001, 13).

The work of Kathleen Thelen (2004) has shown from a historical institutionalist perspective how different national contexts have created divergent institutional frameworks resulting from historical contexts that still persist, showing a fundamental resistance to politically motivated change. She has shown in detail, in the case of blue-collar vocational training, how diverse political economies can evolve and institutions withstand the test of time. The German vocational system, which goes far back to the guilds of the Middle Ages, has survived for centuries and still dominates the country's labour market policies. The vocational structure has two core effects. First, training apprentices and employees guarantees a high level of skill. Second, accompanying institutions such as the German Chamber for Commerce and Industry and unions prove to be resistant to calls for structural change. Thelen has shown differences between production regimes (e.g. between Germany's and the UK's), in their historical development and how they are distinct from each other in terms of formal and informal vocational training. Her research has proved that different political economies demand different formal skill levels from and express different professional knowledge expectations of potential employees. Her work has described the institutional differences among comparative national contexts.

### **2.3 Local Embeddedness**

Theory and research agree on the fact that the embeddedness of economic behaviour in social relations is a central explanatory factor. Accordingly, business behaviour cannot be understood without an analysis of its structural, cultural, cognitive, institutional, and political embeddedness. New institutionalist research shows an increasing interest in the effects of globalisation, which moves the scholarly focus

towards globalised markets and institutions, where locality decreases in significance. Research is often undertaken on the macro (typically national or transnational) level, comparing political economies or structures of governance and government (Bruff 2010; Gallie 2007b; Korpi 2006; Soskice 2005).

Economic sociology, too, views businesses as embedded in international markets. They appear as transnational corporations with worldwide distributed production chains and multinational customers (Gereffi 2005). This development of emerging markets and the influences of the globalising processes on businesses have moved new institutionalist research towards a focus on globalised institutional frameworks. Case studies on local markets (e.g. Baum and Lant 2003) and single businesses (e.g. Meyer and Zucker 1989) have become less prominent. The world polity school around John Meyer has shifted its research interest to the macro perspective, analysing the global tendencies towards convergence and isomorphism (e.g. Beck 2005; Buhari-Gulmez 2010; Longhofer and Schofer 2010; Wimmer and Feinstein 2010). This research 'depicts an increasingly global political culture comprising broad consensus on the set of appropriate social actors (individuals, organizations, and nation-states have replaced clans, city states, fiefdoms), appropriate societal goals (economic growth and social justice have replaced territorial conquest and eternal salvation), and means for achieving those goals (tariff reduction and interest rate manipulation have replaced plunder and incantation)' (Dobbin, et al. 2007, 451). For theory, organisations are understood to be carriers of societal norms and values and agents of the diffusion process. This is viewed as a global process leading to the convergence of institutions on a worldwide scale (Krücken 2005, 301). Theory and research in sociology are focused on how political, non-profit, and governmental organisations comply in a worldwide context with 'Western myths' through diffusion (Krücken 2005; Meyer and Rowan 1977; Zürn 1998). Sociological new institutionalists are 'interested, for instance, in explaining the striking similarities in organizational form and practice that Education Ministries display throughout the world, regardless of differences in local conditions or that firms display across industrial sectors whatever the product they manufacture' (Hall and Taylor 1996, 947). New institutionalism in sociology has focussed on globalised institutional frameworks that deal primarily with matters of convergence and diffusion in political

contexts. What about locality? New institutionalism in sociology has mainly been interested in ‘non local environments’ (DiMaggio and Powell 1991, 13).

### **2.3.1 Making a Case for the Local**

The research in this thesis aims at a direction opposite to that of the mainstream. It focuses on the role of locality in managerial accounts of industrial production arrangements. While it is acknowledged that many businesses are embedded in international markets, with international customers and production chains, from the business managers’ viewpoints, it may remain important to be in a specific locality. This thesis argues that the forms of embeddedness discussed above are often rooted at a sub-national level, which is often ignored by theory and research. Re-evaluating the meaning of ‘locality’ on a sub-national level presents a theoretical challenge.

The reason for the disregard of locality relates to the theoretical implications of new institutionalist theory, which adopt a macro-level approach. This uses the ‘societal’ level as the basis for the social construction of reality, which creates cultural norms and values that are implemented in interaction systems. The sub-national institutional influences addressed in this thesis are seldom considered. As a result, new institutional research concentrates on macro-level oriented topics. This is also influenced by the interest (especially in economic sociology) in researching the implications of deregulated finance capitalism and economic globalisation for the organisation of the firm and for the expected declining significance of the nation state (Carruthers and Kim 2011; Krücken 2005, 304; Scott 2008, 43; Uzzi 1999). Sociological new institutionalism has aspects of a determinist analysis: ‘Institutional configurations are often presented as a straitjacket from which endogenous actors cannot escape and which can only be seriously modified through external shocks’ (Crouch and Keune 2005, 83). The roots of this perspective remain the sociological classics, where Max Weber’s concept of rationality plays a central role in the theoretical conception. Weber sees organisation and organisations at the heart of modern societal development. Without reducing society to its form of organisation, he argues that organisation plays a prominent role in the understanding of society. In line with Weber’s tradition, sociological new institutionalism argues that predominant forms of organisation are being imitated and copied: ‘Given this



perspective, the problematic that sociological institutionalists typically adopt seeks explanations for why organizations take on specific sets of institutional forms, procedures or symbols; and it emphasizes how such practices are diffused through organizational fields or across nations' (Hall and Taylor 1996, 947).

The diffusion process is viewed as a universal mechanism that penetrates all levels of society. It therefore does not consider differences at the micro level. It mostly disregards these as abnormalities that vanish through the inability to withstand this process. This assumption is the basis for critique: 'A key problem in this respect is that neo-institutionalist analysis often starts from an assumption of homogeneity, that is, it depicts the institutions of a society as highly systematic, with everything operating according to a single logic, with endogenous actors operating within a single action space. They thus have no possibility of changing in order to face new challenges for which the practices encouraged by their existing institutions do not equip them' (Crouch and Keune 2005, 83).

The meaning of the 'local' is therefore lost within the theoretical paradigm. A question arises: how is it possible to remain in new institutionalist sociological theory and address the importance of local embeddedness as a persistent and important factor in society and not as an 'abnormal' phenomenon?

The answer is rooted in economic sociology research. New institutionalist economic sociology does not necessarily depend on the convergence paradigm, mainly because it does not claim to be a theory of society. Its potential to become such a theory is the result of recent work (Beckert 2009b). New institutionalist theory is rather described as one of many theoretical approaches to economic sociology, describing economic behaviour and market relations. This means that research observes the possible diffusion of organisational forms and practices on markets but does not necessarily claim that these will be universal. This allows economic sociology to be less deterministic than sociological new institutionalism, which depicts a social theory (ibid.).

Jens Beckert (2010b) challenges the implications of institutional homogeneity on a theoretical basis. His argument rests on the assumption that sociologists working within the new institutionalist paradigm have misinterpreted the initial theoretical formulations of DiMaggio and Powell (1983). In his view, it was not DiMaggio's

and Powell's intention 'to claim that processes of isomorphism are somehow more important than the opposite, but rather to provide an alternative theoretical explanation for isomorphism' (Beckert 2010b, 151). Beckert draws on the achievements of new institutionalist economic sociology to explain that DiMaggio and Powell did not consider competition in their groundbreaking text. He asks why the sociological tradition is not able to do so. Beckert initiates a theoretical discussion within sociological new institutionalism in order to establish diversity as being not 'abnormal'. He demonstrates that isomorphic mechanisms can be cause of diversity as well as of convergence. A key to his analysis is the factor of competition, which he argues has not been taken sufficiently into account by sociological new institutionalism. He first acknowledges its power as a force for convergence. Businesses that do not comply with institutional pressure cease to exist. In this view, it is either comply or vanish. Beckert then demonstrates the other side of competition as researched by White. Competition does not necessarily lead to homogeneity in markets. Businesses seek to produce products that differ from those of their competitors and represent a market niche that has not been occupied before. Competition can therefore act as a mechanism for the drive towards market heterogeneity. Competition supports product innovation and the formation of new markets. Thus, if isomorphism is not a must for markets, is it possible that the concept of locality, which may contribute to a local form of embeddedness, could be introduced in new institutionalist theory? If competition can cause diversity from a new institutionalist perspective, then it is possible that locality is operating as a source of diversity. Locality means, in this case, that embeddedness can be different not only in international comparison but also on the sub-national level, creating different contexts for diverse markets.

Christopher Marquis and Julie Battilana (2009) support this idea of locality. They position themselves against dominant trends in theory by arguing that, even in a globalised world, local contexts continue to influence organisational behaviour significantly: 'Our goals in this paper are to build on the social constructionist and cognitive traditions of institutional theory to not only understand mechanisms that maintain localness, but further to complement the focus on institutional fields with a more systematic focus on enduring community influences' (ibid., 284). Marquis and

Battilana follow the logic of problem-driven rather than paradigm driven research, which seems to be the case of research that deals with globalised isomorphism and world polity. They use new institutional tools without implying an overall isomorphism, but they do not deny its existence. They respond to the appeal by Davis and Marquis (2005) to use mechanism-focussed research models that can explain institutional frameworks and their impact on organisations. This research approach has a rationale: ‘we are interested in understanding organizational behavior at a more micro-level, including how the specific behaviors and strategies of organizations are influenced by their communities’ (Marquis and Battilana 2009, 288). In order to achieve their goal, they concentrate not only on market conditions<sup>34</sup> in their paper but especially on three institutional mechanisms derived from Richard Scott: regulative, social-normative, and cultural cognitive. The regulative mechanism describes the formal structure of the institutional framework. These can be laws, incentives provided by other actors (such as the presence of educational institutions), or the presence of a well-educated work force. Social-normative mechanisms concern the desire to obtain acceptance from other actors by complying with their expectations, and ‘finally, cultural-cognitive processes may influence organizational behavior within communities by imposing abstract rules associated with the structure of cognitive distinctions and taken-for-granted understandings. We see the cultural-cognitive influences as distinct from the social-normative in that the cultural-cognitive give actors a deeply shared frame of reference that does not need action to maintain or recreate’ (ibid.).

Local contexts may thus significantly influence business behaviour, due to cognitive and cultural embeddedness. These two elements are important in two ways. Structural embeddedness shows that businesses in markets observe competitors in their environment. They relate to them in terms of size, turnovers, and production volumes and accordingly define their own position in these markets. This suggests that this influences how businesses think about themselves and how they relate to competitors. Cognitive embeddedness does not necessarily imply the importance of a local context. This is determined by the influence of cultural embeddedness. Are businesses aware of locality? When businesses share a locality, how do they interpret

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<sup>34</sup> Networks, competitors etc.

this situation, and how are they influenced by it? Finding answers is the central aim of this thesis.

These hypotheses and questions seem justified. Recent research in new institutionalist economic sociology has demonstrated that local production networks are important for businesses. Similarly to this research approach, Sarah Bowen (2011) has challenged the non-local emphasis of theory and research. Using interviews in the local cheese production of the French region of Comté, she has addressed the meaning of the physical proximity of the production chain. Factors such as local history, product expectations, and support of the political framework have presented meaning and demands for locality to the entire production chain. She demonstrates that locality can be a key factor for production sites: '[The] territorial embeddedness of the Comté supply chain serves as a link between local production systems and global markets, between increased competition and higher quality and between economic and environmental sustainability' (ibid., 343). Locality can therefore constitute meaning for producers embedded in globalised markets. The kitchen furniture industry seems to be in a similar situation. It is locally connected and internationally embedded. Bowen's findings suggest that local proximity could also have significant meaning for the kitchen production chain in EWL.

### **2.3.2 Embedded Agency: Institutional Logics**

An important issue raised by Granovetter is the problem of over- and under-socialised concepts of economic behaviour, which led him to write his seminal text on embeddedness. In his view, there are two competing perspectives in this regard. The sociological approach describes peoples' actions as over-socialised which means that they are 'overwhelmingly sensitive to the opinions of others and hence obedient to the dictates of consensually developed systems of norms and values, internalized through socialization, so that obedience is not perceived as a burden' (Granovetter 1985, 483). Here, economic behaviour is accordingly ruled by the social structure businesses are embedded in and provides little room for agency. On the other hand, the under-socialised model assumes the validity of the utilitarian neo classical economic approach towards action in markets. 'The theoretical arguments disallow by hypothesis any impact of social structure and social relations on production,

distribution, or consumption. In competitive markets, no producer or consumer noticeably influences aggregate supply or demand or, therefore, prices or other terms of trade' (ibid, 483f). This view describes economic behaviour as rational free choice guided by price regulation overemphasising individual agency derived from the sole motivation to maximise subjectively-expected utility. Granovetter, as mentioned earlier, provided an alternative for the analysis of economic behaviour by introducing his concept of embeddedness, which describes it as neither 'atomic' nor strictly bound to the social structure firms inhabit (ibid, 487).

Even though Granovetter's approach has become a central reference for explaining market behaviour in economic sociology, sociological new institutionalism has tended to emphasise homogeneity, isomorphism, and diffusion – an oversocialised approach – and remains subject to criticism because of this (Beckert 2010b; Crouch and Keune 2005): 'Throughout the history of social science, there has existed a tension between those theorists who emphasize structural and cultural constraints on action and those who emphasize the ability of individual actors to "make a difference" in the flow of events. This is a version of the antinomy between freedom and control. Obviously, the thrust of institutional theory is to privilege continuity and constraint in social structure, but that need not preclude attention to the ways in which individual actors take action to create, maintain, and transform institutions' (Scott 2008, 76). Therefore, the research of the creation of new institutions as well as institutional change has become important for researchers, because the relationship between institutional pressure and agency remains unclear. A crucial question deals with the degree of determinism of institutionalised behaviour and how change is possible. Three aspects that influence change in economic behaviour are identified and have been introduced in the previous sections: social networks, institutions, and cognitive frames (cf. Beckert 2010a; Krippner 2001; Krippner and Alvarez 2007).

The issue of under- and over-socialisation continues to be a central problem for new institutional analysis. Researchers studying institutional logics try to incorporate a less deterministic model of structure, opposing notions of isomorphism and diffusion. Explicitly pointing out the above weaknesses of sociological new institutionalism, this strand of research concentrates on the interaction of institutional logics between individuals, organisations, and fields in various contexts, e.g.,

markets. ‘Institutional logics are both material and symbolic – they provide the formal and informal rules of actions, interaction, and interpretation that guide and constrain decision makers in accomplishing the organization’s tasks and in obtaining social status, credits, penalties and rewards in the process’ (Thornton and Ocasio 1999, 804). Institutional logics describe the exchange between somewhat ‘free’ actors and their surrounding institutions, providing a concept which does not rely only on institutions as the benchmarks for economic behaviour, but also highlights the role of individuals and organisations that help shape these (Thornton and Ocasio 2008, 100; Wicks 2001). ‘By providing a link between institutions and actions, the institutional logics approach provides a bridge between the macro, structural perspectives of Meyer and Rowan (1977) and DiMaggio and Powell (DiMaggio and Powell 1983) and Zucker’s more micro, process approaches’ (ibid).

The particular relevance of institutional logics for this thesis is the argument that organisational behaviour is ruled by ‘embedded agency’. Theory assumes ‘that the interests, identities, values, and assumptions of individuals and organizations are embedded within prevailing institutional logics. Decisions and outcomes are a result of the interplay between individual agency and institutional structure’ (Thornton and Ocasio 2008, 103). Though, it is accepted that organisational behaviour is influenced by institutional pressure, norms, rules, and practices are created within the organisation that can contradict and oppose the institutional environment. Research on institutional logics often depicts the struggle between, and opposition of, different logics (e.g. Rao and Giorgi 2006; Styhre 2011; Thornton and Ocasio 1999).

For instance, Kamal Munir (2005) used the example of Kodak to demonstrate how businesses continue to follow strategies that seem rational for businesses, but oppose the development of the market. Munir concentrates on technological development and how this influences business strategies and causes change in economic fields. While the technological advancements moved away from analogue to digital photography, pressuring businesses to invest in research and to develop, for instance, digital cameras and storage media, Kodak continued its strategy focussing on analogue photography, predicting that digital imagery was a just a temporary success and would have no future. ‘Kodak chose to play down the significances of developments in digital imaging, first by ignoring them, and then by dismissing the

new technology as completely “infeasible” for the mass market. Such discourse was not a product of hubris or even short-sightedness but represented a calculated move on the part of Kodak to discredit the new technology’ (ibid, 108). Kodak was so sure of its market hegemony that the business would withstand such change within the economic field that it did not adapt by complying, but chose to oppose institutional pressure, and developed strategies accordingly. These were developed according to Kodak’s organisational logic. Past experience, significant ownership of economic, cultural, social, and symbolic capital, as well as management decisions, provided the basis for the choice of business behaviour and the creation of strategies. ‘Institutional logics are therefore constituted by the relationship between symbolic systems (i.e., identities, meaning) and material practices (ie., substantively embodied actions), a relationship mediated by the cognitive frameworks (i.e., schemas) and behavioural roles that form the basis on which actors interact with the world’ (Misangyi, et al. 2008, 754f).

The concept of embedded agency therefore describes economic behaviour as not only influenced by the social structures businesses are embedded in. It is also very important how businesses interact with such structures. Firms have choices, which are made by coordinating, for instance, internal traditions, norms, values, and routines with their environment. Institutional logics are ‘the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’ (Thornton and Ocasio 1999, 804). Therefore, each business has a unique past, which influences its behaviour and business culture significantly. Style of management or type of ownership create distinct institutional logics for each business and creates diversity of business behaviour. Each business therefore has its own identity (Hinings 2012; Miller, et al. 2011; Misangyi, et al. 2008; Wicks 2001). Because businesses observe and interact with their environment, as explained above, they coordinate with the local institutional frameworks and adapt their behaviour. For instance, kitchen furniture businesses in EWL interact with local labour unions, employer associations, the

Chamber of Commerce and Industry, schools, subcontractors, and business taxes<sup>35</sup>. All this shapes businesses' logics and their strategies, making the locality of firms and markets an important factor for economic behaviour (Thornton and Ocasio 2008, 119). The creation of the wood-mechanic as a new vocation in EWL is a good example for how businesses interact with their environment to produce change<sup>36</sup>. Embedded agency therefore describes the struggle of businesses to define and coordinate their own interests within the institutional framework. While institutional analysis can explain the similarity of business strategies of kitchen producers, the focus on logics can help understand why some businesses use different strategies from others. The approach helps to explain how traditions arise and evolve: why, for instance, businesses have specific employment practices and how businesses or segments react to changes in the field, due to technological invention or uncertainty caused by market fluctuation.

### **2.3.3 Defining Local Embeddedness**

Businesses are embedded in markets, as they constitute the market, together with customers and the governmental and legal actors who regulate market behaviour. The business' market symbolises its environment. How does economic sociology approach the environment in terms of its local aspects? Davis (2005) shows that economic sociology has no particular need for locality, as the concept of environment is described within market sociology. He relates instead to Paul DiMaggio and Walter Powell and introduces their concept, which draws on Bourdieu's idea of the 'field': 'By organizational field we mean those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products' (DiMaggio and Powell 1983, 148). This definition of environment is not satisfactory in Davis' view, and he suggests the following: 'Rather, following Bourdieu, it is useful to see a field as a place for a game characterized by objective relations among actors, which may be persons,

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<sup>35</sup> Many business taxes are collected, and municipalities define their rate. This can create substantial differences in costs for businesses in neighbour towns.

<sup>36</sup> This will be examined chapters six and seven.



organizations, or other institutions’ (Davis 2005, 486). This definition provides only a vague definition of how businesses are integrated in an environment. Basically, anything can be considered environment that is ‘outside’ the business. This concept does not include ‘locality’. The environment from this point of view is socially constructed by the network of businesses and becomes ‘non local’. This definition of a business environment demonstrates the absence of the meaning of locality according to the sociological new institutionalist analysis of markets. This is not surprising given that businesses often operate in international markets and use globalised production chains. They often have international competitors and customers. This is why the locality of the business is not necessarily important. Mary Jo Hatch and Ann Cunliffe (2006, pp.63) also describe how organisations are embedded in their environment from the perspective of organisation studies:

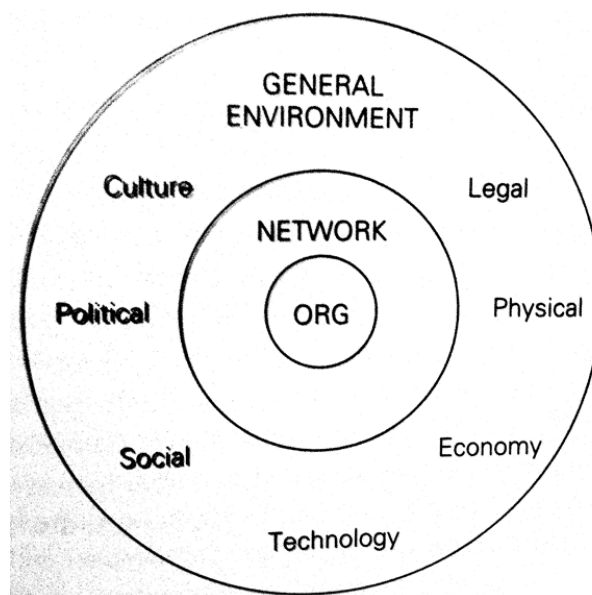


Figure 3: Sectors of General Environment (source: Hatch and Cunliffe [2006, 69])

According to this graphic, the closest environmental relation is the network. In their view, it consists of competitors, sub-contractors, customers, and any actor ‘that is vital to the survival or success of the environment’ (ibid., 66). The general environment consists of physical and social resources and institutions such as roads, legal systems, labour markets, cultural norms, and currencies. It demonstrates how

businesses are embedded in markets. Locality is not viewed as important in a specific place-based sense. It has been replaced by the concept of ‘social closeness’. This is defined by a businesses’ structural embeddedness of social relations and resource dependency. This means that the most important factors for businesses are the ones in the closer network; these can be sub-contractors or customers. Strong ties within these networks, which are not necessarily defined by physical proximity, define the closer, and more important, business environment. This thesis examines the argument that locality does matter but also acknowledges the influence of relative embeddedness as economic sociology describes it in its concept of environment. How can locality be defined in the context of this thesis?

A model for a potential integration of locality can be found using Marquis’ and Battilana’s (2009) concept of community. They define a geographically centred approach, which will be used as the key definition of locality: ‘We regard the community level of analysis as a local level of analysis corresponding to the populations, organizations, and markets located in a geographic territory and sharing, as a result of their common location, elements of local culture, norms, identity, and laws. We recognize that the delineation of the boundaries of such territory is not straightforward. The boundaries of local communities are not given; they are always partially constructed by researchers in the same way that boundaries of organizational fields are constructed’ (Marquis and Battilana 2009, 286).

The concept of community is based on a geographically restricted area that encircles the research field. The researcher has to define a boundary that distinguishes the field from its general environment. It is convenient in this case that EWL is not only a social or cultural attribution that encircles a specific area in Germany but also a governmental district in the federal state of North Rhein-Westphalia with its own institutions of government and governance. It provides a well-established institutional framework. The area has its own political administration that is the head of 69 municipalities. It also has its own form of economic governance, represented by, for example, the two Chambers of Industry of Commerce (CCI) situated in Bielefeld and Minden, which represent all the industrial businesses<sup>37</sup> of EWL. For instance, one of the CCI’s responsibilities is negotiating the curricula of the region’s

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<sup>37</sup> Membership is mandatory for all industrially producing companies as well as for companies located in the service sector.

vocational training in the industrial and service sectors. These attributes make the region of EWL the definition of locality for this thesis.

However, just defining locality using the border of a governmental district, without taking the market being researched into account, seems insufficient, as also noted by Marquis and Battilana. The research field's borders are accordingly also defined by the structure of the production market analysed. The region has the peculiarity of containing an industrial cluster.

Clusters are a local concentration of (mainly) SMEs of one economic branch or production chain that cooperatively produces goods for national, European, or global markets. Clusters develop a functionally differentiated division of labour and a regionally dense mode of production, in which single enterprises contribute 'steps' within the overall production chain (Glassmann and Voelzkow 2006, 223). Positioned in the VoC debate, Crouch and Voelzkow (2009a) compared selected international economic clusters in order to see whether any of them showed unexpected economic behaviour in comparison to their national economic structures. Their research included the furniture industry of EWL in a consideration of the kitchen furniture industry as compared to the Swedish furniture businesses. Being positioned in the VoC debate, their research objectives differ from the ones dealt with in this thesis. Using in-depth interviews at the employer association and employee union levels and comparative statistics, the team analysed the furniture cluster in EWL. According to the emphasis of the VoC debate, the focus was a study of corporate financing, corporate governance, industrial relations, vocational and further training, inter-firm cooperation, and national innovation modes (Voelzkow and Crouch 2009, 15).

Collin Crouch and Helmut Voelzkow (Crouch, et al. 2009) are engaged in proving that economic sectoral differences can cause diverse business behaviour that is not necessarily what they call 'coherent' with the production regime on the national level. They argue that research has compared the industrial sectors of national economies but has not tried to compare regional economic clusters with their national contexts. They theorise that regional economic clusters can be found internationally and show structures and behaviours that diverge from their national embeddedness.

Crouch et al. call this phenomenon ‘creative incoherence’: ‘By “creative incoherence” we understand a truly Schumpeterian form of innovation, in which entrepreneurs produce something new by putting together previously untried combinations of elements. The most original examples of all will be those where in the past the separate elements had been actually incompatible with each other, creating therefore a creative incoherence’ (Crouch, et al. 2009, 655). In this sense, businesses in economic clusters form different ways to govern their sector different from what should be expected from the overall institutional economic context.

For instance, CMEs are considered to have a high degree of employee job security. In Germany, this is ensured by collective labour agreements. These agreements are contracts autonomously negotiated by unions and employer associations without governmental interference. This process is called *Tarifautonomie*. This procedure relieves the businesses from having to negotiate single contracts with each employee, saving time and resources for the companies and giving more security to employees. This is behaviour coherent within national institutional expectations. If the cluster no longer negotiates with the union but invests the time and money to negotiate single contracts with employees, this may produce less job security; if this becomes common practice in order to lower wages and secure mass production in the cluster, creative incoherence could arise.

Crouch et al. identify three key reasons ‘incoherent’ behaviour might occur: first, local institutions and infrastructure may cause a different form of economic organisation. Second, institutional entrepreneurship may lead to creative incoherencies rooted in the divergence of local and national institutions that pressures businesses to create something ‘new’. Third, enterprises may be less strictly coupled to institutional frameworks than theory suggests (Crouch, et al. 2009, 655).

While the results in other regions show incoherencies, the findings in EWL suggest that the cluster ‘emerges as a typical German SME sector. The local specialism can be explained, not as a case standing outside the national model, but in terms of a concentration of attributes characteristic of the national model in which it is embedded’ (Rafiqui, et al. 2009, 85).

Cluster research seems an adequate way to understand the meaning of local structures. The economic comparative focus, though, does not satisfy the sociological curiosity that emphasises the cultural and cognitive levels of analysis. The main criticism of this approach is of its emphasis on the comparison of formal institutional structures. It is also quite interesting to observe that, even though the micro analytical approach is actor centred, surprisingly little research has been done on actual businesses. Nonetheless, existing research shows that local institutional environments can provide incentives for businesses to create creative incoherencies and therefore ‘matter’ for business behaviour.

The governmental district of EWL and the presence of the furniture cluster accordingly define locality for this research. This definition is aware, as Lane and Probert (2009) rightfully point out, that businesses can be understood as being part of not only a national production regime but international markets that affect business behaviour at the micro level. To provide a notion of how businesses are embedded in different layers of institutional frameworks, the following model of business embeddedness draws on Hatch’s and Cunliffe’s (2006, pp.63) model of organisations and environments and combines it with the various forms of embeddedness introduced earlier. The inner circles represent local embeddedness and attribute meaning to the physical location of businesses.

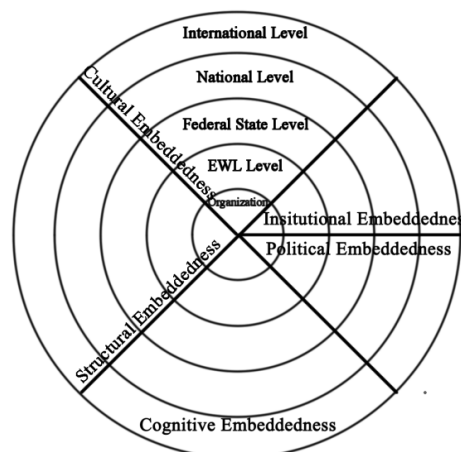


Figure 4: Concept of Embeddedness (created by author)

Figure 4 explains how embeddedness is understood in the context of this thesis. Businesses are embedded structurally, cognitively, culturally, institutionally, and politically in the social relations of markets. This model also integrates local embeddedness, which is demonstrated by the vertical integration of different levels of locality, symbolised by EWL, federal state, national, and international categorisation. Embeddedness is understood to affect businesses differently. For instance, businesses are located in a political economy, which is embedded in a national and transnational context. This can again be orchestrated by international contexts. Businesses may have customers and sub-contractors in globalised markets. They are accordingly structurally embedded in international networks, but they may also be embedded in their community (in this case EWL), shaping cultural norms and values and affecting cognition. This may entail the managerial belief in the superiority of local labour over other national and international labour markets. Conclusively, local embeddedness asserts that all forms of embeddedness are significant for business behaviour. It also adds an awareness, though, of the potential influence of embeddedness in particular places in order to examine whether the local is meaningful.

#### **2.3.4 Using Embeddedness in This Thesis**

This thesis comprises managers' accounts collected in in-depth interviews. Local embeddedness is a concept used to consider whether the managers judge the locality of their EWL production site as important or irrelevant. As shown, market actors contribute to the production and reproduction of embeddedness, and managers, as decision makers, have an impact on business behaviour. The interpretation and analysis of the interviews explore the social construction of locality and whether managers, as representatives of businesses, are aware of it. The five forms of embeddedness are used to frame the analysis. The question behind this research is whether the physical proximity of sub-contractors, customers, and competitors plays a role in economic behaviour. If it does, then this thesis contributes to establishing the relevance of local embeddedness in sociological new institutionalist research.

This thesis considers five types of embeddedness. Economic sociology usually deals with three types: social networks, institutions, and cognitive frames. The reason for

the five categories in this thesis derives from its emphasis on the differences between cognitive and cultural embeddedness. This differentiation allows a consideration of cognitive embeddedness, which may not necessarily be defined by locality. Cultural embeddedness is viewed as being derived from the local context, which may be defined by local history, customs, norms, and beliefs. If local context influences cognitive patterns, then cognition is rooted in culture, which has some basis in locality, but to automatically assume that cognitions are influenced only by local culture would describe a deterministic path dependency. The used concept allows a differentiation between local and non-local phenomena. The analysis of economic behaviour also suggests the need to distinguish between institutional and political embeddedness. This is done in respect of the extensive research in comparative political economies, in order to demonstrate eventual cognitive cultural aspects that shape the importance of political embeddedness. This is relevant to the extent that the preference for vocational training, as a form of political embeddedness, may be influenced by cultural norms and values, which can differ among different localities and industrial segments.

Critics write that research tends to emphasise one of the three types of embeddedness addressed by economic sociology, disregarding others. This arguably tends to portray a skewed picture of embeddedness because all of its factors are viewed as important. They call for research that considers all forms of embeddedness, which accepts their 'irreducible nature' (Beckert 2010a; Fligstein and Dauter 2007).

This thesis cannot provide a detailed analysis of each form of embeddedness due to its limited scope, determined by the nature of a PhD and the method used. The in-depth interviews cannot offer the basis for a conclusive network analysis to establish a representation of social relations among actors within the kitchen furniture industry in EWL. The thesis does, however, regard the holistic idea of embeddedness as a necessary foundation in order to contribute to an understanding of the meaning of locality. This research is an exploratory attempt to map embeddedness from the perspective of managers. It describes the importance of social relations from this perspective. The chapters analyse how managers perceive themselves and their business environment in relation to economic action. The analysis demonstrates the differences among market segments as socially constructed by managers.

## **2.4 Expectations Derived from Theory**

The interviews provide insights into the social relations managers value and descriptions of business processes and strategies. The data set also includes general views on the industry. Considering the knowledge dimensions available through the data, the following can be expected regarding the different categories of embeddedness.

Structural embeddedness is usually researched through network analysis. The different methodological approach of this thesis does not provide an extensive in-depth view able to trace a complete set of network relations for the entire cluster. The research of this thesis can, however, provide managerial views on relations within the industry and the way this network influences business strategies. The sum of these will allow an evaluation of possible segmental differences in how far businesses are embedded in production and distribution networks. On the one hand, the segmentation of the industry suggests that there is a somewhat common perspective of the value of the locality of the production site. This implies the significant relevance of local structures and networks. This would explain why 100% of the business still have their production sites in Germany and why the industry did not experience an exodus like other furniture industries have. The data can therefore help to identify managerial perspectives on significant elements of the structural framework of value to businesses. This helps to identify whether locality can have a meaning for production markets and is particularly interesting given that, according to White (1981), businesses create niches by observing their sector. This would suggest that businesses belonging to a specific kitchen furniture segment display similar characteristics as a result of market differentiation, which distinguishes them from other businesses in other segments. These differences can be, for instance, other modes of production, different employment strategies and structures, or different customer target groups. These assumptions suggest that industrial segments differ in the embeddedness of their network relations. Premium producers, for instance, probably have different customer groups than mass producers, who probably never get in contact with them. Segments probably differ in their sales strategies, using retail stores that specifically target different customer groups. These perspectives can also help an understanding of how far businesses are embedded in local and larger



structures. Managers can describe their supply chains, which will demonstrate how much locality is valuable to businesses. The different modes of production would suggest segmental differences in the dependence on sub-contractors and, maybe, their locality.

The concept of cognitive embeddedness could help shed additional light on the meaning of structures for businesses. It can be assumed that businesses located in different industrial segments have other cognitive frameworks. These could be influenced by business sizes, modes of production, and customer preferences. Business strategies can thus differ according to their structural market positions. Smaller business sizes or increased automation could create different preferences and dependencies on employees. The organisation of the production chain could influence the cognitive framework for managers and their strategies as well. A close link can be expected between structural and cognitive embeddedness. As class influences behaviour and cognitive frameworks influence individuals, it can be theorised that market segmentation influences businesses in a similar way.

Cultural embeddedness probably has a significant influence on the meaning of locality, too, considering the long-lasting furniture tradition of the region. Bowen (2011) demonstrates that the businesses she researched were deeply influenced by the production sites' history, production practices, and resulting customer expectations. Considering the 200-year tradition of furniture production in EWL, kitchen furniture producers may have developed a similar connection with their local environment and their customers. This is probably supported by the fact that the businesses involved in kitchen furniture have long lasting ties with their production sites, sometimes producing for the third generation (and more) in the area. Accordingly, it can be expected that the locality creates meaning for managers for cultural reasons growing out of the industry's history. Considering that businesses are located in different market segments, they probably advertise their kitchens differently. They define specific customer target groups, which have different relationships to expenditure and probably create different product expectations for kitchen producers (Zelizer 2005; 1989). It can be assumed that these expectations influence the perceptions of products in the different segments, create alternate

descriptions of customer target groups, and probably lead to segmental differences in self-perceptions.

Institutional and political embeddedness are lesser research objectives of this thesis due to the work of Crouch and Voelzkow (2009a) within the VoC debate. They have analysed the formal institutional embeddedness of the region within the political economy. Their research demonstrates that businesses within the kitchen furniture industry fit the overall expectations of economic behaviour embedded in such political economies as Germany. The cluster mostly contains SMEs that depend on long-term corporate financing, even though this is changing due to the recent financial crisis that has changed the behaviour of banks and businesses alike. Cooperative governance suggests that even many businesses are still SME and in 'family hands', where bigger (shareholder) companies are expected to be present. A well-structured network of industrial relations is present, even though the system seems to be eroding. The cause of this development is supposed to lie in the ongoing delegation of wage agreements to the association level and the decrease in regional coverage. We can expect to find a high demand for employees with vocational training. Lastly, businesses are not likely to introduce radical product innovations. Product innovations are incremental in established product markets (Glassmann 2009). While Crouch and Voelzkow demonstrate that the kitchen furniture cluster in EWL is a 'typical' German cluster, showing the typical economic actions expected in Germany, their research does not take cultural cognitive grounds into account. While it seems unnecessary to repeat the analysis of institutional and political frameworks, the question of how far cognitive and cultural influences govern business behaviour is not addressed in the research. While economic action may be 'coherent' with the overall institutional framework in Germany, cognitive and cultural motivation may be locally inflected.

A main interest of this research is how businesses coordinate their own strategies with their immediate business environment. Embeddedness often describes how external pressure compels businesses to behave in a certain way. This raises the question whether agency is still important for institutional analysis and in how far this is important for changes in the economic field. Are businesses 'slaves' of their environment? This makes institutional logics and embedded agency important

factors for the analysis of local embeddedness. It can be expected that businesses and industrial segments have developed common as well as distinct business behaviours. It seems to be interesting in how far institutional logics are influenced on the local level and what kind of strategies businesses derived from their own traditions and practices and create diversity in the field. This may be very interesting in the regard of differences in employment practices or production processes. Businesses may have different reasons for the same strategies. If there is change in the economic field, businesses are likely to cope with this differently as well and are probably more or less successful.

### **3 Methodology**

My research examines how managers observe their business environment and how this influences business behaviour from their perspective. I am interested in whether embeddedness within a locality is important for businesses. This is why I formulated the research question below:

*How do managers in the cluster of the kitchen furniture industry of East Westphalia and Lippe assess the importance of the local business environment, and how does this shape business practice?*

To answer the research question, I used a qualitative approach based on expert interviews. The reason behind the use of a qualitative approach is that the research interest tries to collect managerial views on how they perceive their business environment. The exploratory character of in-depth interviews provides the ideal basis for an analysis of motivations, reasons, and perspectives on processes. This chapter accordingly explains my methodological approach to my research question. It shows in five steps how I gained access to the field and the challenges associated with interviewing experts. The first part also presents the reasons I chose certain groups for interviews. The second step introduces the research participants. Part

three introduces the method of the expert interview. The fourth section reports on the course of the fieldwork, while the last part of this chapter describes issues concerning my data analysis.

### **3.1 Solving Problems of Access to Managers**

I faced challenges when contacting the field. First, I had to make clear what it means to interview managers. Second, I had to convince these managers to participate in my research. I solved this by using gatekeepers. Once the contact with my gatekeeper from the employer's association was successful, I had to select businesses that would volunteer managers for participation in my research.

#### **3.1.1 Expectations towards Interviewing Managers**

Managers have implicit expectations of the researcher. The higher the position of managers in the business' hierarchy, the higher are the expectations of the status of the interviewer. For instance, an interviewer's lack of seniority or PhD can compromise the seriousness with which the interviewee assesses the interview situation. This can lead to explicit non-compliance on the part of the interviewee, which undermines the position of the interviewer. Managers are also used to being in command and asking questions and usually only answer to their superiors. Being the interviewee is therefore an unusual and uncomfortable situation for managers, although they may appreciate the opportunity to express their viewpoints or be listened to. This means that they often need to be convinced by an authority to agree to interviews. Managers are also very conscious of time. Schedules are chronically full, and there needs to be a good reason for an interview that costs 'precious' time (Trinczek 1995; Trinczek 2009).

The heterogeneity of the research field promised to create diverse managerial expectations towards me. Some businesses are large, others quite small. Others belong to conglomerates. I expected to face different managerial attitudes. I expected the manager of a 2.000-employee business to be entirely different from a family entrepreneur who employs 70 people and is the third-generation manager. While it seemed obvious that I would directly contact the entrepreneur of a family-owned

business, I faced challenges when contacting a conglomerate-owned producer. For instance, if I decided to interview a business belonging to the Nobia conglomerate, was I supposed to get in contact with the Swedish headquarters, or would it be fine to contact the business itself?

Being unable to calculate the kind of expectations managers would direct at me and being unsure of the right way to proceed in contacting the businesses left me thinking about how to overcome these issues. It was clear that I needed to accomplish two things—first, finding out how to approach businesses, second, overcoming the three obstacles described above. I had to gain authority from the perspective of managers. Then, I needed a convincing argument to persuade managers to comply with the interviews. Lastly, the authority and argument had to be strong enough for managers to ‘make the time’ for the interviews. As a student researcher, I felt that I was not in a position to overcome any of these obstacles without support.

### **3.1.2 Use of Gatekeepers to Overcome Problems of Field Access**

The solution I found was the use of gatekeepers. I categorised these into two groups. The first group comprised people associated with the research field but who did not work for the businesses, for instance, association members. The second group consisted of gatekeepers within the research field—persons working in the field during the period of research. These were entrepreneurs, CEOs, or secretaries. This latter group was important for the organisation of interviews after I had established contact with the field.

One key figure from the first group of gatekeepers was particularly important for establishing relations with the businesses that participated in my research: Dr Lucas Heumann, head of the Verband der Deutschen Küchenmöbelindustrie (VdK). He enabled access to information about the field as a basis for selection of contacts and enabled access to statistical data. The VdK is the employers’ association for the kitchen furniture industry, representing more than 70 kitchen producers in Germany. Dr Heumann is not only the director of the VdK but also represents other furniture employers’ associations, for instance, the upholstered furniture industry. His insight into the industry helped me to understand its segmentation, organisation, and the relative dominance of companies in the industry.

Choosing the employers' association as the central gatekeeper was a conscious decision. The VdK represents the kitchen furniture businesses in wage negotiations with the workers' union and speaks for the industry in public. Dr Heumann's influence and connections promised to provide access to the field because of his close relations to managers. Another reason to choose the employers' association was strategically motivated. I expected to confront less reluctance and mistrust on the businesses' side than if I had the support of, for instance, the workers union, which might have indicated politically motivated research from the managerial viewpoint. Had my research design included interviews with workers, I would have sought the support of the union as well in order to provide a balanced picture and reduce suspicion on the managerial side as well as the workers' side. Choosing the employers' association was therefore not intended as an expression of support for managerial opinion but was simply a means of increasing the odds for research field access and the openness of managers to my research. Getting field access using the association had the potential for limitations and quality risks. Even though I used an 'employer-friendly' approach, this could have created bias in the field. Managers are often employees too; thus, they could have been suspicious of interviews, fearing that sensitive information could be handed to their employer. On the other hand, managers could have assumed that I was conducting research to contribute to the employers' association's agenda. This could have resulted in politically overemphasised and motivated interview statements and superficial discussions. To prevent this from happening, it was important to constantly remind managers during the interview briefing and in the letter that the research undertaken was for the University of Edinburgh and not for the association. In the aftermath, these fears did not stand up to the actual situations within the interviews. This was probably due to my actions prior to them. While some managers were picked by their CEOs for interviews for which the secretaries made the appointments, I had to contact most managers myself using the telephone and email. The talks on the phone as well as the emails helped make it clear that this research had a scientific purpose and no political motivation. Repeating that the interviews would be anonymised and explaining my research helped make it clear that the association merely helped to access the field and had no part in the actual planning and conduct of the project. Even in the cases

where I had no prior contact with interviewees, I was able to diminish any bias during the briefings. The interviewees saw that I did not withhold any information. Explaining the details of the research and answering their questions thoroughly helped minimise the risks of skewed data. The managers spoke freely and even provided information about business secrets, commented on their superiors, and pointed out flaws in the business processes that would probably not have been addressed if the interviewees did not feel comfortable about the professionalism of the research. The researcher needs to be aware of how to enter the field. I used an organisation that symbolises employer representation and the respective power. This was a potential risk, even though it promised to provide the most promising field access. This meant a thorough and open approach to interviewees, which was successful in this case.

After a preliminary discussion with Dr Heumann, I drafted a letter, which he sent in his name to each business. The letter introduced my research and asked for the businesses' support by providing interview partners and visits to the production facilities. The letter was sent on 14 September 2009.<sup>38</sup>

### **3.1.3 Selecting Businesses**

The choice of businesses was not random. Based on a first meeting with Dr Heumann, and my own research about the industry, we created a list of businesses to contact. We selected 21 businesses from three different furniture branches: kitchen, upholstered furniture, and cabinetmakers. Figure 1 shows the distribution of the businesses according to product and segment:

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<sup>38</sup> This letter, written in German, can be found in the appendix.

	Premium Segment	Mass	Niche	Total in EWL
Kitchen	3	6	6	35
Upholstered	2	0	1	9
Cabinet	1	1	1	ca 20 <sup>39</sup>

**Table 2: Possible Research Participants Sorted by Industry and Segment**

Table 2 raises two important questions: What was the method of choosing the businesses, and why did I include two other branches of the furniture industry?

A selection process always means excluding other options for research participants. By choosing business A and not business B, I consciously excluded a perspective from my research question. This process could have led to limitations in generalisation and skewed research results. The interviewees were understood as experts in two ‘dimensions’. First, they were experts with significant knowledge about their business. Each business has unique routines and strategies. The data are therefore to that extent limited; each business is an example of an industrial branch or a segment. This means that other businesses may be significantly different from the sample. Second, interviewees were also seen as experts in the industry. This attribution is derived from the structure of the interviews, which not only addressed business specific questions but also dealt with general industry-related issues. These questions aimed to explore the experience and knowledge the interviewees gained through their experience in the industry. In every case, multiple interviews in each segment were used as points of reference to check whether an expert’s statement was relevant for the industry, segment, their own business, or personal opinion. This process allowed the inference that interviews conducted on businesses excluded from the research would have shown similar results and that their exclusion was not a major drawback for the research. This became apparent in the data analysis. The questions asked in the interviews were based on the work experience of managers. Many had worked in different businesses in diverse segments and furniture branches.

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<sup>39</sup> This is an estimate of businesses similar to those of the participants. Because cabinetmakers often have living rooms, office furniture, and bedroom furniture in their portfolio at the same time, statistics generalise this industrial branch, encompassing any kind of cabinetmakers who are not really comparable due to their diverse portfolios. This is why no specific number was available.



Their professional experience thus allowed us to identify the interviewees as experts in the field because of their insight into issues such as rules, routines, interaction within the industry, organisational constellations, and practical experience (cf Bogner and Menz 2009, 52f). Obviously, the data cannot provide a complete picture of the kitchen furniture industry in EWL because not every business participated. It can therefore only be an indication of the industry and welcomes any future data that may broaden its scope.

While the data cannot claim representativeness because they lack the perspectives of many other businesses, they still provide indicators of shared processes, norms, and views, providing the basis for theorising about the differences and similarities among different types of business within the kitchen furniture industry in EWL. The exploratory character of this research provides the grounds for future research that would add to and adjust the findings of this project. It makes sense to address the structure of the industry at this point. During the time of my fieldwork, 35 kitchen-furniture businesses produced in EWL. There were about five premium producers all over Germany. Two produced outside of EWL, which automatically excluded them from the sample. The three businesses in the list were all among the remaining premium producers. It was therefore not only a sample but also the total population. The mass-production segment still dominates the market. Five producers shared about 70% of the kitchen market in Germany at the time of the research. Three of them produced in EWL. There were not many mass producers left apart from the big five, which explains the small sample size. The mass production sample also included flat-pack kitchen producers. I was interested in interviewing some of the 'big five' because of their dominance of and influence in the market. Selecting niche producers was a different matter. I was dependent on the expertise of Dr Heumann when choosing from the remaining 25 businesses that could be described as niche producers. These relatively small businesses could not be categorised as premium or mass producers. Niche producers literally found their niche in order to withstand the market power of the big mass producers. These producers concentrated on special fittings mass producers could not produce for a price lower than that of the premium segment. Dr Heumann considered a variety of businesses that were different in their products and demonstrated the diversity of the niche segment as well as being likely

to agree to participate in my research. I was well informed about the industry due to my personal research. I had knowledge about, for instance, market leaders, popular brands, and the structure of the industry. All this information was helpful for me in gaining an initial overview of the local industry, but it could not compare with the in-depth knowledge of the gatekeeper. Dr Heumann's insight therefore proved invaluable.

Upholstered furniture producers and cabinetmakers were added as reference groups in order to show the expected differences within the furniture industry caused by diverging modes of production. The research field description showed different economic developments for the industries; EWL lost some of its importance as a production site for other furniture branches, especially for upholstered furniture producers. Reference groups were included to present the views of other furniture businesses that may contrast with those of kitchen businesses. Contrasts were expected because of the different possible modes of production or employment policies. I assumed in my research design that different production segments within the kitchen furniture industry may have different views of EWL as a locality. I was therefore interested in additional perspectives. The focus of this research was on the kitchen furniture industry, which explains the relatively small sizes of the reference group sample. The upholstered furniture group could not have been much larger considering that only nine of these businesses remained in the area during the research.

#### **3.1.4 Choosing Managers**

The letter Dr Heumann sent asked for interviews with managers who could answer questions about business strategy, product design, and production processes. My gatekeeper asked me to provide him with a draft of this letter, which he then adjusted to his style of writing. Its content was therefore based on my input. The goal was to gather information about the production of kitchens, upholstered furniture, and cabinets. How are they designed? What kinds of workers are involved? What does the production process look like? How is this connected with the locality of the business? This is why I aimed to interview managers who deal with strategies,

product development, and design as well as managers who organise and steer production processes.

I initially aimed to interview one manager of each of the following categories in every business. Ideally, a 100% participation of businesses would have provided the opportunity to interview a total of 63 managers. This number was based on the assumption that each business has a strict organisation with outlined fields of responsibilities for managers. I accordingly thought that each business would have a manager responsible for human resources, one in charge of production, and a manager for product development. These assumptions, however, did not fit the situation in the research field. The size and hierarchical organisation of the contacted businesses were significant for possible interviews. The businesses did not necessarily have a specialist manager responsible for a field like human resource management. Some managers were responsible for multiple tasks. This explains why 14 businesses provided a total of 30 interviews.

#### **3.1.4.1 Business Strategy**

I targeted CEOs and human resources managers. CEOs make strategic decisions, including whether to outsource or off-shore production. They set the aims of the business and represent it in public. CEOs are in contact with retailers and competitors and therefore promised to have important insight into not only the business itself but the industry in general. Human resource managers (HRM) were significant because of their involvement in human capital development. They select applicants for jobs. Their perception of employees and the labour market provides insight into the social construction of the value of the local labour market.

#### **3.1.4.2 Product Design and Development**

Product design includes more than the aesthetic elements of the product. My aim was to understand how products are created from the first idea to the finished product ready for serial production. The designer and product developer work hand in hand in order to combine new design ideas with technological potential. Business policies were important for the people I sought to interview about business strategies. This

group of interviewees, on the other hand, was supposed to provide information about technical processes. My interest in these processes was based on their organisation. Who is involved in the design process? How do sub-contractors contribute to the design processes, and how does it influence the organisation of production? Where are these sub-contractors located? Information about production design and development was intended to help us understand at what point in the design process the business environment influences the creation of the products.

#### **3.1.4.3 Production Process**

This group of managers and production chiefs was interviewed in order to gain insight into the production process. Their knowledge helped an understanding of the importance of the business environment for the production of furniture. This group of managers helped us understand what production procedures look like. They were able to point out differences within procedures across the segments. The manager in charge of the production process contributed to an understanding of how much of the actual production chain is outsourced and how much of this outsourced production is dependent on the locality of the production site. These managers were also able to explain the skill expectations of employees and, for instance, why a business prefers vocationally trained employees. This group of experts provided an understanding of how important EWL as a locality is for the everyday processes of furniture production.

### **3.2 Research Participants**

Between October and December of 2009, all businesses were contacted and interviews organised. Even though the preliminary sorting of businesses promised to be successful, several companies declined to participate. Fourteen businesses volunteered for a total of 30 interviews: 10 kitchen furniture makers, 3 upholstered furniture makers, and 1 cabinetmaker. Nineteen interviews were conducted in ten kitchen furniture businesses, a total of eight in three upholstered furniture businesses, and three managers from the same cabinetmaker participated. The interviews within the upholstered and cabinetmaker industries were not used for this analysis. The

available space of the thesis did not allow an in-depth analysis of these. The following therefore only explains the structure of interviews conducted in the kitchen furniture industry. An overview of the other interviews can be found in the appendix.

The ten kitchen furniture businesses were distributed throughout the premium, mass, and niche segments. Figure 5 provides a graphic representation of these:

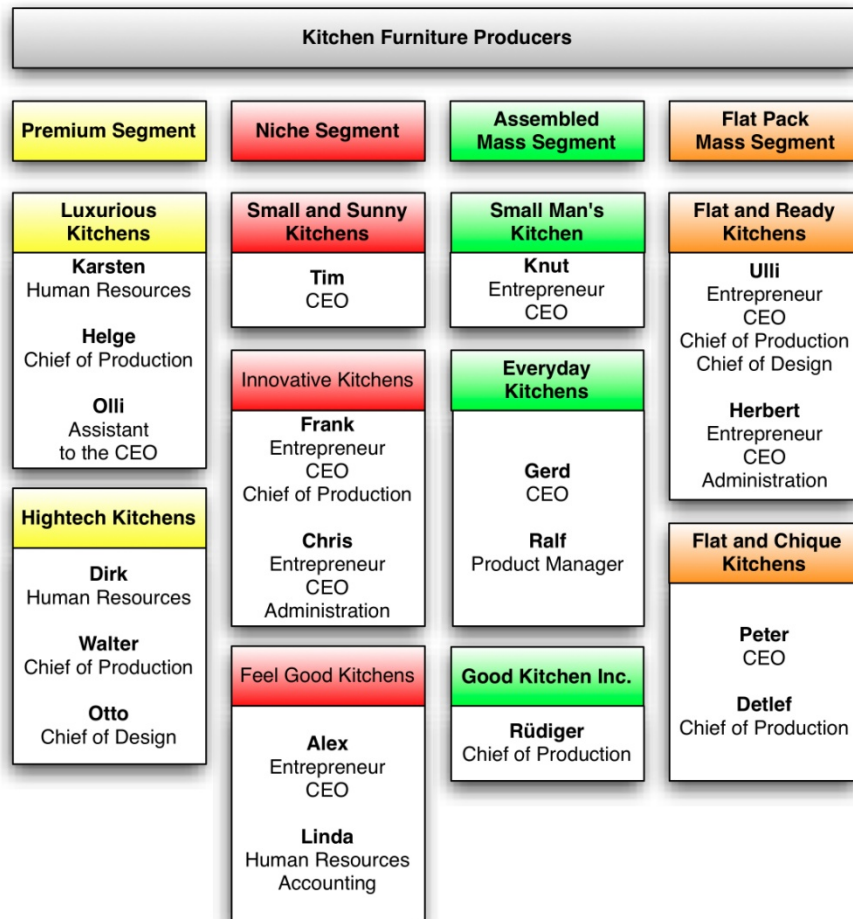


Figure 5: Distribution of Kitchen Furniture Interviewees (created by the author)

Figure 5 represents the segments, the anonymised names of the businesses, and the anonymised names of the interviewees. The columns show the segment a business belongs to. These are coloured in order to identify the businesses more easily. The businesses are then organised beneath the segments they belong to with the matching colour in the company name's box. The white box underneath the company names

provides the names of the interviewees who took part. The respective fields of responsibility occur under the names. For instance, the Feel Good Kitchens company belongs to the niche segment. Alex, entrepreneur and CEO, and Linda, responsible for human resources and accounting, were interviewed in the course of the fieldwork. Figure 6 shows an almost even distribution of interviewees throughout the segments: six for the premium segment, five for the niche segment, four for the mass flat-pack segment, and four for the assembled mass segment. The overview also shows that the interviewees were not always easy to categorise. In fact, many managers had multiple tasks, often depending on the business' size. This was a challenge for the interview guideline, which had to be modified in some cases.

The businesses varied in size and turnover. The smallest business had 85 employees and the largest about 2.000. Business turnovers ranged from 18 million to several hundred million € per annum. The sample therefore shows the diversity present in the different businesses. They were also differently embedded in globalised markets. The export rates spanned from 26% to 85% of total production. The educational backgrounds of the interview partners were diverse as well. All chiefs of production have undergone vocational training to become a *Geselle*.<sup>40</sup> Two entrepreneurs were carpenter *Meister*.<sup>41</sup> Only eight interviewees had gone through higher education without vocational training.

### **3.3 Applied Method: The Expert Interview**

This part of the methodology section deals with the applied methodology, the expert interview, as a form of semi-structured interview. The section first distinguishes between the German and Anglo-American research traditions, defining the employed methodology following the German standardisation. The section accordingly moves on to the definition of 'experts' and ends in the presentation of the interview guidelines.

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<sup>40</sup> The English is 'journeyman'

<sup>41</sup> The highest degree in German vocational training (literally 'master')

### **3.3.1 Expert Interviews: Anglo-American and German Tradition**

The main focus of my research method is the use of expert interviews. There are two mainstream methodological approaches to this, the Anglo-American and the German. The term ‘expert interview’ is rarely found in Anglo-American qualitative methodological literature. In this context, it is better known as the ‘elite interview’ whereas the German qualitative methodological literature describes elite interviews as expert interviews, understanding this as one way to define and interview experts (Dexter, et al. 2006; Littig 2009). The methodological approach used in my research follows the German research tradition as described by Bogner et al. (2009).

Expert interviews are non-standardised in-depth interviews. Non-standardised interviews are less structured because ‘the investigator is willing, and often eager to let the interviewee teach him what the problem, the question, the situation, is—to limits, of course, of the interviewer’s ability to perceive relationships to his basic problems, whatever these may be’ (Dexter 2006, 19). Even though the researcher uses interview guidelines, the information gathered is not strictly bound to the guideline. As in the semi-structured interview, the researcher has to adapt to the situation and ask questions that might arise during the process (Bryman 2001, 314). The guideline is primarily used to ask key questions that are important for the research. The idea is to guide the interaction of the interview to gain as much data relevant to the research question as possible. Because the expert holds certain otherwise inaccessible types of knowledge, the researcher has to be flexible and alert: ‘In the standardized interview, the typical survey, a deviation is ordinarily handled statistically; but in an elite interview, an exemption, a deviation, an unusual interpretation may suggest a revision, a reinterpretation, an extension, a new approach’ (Dexter 2006, 19).

It was particularly important for my research to use this type of interview. In order to answer my research question, I needed to compare industrial segments and branches. This was possible only with semi-structured interviews because they provided not only some standardisation for the course of the interviews but also the necessary freedom to explore and exemplify the significant differences and similarities in the furniture segments and industries. Expert interviews allow the development of new themes that would otherwise not have been addressed in standardised interviews.

### **3.3.2 Defining Experts**

I used expert interviews following the German research tradition because the Anglo-American tradition has often overemphasised the social status of elites and experts (Lilleker 2003; Richards 1996; Zuckerman 1972). The experts in my research were not just ‘important people’ (Grey 1967, 285). The definition of ‘elite’ often relates to social status alone, which is not as significant for my research. It often happens that experts are members of an elite, but this does not necessary mean that every elite is an expert (Littig 2009). The status of an expert depends on the research question as well as on the intended research field. Expert interviews are interested in the knowledge of the experts, gathered through practice in their field. The status of ‘expert’ is the attribution of the researcher. Meuser and Nagel (2005, 73) state the two foremost reasons for entitling someone an expert:

- a) The person carries a certain amount of responsibility for the creation, implementation, or control of a solution to a problem
- b) The person has privileged access to information about groups or decision-making processes

The interviewees in this study are treated as experts because, even though they are not always on top of the hierarchy, they still possess considerable knowledge about their field, which they usually do not share with others. Experts are found in many levels within the hierarchy of an organisation, explained by their functions within the organisational or institutional context. Their practice and their exclusive experience and knowledge make them relevant to research (ibid., 74). The managers interviewed in the research field have considerably more knowledge about processes, routines, strategies, and contexts than the researcher has. This made the interviewees experts in their fields (Karlheim 2008, 30).

### **3.3.3 Interview Guideline**

While flexibility is necessary during the interview, it is important to create a well-designed interview guideline. There are three main reasons for this (Kanwischer 2002, 98). The preparation of the guideline involves engagement with the field and



prevents the interviewer being seen as unprepared and incompetent. The guideline is used for orientation: it is as a map that leads researchers through the interview. The expert interview might not be a standardised interview, but the need to have multiple answers to a specific question is important, especially when the research interest lies in comparing different opinions of experts coming from different furniture industries and segments.

I created three core interview guidelines for the kitchen furniture industry. One was used for each manager group (business administration, production and product design and development). Each guideline had four main topics. The business administration guideline consisted of questions about (1) the interviewee, (2) the business, (3) employees, and (4) the kitchen furniture industry in general. The production guideline asked questions about (1) the interviewee, (2) the production process, (3) participants in the production process, and (4) the kitchen furniture industry in general. The product design guideline dealt with questions about (1) the interviewee, (2) the product development process, (3) participants of the design process, and (4) the kitchen furniture industry in general. The guidelines were then been modified for the other furniture branches, interchanging the industry-specific questions.

### **3.4 Conducting Fieldwork**

This part of the analysis deals with topics that seem important to mention in the methodology chapter dealing with issues regarding the fieldwork. The first part deals with the duration and practice of fieldwork and how industrial timetables influenced its progress. The next part addresses the importance of gatekeepers for the success of this research. Unconditional professional behaviour on the researcher's side is then discussed. This is a particularly important issue given the importance of anonymity. The fourth sub-headline ends this section by addressing the need to be knowledgeable about the research field and perceived as a co-expert by the interviewees, which was invaluable to the success of data collection.

### 3.4.1 Timeframe of Research

After contacting the industry at the end of September 2009, fieldwork took place between December 2009 and April 2010. Thirty interviews were conducted in German, lasting between 45 minutes and one and a half hours. They were digitally recorded and made anonymous for analysis. Even though Dr Heumann's letter on my behalf was very helpful in introducing my research to the field, 14 of the 21 businesses contacted agreed to participate in my research only after I contacted the businesses myself. Establishing communication with the research field was a matter of timing.

The kitchen furniture industry has a different yearly 'rhythm' than that of the upholstered furniture and cabinetmaker industries, caused by the differently timed product development processes. Kitchen furniture producers have their annual highlight in September, when 31 kitchen producers present themselves in an exhibition along the Autobahn A30 in EWL. This exhibition is the most important fair for the kitchen furniture industry in Germany. Producers and sub-contractors therefore try to present innovations and new products during this one-week fair.<sup>42</sup> Upholstered furniture businesses and cabinetmakers have a different annual highlight, which determines their production cycle. The IMM, the international furniture show in Cologne, is the world's most important furniture show and takes place every January.<sup>43</sup>

These different industrial cycles made the timing for contacting businesses very important. Had I contacted the kitchen furniture businesses in early September, August, or July 2009, I would have been unlikely to get any positive response to my requests due to the product development phase and the approaching exhibition. This became apparent when I contacted some of the upholstered furniture businesses and cabinetmakers. I called four companies in these branches in December 2009. Each phone call lasted a maximum of five minutes. Each conversation was with the CEO or entrepreneur of the firm. In each call, I was asked to contact the business again after the IMM. Knowledge of the industrial cycle of each furniture branch was therefore critical for successful research field access. My interviews within the kitchen furniture industry were accordingly conducted between December 2009 and

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<sup>42</sup> [www.kuechenmeile.de](http://www.kuechenmeile.de)

<sup>43</sup> [www.imm-cologne.com](http://www.imm-cologne.com)

February 2010, whereas fieldwork in the other branches took place between the end of February and April 2010.

### **3.4.2 Importance of Gatekeepers**

While Dr Heumann played an important role in establishing contact with companies and convincing businesses to participate in my research, other gatekeepers were also important. This is the second group of gatekeepers located within the businesses, mentioned earlier. In some cases, I had no contact with the CEO or entrepreneur. In two cases, I did not even have to call the businesses to establish contact. Here, the letter from Dr Heumann was sufficient. I received an email from each CEO's office, which provided me with the names, email addresses, and telephone numbers of the appointed interviewees. In each case, there was a CEO, human resources manager, chief of production, or chief of design or development providing me with the access I asked for. I called or emailed the assigned people and set up appointments personally. These are two examples where field access was ideal. In other cases, several emails and phone calls were necessary to make appointments.

In some cases, I had contact with only the secretaries of the CEOs. One case in particular is a negative example of how important a gatekeeper can be. I called the office at least 15 times and was able to talk only to the secretary. Each time I was told that the CEO was in a meeting, on a trip, or somewhere in the production where he could not be reached. Even though the secretary was very friendly and seemingly made an effort to establish contact with her superior, communication remained at this level. The CEO was not available, and the business eventually did not take part in research because I stopped calling. Whether the secretary had orders to not put me or any inquiries about research through or could actually not reach the CEO could not be confirmed. The gatekeeper simply kept the door shut.

There is an example of a secretary as a successful gatekeeper. She was, in contrast to her superior, informed by the letter from Dr Heumann and took matters in her own hands. While the contact list from the VdK provided me with the number direct to the CEO's office, he did not know about my research and referred me to his secretary who had 'mentioned some research' that the VdK wanted to conduct on the business. After that conversation, I had contact only with the secretary, who organised

interviewees and appointments. I never got in touch with my interviewees until the date of the interview.

This group of gatekeepers was very important for successful field access. I sometimes had the impression that convincing a business to participate was left to chance: either somebody took an interest in my research, felt compelled by the VdK's letter, or did not care whether research was happening or not and left it to other people to decide to participate. The hierarchical structure of businesses and the experience I have gained in the field proved that gatekeepers were invaluable in my case in gaining access to interviewees. The gatekeepers were not always at the top of the business hierarchy. I relied on the gatekeepers' assessments of who might be fit to answer my questions. Sometimes, the CEOs admitted that some topics I wanted to address could not be answered by them but by other managers on different levels of the organisation.

Having gatekeepers was positive because it often gave me the authority and legitimacy of a superior when addressing the appointed interviewees and scheduling interviews. I was not the research student who independently asked for interviews and had no 'leverage' with which to convince people to take part in my research. Gatekeepers gave me the authority to insist on interviews and a voice that could not be declined.

On the other hand, my research was based on the 'good will' of 'strangers' whose decisions to support or discard my research was left to their 'daily mood'. This was particularly the case for one business. It had been family owned for several generations. On one unlucky day, the son of the entrepreneur who had taken charge of the business was on a business trip. When I called to make first contact, I had the 'retired' senior on the phone. He apparently read my research proposal. He discarded it on the phone as 'rubbish' and access was swiftly denied. A few months after the fieldwork, I met the son at a furniture show. He told me he was sorry about his father and it was an unlucky day for me. If I had had him on the phone, he would have agreed to participate. Sometimes field access is all about luck.

### **3.4.3 Issues of Anonymity and Professionalism**

The businesses in the furniture industry know each other. This is not the case only inside each branch but also among the industries. Many businesses share the same sub-contractors, are competitors in the field, or deal with each other in corporate relations, for instance, organising the furniture show on the Autobahn 30. Managers and businesses are therefore not anonymous to each other. They regularly meet at social events and association meetings. This required a high degree of sensitivity on my part because some managers had been sceptical about my research, fearing the exposure of 'business secrets' to competitors or the provision of arguments to the labour union. For instance, there were three large mass producers in EWL at the time of research. They differed in size, turnover, and product variety. Any specific mention of turnover or employee numbers in the analysis would have annulled anonymity. The description of the research participants thus remains vague to guarantee the interviewees and businesses' anonymity. Professionalism was accordingly very important. This included the preparation for the interviews as well as their conduct.

This professionalism had two sides. I had to be meticulous about the scientific preparation for the interviews. This meant I had to make sure that I was accepted as a neutral researcher gathering information that presented no harm to the person or the business. This was particularly important for my case. I grew up in an entrepreneurial family that owns an upholstered furniture business. Even though I have no professional connection with the business, I had a personal and professional interest to be understood as a researcher from the University of Edinburgh. This was a sensitive matter from my point of view. Even though I have no business interest in the industry, I was aware that I may be confronted with bias in the upholstered furniture field, and it was in my interest to clarify my integrity and status as a researcher. I did this by writing two forms for all research participants.

The first form was my signed honorary statement. It assured with my signature that, as a doctoral researcher at the University of Edinburgh, I would use the information gathered only for my PhD thesis and related scientific work. I assured the confidential usage of the data and the anonymity of the interviewee and the firm and that I would be the only one to have access to the material that was not anonymous.

The statement included the complete contact details of my supervisors and the invitation to consult them for further information and reassurance.<sup>44</sup>

The second form was an informed consent to be signed by the interviewee and myself—one for the interviewee to keep and one for my files. It stated that the University of Edinburgh needed to ensure that research undertaken in its name had to be consistent with law and scientific ethics. It included the internet link to the university's *Code of Good Practice in Research* and stated that I, as a researcher, was honour bound to comply with these standards and that a breach of this code would have severe consequences for myself. It again guaranteed anonymity. The interviewee had to confirm that he or she had read the consent, that participation was volitional, and that the person agreed to be part of the research.<sup>45</sup>

In addition to providing these two forms, I offered to send the interview guidelines to the interviewees so that they knew what topics would be addressed. This was an offer on my side to relax tensions and superstition and was sometimes accepted.

The other side of professionalism occurred during the interviews. As shown, managers have expectations of the interviewer. As do many other groups, managers use a labelling approach. A professional 'business appearance' was helpful to my being considered an equal in the interview situations even though I lacked other status symbols, like a PhD. This meant that wearing a suit and tie, having business cards, and using the university crest on cards and forms helped support an image of professionalism, presenting a form of corporate identity that helped confirm my professional status as a researcher. My efforts to provide not only a scientific professionalism showed my interviewees that I took the interviews seriously. My scientific and business professionalism showed the interviewees that I valued the interview situation and their position, which was noted explicitly in several interview situations by the interviewees.

#### **3.4.4 Invaluable Status of Researchers as Co-Experts**

It is important for the researcher to be acknowledged as a *co-expert or quasi-expert* because the interviewee postulates that the interviewer is knowledgeable about the

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<sup>44</sup> The form is in the appendix.

<sup>45</sup> This form is in the appendix.

research field. Even though there has to be an asymmetry of expertise (as it would make no sense to conduct expert interviews if the researcher already knew all the answers), the hierarchical roles of interviewer and interviewee wither during the expert interview, and the interaction evolves into a horizontal communication structure in which the interviewee himself asks questions and involves the interviewer in a dialogue, expert discussion, or discursive situation (Bogner and Menz 2009, 58f; Pfadenhauer 2009, 86f): ‘As a necessary condition for managers to accept and engage in a discursive, argumentative, and for the research project potentially productive interview situation, the interviewer must be able to give the impression of being sufficiently compatible and on par with the interviewee’ (Trinczek 2009, 211).

This was particularly the case for the interviews conducted in this research. Even though I was well prepared and informed about the industry, managers constantly challenged me about contextual knowledge. It was assumed that I knew about production standardisation, material abbreviations, history, and the programming languages for machines and that I was able to follow the discussions and contribute to them. These were themes I could have known only through the interviewees’ education and experience. This meant that every interview was another step towards gaining more insight into the industry; with every interview, I was able to build upon the information gained from a previous discussion. I was forced to keep up with the interviewee in order to get good results from the interviews. This improved my questioning during the course of the research. While I appeared knowledgeable about the field in the first interviews (which I was only to a certain degree because I was an outsider), my self-confidence and knowledge grew steadily, which allowed me to actually become a co-expert. I was seen as a competent discussion partner during the interviews, at least according to my impression. Being in this position helped to ease tension, interest the interviewee in my topic and, more importantly, keep the manager talking about research-relevant themes and not drifting off to topics of his own because I was able to participate in the interview, which helped keep the situation under control.

### **3.5 Data Analysis in NViVO**

Our use of German and software for the analysis occasioned the question of whether to transcribe all interviews and whether to translate them. I decided to use NViVO as software, to transcribe some interviews, and to analyse the rest using the audio material with the tools the program provided. I therefore discuss the handling of the text and audio material in the relevant sections. The chapter closes with a description of the analysis process.

#### **3.5.1 Addressing Issues of Transcription and Translation**

Even though the procedure for analysing the data is based on Meuser and Nagel (2005), the use of NViVO and the handling of my data modified my approach to the analysis. My first challenge was how to deal with my data. Do I make full or part transcriptions of the interviews, or do I use the software's ability to code in audio files? I decided to do both. I fully transcribed 12 interviews and used the audio coding function in NViVO for the other 18, primarily because the interviews were conducted in German. This addressed the question of to what extent and what amount of data had to be translated for the analysis. Transcription is very time-consuming, as is translation. In order to enhance the efficiency of my analysis, I decided to transcribe 12 interviews. The use of an interview guideline made this possible because of the predefined discussion topics, which gave the data a rudimentary structure from the beginning, which was applied to all interviews. This made the transcripts and audio files comparable and the use of both media possible.

I did not want to give my interviews to external transcribers for fear that some passages would not be transcribed to my satisfaction, which would require me to go over my original interviews. The other issue was the German content. Not all passages of the interviews were used as quotes in the data analysis. This fact made transcription into German and translation into English unnecessary. Rather than translate everything into English, I decided to only translate the quotations used in this thesis. There is always the danger that translations will skew or distort the original meaning of a passage (cf Ross 2010). In order to prevent this, I worked with an English native speaking professional translator with a university degree in German/English translation. This was done in a discursive way by going over the



passages together in order to find an appropriate translation that suited the meaning as well as the style (by 'style', I mean, for instance, whether something was a colloquial expression or a scientific term).

### **3.5.2 Working with Transcripts**

Meuser and Nagel (2005) suggest starting the analysis by paraphrasing text sections. I used a slightly different approach by first creating headlines. I did this by analysing all twelve transcripts using the free nodes function in NViVO. The work with NViVO and the node creation were done in German, which made it easier for me, as a native, to understand my data before I translated my concepts into English. This procedure was sometimes closer to the text and sometimes more abstract. For instance, one node had the label 'Herzblut', literally 'heart blood' in English, which is a German colloquial expression for 'passion'. This node was taken directly from a phrase used by an interviewee and represented all phrases associated with managers who described their way of working as a passion. After I analysed each transcript separately, I had 91 nodes, which I thought enough to use as a template in order to organise the audio material.

### **3.5.3 Working with Audio Material**

The analysis of the audio material was slightly different from scrutinising transcripts. Listening to the material was a different experience from reading it. It also required an altered methodology. Instead of transcribing all parts along the time code, I chose to paraphrase sections and partly transcribe key sections, which also allowed me to pass over 'general chat', a discussion about, for instance, the school experiences of the daughters of one of the interviewees that had no relation to the research question. In a sense, this procedure was closer to the first step of the analysis procedure suggested by Meuser and Nagel. This allowed me to distance myself from the original text, which made abstractions and theorising about the material easier. The template in the form of 91 free nodes allowed the sorting of the partly transcribed and paraphrased parts of the interviews by topics.

### **3.5.4 From Free Node to Theme**

In the next step, after I ran a basic analysis to identify free nodes, I created three basic cases: kitchen producers, cabinetmakers, and upholstered furniture producers. These containers then had sub-cases, providing space for the different segments, which again provided containers for the businesses that enclosed the single interviews on another level. This allowed me to run queries asking questions of all kitchen producers, or, for instance, directing these at a single segment, down to single businesses and persons. This provided me with the complete freedom to analyse all parts of my data individually and made it easier to compare, make abstractions, and theorise with constant comparisons among the interviews.

The 91 headlines or free nodes presented a loose thematic order for the material, which needed to be organised in order to provide the basis for a thematic analysis. The next step was the creation of categories. These were containers that made it possible to organise data from the three segments in one category. This allowed me to compare the perspectives of these businesses according to their segment by running queries. This allowed a structured analysis of segmental differences of specific categories that dealt with a specific topic. The use of NViVO already provided quasi-categories because the nodes contained passages in a container and therefore bundled perspectives from different interviews. Instead of making the next step to create tree nodes, I used the model function in order to thematically organise the nodes into larger thematic categories and thus made the data more ‘dense’ without splitting them up into sources. This was not done because of a ‘dislike’ for tree nodes but due to my preference for working with data visually.

Now, I had a complete visualisation of my dataset. This gave me an overview of the basic themes that already seemed to arise through this basic structure and sorted out the seemingly unrelated topics. This allowed me to ask some initial simple questions, such as ‘what do the CVs of my interviewees look like’ and ‘what is their educational background and work experience?’ I ran a query comparing the relevant free node with my cases. In order to ask more complex questions, I turned parts of the models into sets that contained nodes associated with my research interests, using the option within the model mode. These sets stood for collections of nodes, which were graphically subsumed by a model. These sets could be labelled as, for example,

‘importance of the locality of labour’. Such sets contained cross-segmental data about the relevance and irrelevance of the locality of labour for managers. This was further disaggregated by comparing, for instance, interviews from the niche segment of kitchen furniture production with those from other segments. I was thus able to define segmental positions and views on topics relevant for my research. Interchanging and combining sets helped me find differentiated answers to my questions and proved to be a very efficient way of sorting and analysing my data. I took notes during the entire process, formulated abstractions, theorised about my data set, and tested themes and ideas for relevance to the literature and the research question.

The result of the data handling resembled the basic structure of the analysis chapters, which deal with such factors as the ‘SME way’. That particular theme arose during the analysis in a comparison of the similarities and differences in the self-perceptions of managers. The data set showed fundamental differences in cognitive patterns as well as striking similarities, which allowed an interesting and challenging analysis procedure, which was finally put in the context of themes of embeddedness. This was done by organising managerial statements concerning, for instance, the importance of sub-contractors and the meaning of their close proximity to the kitchen producers. This allowed me to analyse the possible segmental differences in the meaning of sub-contractors as an important factor for the production chain and therefore for the businesses’ surrounding structure. It demonstrated to what extent local proximity has meaning in connection with these suppliers, allowing me to explore whether different segments use different networks and whether there are differences among these niches in the way they assess the meaning of locality in this context. The findings then made it possible to theorise about the meaning of structural embeddedness, by pointing out the importance of suppliers, as well as demonstrating the relevance of local embeddedness, by addressing the managerial perspectives on the need for physical closeness to sub-contractors. The results of this process are presented in the following analysis.

The data analysed presented too much content for the thesis. In order to provide the intended focus on the kitchen furniture industry, the following analysis chapters deal

only with the content of interviews from this industry. References to other industries are found but only as side comments without any in-depth analysis.

#### **4 Structural Characteristics of Kitchen Furniture Production in EWL**

This chapter explains how kitchens are produced in EWL and how this interacts with and contributes to the social construction of managerial perspectives as well as the social construction of local embeddedness. According to the expectations formulated in chapter two, this research assumes a close connection to the structural embeddedness of businesses, which significantly influences cognitive frameworks. The involvement and dependency on the sub-contractor industry, producers of various appliances, or production costs create structures that significantly influence managerial perspectives and strategies. This chapter concentrates on the structural aspects of kitchen furniture production, while the cognitive characteristics are closely examined in chapter five.

This chapter contains five parts. The first section deals with the managerial descriptions of kitchens and their differences to other furniture. It deals with their unique position, which is represented as elevating this branch above other furniture producers. This is characterised by an immense production variety and the need for precise planning. It also describes the industry's close connection with related industries, such as the production of electrical appliances. Managers describe kitchens as fundamentally different from other furniture by virtue of allegedly belonging to that category of 'furniture customers cannot live without'.

Section two introduces the two kinds of furniture types sold on the market. It starts with the introduction of flat-pack kitchens and explains where these products are sold and in what price ranges they are available. This part then introduces the characteristics of assembled kitchens. It shows the nature and challenges of the selling processes and the attention the planning process needs from the sellers.

Section three comprises a compressed and generalised managerial perspective on the production steps in kitchen furniture production. It demonstrates the significant differences between flat-pack production and assembled production. This part presents the stark contrasts in the complexity between these two. The production process for assembled kitchens stands out because of its complexity and the need for well-timed logistics.

The fourth section discusses the particularities managers identify in producing kitchen furniture in EWL. Managers observe an increasing development towards more automation across all segments. This results in the decreased importance of labour costs for managers due to the reduction of their part in the cost per item for the production of assembled kitchens. Flat-pack producers, on the other hand, are less automated and have a more labour intensive production, which makes labour costs more relevant for them. The section demonstrates another reason for the relative insignificance of labour costs for assembled kitchen producers. It discusses the managerial perspectives on the issue of high transportation costs. It again shows the differences between assembled and flat-pack kitchens. It explains why assembled kitchen producers face virtually no international competition and why flat-pack producers are in the opposite situation. The section ends with the description of the fragmented production chain in the industry. It demonstrates the managerial view of their dependence on the sub-contractor industry.

This chapter ends with a discussion of how the observed structures in which kitchen producers are embedded influence their views. How managers perceive themselves and their environment will be addressed in subsequent chapters.

#### **4.1 Kitchen versus Other Furniture: A Managerial View**

The organisation of the production process within the kitchen furniture industry is an important factor in managerial perspectives. This section demonstrates how production networks and processes shape managerial views of their products. It consequently shows how this structural embeddedness directly influences cognitive frameworks.

#### 4.1.1 Variety Creates Uniqueness

Managers in the kitchen furniture industry perceive themselves as producers of a unique good that faces distinct challenges in design and production:

*“The product itself is the distinguishing factor. This leads us to the difference between a serial production and individual production. Because the kitchen is an individual product and other furniture often are serial products. The customer also perceives this. He knows that he needs to invest a lot of time in order to plan the kitchen. In the case of a living room cupboard—the customer only needs to go to a retail store and pick the cupboard and that’s it. This is for me the difference” (Chris, Innovative Kitchens, Niche Segment, lines 598-604).*

From the managers’ perspective, three characteristics make the kitchen furniture industry stand out in comparison to other furniture. Time, money, and individuality are perceived to be prominent factors in the decision to buy a kitchen. Time means that the kitchen needs to be planned. Kitchens are usually more expensive than other furniture. Even if somebody decides to buy a relatively inexpensive kitchen for about 500 €, it needs to be put in relation to other furniture in this price class. For instance, an armchair can cost as much as 50 €. Individuality refers to the immense variety of options available to the customer, which makes each kitchen unique.

The above managerial assertions may be misleading. There is no doubt that kitchens are industrially produced, which means that serial production is necessary in order to produce profitably. The above quote aims at something different. Chris states that the production of the kitchen remains individual. This does not mean that every kitchen is produced from scratch. The term ‘individual’ in this case means that the variety of the product itself has become extensive. All interviewed managers share this view. This can be difficult to understand: is a kitchen not just some plywood put together around an oven and a refrigerator? The answer is that there is a little more to it. The following picture shall explain this.



**Figure 6: Representation of an Average Kitchen (source: nobilia.de)**

The above picture was created using an online program provided by a kitchen mass producer's website. It shows the average size kitchen sold in Germany. Kitchens in Germany often have a room size of four meters square. Sizes vary, of course, but at least one wall of the kitchen is about four meters wide. The above picture resembles this average kitchen size.

The animation shows the first aspects of individuality. The room is 4 m wide, and each cupboard is picked from the online catalogue of the company. These can be different widths; they vary in height and can be lined up according to a customer's wishes. Not only the arrangement of the cupboards but also the colour of the fronts, shape of the handles, the material, and the structure and colour of the worktops can be individually picked from the catalogue. Materials for surfaces can be different as well. The customer chooses among materials like glass and matte or glossy surface finishes. The kitchen is accordingly a product that is serially produced but individually organised and put together to satisfy the customer's wishes.

*“We have over 2000 cupboard variations in our catalogue and we have a lot more internal cupboard types you can plan individually” (Ralf, Everyday Kitchens, Assembled Mass Segment, 33:12,1-33:23,7).*

Another example of the variety offered in the kitchen furniture industry is the catalogue of the British retailer and do-it-yourself store Homebase.<sup>46</sup> Its summer 2011 catalogue advertised a range of over 700 kitchen appliances for customers to choose from.

This product variety, which signals the complexity of the kitchen production process, is a key distinguishing factor for managers and shapes their perception of the product.

#### **4.1.2 Planning Intensity Creates Difficulties**

It is not only the large variety of choices that makes kitchens individual products but also their room of installation. All producers face the challenge that the room can be square, have asymmetric angles, and the walls may be not straight, which means adjustments to the working tops and so on. Planning therefore needs to pay a lot of attention to details.

*“The working top needs to fit. The mason never makes a straight wall”  
(Gerd, Everyday Kitchens, Assembled Mass Segment, lines 704-706).*

Schooled personnel trained to face the challenges of interior design usually plan the kitchen. Radiators, electrical outlets, water and gas pipes, as well as the material of the wall need to be taken into account. Consultants need to be able to consider all the eventualities and questions that may arise. Mistakes can have serious consequences if one considers that inappropriate planning may result in not only mis-planned kitchens but also gas leaks.

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<sup>46</sup> [www.homebase.co.uk](http://www.homebase.co.uk)



### **4.1.3 Challenges of Non-Furniture Appliances and Dependency on Other Industries**

The picture also demonstrates another outstanding feature of furniture production managers described: the use of different appliances:

*“You have quite a lot of themes within the kitchen. Integrated electronic devices. You have a quite high degree of mechanisation. You are dealing with water, with light. All these things play an important role in the kitchen, which is not the case for other kinds of furniture. You buy a table, place it in the room, done. Kitchens are also very individualised, very influenced by the customer wishes. [...] It is one of the most complex topics within the furniture business” (Otto, Hightech Kitchens, Premium Segment, 37:13,0-38:29,1).*

Kitchens integrate different technologies and demands in their concepts. This makes the choices for customers even wider, planning more necessary, and construction more complex. A kitchen consists of water taps, ovens, fans, microwaves, steamers and so on. Each business provides a choice of more than just one of each device. When constructing a kitchen, expertise in many areas is necessary. Is the material waterproof, or does the working top swell after several dishwashings? Can the corpus stand the heat of today’s ovens? Upholstered furniture can vary in materials and fabrics, but the technology usually remains in one furniture-related domain. Cabinetmakers integrate more complex options in their furniture. These can be, for instance, mechanisms to sink TVs into sideboards, integrate humidors for cigar storage, or light. These products have more varieties than, for instance, sofas, but kitchens integrate even more technologies.

### **4.1.4 Predetermined Measurements Often Restrict Product Dimensions**

Another distinguishing factor is the relation of kitchens to another industry:

*“The kitchen is the only segment that depends on working with the electronics industry. The kitchen may be a little bit disadvantaged regarding design and appearance, innovations and so on. Because in all these processes it is always dependent on the fitting dimensions of electronic devices. This means the casing for a stove is 60 cm. You cannot build this in 55 or 65 cm. The dimensions are predetermined: [...]”*

*lower cupboards, working tops, high-rise cupboard for a refrigerator, or a high-rise cupboard for an oven—for hanging” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 813-820).*

An armchair, sofa, or table does not have predetermined measurements. The components can vary in size according to the design ideas. Even though kitchens have made much progress in their innovation procedures, managers describe these as always bound by pre-determined factors. Dimensions for components are often standardised through the integration of electric devices. These strict measurements are additional challenges for the production process of kitchens. The casings for the various devices need to be exact. Kitchen producers are dependent on the innovations created by these other industries and feel forced to be able to implement these ideas in new products.

#### **4.1.5 Kitchens Fulfil Crucial Customer Needs**

Kitchen producers also distinguish themselves through attributes other than the design and equipment of the product. They view kitchens as devices that fulfil crucial customer needs:

*“The kitchen is a product that has a higher customer demand than any other furniture. The drive for renewal is greater in comparison to any other [furniture] product. I don’t want to get too much into details. But upholstered furniture is replaced because it is worn out. The drive here for innovations—the huge steps in product development—is not as present as it is with our products. Sofas change fabrics, cushions become harder or softer, but they do not have the range of innovation like we have. Other branches celebrate pseudo innovations—we have them too—but we celebrate generally real innovations. Upholstered furniture is needed and is replaced because it is worn out. Tables are needed. But the tendency is dropping, for instance, equipping offices. You can use your laptop on your knees. You don’t need living rooms anymore. Living rooms used to have a bar. You don’t drink warm schnapps anymore. You drink it cold straight from the fridge. People drink wine, but that would be misplaced in the living room as well. You needed wall units in the past in order to place your TV somewhere. They are mounted straight on the wall today.[...]There is no use for a wall unit anymore, from my perspective. The kitchen will always be there. People live and work in kitchens. People meet in kitchens. Kitchens are expanding and taking over the space of other rooms.[...]We have a product that is needed by*

*the customer. The motivation for changing kitchens is very high for customers.[...]You always need 'water' and 'fire'.[...]This is why I am very optimistic about our products and the kitchen industry in general” (Ralf, Everyday Kitchens, Assembled Mass Segment, 54:36,4-58:42,5).*

The interviewed managers think very highly of their products. Kitchens seem to have features that other furniture does not have. As the above quotation shows, Ralf sees three core characteristics that distinguish the production of kitchens from other furniture production. First, there is a higher demand for kitchens. This is caused by the second attribute: innovation. Customers are able to see new technologies, such as dampening systems in drawers and opening mechanisms without handles. These observable new technologies create the desire to buy new kitchens when they are worn out after twenty years. This, in the manager’s view, is different from, say, upholstered furniture. These items *have* to be replaced while kitchen customers *want* to replace their kitchens. Third, kitchens are connected to the basic needs of customers: the need to prepare food. No other furniture branch, except perhaps bathroom producers and the bed industry, are as closely connected to the basic needs of people.

*“The most distinguishing basic factor remains that the kitchen is needed. The kitchen belongs to the hardware of the house: bathroom, sanitary installations, heating and the kitchen. These three things. You have to be able to wash yourself, it has to be warm, and people have to eat” (Olli, Luxurious Kitchens, Premium Segment, lines 601-605).*

## **4.2 Types of Kitchens**

While the kitchen industry is segmented into three parts—mass, niche, and premium—the kitchen as a product has two types. They are either sold as flat-pack products or are planned and assembled. Both types of kitchens not only distinguish themselves in terms of their assembled or non-assembled nature but are also different in their price range as well as in the way they are sold.

Buying a kitchen is a choice depending on the available budget. Once one decides to pay more than 700 €, one has the choice to buy a variety of assembled kitchens and flat-pack products. In any case, the customer can choose from a wide range of retailers. Kitchens can be found in do-it-yourself stores, brand stores, and large-scale

retail stores that cover all space of the house and the garden. Kitchens can also be bought in smaller retail stores that specialise in, for instance, office furniture and kitchen furniture. Some retail stores concentrate only on selling kitchens. Each way of selling kitchens has a specific customer target group.

#### **4.2.1 Flat-Pack Kitchen**

As the name suggests, flat-pack kitchens are non-assembled kitchens. These are the kitchens that are positioned in the lowest price range. Flat-pack kitchens are usually sold in do-it-yourself stores.

The do-it-yourself store exclusively sells flat-pack products. This means marketing and selling strategies are different in do-it-yourself-stores than for the assembled kitchens sold by specialised retailers. Selling flat-pack kitchens requires little effort from the retailer. The customer enters the store, takes a look at the few assembled kitchens that show what the flat-pack product looks like when it is installed. The customer then picks up the catalogue and decides which cupboards and other appliances suit the desired design. The customer then picks up the appropriate packages from the storage unit, drives home, and assembles the kitchen on his own. Today, do-it-yourself stores usually provide an assembling service for an extra charge. Because flat-pack kitchens are sold non-assembled, they are cheaper. The production is not concerned with the logistics of setting them up, delivering, and installing them in the customer's home. Planning and customer counselling are therefore limited as well. This allows them to sell entire kitchens for 300 € and higher. A unique feature that distinguishes the flat-pack product from the assembled kitchen is that these products are often sold without electric or gas devices. The customer usually buys the oven or dishwasher separately:

*“[The] kitchens we sell with electronic devices are either the extremely cheap ones, where you can get an entire kitchen for €600 or €700. We only build the casing for the electronic items. Or a few customers who buy in the upper price range, our upper price range, order the electronic appliances directly. Most of our customers only buy the casings and buy the electronic appliances separately” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 407-412).*

Flat-pack producers seem accordingly less dependent on partnerships with external industries that produce appliances. Nor do these businesses directly interact with end consumers. This implies a different focus for flat-pack producers in their actions within their networks.

#### **4.2.2 Assembled Kitchen**

The assembled kitchen is in many ways a completely different product. While flat-pack kitchens are sold in do-it-yourself stores with a minimum of advertisements, customer consulting, and planning, assembled kitchens provide a more complex challenge. There are four ways to sell assembled kitchens through three kinds of retailers. There is the small retailer that concentrates on selling kitchens exclusively. This is the place where the premium and niche segments are usually sold. The middle price segment is also present in these stores. The second category of retailers consists of businesses that do not sell only kitchens but also other furniture and interior design products as well. This is primarily where niche producers are present. These are also retailers where mass producers can be found offering their entire price range. The last category of retailers consists of large stores with several thousand square feet of exhibition space, where all kinds of furniture, household devices, and other items needed by households are sold. This is the domain of the large mass producers. The fourth way kitchens are sold is through brand stores. This way of selling kitchens is used exclusively by premium producers.

These different ways of selling kitchens are, according to the segments, divided into price categories. While the mass producers present their whole range of products from the relatively cheap kitchen up to their higher middle price segment, the small stores primarily present kitchens starting in the middle price range up to the premium high end. The market thus has a clear structure in its distribution networks, which shows that segmental differences provide the basis for predetermined access to retailers and end-consumers.

The decision to sell products through retailers and brand stores is driven by specific reasons. Unlike the flat-pack kitchen, assembled kitchens are not products that can be just 'picked up' at the store. If a customer decides to buy an assembled product, he or

she needs to consult a salesperson. The salesperson then plans the entire kitchen with the customer:

*“The customer expects a kitchen to be complicated. If the customer had the expectation that the product would be a standardized item, [...] I would have a problem. I wouldn’t be able to compete.[...]But the customer has the expectation that a kitchen is an individual product. When he thinks about buying a kitchen, he knows it’s an individual product. If I decide to buy a table or a couch I know that I have to accept some kind of product,[...] I go to retailer X and say: ‘I would like to have this thing in a different colour.’ This is serial production” (Chris, Innovative Kitchens, Niche Segment, lines 441-452).*

These kitchens are fitted products made according to the dimensions of the room. For instance, retailers often send consultants to the home of the customer, who make the necessary measurements and planning. This is important for fitted kitchens because, if a wall is slightly crooked, this can distort the whole product planning, resulting in customer complaints. The kitchens are first planned with the salesperson and then ordered and produced by the kitchen company. Kitchen producers are therefore very interested in trained personnel.

Assembled kitchen producers are therefore more dependent on their relationships with their retailers. This is due to the required skills of the sales personnel, who must be trusted to do the right planning. Flat-pack products, on the other hand, are not as dependent on these relationships. This implies that the role of trust within the producer-retailer relationship is probably more significant for assembled kitchen producers than for flat-pack businesses. The differences in the products suggest different meanings for network relations within these two product categories.

### **4.3 Production Process: A Generalisation**

This section presents a generalised overview of the kitchen production process. It deals with the differences between assembled kitchens and flat-pack products. The following sub-headlines first demonstrate the steps within the production of assembled kitchens. It starts with the planning of a kitchen at the retail store, moves on to the description of the first steps of production, and ends with the description of the assembling and distribution of products. The explanation of the production

process of flat-pack kitchens describes a less complex processes. While assembled kitchen producers need to deal with the exact tuning of their logistics, as required for the assembling process, flat-pack producers are organised in more basic steps. They need to cut the wood and then wrap it. The different procedures for these two kinds of kitchens also have consequences for competition. This next part explains the production steps for both kinds of kitchens and the resulting differences in the competition structures they face.

### **4.3.1 Assembled Kitchens**

Assembled kitchens differ from flat-pack kitchens in many ways. The production process has many steps. The planning intensity, the usage of electronic devices, and the assembled nature of the product provide different challenges for the producers of assembled kitchens than producers of flat-pack kitchens face. While components are often identical (because businesses often use the same suppliers), the production process for assembled kitchens has many more procedures than the production process for flat-pack products. The following sub-headlining demonstrates the major steps within the production process for assembled kitchens.

#### **4.3.1.1 Planning Process**

The production process does not start in the production plant, at least not for the assembled kitchen. It starts in the retail store. This is also the most crucial point in the production process for managers. Customers of flat-pack products, on the other hand, need to make their adjustments using their own ‘custom-shop’ skills.

*“The challenge is that you have to plan the kitchen and that you have to have the ability to plan it” (Olli, Luxurious Kitchens, Premium Segment, lines 73-74).*

Assembled kitchen producers therefore emphasise the development of different software to help salespersons consult with customers. The main difference with flat-pack kitchens is the selling process. The customer has wishes and design ideas, and

these have to be implemented into the kitchen design. This creative process is seen to be significantly different from selling, for instance, sofas or flat-pack kitchens:

*“Every kitchen is unique. That’s it. This is why selling the kitchen to the end consumer is very complex. The procedure is far more creative and planning intensive than selling a sofa. When you buy a table or cupboard you can decide, for instance, whether you would like to have it in beech wood or cherry wood. And that’s it. It is the same with the chair. I don’t want to discredit it, but it is similar with the sofa. The kitchen on the other hand needs to be designed. The fitted kitchen needs to be installed into specific room dimensions. It needs to fit. It has to be integrated” (Gerd, *Everyday Kitchens, Assembled Mass Segment*, lines 693-793).*

These customer relationships present different customer-producer interactions. These are characterised by an interaction triangle. The planning of kitchens creates contacts between producer, retailer, and consumer. Retailers plan with the tools provided by producers, which ‘virtually’ connects them with the consumer in this process. This is a step not present in flat-pack production and selling processes.

#### **4.3.1.2 Plan-Check and Production**

When the kitchen is planned, the retailer passes the order on to the producer. Because the producer is aware of the risks of planning, the business immediately puts it through a checking procedure after the order has been accepted.

When the order has been checked and no faults have been found, it is sent to the work preparation department. Here, the product gets calculated, the storage gets checked for completeness of items, and a delivery date is set.

This is the point when the physical production process starts. The first step in this part of the production is the distribution of the boards, sides, and shelves of the cupboards. After the boards are cut into the right sizes, the complicated part begins. The companies in the kitchen furniture industry of EWL are trying to develop their processes towards a ‘lean’ production in order to reduce costs. This means that all products are sold and made to order. Businesses are trying to do more than just build up items for storage. This also means that the items in the production line are very often different. It depends on the size of the business that produces the kitchen whether one or more items of the same product are being produced. The large mass



producers sometimes have one production line for one single cupboard, which means that one production line produces only one kind of component. While this is only the case for the large mass producers, most premium and niche producers have between one and three; thus, because businesses are trying to produce lean, orders are not sorted according to item but rather to order date. Thus, even though the production process is organised serially, meaning in this case that each item has standardised repeating measures, each kitchen is produced individually:

*“You have to be excellent in the organising processes. The kitchen is a very fragmented product. It consists of many components. Working spaces, appliances, sink, and so on” (Olli, Luxurious Kitchens, Premium Segment, lines 75-77).*

The result of this production organisation is the following. The physical production starts with the cutting and handling of boards. These items are placed in the production line, which runs through the plant. In each following step, items are added to the boards: holes are drilled, as are closing mechanisms for doors and draws, handles, and so on. The complicated part of producing assembled kitchens is the effort to get each item needed for the kitchen to the right place at the exact time. As some producers have more than 2.000 kinds of cupboards and dozens of electrical devices, this is a very complex production. Getting all the parts to the right place in time is only part of the production process.

#### **4.3.1.3 Assembling and Distribution**

After all parts are at the right spot, they have to be put together. Cupboards need to be equipped with things like doors and drawers:

*“They are usually commissioned directly on-site at the customer. [...] The parts are assembled right there. The plumbing and electricians need to be ready. If this is not the case the contractor has to return” (Olli, Luxurious Kitchens, Premium Segment, lines 79-84).*

This process differs among the segments. While premium producers still integrate a lot of handwork in their production, mass and niche producers have developed

towards completely automated procedures. Some businesses therefore assemble the products by hand; other businesses use robots. After the parts of the kitchen are assembled, they get transported to the distribution area, where the electronic devices get integrated into the furniture, such as ovens and dishwashers. These procedures again differ among the segments. Here, too, is an increasing use of computerised machines. Some businesses have completely automated distribution areas, where no people are needed. The kitchens then reach the distribution area, where they get loaded onto trucks and are either driven to the retail store, which then delivers and installs the kitchen, or directly delivered to the end customer and installed. There are three possibilities for installing a kitchen. It can be done by the producers' own people; the retailer can do it, or a sub-contractor can be hired.

#### **4.3.2 Flat-Pack Kitchens**

The production process for flat-pack kitchens is less complex. Not many production steps are needed. For example, the whole planning process, which requires time and expertise, is not needed. The customer may plan the kitchen using a computer program, but this is nothing more than arranging cupboards and having a visual impression of how the kitchen may look when assembled. The customer may take exact measurements of rooms, but this has no effect on the product itself, because it is already produced and is not made to order. This has a significant influence on the production of flat-pack kitchens:

*“We have the raw material distribution and the machine room” (Detlef, Flat and Chique Kitchens, Flat Pack Mass Segment, 28:55,8-29:02,9).*

First, flat-pack kitchens get ordered in fairly large quantities. The do-it-yourself store, for instance, calls the producer and orders 50 cupboards of type A, 30 of type B, and maybe 55 sinks. These orders are made by the do-it-yourself stores according to the number of items in storage. There is usually no direct connection between the customer's planning of the kitchen and the actual order. The customer just takes the items from storage. This means that the production process for flat-pack kitchens is differently organised. Flat-pack producers think in volume. The logistics of

producing a flat-pack are different from those of producing assembled kitchens. While the production of assembled kitchens is driven by timing, where items have to be at a certain point in the production, assembled kitchen producers do not produce 100 cupboards of one kind at a time. They produce cupboards according to the actual order of the end customer, which needs to be organised in the overall production process of the individual kitchens, which is produced parallel to others. Flat-pack kitchen producers on the other hand do this differently. They usually have one large machine room that cuts wood. They often produce in shifts. For instance, a set volume of one type of cupboard would be produced in the morning and other kinds in the afternoon; one kind of cupboard is produced in one shift, and the product type changed with the next shift. The other major difference between flat-pack producers and assembled kitchen producers lies in the fact that flat-packs are not assembled. The production ends after the machine room. After the machine room, there are usually three more steps. When the boards leave the production line, they get transported to the distribution area, where they are boxed. During the boxing, a quality check is done. After these two steps, the boards are loaded on the truck and delivered to the store or its distribution centre.

#### **4.4 Distinguishing Characteristics of Kitchen Production in EWL**

This part of the analysis demonstrates how managers describe the distinguishing characteristics that make the EWL production process for kitchens stand out from that of other furniture industries. It starts with the reason for the industry's success: the continuous development of automation. The results of this development are then discussed. A high degree of automation increases productivity. It also influences the meaning of and demand for vocational training, which is characterised by the increasing need for technical instead of artisan skills. This decreases the meaning of labour costs for managers. Labour costs are also less important than transportation costs. The distribution of assembled kitchens is very expensive and is the most important cost factor in kitchen furniture production. Another topic addressed is the high fragmentation of the production chain. These factors allowed the industry to remain in Germany and still produce profitably, even in mass production, which the furniture industries off-shore to low wage countries.

The above-mentioned production processes describe modern production methods that depend on automation and outsourcing. While this production mode may be similar to that in other industries, kitchen producers hold a special place within the furniture industry. German kitchen furniture businesses still produce 100% in Germany. All businesses have their production facilities within the country. This stands in stark contrast to the development of other furniture branches. As mentioned in chapter one, the upholstered furniture industry has faced international competition and rising labour costs. Only the premium producers of upholstered furniture have remained in Germany. The kitchen furniture industry, on the other hand, seems not to be affected by the continuing globalisation of markets and the increasing competition. The reasons for this are presented below.

#### **4.4.1 Increasing Automation**

Much industrial production is becoming increasingly automated, and the kitchen furniture industry is no different. Even though the production processes in the different segments can differ significantly, the industry has gone through many changes since the beginning of the late 19<sup>th</sup> century. Mass producers often compare themselves to the production processes in the automobile industry. Producing kitchens is often associated with traditional carpentry craftsmanship, but, even though some degree of such skill is still needed (especially for custom shop production) one must not make the mistake of thinking of kitchen production as a traditional artisan form of work:

*Q: “Do you still have your own carpentry shop? Or is it possible to describe your production process similar to traditional shop work?”*

*A: “No. Not really. This carpentry shop idea you mentioned can only be found in parts of our production process. Everything else is completely automated just like it is done in the automobile industry. Pure assembling. Mostly controlled by robots, CNC, - comes from storage and is fully automatically assembled. The actions that are mostly implemented in the processes between the major production are controlling and storage related” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 270-278).*

The quotation above describes the production process from a mass producer's perspective. Production processes have moved away from craftsmanship work within the mass segment towards an assembling process ruled by the integration of robots and computer-based processes. The mass segment uses humans only for observation and control processes.

The above example is representative of production processes within the mass segment. Each segment displays a different description of their mode of production. According to the mass segment's self-perception, the automation of processes aims at increasing production volumes and lowering production costs. This is related to the segment's focus on marketing their goods using price advertisement. Chapter five will show that the other industrial segments have different views on their products. Niche and premium producers concentrate on and promote the individuality of their products. These producers try to ensure this individuality using custom shops. This does not mean, though, that industrial production is put aside for the benefit of individual artisan production:

*"We have the situation that, in comparison to [other furniture] industry branches, we have an increasing degree of automation. We have just finished, or better said we are right in the middle of, completely re-organising our production processes. We are working towards fully automation procedures in which our employees require broader and specialised knowledge. Computer literacy plays an important role. At the same time we have a large degree of vocationally trained employees in production because of the uniqueness of our products. This means that the part of the labour force that has no vocational training is small. We have lots of people with vocational training. The tasks for which we needed employees without vocational training have been replaced through automation" (Karsten, Luxurious Kitchens, Premium Segment, lines 31-43).*

Karsten's words exemplify the situation within the premium segment. The production process is still very much organised by depending on work done by people. Because of the still largely manual labour done in the production process for premium kitchens, businesses seek vocationally trained employees. As mentioned, all businesses aspire towards a lean production. Premium producers therefore try to decrease their costs and accelerate production procedures by implementing automation, though this is a relatively recent development:

*Q: "How much has the production changed in recent years?"*

*A: "Well, I have to say, when I started here the business resembled a carpentry shop that had become too big. Mr. X., with whom you'll talk later, has the goal to reorganise the production processes until the year 2010" (Karsten, Luxurious Kitchens, Premium Segment lines 443-448).*

While the premium segment is still in the process of integrating more computer-based and automated technologies within their production processes, many niche producers have already gone through this:

*Q: "You are still advertising yourself as a kitchen manufactory."*

*A: "Yes, but this is all nonsense. I can tell you this because it'll get anonymised. One side is marketing, the other is reality. The reality is: we need to get our products as good as possible, with as much charm and design as possible, with as much of pretence as possible, for a price on the market, which is internationally accepted. Words like tradition and manufactory and artisan thinking – Honestly, these are labels we like to use, but they do not fit reality" (Alex, Feel Good Kitchens, Niche Segment, 6:39,8-7:14,0).*

Alex describes the situation for the niche producers. Niche producers have been forced by their market position to increase automation within the production processes sooner and more drastically than the premium segment has. The claim of niche producers to be selling individual products for a decent price left them no choice but to optimise production by enforcing automation. These businesses still need to advertise their products as kitchens from a 'manufactory' in order to legitimise their products to the customers. Even though niche producers do not have the degree of automation that large mass producers have (their smaller sizes and production volumes do not make this possible), their production is still more dependent on automation than is that of premium producers. Otherwise, they would not be able to sell kitchens for prices lower than the premium segment is offering. They also describe a de-skilling process resulting from automation, which reduces their dependency on vocationally trained employees.

#### 4.4.2 Increasing Automation and New Vocational Training

The importance of automation for the kitchen furniture industry can also be shown using the example of two vocations. The industry and its representatives called for a reformation of the vocational training of the carpenter. It was said that the carpenter no longer serves the needs of the industrially produced kitchen. The increasing automation within the production processes created the demand for a new vocation that combines the artisan skills of the carpenter with the mechanical and digital skills of mechanics and programmers. The industry and the educational system responded by introducing the wood mechanic in the early 2000s, who was supposed to meet the demands of the furniture industry. Technological development and the reorganisation of the production processes towards lean production have driven the demand for the ‘digital’ skill of vocations and training even further:

*“[We have] vocationally trained people that take care of the assembling procedures. We also have highly qualified vocationally trained employees who operate IT and computer driven production lines. The company has many technicians: production technicians, wood technicians, mechatronics, machine engineers, who operate the complex machines” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 48-53).*

The technical digital components have become central for the production processes, especially within the mass production segment. The classic artisan vocation of the carpenter is disappearing due to automation:

*Q: “Is there still some artisan work left within your production process?”*

*A: “Generally no. Basically no. [...] There is no artisan work in our company anymore. It is just an industrial production. This is also psychological; if you take our jobs we train vocationally. Our primary vocationally trained job is not the carpenter, or the joiner, even though we are dealing with wood. Our primary vocationally trained jobs are the mechatronic and production technician. This means we need people who can operate complex production machines and production processes. They do not need to know a lot about the product” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 293-302).*

Mass producers have ‘psychologically’ parted with the artisan components of the product and embraced highly automated industrial production. The need for traditional carpenters, or even wood mechanics, decreases with increasing automation. People are increasingly being used as machine operators.

#### **4.4.3 Role of Labour Costs**

The German kitchen furniture industry, including EWL, produces 100% in Germany. There may be sub-contractors supplying the industry from foreign countries, but the actual production plants stand on German ground. When talking about German industrial production, the issue of employee costs and the price of labour is regularly discussed. Political and economic discussions often describe Germany as a high wage country that cannot compete with foreign low-wage countries. It is often said that only highly skilled employees have a chance in the labour market and that any other kind of work gets redistributed to foreign countries (e.g. Berthold and Berchem 2005; Lott 2010; Sinn 2005b; Streeck 2000). This does not seem to be the case for the kitchen furniture industry, but this does not mean that producers are not aware of these discussions:

*“I personally believe that we are producing in a high-wage production site. Producing in a high-wage production site means that you need to organise your production based on your costs so that you are able to compete with any other foreign production site in the world. This is not the case for extremely cheap products, and this also not the case for labour intensive products. Let me say, the main objective is without a doubt, to organise the production process in order to control production and labour costs. This is what we have done by using a lot of automation and IT controlled production processes” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 200-207).*

In this development, kitchen furniture stands out from other furniture producers. When other furniture segments, like upholstered and cabinet furniture, experienced significant losses and bankruptcies starting in the 1990s, the kitchen furniture industry prospered and literally exploded because the above-described drive towards more automation lowered the labour costs per produced item:



*“We have a labour cost average per item between 20 and 30% within the kitchen furniture industry. You have to take care of your processes. Processes have to work, but labour costs then move into the background. The outstanding characteristic of the kitchen is its complexity. It has many varieties, it is very complex. Labour costs are not the important factors” (Tim, Small and Sunny Kitchens, Niche Segment, lines 69-75).*

To state that labour costs are between 20% and 30% of production costs does not provide important information without a comparison. Upholstered furniture producers have to deal with labour costs of up to 80%, and ‘above average’ describes the labour costs of the industry. Mass producers, for instance, can even be up to 10% below the average:

*“We produce 9000 drawers a day. In the production plant next door another 4000. These are produced fully automated on a robot production line. Labour costs equal zero. Labour costs zero. A smaller [business] has to screw them together manually. This makes it significantly more expensive” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 823-827).*

The relative unimportance of labour costs becomes interesting considering that, in some cases, up to 70% of a business’ employees are without vocational training. This stands in contradiction to the view that low skilled work is not competitive in Germany.

The situation described relates only to assembled-kitchen producers. The situation for flat-pack kitchen producers is different. These businesses have a different dependence on labour costs:

*“We have to depend on non-vocationally trained employees for kitchen production because of labour costs” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 25-26).*

Flat-pack producers are more concerned about labour costs because of the non-assembled nature of their product. These producers are less dependent on complex logistics to assemble kitchens. This automatically means that businesses in the flat-pack market are less dependent on automation, which makes labour costs relevant again. Employees put the boards on the production line, which cuts everything;

people drill the holes and retrieve them from the boards. Employees also wrap the boards and load them onto trucks. More manual labour is involved in producing flat-pack kitchens than in producing the assembled ones. Flat-pack producers therefore stand in heavy competition with international low-wage production sites. Even though they do not rely on vocationally trained labour as much as other segments, they still depend on the quality of labour. As chapter five will demonstrate, product quality is the distinguishing attribute of German kitchens (especially for flat-pack producers), which makes the quality of labour invaluable.

#### 4.4.4 Transportation Costs

Mass furniture production has experienced massive pressure from international competition over the last 20 to 30 years. The kitchen furniture industry, and especially the mass production segment, has not felt the pressure until recently. This concerns the assembled kitchen. The big advantage German assembled kitchen producers have in the internal market is their production costs, which includes the costs of transportation:

*“The entire German kitchen furniture industry perfected the production of kitchens using building blocks, which makes the wage advantages of Polish production sites irrelevant. You have to put this in relation. Polish produced kitchens would be sold via retail stores, too.[...]A kitchen produced in Poland would have to be delivered by German drivers, because the Polish producer would deliver the product to a distribution centre of a retailer as a first step. This means low wages would be the only advantage of a Polish production site. This needs to be put into a larger context. This means we are talking about a relatively small percentage. This is contradicted by the fact that you have to deliver a cupboard, which consists of a lot of air, from Poland to here. The Polish driver may not be as expensive as a German, but the Polish truck uses as much fuel as the German.[...]But then—if you then consider the complexity of the product compared to Polish production, there is only a minimal cost advantage. This means that the German kitchen furniture industry, as opposed to the upholstered furniture industry, can expect to feel no pressure for the next 20 years, according to my assessment” (Gerd, *Everyday Kitchens, Assembled Mass Segment*, lines 746-767).*

Gerd addresses two very important characteristics. The issue of labour costs is less relevant for the industry not only because of the high degree of automation but also

because of the transportation cost of the assembled kitchens. Kitchens in this part of the industry are loaded as complete cupboards on trucks, which means that a relatively expensive product per cubic meter needs to be transported. The farther away the production site is, the more expensive the transportation becomes.

This is a very important distinguishing factor in comparison to flat-pack kitchens. Flat-pack production is always mass production. Mass production in the furniture business requires competition with low wage countries. Because trucks can be filled with many more boards of non-assembled kitchens than assembled ones, transportation costs are put into relation with wages. This provides different challenges for flat-pack products. These concentrate on high productivity, which means the production of as many items as possible within a set timeframe, as well as high quality:

*“In the flat pack business the customer is the first person to see whether the parts fit together or not” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 77-78).*

The production process for kitchens therefore provides different challenges, depending on whether they are assembled or a flat-pack product. Transportation costs and their relation to wages seem to define the degree of international competition. Because flat-pack producers are more manual labour intensive and less transport expensive, they face increased international competition from the import of foreign goods.

The nature of the product seems to define competition in the German kitchen furniture market. It limits the locally restricted distribution networks for assembled kitchen producers based on transportation costs. It also implies fewer distribution restrictions for flat-pack businesses. The reduced meaning of production costs increases the number of potential international competitors, however. This situation suggests that the number of network relations to competitors and customers is limited by the nature of the product. While flat packs can probably address more international customers and face more competition, it would become too expensive to export too far from the German market and target fewer customers for assembled

kitchen producers. The locality of markets indicates different issues for these two product categories.

#### **4.4.5 Fragmentation of the Production Chain**

The issues of production costs regarding wages and transportation showed that managers in the kitchen furniture industry in EWL are aware of them. Automation and the effective organisation of the production process helped reduce production costs. A key factor in this optimisation is the result of an increased tendency to split the production chain. This development of outsourcing is done differently among the segments. The premium segment still has a large production component within its own processes:

*“We don’t veneer ourselves, we don’t coat ourselves. This means we are buying ready-coated boards.[...] We hardly ever veneer ourselves, we do this is only for training purposes. We’re not able to produce the amounts to do this professionally. We start with the boards. We cut them in shape. We apply the corners and edges. Solid wood is a little different. Here, we build everything ourselves, but this is happening less often.[...] We buy everything that is not furniture related: sinks, valves and accessories, microwaves, ovens etc.[...]. On the other hand, cupboards, fronts, working tops etc. all this we build ourselves. In comparison to the rest of the industry, I estimate that we have about 90% of the production in our own hands” (Walter, Hightech Kitchens, Premium Segment, 9:13,8-10:36,1).*

This example shows that premium producers are often supplied only with raw materials, which are processed within production. Suppliers and sub-contractors deliver ‘furniture alien’ parts that cannot be produced with their own machines. As pointed out before, a premium kitchen producer sometimes gives the impression that the production hall may look like an ‘over sized’ carpentry shop. The businesses accordingly concentrate on processing wood. This is necessary from the managers’ perspectives because of the custom shop work demanded by customers. This therefore limits the outsourcing capabilities of premium kitchen producers.

This is the case only for a small part of the industry. Three major premium kitchen-producing brands exist in Germany. There may be one or two other companies that can be described as premium producers, but they are barely recognised by the

industry. The fragmentation of the production chain is much more developed in the other segments. The next example concerns a producer of flat-pack and assembled kitchens:

*A: "I have to explain that we are merely assembling and packaging the furniture. We almost have no machines, no production lines, with the result that we have no actual production here. Board-production, coating and veneering etc. All we do is to drill a board with a CNC machine or we have to shorten a door for special measurements and apply the according edge. These are the highly demanding tasks around here. We really are a packaging and assembling business."*

*Q: "Large parts of the production are outsourced?"*

*A: "Yes, but not only outsourced. We buy finished products" (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 141-153).*

This example shows how some businesses produce. This business has outsourced almost all parts of the production. All the administrative areas of the business, like accounting, production design, and the sales department, are still in its hands. The main body of the actual production, though, has been given to sub-contractors. These supply businesses with not only components but *finished* components. These items do not need any further work but can be directly used for the finished product. While the example of the premium producer shows that almost 90% of the production remains in the business, the situation for this producer is quite different:

*"Yes, our depth of production only concerns assembling the product. The final assembly of the single components. To put it in percentage is difficult to estimate. But it's my guess, it is about 20%" (Herbert, Flat and Ready Kitchenst, Flat Pack Mass Segment, lines 156-158).*

These two examples show that anything between 80% and 10% outsourcing is possible in the kitchen furniture industry, though, the businesses within the industry are enforcing policies to pursue outsourcing and reduce production costs. They are trying to concentrate on what they call 'core competencies':

*“We call this assembling. The assembling of components. This is also a high form of art. Nobody can beat us at that. But if we get into the context of creating and designing surfaces, this is an area where we are no great experts. This is a situation which relates to the entire industry” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 790-794).*

This quotation shows the attitude of the mass producers. The production of kitchens is reduced to assembling parts delivered by sub-contractors. Working with the material and creating something with it, as is done in carpentry shops, has given way to a puzzle game. The correctly fitted parts are being put together in order to provide a new picture. To fragment the production chain and use sub-contractors, who produce already finished products that need only to be assembled, allows kitchen producers to concentrate on the core competence of assembling:

*“This may insult the production team, but our core competence is the separation and rejoining of plywood-boards. And to adjust their edges. How you join these has to do with handling components.[...] The highest priority is not have too many components” (Ralf, Everyday Kitchens, Assembled Mass Segment, 17:26,6-17:41,1).*

Ralf thus defines the strategy of mass producers. While the premium segment focuses on emphasising the individuality of the product, in other words making ‘everything possible’, mass producers work with standardisation of components. Producers in the segment are concerned about meeting price expectations. The product emphasis is therefore not as important as the handling of these parts. In order to produce cost efficiently, these businesses need to mass produce items. The strategy behind it is therefore to think about the production process in terms of what is possible with the available items:

*“If you only focus on the product, your component management becomes so small, the item would be used too rarely, you will not be able to remain the price leader. Accordingly, when we have a new product, we constantly think about how to manage it within the boundaries of the available components. This does not mean that there is no further development. But the walls are not made of rubber” (Ralf, Everyday kitchens, Assembled Mass Segment, 17:41,1-18:05,7).*

Mass producers usually do not integrate every new available technology as soon as it appears on the market. This sets them apart from premium producers, who are dependent on the constant drive for innovation. They implement innovations as fast as possible in the production process in order to stay ahead of the market and legitimate their status as premium producers. This is possible because a large part of the production chain remains in their own hands and is less automated. This allows more flexibility within the production process. Mass producers, on the other hand, think the other way around: instead of rearranging production processes according to an innovative new product, they first check whether production is possible with the available standardised components for mass production. They are not as flexible as the premium producers are:

*“It is the flexibility within the production process. We are very strong but we are equally inflexible.[...] For instance, we are not able to install a lamp into a cupboard.[...] We are not able to integrate this within the production. It is a quite simple procedure. You only need to be able to drill holes. But simply spoken, we don’t do that. This is something we have to live with. This is something we would like to be able to do. But it is not necessary for survival” (Ralf, Everyday kitchens, Assembled Mass Segment, 42:56,4-43:33,8).*

Mass producers survive because of their strict control over their processes. Kitchen producers focus on what is possible within their own production capabilities. The underlying rule all businesses follow can be put this way:

*“Why should I buy a machine that costs 150,000 €, when you only need it for three pieces a day” (Ulli, Flat and Ready Kitchens, Flat Pack Mass Segment, 4:52,3-4:55,5)?*

Kitchen furniture producers cannot produce all items by themselves, at least not profitably. In order to remain producers of goods with a broad variety, businesses within the industry rely on sub-contractors. The industry therefore developed strong ties to their supplier network, which significantly contributes to production processes and the success of the industry.

Premium producers are not exempt from this situation. They also use finished products within their production:

*“We don’t cut the wood around here. We do not have a separate production line that trims plywood.[...] We are not only assembling, to make that clear. We work with plywood and cut it and adjust it according to the customer needs. But we do not have a separate machine room like business X. who separates and rejoins the plywood with huge saws. We don’t have that. We get the plywood and then our work starts” (Karsten, Luxurious Kitchens, Premium Segment, lines 518-526).*

Niche producers are hybrid versions of the parts of the premium and mass producers. They have significantly fewer numbers of serial produced items. The result is that they, too, try to use sub-contractors as much as possible in order to reduce their production costs. The typical things outsourced include working tops, working with raw material like uncut wood, veneering, coating, varnishing and high-gloss varnishing, and distribution.

The companies produce components that can be produced in a cost-efficient way. Separating and rejoining plywood boards limits the capabilities of their own production processes. This, of course, depends on the business and segment affiliation. Components that are not produced in sufficient quantities are then outsourced. The continuous automation and concentration on core competence has resulted in the dependency of the kitchen furniture industry on its sub-contractors.

#### **4.5 Conclusions for the Meaning of Embeddedness**

This chapter has demonstrated how managers depict the organisation production processes in the EWL kitchen furniture industry. It has provided an overview of how they describe their products in comparison to other furniture and has portrayed the generalisations and the particularities of the organisation of the production processes. Automation, product complexity, relatively low labour costs, a high degree of production chain fragmentation, and high transportation costs are the outstanding characteristics of assembled kitchen production from the perspectives of managers. On the other hand, they identified less complexity, a lower degree of automation, and more international competition as the attributes of flat-pack production.

The managers’ descriptions provide several indicators for embeddedness in the context of the literature review introduced in chapter two. The first observation



concerns the structure of the market and the producers' positions in it. The managerial perspectives display a very similar account to Bourdieu's analysis of the house production market in France (Bourdieu 2012). Here, large mass producers with large automated productions as well as smaller firms with less automation structure the market. In his analysis, different segments emphasised different forms of capital in order to be successful in their market positions. A similar situation seems to be the case for kitchen furniture producers in EWL. It appears that different forms of capital are unevenly distributed among the businesses in EWL, which leads them to specific forms of production just like Bourdieu observed in his research. It can be argued that assembled mass producers are the dominators of the market and own most of the economic capital, which provides them with the means to buy, for instance, technological capital (machines) and embodied cultural capital (machine operators), and manage to control the price formation on the market. While Bourdieu argues the importance of cultural capital, economic capital seems to be the driving force behind the structure of the market. The other segments seem to coordinate their production processes in comparison to the hegemony of economic capital assembled mass producers own and put to use. Following Bourdieu's argument, it seems farfetched to focus on the ownership of economic capital and its meaning for the market structure. While assembled mass producers dominate a large part of the market because of their economic capital, they are displaying less dominance and minimal influence in other segments of the industry. For instance, premium producers seemingly concentrate on the acquisition of cultural embodied capital in form of highly skilled artisan workers in order to produce products with high symbolic meaning (status symbols) for a group of customers who value the symbolic meaning of product more than its price. In how far managers of the different segments rely on different forms of capital will be further analysed in chapter five. Chapter four also provides indicators for other researchers' views on market structures and segment creation. Chapter two introduced the concept of niche creation within market structures resulting from businesses' market observations, by analysing size, turnover and measurable market share (White 1981). It also addressed the creation of market niches due to mechanisms of competition, which results in a diversity of structures and strategies as well as similarities in business behaviour with

no particular emphasis on forms of capital (Beckert 2010; Fligstein 1996). According to these perspectives, the kitchen furniture industry in EWL demonstrates a clear structure with three discrete segments and two product categories. These are indicators of the effect of the diversity of competition on market structures, where businesses identify competitors and develop niches in order to ensure survival. Market segmentation seems to have significant effects on business behaviour in those niches. It can be theorised that businesses identify market competitors and define the competition and then develop strategies according to their ownership of various forms of capital.

However, membership in a specific segment and the production of either assembled or flat-pack products seem to condition access to different parts of the network's structure. Such things as segmental membership, transportation costs, distribution strategies, and product category predetermine access to customer groups, retailers, and, at the same time, prevent them from accessing other parts of the network. This part of the distribution network indicates a well-defined structural framework for the business actions of kitchen producers in EWL. Market segmentation seems to have created 'submarkets' for goods that are seemingly not shared by other segments. For instance, the findings suggest that mass producers do not sell their goods in the same retail stores that premium producers use, nor do assembled flat-pack producers have the same customer target group as niche producers have. Each strategy seemingly excludes the other.

While competition seems to be a cause of segment creation and diverse strategies, it can also be observed that competition can also cause similarities in structure and strategies. Each segment displays features shared by all its businesses. Assembled mass producers are large, highly automated businesses (high investments in technological capital) that tend to employ many non-vocationally trained employees (low investment in embodied cultural capital). Premium producers, on the other hand, are smaller, less automated, use extensive custom shop work, and have an employment structure that depends on vocational artisan employees (lower investments in technological capital and high investments in embodied cultural capital and institutionalised cultural capital). Niche producers are even smaller and more automated than premium producers and display an employment structure

similar to that of the mass producers of assembled kitchens. Flat-pack mass producers show distinct features that set them apart from assembled kitchen producers. The nature of their products seems to have created a parallel market with its own distinct structures and challenges (low investments in technology and cultural capital). These businesses are especially characterised by significantly less complex production processes and less automation. They are also facing more international competition than assembled kitchen producers due to the importance of transportation costs.

These observations provide the basis to assume that the market is well institutionalised and stable (cf Fligstein 2001). The assembled kitchen market seems to be more stable due to the well-defined roles of the competitors. The Flat-pack market seems to be less stable, due to constant and new international competition. The managers identify their own role and positions within the field as quite rigid. The applied strategies regarding employment, selling, and production processes indicate that the businesses do not seek direct confrontation with the businesses they share a market with. Though, this will become clearer in chapter 5 when analysing managerial cognitive frameworks according to segment membership. But the stability of market relations can be already shown in the relationship with sub-contractors. The analysis of the production chain provided information about distinct segmental differences of how businesses organise their production chains. Each segment seems to be differently dependant on sub-contractors and appliance suppliers. This is the result of the differing product strategies. Assembled mass producers concentrate on the assembly of sub-contractor-produced items, while premium producers still depend on many of their own production processes to fulfil the custom shop expectations that guarantee product individuality. The relationships between segments and the sub-contractor industry seem to be different. This indicates that each segment follows different logics in their productions. Thornton and Ocasio (2008) explained that businesses and markets develop strategies that draw on organisational routines, beliefs, and experience. The degree of outsourcing and use of technology seems to be a sign for this. Businesses probably experienced success in this regard in the past and may be reluctant to change this behaviour,

which has been institutionalised over time reinforcing each businesses role on the market.

An indicator for this seems to be the role of automation for the development of production processes in the kitchen furniture industry in EWL. Munir (2005) demonstrated that new technologies can be significant for the development of markets, and that this can contradict institutional logics businesses developed. While assembled mass and niche producers embraced the use of automation to enhance their productions, premium and flat-pack producers resist this development. The reasons for this will be further explained in chapter five. At this point, it seems appropriate to state that there seem to be different institutionalised logics embedded in the production processes collectively shared in each of the markets segments.

The kitchen furniture industry also represents itself as having a special relationship with consumers. The literature review addressed the fact that customers need to be convinced to buy products and that consumption creates meaning and status for them (Bourdieu 1985; Zelizer 2005; Zelizer 1989). Kitchens are represented as products that satisfy basic consumer needs, and producers seek to distinguish themselves from producers of other goods such as mobile music devices. The fact that producers define kitchens as part of the 'hardware' of a house suggests that kitchens have been positioned as having significant meaning for consumers. This seems to be culturally grounded. Kitchens may not have the same meaning for other societies in other parts of the world, where they may not be judged as 'hardware' or status symbols. This could significantly influence the business strategies of kitchen producers in other cultural contexts. Perhaps German kitchen producers are so successful in the market because German consumers express demands that promote economic development within the industry. It is also possible that the industry has shaped the idea of the kitchen and its meaning for households. It might be interesting to compare managerial perspectives in an international context in order to discover how culturally motivated consumerism influences local production markets. In any case, kitchens seem to be a highly regarded cultural good with significant symbolic meaning for customers.

The segmental structure also provides insight into the cluster, which may question existing conclusions about it. Voelzkow et al. (Rafiqui, et al. 2009; Voelzkow, et al.

2009) conducted research on the EWL furniture cluster and superficially distinguished between the kitchen furniture industry and other furniture industries. Their findings demonstrate that the furniture cluster primarily tends to employ vocationally trained workers. They also mention that the businesses are primarily SMEs. Observing the kitchen furniture industry in particular within the furniture industry in general seemingly demonstrates a different situation (as it relates to the kitchen producers, at least). The mass producers employ the bulk of the workers in the industry, niche producers follow a similar strategy, and only premium producers depend on vocationally trained employees. This suggests that a large part of the industry (on the production, not the supplier side) depends on non-vocationally trained employees. These observations are important, as an analysis of industrial clusters seemingly needs to be structurally differentiated into different product groups as well as segmentations. The results of this chapter suggest that there may be structural and behavioural diversities within such clusters that become visible only by closely examining its parts. It seems that generalisations of cluster structures need to be carefully reconsidered.

These observations of the production processes within the market segments also seem to have different indicators for locality's meaning for the market structure. At this point in the analysis, it can be assumed that there is a significant difference in the meaning of locality between the two categories of kitchen furniture. Assembled kitchen producers seem to be protected from international competition by the local proximity of their distribution network, which is associated with transportation costs. It can be argued that this limits their distribution network to a restricted territory because they would face the same cost effect. This apparently does not limit flat-pack producers, who face competition from international producers of flat-pack products that are not hindered by transportation costs.

## **5 Cognitive Frameworks: Managers' Accounts of the Kitchen Furniture Industry and Their Place in It**

While chapter four introduced the structural characteristics of the kitchen furniture industry in EWL and how these influence business strategies and behaviour, this chapter deals with the cognitive frameworks managers display in each industrial segment and in relation to the industry's structure. As the literature review mentioned, this thesis recognises structural, cognitive, cultural, and institutional (political) influences on business behaviour equally (Beckert 2009a; Fligstein and Dauter 2007). This analysis therefore assumes that cognitive frameworks are significantly shaped by the structures businesses are embedded in. At the same time, cognitions are believed to shape industrial structures, suggesting a dynamic relationship between structure and cognition. This is demonstrated in the following chapter.

The first section introduces managerial accounts of the segmentation of the industry. The literature review introduced the approach of Harrison White (1981), who explains the formation of market niches through their structural embeddedness. The perspective in this section suggests that this process is reproduced and enforced by the cognitive frameworks producing niche creation. In this sense, market niches display distinguishing cognitive frameworks, which influence business behaviour and are arguably connected with market structures. The first sections also shows that each segment uses different forms of capital in order to defend and define its position in the field (Bourdieu 2012).

The second part of the chapter deals with the apparently opposite effect of cognitive frameworks. While segmental differences can be found in the way managers relate to themselves and their market environments, they also display a shared cognitive frame of reference. Managers seem to share a cross-segmental perspective, which can be described as a 'small and middle-sized enterprise' way of thinking: the 'SME way'.

The chapter demonstrates that these different structures could be the source for diverse cognitive embeddedness, which causes diversity in markets and contributes to the social construction of segments. The shared 'SME way' could also be the

source of the cross-segmental convergence of business behaviour. Diversity and convergence can therefore exist simultaneously, which seems not to be contradictory. The chapter ends with a discussion of the findings and what they mean for the theme of embeddedness.

White's analysis concentrates on the observation of volume, price, and relative quality of products; this chapter shows that managers' self-perceptions and the processes of market segmentation could have more facets. Since Mark Granovetter (1985) addressed the issue of embeddedness of markets and economics in social relations, sociologists have debated with each other and with economic theorists about whether there is more to economic action than rational choices based on complete market information. Sociologists have repeatedly argued that businesses do not observe only price, volume, and quality and that trust, power, governance, and interaction with competitors and other parts of the environment create the cognitive cultural grounds for market creation, segmentation, and economic action. Markets are social constructs governed and created by social ties and rules. Firms observe, create, and interact with their environment and adapt strategies and organisational structures accordingly (Apitzsch and Piotti 2012; Davis 2005; Misangyi, et al. 2008; Thornton and Ocasio 2008).

Neil Fligstein and Luke Dauter (2007) have provided a comprehensive review of the similarities and differences between the dominant methods and theories used in economic sociology, emphasising different aspects of social structure: networks, institutions, and performativity. Following Fligstein's and Dauter's lead and therefore acknowledging the differences and similarities in the contemporary sociology of markets, this chapter does not serve as a repetition of research undertaken nor repeats what has been said before about the formation of markets. The purpose is instead to exemplify the distinctive characteristics of the research sample and the industrial segments. The distinguishing characteristics of the segments are accordingly not understood as unique to one sociological research tradition but as observations that contribute to a general constructivist understanding of markets. Managers in the EWL kitchen furniture industry use different characteristics to differentiate among market segments. For instance, the premium segment uses luxury goods outside the

kitchen furniture industry as its self-defining benchmark, while the mass-production segment uses price as the key criterion in its self-definition.

## **5.1 Social Construction of Market Segments**

This section of the chapter demonstrates how managers seem to construct market segments. It explains how they observe attributes like turnover, sizes, price, and production volume, but these seem not to be the only defining criteria for the definition of market structure. The data suggest a more complex process. Managers developed distinct perspectives on their own businesses through market observation, leading to different attributions within the segments and use of forms of capital. Managers use distinct categories when describing their own businesses and market segments. The section starts by describing these attributions found for the premium segment, then moves on to introduce both mass production segments, and then concludes with a portrait of the niche segment.

### **5.1.1 Characteristics Attributed to the Premium Segment**

This sub-heading deals with the managerial perspective on the distinct attributes that set the premium segment apart from the rest of the industry. It first describes its function for the industry. The premium segment businesses are often viewed as ambassadors for the industry, spreading a positive image of the German kitchen furniture industry. Premium kitchen producers view themselves as creators of lifestyles and define themselves through the aspiration to sell more than ‘just’ a kitchen. They sell emotion, style, and exclusivity. Premium producers define themselves as competing with other luxury products like cars and jewellery, defining themselves as members of an exclusive market. Because these businesses seek to sell their goods on these elitist markets, they are forced to concentrate on international markets.

#### **5.1.1.1 Ambassador for the Industry**

The segment is characterised by expectations of other segments, competitors, and customers. The foremost label premium producers are given is that of the ‘flag ship’ or ‘ambassador’ for the entire industry:



*“If I were Mr. X, I would collect a cut from the whole industry because he is the one who leads it to success. If a lifestyle magazine runs a special edition about kitchens, all the premium producers are represented. When ‘Mrs. Jones’ looks at this edition while waiting at the hairdresser or dentist, she thinks: how nice! I want to have such a pretty kitchen. But I cannot effort 50,000 €. Maybe I can only pay 5,000 €, which means I have to go to business X [the interviewed manager’s business]. This is real life” (Gerd, Every Day Kitchens, Assembled Mass Segment, lines 863-870).*

This quotation concerns the general impression of how important the premium segment is perceived by the industry in general. This citation is from a large mass producer, one of the ‘big five’. Other segments view the constant drive for innovation and new design ideas as an inspiration. The premium segment therefore is not defined only by the price of a kitchen but by the ‘function’ it has for the industry. Thus, ‘Mrs. Jones’ is the ‘real life customer’ for the kitchen furniture industry. Apart from marketing their goods for their exclusive customer group, premium producers are also seen as a ‘booster’ for the industry. The function is therefore defined by the constant drive for innovation in technology and design. This indicates two things. First, price is primarily seen as a signal for customers. Price is also a signal for other segments as a self-defining limit for the cost of their own products. Price is indeed the discriminating factor that defines affordability. On the other hand, innovation by segment firms inspires other parts of the industry with design ideas and new technologies that are then developed for the broader customer base. Even though product volume, size, and the turnover of the premium segment are relatively small (in the context of the whole industry), the image of premium producers outweighs this. This image is defined by its exclusiveness and innovation, which is seen as invaluable for other managers from different segments. Of course, this view is highly subjective, but represents the strength of the premium segment. Premium producers seem to own a fair amount of symbolic capital, which is recognised and attributed by market competitors.

### 5.1.1.2 Producers of Lifestyle

This impression is important for the self-definition of premium producers. Quality is no longer seen as a defining benchmark; for them, it is a given. Premium producers distinguish themselves from others using different characteristics:

*“We see us as an international premium—as a luxury brand. We have a clearly defined design standard. We are innovative, extraordinary and cannot be copied. Quality is standard. This is no criteria to distinguish oneself from competitors, but it is an elementary principle to produce extraordinary quality” (Karsten, Luxurious Kitchens, Premium Segment, lines 194-195).*

Karsten’s definition of the company is representative of other premium producers. The choice of superlative words such as ‘extraordinary’ and the self-perception of being a ‘luxury’ brand show the self-confidence of premium kitchen producers. Stressing the need to be ‘innovative’ and stating that competitors cannot ‘copy’ their products show that these producers claim to be unique. These words also show how premium producers distinguish themselves from the rest of the market by using ‘design’ and ‘innovation’ rather than the delivery of high quality. Quality is seen to be a precondition and nothing out of the ‘ordinary’ that would qualify a business to be part of the premium segment. Quality is therefore not a prominent defining signal for other competitors and customers.

Quality is no longer very important as a means of comparison or an outstanding attribute because of the technological advances of the last 20 years. Managers throughout the segments acknowledge that the quality standard has developed to a stage where the customer is no longer able to distinguish among products across the segments. This leads sellers (especially the premium segment) to require other distinguishing features in order to elevate their status and, more importantly, to re-establish their legitimacy relative to other market segments. Quality is not enough. Quality has now to be ‘extra ordinary’:

*“There are [quality] differences of course. The problem is that they are not reaching the customers’ awareness. The question is, ‘what is important for the customer?’ You can park a Smart [the car] on our cupboards. The cupboards do not collapse. But this is of no concern for the customer because he does not park his car in the kitchen. This is*

*something you cannot do with cupboards from the mass segment. This means there is still a quality difference but this is not necessarily relevant from the customer perspective.[...] You have to be innovative today. That is a fact” (Dirk, Hightech Kitchens, Premium Segment, 24:35,3-25:46,7).*

The premium segment developed a different strategy to define itself in the kitchen market today. The sociology of markets and consumption has established that there is a moral or emotional relationship between customer and producer. The consumer needs to be convinced that a product is worth buying and is attributed with meaning and purpose that exceed its practical use (Zelizer 2005; 1989). Products become symbols for ‘more’. According to this marketing view, premium producers do not only sell kitchens. They have turned the product, which fulfils basic household purposes, into something different. This development occurs because the distinguishing features of the segments have become invisible to customers. They are of ‘no concern for the customer’. The customer is not ‘aware’ of them.

Premium producers needed to find new distinct features to legitimate the exclusive status of their segment (and their prices, of course). These producers now view themselves as creators of ‘lifestyle’:

*“You don’t buy the standard kitchen from us that consists of five lower cupboards, three high hanging cabinets or what not. You buy a lifestyle concept from us. The challenge is that it is an individual room for living. The customer says: yes! I want to have this or that” (Karsten, Luxurious Kitchens, Premium Segment, lines 531-535).*

This new distinction results in a new meaning for the product itself. It exceeds the common purposes of the kitchen. Simply providing a stove for cooking and a tap for water has been replaced by the concept of ‘lifestyle’. Premium producers almost see themselves as providers of ‘art’; they do not produce mere tools for the household but something ‘aesthetical’. This aesthetic identification with a product seen as more than just a kitchen creates a customer relationship that differs from that of other segments. Premium producers have a well-defined picture of their customer group. For them, price and quality are not the defining signals of a premium producer:

*“Our target group definitely defines itself by having considerable financial resources. Although this is not the most fitting definition*

*anymore. Our customers are established customers of luxury goods. This is not new money that has enough resources to buy a new fancy car. These are customers that surround themselves, also in private, with beautiful things. These are people that can afford them. We see ourselves as a provider of high-quality German furniture, that is the best that is available on the market” (Olli, Luxurious Kitchens, Premium Segment, lines 109-117).*

### **5.1.1.3 Competitors in a Market for Luxury Goods**

Olli makes the point that money is not only the defining factor in describing the average customer. Premium-segment customers are anything but ‘average’. There is a relation between how their own product is perceived and how this conception is projected onto the customer. The kitchens are regarded not merely as places to support housework but as aesthetic elements that enrich the customer’s life; the expression ‘beautiful things’ hints at this. Customers are also regular consumers of ‘luxury goods’, which elevates and transforms the self-perception of a rather expensive kitchen-producer into a producer of luxury goods. Customers are ‘established’. They are understood to be knowledgeable about luxury goods. This means that the decision to buy a premium kitchen is ruled by the fact that the customer knows the brand, its design claim, and its use as a lifestyle product. Premium kitchen businesses have exchanged the producer and the customer awareness of quality for the awareness of lifestyle.

The ability to integrate kitchens into the lifestyle of their customers is taken very seriously by the businesses. For instance, in a random encounter at a furniture exhibition, the CEO of a premium brand explained a customer wish that the company had fulfilled. The customer was so fond of his car that he presented the company with the challenge of integrating the car into the kitchen design.<sup>47</sup> The result was that, when the customer would come home with his car, he would drive on a platform in his garage that would elevate him through its roof and place the car directly into the centre of the kitchen. Car and kitchen formed a design symbiosis in order to fulfil an emotional purpose that differed from the practical use of both products. Kitchen and car created something new, something more than just two, seemingly unrelated, products placed in one room.

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<sup>47</sup> This anecdote has no relation to the example of the Smart on the cupboard.

This anecdote is a good example of how businesses in the premium segment relate to competitors whom they see as sharing their market segment. Their transformation into producers of luxury goods has a significant impact on self-presentation and serves as a self-defining reference point for businesses within the premium segments:

*“We understand ourselves as a premium producer. We see ourselves in competition with companies like X, Y and Z. We are therefore concentrated on an absolute niche. This is about 6% of the population. Therefore we deliberately seek presence on international markets. The German market is just not enough” (Olli, Luxurious Kitchens, Premium Segment, lines 118-123).*

The ‘companies like X, Y and Z’ are not kitchen producers but businesses that sell goods such as cars, watches, and other very expensive luxury goods. Companies that belong to the premium kitchen segment do not define themselves using other kitchen producers as benchmarks. They see their competition in other companies that court a similar exclusive customer group. This distinguishes the premium segment from other segments. These producers do not look ‘down’ the ‘price chain’ but keep their view levelled with other producers of luxury goods. This has important implications for understanding markets within economic sociology. Observing competitors that produce the same or similar goods creates market segments (White 1981). A new market is usually created when a product changes into a new good that is sufficiently different from the former comparison group, therefore creating a new market. Though it is difficult to prove with the data at hand, it can be assumed that market segments have been initially formed by the observation of size differences, market share, and other variables used by firms. This may have been similar to the observations made by Theresa Lant and Joel Baum about the hotel industry in Manhattan (1995). Businesses have been observing competitors in the same product market. What the kitchen furniture industry is experiencing is something different. The brands in the premium segment are redefining themselves. For instance, by using world renowned designers famous for designing luxury goods in different non-related industries or labelling oneself a luxury rather than a premium brand, firms are trying to identify and connect with brands outside their product markets. Suddenly, premium producers see themselves in competition with products like watches, cars,

and jewellery. This situation is underlined by the fact that the three prominent premium kitchen producers in Germany made it into the top ten German luxury goods ranking in 2009. The companies advertised this fact, showing customers and other kitchen producers that they relate to this exclusive circle of producers. This luxury brand market is defined by the premium kitchen producers as *their* market.

#### **5.1.1.4 Export Dependency**

Defining their business this way makes them dependent on export. As Olli points out, 6% of the population is targeted as their customer group. White's analysis states that businesses signal each other and the customer by using price, production volume, and quality in order to situate themselves in a specific niche. This is certainly the case on the surface for kitchen producers in the premium segment. Premium kitchens start at a retail price of about 15.000 €, and there is no limit to what a kitchen can cost. Using the price definition, premium kitchens are exclusive to a small customer group and have a market share of about 4% in Germany, which is similar to Olli's definition of the target group. Competing with other businesses that produce expensive luxury goods, the premium segment is forced to participate in a globalised market:

*“Our products have advanced to be status symbols in countries like China. This is not only about our reputation to produce very good cupboards. This surely is one aspect. But the symbolic meaning of our brand is more important. One shows that one belongs to a circle with acquired taste. This circle is knowledgeable and also appreciates what they buy” (Olli, Luxurious Kitchens, Premium Segment, lines 134-139).*

Thus, the premium segment is defined by its reputation as a 'status symbol' within a defined customer group. This status lessens the importance of other signals and references that are important for the creation of market segments. Price, prestige, innovation, design, and all the other factors mentioned above produce the signalling effect of the premium segment: its use as a status symbol for its customers. The concentration of a customer group that fits this description forces firms to export between 70% and 80% of their goods.

### **5.1.1.5 Reviewing Premium Producers' Characteristics**

The above quotes let one assume that these developed strategies are the logical and rational choices made by managers in the premium segment. However, these choices become less rational and 'free' when considering the market position premium producers occupy.

It has to be realised that about 70% of the German kitchen market is occupied by five businesses; the big five mass producers. This needs to be put into perspective by applying this to the field of forces as introduced by Bourdieu (2012). Market structures are created by the uneven distribution of economic, social, cultural, and symbolic capital. As pointed out in chapter four, the market power—embodied by economic capital—of assembled mass producers resembles the central force on the market other segments seem to coordinate their business strategies with. They control the prices and define what is affordable. Mass producers invest in automation and use their social capital to promote technological advancements in production processes, which steadily improve product quality as admitted by managers of premium producers. Arguably, quality used to be an outstanding attribute for them. As the above managerial perspective demonstrates, this is no longer the case. Instead, managers flee into rhetoric about 'extraordinary' quality. The characteristics of the premium segment display the most significant advantage the producers have: ownership of a high amount of symbolic capital, which has been collected over the past decades. Though they have a market advantage, the premium segment seems to feel the pressure of the field because it loses outstanding characteristics. The managers explicitly admit this by pointing out that customers—laymen—cannot distinguish qualities between the segments anymore, due to technological advancements. If there is increasing pressure, which seems to be apparent considering the increase of automation and reorganisation of production processes, what are businesses doing to counteract the pressure?

At this point, it seems hard to identify what other advantages premium producers have on the market. The above situation rather seems to be the result of failing institutional logics than rational choice. Similar to what Munir (2005) described for Kodak in the photographic field, premium producers appear to make a similar mistake. They identify their traditional strengths: brand reputation, quality, and

innovation, but do not recognise the change to the field brought by mass producers through new production processes. Instead of adapting to the pressure, businesses seem to hold on to their traditions; even though it means loosing outstanding characteristics like ‘quality’. Instead of reconsidering their options, the managers quoted above are continuing their strategies, which are influenced by past success and do not look for new aspects. They are caught in old institutionalised logics and roles that prohibit new strategies. This seems to be evidence how logics and organisational culture dominate production processes despite of change in the economic field. Time will show whether symbolic capital (brand reputation) is enough for these businesses. It was not for Kodak.

### **5.1.2 Characteristics Attributed to the Mass Production Segment**

Mass producers see themselves as different from the premium segment. Managers describe their own position by comparison with the premium segment, defined by an observing and copying role, in order to provide innovation to a broader customer group. The formal definition of the mass producers of assembled kitchens is arithmetic: affordability and high-volume production are central definitions for these companies. The last attribute associated with this segment is their unconditional acceptance as dominators of the market, against whom it is impossible to compete.

#### **5.1.2.1 Assimilators of Innovations**

While the premium segment appears to be driven by the need for innovation, mass producers describe their position as to observe and copy designs and technologies and implement them in products suitable for the middle price segment:

*“You are [as a mass producer] not unconditionally forced to create and follow every trend. You have to follow as second in line. Though the lag must not get too big. You follow at a safe distance. We always plan for the long run.[...]You must not be hectic. On the contrary, indeed! The retailer does not know yet whether something has already become a trend. But when he sees that we produce it, then he knows it is a trend. It is something for the long run. But you must not be, by any means, the one who turns the world upside down[...].” (Ralf, Everyday Kitchens, Assembled Mass Segment, 44:16,1-45:19,4).*



Mass producers see themselves in a patient role. While premium producers are forced to be ‘hectic’, a different way to describe the constant need for innovative technologies and design, mass producers see themselves as being under less pressure. They have the luxury to wait and see whether the innovations settle within the market and whether their own consumer group evinces a demand for these new products. Even though the premium segment introduces new designs and technologies, the mass producer labels himself the trendsetter. A trend is therefore not an innovation introduced by another segment but by large-scale series production. A trend is established when it is affordable to a broad customer audience. The ambiguity of having a ‘second in line’ perspective and still claiming to be the trendsetter for the industry typically describes the powerful mass-producer attitude. These businesses can afford this way of thinking and strategy because they dominate the kitchen furniture market. While the flat-pack kitchen producers rule the cheap price segment, the assembled kitchen mass producers are in control of the middle price range. The big five assembled kitchen mass producers have a market share of about 70% in Germany.

#### **5.1.2.2 Low Prices and Large Production Volumes**

This market power produces a social construction for this segment in terms of defining elements that are different from those of the premium segment. The mass producers are the best fit for White’s theory of signalling. Mass producers use price and production volume as the defining characteristics of their segment:

*“About one million kitchens are sold in Germany each year. The average price in retail stores—excluding IKEA—is 5,553 €. This is the pure mathematical average price of a kitchen. This is therefore, purely mathematical, also the definition of the middle. But if you stretch the term middle according to the market, then you could say that kitchens with the price range between 3,000 until 8,000, 9,000 € are the middle. This is exactly the middle. This is what we focus on” (Gerd, *Everyday Kitchens, Assembled Mass Segment*, lines 124-133).*

Being a mass producer is the result of a mathematical calculation. These businesses know in which price range the most kitchens can be sold; this is between 3.000 and

9.000 €. Mass producers also define themselves according to their relevance to each other. This specifically excludes IKEA, which has a market share of about 5% in Germany. This is an interesting observation. IKEA is the world's largest furniture producer; the company has significant market share, especially in Scandinavia. It is the declared goal of the Swedish company to gain a larger share of the German market. This should be seen as a threat of increased competition, but this is not the case. The German kitchen producers disregard IKEA's efforts and do not view IKEA as competition (cf. Dierig 2011; Windmüller 2010) for the following reasons.

### 5.1.2.3 Use of Quality as Benchmark

The producers are so confident of their position that even the flat-pack kitchen producers do not see a threat from the Swedish business, even though it produces flat-pack products:

*“For instance, IKEA delivers, let me call it a modular kitchen, no fitted kitchen. It is basically a jumble of cupboards and storage racks. It is a different product. The number of imported kitchens in Germany is practically zero. I'm talking about assembled kitchens. There are few Italians. The German market sells one million kitchens a year. The Italians do not sell 5,000 kitchens each year in Germany. I do not know any Polish or any East European producer that sells any kitchens in Germany. I am talking about the assembled kitchen. There are a few people who deliver a package full of boards, covered in cardboard, which can be assembled into a kitchen, with the help of others of course. This is stuff you can buy at IKEA or do it yourself stores” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 730-742).*

Assembled kitchen mass producers disregard IKEA and flat-pack kitchens. They offer no competitors from their perspective. The underlying basis for this assessment is the comparison, the signalling, of quality. Mass producers see themselves in such a strong position (and the import rate supports this view) that there is virtually no foreign competition for them in the German market. German-produced kitchens are symbolic of superior quality according to this view. Apart from quality, the 'assembled' nature of the product is a discriminating factor as well. The distinguishing attributes for the social construction of this segment are production

volume, the assembled kitchen, quality, and the middle price range. The firms observe the competitors in their own segment as well as the premium producers.

The flat-pack segment displays a similar perspective:

*“We cannot really compare ourselves to IKEA. We need to compare ourselves with others like X, Y and Z. Today, we have to compare and compete with assembled kitchen producers in Germany and Europe. This is because the production costs are not necessarily higher than ours.[...] Let me put it is this way. I may not be a sales representative. But I think that I have a different view on kitchen furniture than somebody who lives in Berlin in a high-rise slab.[...] We have the same fronts and subcontractors than X and Y have [...]. There are still minor [optical] differences. But these are things the customers do not see in the end. The consumer does not see this because he does not look for it. Only a tradesman sees these things” (Detlef, Flat and Chique Kitchens, Flat Pack Mass Segment, 5:35,3-7:55,0).*

Flat-pack kitchens are labelled as cheap and of lower quality than the more expensive assembled products. While flat-packs are still cheaper than the rest of the market, they have started to change their reference groups; ‘X, Y and Z’ are three of the ‘big five’ of the mass production segment. The same effect that changed the self-perception in the premium segment influences the self-perception of flat-pack kitchen producers. The increasing quality of kitchens regardless of their segment encourages the flat-pack kitchen firms to change their view of their competitors. Flat-packs have gained a quality standard comparable to that of assembled kitchens by using the same sub-contractors and technological inventions. Even though the classic customer group (the ‘Berlin high-rise slab’ tenant) has little money to afford a kitchen, the businesses do not shy away from competition with other producers. They have found their own market of cheaply produced kitchens. IKEA is also not seen as a competitor, which is surprising because the business sells what is basically a flat-pack product. It seems that the neglect of this firm is related to the quality standard sought in competitors. The universal perspective of flat-pack and assembled kitchen producers about the seemingly lower quality standards delivered by IKEA results in a disqualification as a competitor. Price and quality also seem to be the defining attributes of the flat-pack niche within the mass-production segment. Quality is a

synonym for 'made in Germany'. It seems the 'made in Germany' is the defining basic discriminating characteristic that qualifies a business to be a competitor in the eyes of the mass producers.

The premium producers do not emphasise quality differences. They have exchanged this for another attribute: lifestyle. Producers within the mass segment do not relate to the creation of this particular customer emotion. Premium producers deliver this emotion to the entire industry. There is no use for an emotional tie between the needs and wants of the customer within the mass production segment; these firms do not feel that they have to convince their target group to buy their products using an emotional approach, as the incentive of the price alone is convincing enough. Morality, image, and lifestyle are not as important as the marketing of the price. Assembled kitchen mass producers concentrate on fabricating kitchens in the price range of about 3.000 to 9.000 €; 11,9% of the kitchens sold in Germany in 2008 were in the price range of up to 3.000 €. Flat-pack kitchen companies largely cover this part of the market of up to about 1.000 €; 15,3% has been sold with a value of more than 14.000 €; 73% of the industry's turnover occurs in the price range of between 3.000 and 14.000 € (Lorenz 2008), while the range between 9.000 and 14.000 € can be labelled as 'middle high'. This is the uppermost price segment mass producers are comfortable selling for. The price and the use of quality is enough, in the segment's view, to win the trust of customers. The reason lies in the marketing of the goods.

#### **5.1.2.4 Market Dominators**

Premium producers live the image of their own brand. They need to create a symbol that is quickly identified by customers and convinces them to purchase. Mass producers, on the other hand, often appear as 'no-name brands' in the market. Often, producer names cannot be found in retail stores. If the business name is printed somewhere, it requires effort to find it in the advertisement or on the product itself. Mass producers do not need to sell emotion. Success in the market proves that their strategy is working. The big five producers represent a market dominance that is universally acknowledged:

*“There is no backdoor that can lead into the middle. You can try to focus more on the price range between 20,000 and 25,000 € [...] to have a broader portfolio. But to move into the middle price segment—you just can’t win that fight” (Olli, Luxurious Kitchens, Premium Segment, lines 496-500).*

The big mass producers present an aura of invincibility. They know their market power. There is no competition to be won by other segments if they tried to sell kitchens in the middle price range in Germany. The output volume of the businesses (in some cases, several 100.000 kitchens a year) and their prices give the businesses a power that seems to extinguish any competition. The only competition for the ‘big five’ is among each other. This market power is based on price. Factors like design and customer relations are secondary for the formation of the mass production segment. This part of the industry works this way: if you can produce good quality in large quantities and for a reasonable price, then you are part of the mass production segment.

The following anecdote shows the market power of the big five. Furniture is usually sold in Germany via retail stores, as explained in chapter four. These retailers often organise themselves as associations that buy furniture from the factories in order to achieve better pricing and to manifest more power in the market. The biggest retailer association in Germany is Begros,<sup>48</sup> in which 120 retail houses employ 28.600 people and generate a yearly turnover of about five billion €. Many furniture producers in Germany are dependent on Begros. Its member businesses generate the most important turnover in the industry. Many companies who want to sell furniture in Germany or Austria have to work with Begros. Nobilia, one of the ‘big five’, was not satisfied with its contract conditions, which have not changed over the last eight years. Begros also became more demanding. As a result of this argument, Nobilia cancelled its contract worth 100 million €, about 14% of the company’s yearly turnover. Usually, quitting a contract with Begros means disaster for a company, but Begros was the one facing problems. There was no competitor in the market able to deliver the volume of kitchens for the price and quality Nobilia could offer. In addition, retailers have been suffering from the badly developing German internal market. These two factors put Begros in an awkward and unusual position. The

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<sup>48</sup> [www.begros.de](http://www.begros.de)

association had to back down and accept Nobilia's conditions. This had been unheard of (Inside 2009).

#### **5.1.2.5 Reviewing Mass Producers' Characteristics**

The above quotes demonstrate a central shift in the field. The section about the characteristics of premium producers demonstrated that the exclusive ownership of the label 'quality' is lost to them. While mass producers, assembled and flat-pack alike, emphasise their market power pointing out their dominance of economic capital within the field, their capability to control the price, they seem to have made considerable progress in gaining symbolic capital, represented by the label 'quality'. This change of attitude indicates a change of the field of forces on the market as well as the businesses' logics.

It seems that each segment used to have a well-institutionalised identity. Premium producers provided style and quality, mass producers delivered affordable goods for the broad customer audience, and niche producers fitted somewhere in the middle. The field seemed stabilised and competition was avoided due to established producer-roles, which have been reproduced and recognised over a significant period of time (Fligstein 1996; Misangyi, et al. 2008). Now, the balance of the field seems deinstitutionalised by the mass producers. They change their role on the market, by actively accumulating new forms of capital. In this sense, they appear to act as institutional entrepreneurs (Weik 2011). They incorporate a new role because they actively change the mode of production on the market and define new standards for themselves. They create new identities and images of superiority as the example of IKEA demonstrates. This change does not only affect premium producers, but also indicates to have consequences for niche producers.

#### **5.1.3 Characteristics Attributed to the Niche Segment**

Defining the distinguishing characteristics of businesses in the niche segment is difficult. The common attribute these businesses probably all have is that each business represents its own niche. These producers survive in the market because they are not exactly comparable. They do not own any considerable amount of

capital. Each business is unique in its survival strategies. It is easy to demonstrate the commonness between premium and mass producers: they all follow a distinct logic, as shown. Niche producers, on the other hand, produce flat-pack and assembled kitchens and share the same market segment. Prices accordingly vary. Some work with renowned designers, assimilating the design strategy from the premium segment. Companies in the niche segment concentrate on specific foreign countries as their primary markets. This diversity occurs for specific reasons. These businesses need to find their niche in order to avoid competition with mass and premium producers. Their relatively small size governs their drive towards individual products as a means for survival. The relatively low market share of niche producers forces them to depend on international markets. Thus, niche producers have relatively low awareness among the public.

#### **5.1.3.1 Between Hammer and Anvil**

Niche kitchen producers face a dilemma. They are caught in the middle between the mass and premium segments. This is a precarious situation for a kitchen producing business in EWL and Germany. The market for the industry is well defined, and the niches, the segments, are structured by dominating businesses. Three, maybe four, companies exclusively define the premium segment. These have worked for decades to develop a brand reputation on a worldwide scale. If somebody wishes to buy a premium kitchen, the person purchases from one of the known brands. As pointed out, the customers of these producers are knowledgeable about the products they buy. They would probably not buy a kitchen without a distinguished reputation. Thus, to concentrate on selling products in the high price segment would be very hard, if not impossible. The situation is similar in the low and middle price ranges. National and international flat-pack and assembled mass kitchen producers cover the span below 3.000 €. The 'big five' dominate the middle price range between 3.000 and 9.000 €. The chances of surviving in this part of the market are slim. There are some business perspectives in the range between 9.000 and 14.000 €, though the 'big five' are also present in this market, if not as dominant, which provides insufficient business opportunities for niche producers to survive. Thus, niche producers often have a wide portfolio, ranging from low budget to middle high price ranges:

*“Our target group is middle-high. But we are spreading our products from this position, because we created two new product groups in the last two years. So now we are in the position to distribute these products differently. One product group is a little lower. The other is positioned a little higher. At the moment we can clearly say, at least for Germany, that the market concentrates more and more on the low budget area. This means that we have to be able to at least partly cover this price region. But we want to keep our role as specialists at the same time, which means we cover the more planning intensive price region with another product group” (Alex, Feel Good Kitchens, Niche Segment, 5:04,8-5:47,4).*

Niche producers need to be all-rounders if they share the same market with mass producers. This is dependent on the product, though. The original target group for this business is middle high, which means that they usually sell kitchens in the 9.000–14.000 € range. The business opportunities in this price span do not seem to be enough, resulting in the creation of two new product groups. Market development forced the business to consider different price groups in order to increase sales. That the business opened product strategies to lower price ranges does not mean that it wants to get in direct competition with the large mass producers. The business aims at maintaining its status as a ‘specialist’. Alex knows that he needs to have distinguishing attributes in comparison to mass producers. Concentrating on planning intensive products, which are often custom made, defines the survival strategy of this firm.

#### **5.1.3.2 Small Size and Turnover**

The label ‘specialist’ is the most important characteristic in niche producers’ self-definition. It is a term constructed in relation to the observation of other competitors and industrial segments. The term involves three key attributions that set the niche apart from the businesses native to the mass and premium segments:

*“We have an annual turnover of about 25 million €, which is less than one percent of market share. This is why we see ourselves realistically as a niche producer. We are a niche producer in the middle price segment. We only sell individually planned fitted kitchens. We accordingly do not sell the classic block kitchen, which is sold with a price advertisement.*



*We are marketing our products using a problem solving advertisement that our kitchens are very individual products. We also have a very high export rate. We are internationally well represented. We have an export volume of about 45%” (Tim, Small and Sunny Kitchens, Niche Segment, lines 116-124).*

This quotation shows that the niche defines itself by three attributes to set itself apart from the competition. First, businesses acknowledge their small size and economic weight in the market. Having smaller turnovers than mass and premium producers is a sign of being a member of the niche segment. The market power of the other segments prevents niche producers from growing. This is because there seems to be no space for growth. The businesses cannot offer products that use price as an incentive for customers. Their production volumes are just not large enough to enable price-based competition with mass producers. Niche producers are also not able to sell very expensive kitchens because of their lack of the legitimacy guaranteed by a brand's reputation. This first self-perception is a rational arithmetic observation. Smaller turnovers, smaller size, and smaller production volumes are key signals for the definition of a niche. These characteristics seem to be disadvantages for the companies.

### **5.1.3.3 Individuality**

This involves the second characteristic of niche producers and provides the key element of a specialist. The businesses often compete with large mass producers in the middle price segment. In order to be successful, they need to be able to produce products mass producers cannot. Companies in the niche segment developed a strategy that advertises products that are ‘individual’ and ‘problem solving’. Individuality means that each kitchen is supposed to be unique, produced according to the individual customer's demands, while ‘problem solving’ means that niche producers are able to modify their production processes to comply with customer demands that can otherwise not be fulfilled by a fully automated serial production. Here are the two main reasons businesses strategically position themselves in order to stay individual and problem solving:

*Q: “How do you ensure individuality?”*

*A: “That is a good question! We assure this by implementing stuff in our products that mean trouble. We decided a few years back to make the casings of our cupboards look the same from the outside as well from the inside. This means, if you buy a green cupboard from us, it is green inside and out. And not white on the inside. Ours are green on the inside.[...] Another example is that we do a lot of business on the Dutch market and the Dutch are not the shortest of people. They are all very tall people. We therefore work with different heights that are not taken for granted in Germany. These are rather unusual. They are standard in the Netherlands. Working heights and cupboard heights. Such things. We make these products in custom shops because these products are not possible to produce for competitors. They might be possible, but not as a serial production” (Chris, Innovative Kitchens, Niche Segment, lines 453-468).*

This business concentrates on two core strategies in order to stand out from the competitors. The use of universally coloured cupboards is a feature that sets the business apart from almost the entire market. There are about three or four German businesses that use this technology. The second strategy is the concentration on a foreign market that produces distinct expectations for its own product. This often has a significant influence on the focus in which these businesses sell their goods. For instance, this specialising on Dutch customers leads to a dependence on this market. The company makes about 70% of its sales in the Netherlands.

Example number two exemplifies the second purpose of being individual and problem solving for a niche producer:

*“Something that defines us as SME is our dimensions compared to large enterprises. For instance, and this is something that we say: dear customer, if you come to us you can also have checked daisies as décor. If you want to have a standard product, you have to go to the large producers. But if you want an individual product, if you want a kitchen that is not available on each street corner, then you’ve got to come to us. We are not the cheapest—but the price-service relation fits” (Tim, Small and Sunny Kitchens, Niche Segment, lines 190-200).*

Niche producers always see their own position in relation to the direct competition of the larger mass producers; that is the self-defining point of reference. They try to

stand out not only among niche producers but in direct contrast to the ‘big five’. These companies use individuality to signal to the customer that he or she can buy an ordinary product from the mass-producing business or choose to have an individual product that is uniquely built. The important message behind this strategy is that niche producers offer their product for a reasonable price, meaning that they basically offer the service of premium businesses but for a price that is affordable for the middle price customer target group.

#### **5.1.3.4 Export Dependency**

Third, these businesses are usually strongly embedded in international markets. They are different from the premium segment, though, that has to export a large amount of their production volume because the potential customer is only a very small percentage of the population. The reasons for niche producers to export are rooted in the fact that the mass producers share more than 70% of the market and cover almost all of the middle price segment. Assembled mass producers can cover up to 80% of the price range with their own goods. This forces niche producers to sell goods to foreign countries in order to remain profitable.

*“We are, with over 50% export, definitely an international business. What we basically do is sell ‘made in Germany’ in foreign markets”  
(Alex, Feel Good kitchens, Niche Segment, 5:47,3-6:01,3).*

The foremost marketing argument used by these producers is the label ‘made in Germany’. Just like members of the mass production segment, this attribute is a synonym for guaranteed quality.

#### **5.1.3.5 No-Names of the Industry**

While premium producers define themselves primarily through outstanding designs and innovation and mass producers use ‘middle prices’, niche producers stress that their individual product makes ‘checked daisies’ possible. While being smaller than other businesses is sometimes perceived to be a drawback, businesses often feel comfortable in their position as niche producers:

*“We are a no-name producer. We are also a small producer that is in Germany’s ranking between 15 and 20. We feel comfortable in this role and we would like to stay a family business” (Chris, Innovative Kitchens, Niche Segment, lines 231-234).*

Niche producers are rarely known, unlike the ‘big fish’ and premium businesses. They have no ‘brand’ status and are often in the role of the ‘underdog’. Another defining attribute is that these businesses are often still family owned. In fact, two niche businesses that took part in this research have been in family hands for more than three generations. The businesses see this as an additional important self-defining factor. They want to stay relatively small in order to retain this family business ‘flair’ and retain the reputational value of family businesses.

#### **5.1.3.6 Reviewing Niche Producers’ Characteristics**

Niche producers appear to have a central problem: the lack of significant amounts of capital. They neither have the economic capital to increase production volumes in order to compete with mass producers, nor do they have the symbolic capital, a significant brand reputation, in order to embody the role of a premium producer. It appears that the businesses interviewed in this research have come to terms with their market position. They accept that they are the ‘underdog’ and need to be innovative in their business strategies. Though, this innovativeness seems to be no comparison to the entrepreneurship displayed by the mass producers, because they do not cause any change in the balance of forces in the field. Niche producers rather operate in the boundaries and predefined roles and logics of the market. Instead of producing friction by actively engaging with other market segments, these businesses comply with their institutionalised roles (cf Misangyi, et al. 2008). They seek foreign markets and specialise on the expectations they face on these. Or they try to produce highly specialised products that are of no concern for mass producers. These strategies seem to provide a similar vulnerability premium producers face. Niche producers maintain and reproduce their roles and positions in the market and are reluctant to change, which seems to threaten their positions.

## **5.2 A Common Self-Perception: ‘The SME Way’**

The ‘SME way’ represents a form of cognitive framework all managers of this sample share. Despite the above-mentioned segmental differences, all managers perceive themselves as managers of small and middle-sized businesses, which provides them with a common self-definition that influences business behaviour, to be demonstrated in subsequent chapters. This part of the analysis presents how managers define the ‘SME way’.

Three core attributes are believed by managers to be important. The first is how managers define SME in contrast to large-scale enterprises like, for instance, conglomerates. This is achieved by emphasising ownership and corporate responsibility, which is associated with single people instead of such things as routines, as is allegedly the case in big corporations (from the perspective of the interviewed managers). The second characteristic concerns the aspiration towards quick decision-making processes. Because managers feel disadvantaged in comparison to large enterprises, they see their only chance for survival in their ability to be quicker in their business processes. The last defining attribute of the ‘SME way’ is their dependency on people. This is related to the previous points, which demand personal input and responsibility from people in order to ensure fast processes. Managers personalise these processes and depend heavily on trust.

### **5.2.1 Managers Present the ‘SME Way’**

All businesses in the region started out being family owned. Some started as small carpenter shops even before the ‘boom’ in furniture production after WWII. Others began as fully industrialised businesses a few decades ago and grew with the rising demand for German-made kitchens. Today’s situation within the kitchen furniture industry shows a mixture of three kinds of businesses that are spread among the segments: either a business is family owned and run by entrepreneurs, or it is family owned but managed by third party staff, or it is sold to international conglomerates. The sample used in this research comprises three businesses that are part of a conglomerate, five run by family entrepreneurs, and two by external managers. They all have common roots and histories.

The businesses differed according to segment and also in their ownership and management structure, comprising entrepreneurial, third party management, and conglomerate management. It could be expected that these fundamental differences in management relations and industrial segmentation would cause differences in how managers perceive their companies. This was not the case. Managers independently described themselves as part of the SME way. They did this regardless of whether the business was a subunit of a conglomerate or led by an entrepreneurial family. The ‘SME way’ is therefore a generally noticeable observation concerning this industry’s structure.

The European Commission has defined an SME as having no more than 250 employees and a yearly turnover of no more than 50 million €. <sup>49</sup> This definition officially means that only three of the kitchen producers in this research are SMEs, but all define themselves as SMEs using other identifying factors:

*“First of all we are an owner-led enterprise. To be SME, that is how I define it, means to have the capital within the business. That it is represented by a person. This is a very important point. The firm is not steered by outsiders but the entrepreneur himself. A family owned business has accordingly short decision processes. Which is a very important point. We just have to concentrate on these points that give us an advantage towards large businesses, where we see our advantages”*  
(Tim, *Small and Sunny Kitchens, Niche Segment*, lines 144-149).

This quotation is an example of a business that is still owned by a family but led by an external manager. It shows three important defining characteristics for the self-perception of how managers describe their own companies, constituting the ‘SME way’. First, they put either the entrepreneur or leading manager in focus. One person represents the business and is in charge. Control is associated with this single person. The power of control remains inside the firm. Second, not only the CEO but also the managing staff in general is viewed as able to make fast decisions. An SME is therefore characterised by short and fast decision-making processes. Third, managers define their own businesses in contrast to large enterprises. The first two defining factors are not seen by managers in large conglomerates, in the opinion of the sample

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<sup>49</sup> Source: Institut für Mittelstandsforschung Bonn

group. These three defining factors become the strongest defining points in the creation of the SME self-perspective.

Noticeably, this SME self-description is also used by managers whose businesses are part of conglomerates. These corporations proactively present their management team as part of a SME. They do this not only in public but also for the employees. They describe themselves as ‘absolutely’ SME (Karsten, line 203). These managers have a ‘profit-loss’ relationship with their superiors in the conglomerate, and, as long as they produce profit, they autonomously lead the businesses (Karsten, lines 203-217; Peter, lines 288-298).

The defining factors of the ‘SME Way’ emphasise personality, quick decisions, and whatever strengthens these, while relating to large enterprises creates expectations towards their own business processes. A special role in the social construction of the ‘SME way’ is played by the self-definition, which is defined by the contrast to large enterprises and conglomerates. It was noticeable during the interviews that there is a perceived ‘us’ and ‘them’; ‘us’ means the SME, and ‘they’ the conglomerates. The managers interviewed have a distinct awareness of an emotional difference between managing and working in a SME and a conglomerate:

*“I always say, and this is very decisive for me - and this is something I always proactively represent—Mr X and Mr Y are married to the business their entire lives. Whereas in conglomerates, I don’t know exactly how the fluctuation is there, maybe five, maybe ten years [...]. These people have entirely different connections to their businesses” (Chris, Innovative Kitchens, Niche Segment, lines 141-148).*

Mr X and Y are the entrepreneurs of a third-generation business. The difference seen between an SME and the conglomerates is the relationship between managers and their companies. Conglomerates are viewed as non-personal environments that do not allow managers to develop personal ties with the businesses they lead. This is defined by the perceived short-term relationships of managers in conglomerates. Managers in SMEs see themselves as people who ‘have entirely different connections to their businesses’. This difference is characterised by more responsibility and a closer connections to employees, customers, sub-contractors, and their direct environments, which is their local region. Managers who think of their

businesses as an SME view themselves as personally connected with their businesses, which is not the case for conglomerate managers, from their point of view. These businesses emphasise strong structural ties that provide the grounds for trusting and personal relationships.

Several managers worked or still work in conglomerates and share this felt difference between the two types of businesses. They all identify with and prefer to work in SMEs. In fact, not a single manager would choose to work for a conglomerate again:

*“Because I was allowed to experience twenty years of working for a large conglomerate, I decided, even though you should never say never, ‘never ever conglomerate again’” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 257-259).*

The ‘us’ mentality is very much influenced by a defiance of the allegedly ruling social opinion that SMEs are not wanted anymore:

*“It is socio-politically wanted to only have large scale enterprises; they get the support. These businesses have possibilities a SME does not have. Let’s talk about taxes, or anything else, it is us who have to carry the burden and sort out the mess in contrast to the big companies. We keep everything alive. [...] Let alone when we talk about the situation with banks. A company like X or Y can surely talk differently with banks than we can, as the little guy” (Chris, Innovative Kitchens, Niche Segment, lines 567-576).*

The managers have a chronic feeling of being the ‘underdog’ of society. While research shows that coordinated political economies support the creation and sustenance of SMEs (cf Gallie 2007c), these managers perceive this differently. Conglomerates are viewed as having the advantage. They get subsidies from the government when they are in trouble, while the SME seems to be the ‘beast of burden’ for society. Conglomerates have the economic power SMEs lack. This perspective is further developed through commentaries about different styles of management. While conglomerates are often viewed as the ‘enemy’, with a cold and non-personal management agenda based on routines instead of personal responsibility and choice, SME managers perceive themselves as ethically superior:



*“[To be SME] [...] means, for instance, to have a close connection with the region where you are. It means to have a close connection with the production site. This also means a closer connection with the employees. We have, for instance, some employees who are working here in the third and fourth generation. It means to have an interest in long-term developments and relations. It also means certain discretion in public. We do not show off” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 92-98).*

This quotation sums up the attitude of the ‘SME way’ very well. Managers are all about close relations. They seek strong ties inside and outside of the business. The outside relation refers specifically to the region. Managers identify with their immediate environment. This invokes the proximity of the production site and involves sub-contractors and other production site factors. These managers emphasise their relations with employees. They seek strong and long lasting relations within and outside the business. All of this is formulated in contrast to conglomerates. If large enterprises are so powerful and ‘evil’, why are SMEs still believed to have a chance? The managers emphasise their one advantage: they are allegedly faster in their processes.

### **5.2.2 Fast Decision-Making Processes Are the Foundation for Success**

The managers interviewed in this research stressed that their businesses are flexible. This flexibility is possible in their view only because of their organisations’ flat hierarchies. A flat hierarchy means that, even though businesses are considerably different in size, all are organised with a maximum of four levels in their hierarchical structure regardless of being a larger conglomerate or a small, family-owned business. For managers, flexibility is key and gives them an advantage over large corporations. Whether this is measurable or not is insignificant from this perspective. It is the feeling of having an advantage, to be able to do what the big companies cannot. Flexibility is based on the belief that businesses can quickly react to market developments and customer wishes. This is viewed as an essential part of managing an SME:

*“When you are an SME you have the big advantage, in my view, that you have considerably more influence on business and administrative*

*processes. In big enterprises, where you have more hierarchy levels, and of course have more specialists, you need to process more complex procedures, and the decision-making processes are often blocked or at least take a lot longer” (Karsten, Luxurious Kitchens, Premium Segment, lines 219-226).*

This quotation shows the practical understanding of management. Managers are seen to be knowledgeable about what is possible for business procedures and act accordingly, while managers in conglomerates are seen as administrators. This perception is created by the very practical work of managers. This has two sides. On the one hand, managers believe that their decisions have a direct observable effect on business processes, which is allegedly not the case for big corporations. On the other hand, they perceive their practical work in stark contrast to managers in large enterprises. While these are viewed as theorists with a background in higher education, managers in SMEs view themselves as more grounded because they have often gone through vocational training, which gives them insights into production processes through their own work experience. This gives them the edge SMEs need to ‘survive’. They believe they can make faster decisions:

*“We have a relatively small team of managers, who are still heavily involved in the daily business processes. So they know what happens when decisions are made. This is a great advantage for us because we survive in this business because we sometimes have to make fast decisions. For instance, when there is an exhibition in Korea and we have to produce, deliver and assemble a so-called ‘mock-up-kitchen’. We can’t do this if we have to first make an inquiry in the business departments that we need a kitchen in three weeks. We need to be able to make the call and tell production that we can do this with a shortcut. We make our living being able to do that” (Karsten, Luxurious Kitchens, Premium Segment, lines 230-240).*

Flexibility is possible, the managers believe, because of their flat hierarchies. Closely connected, as the above quotation also shows, is the impression that an SME equals a flat hierarchy and less complexity:

*“We can adapt processes very quickly. This means that for us as an SME, procedures are less complex, we do have complex processes, but they are not difficult to the extent that the company becomes unmanageable. We can say without a doubt that we can organise our*

*processes to the extent, in our opinion, that we can absolutely fulfil the wishes and demands of our customers” (Karsten, Luxurious Kitchens, Premium Segment, lines 259-265).*

To be fast in decision-making is the result of less complex procedures. The goal is to react in a fast and uncomplicated way to customer wishes. The managers see their businesses as having an advantage over large companies in this case. They have a strong self-confidence, resting on the belief that an SME can make decisions with one telephone call while conglomerates have to go through multiple channels and procedures before decisions can be made. This is allegedly different in SMEs:

*“It is something different to be able to make decisions immediately. You always have a budget and budget meetings in large enterprises. Three to four levels, decisions-making levels, from which the top two often don’t even know, what they make their decision about. Decisions are made based on a gut feeling depending more or less on counselling or available information. This is different in a small business” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 263-270).*

Managers in small businesses are seen to be knowledgeable and able to act because they have more authority and are able to make direct decisions, while managers in big companies have to trust their ‘gut’. They have an overview of the routines and processes of their businesses and are not dependent on counselling. These managers are trusted and carry responsibility. This view of management creates an emphasis on people. The SME view needs to personalise managers because they need to know that the person who decides is competent and knowledgeable. Managers in a company need to trust each other to make the right decision. There are no or few controlling institutions in SMEs to correct decisions made by managers due to their flat hierarchies. Trust is therefore the key, which is created by the personalisation of management. For them, managers in conglomerates are easily exchangeable. In SME, the manager is perceived as invaluable because of the strong ties within processes that build on the ability to make direct decisions, which is based on trust.

### 5.2.3 Personalisation of Managers Creates Trust through Strong Ties

Personalising managers in the SME model of business is therefore no accidental side effect. It is a crucial strategy that ensures that decisions are made fast and correctly. Apart from being a strategy, personalisation is the result of businesses traditions. The emphasis on the CEO or entrepreneur is part of each business's history. The roots of many kitchen producers go back to the beginnings of the boom in the furniture industry after WWII. Some businesses are even older, dating back to the eve of the 20<sup>th</sup> century. The personal relation of businesses is probably therefore connected with the emergence of companies, which still influences businesses and can be considered a form of tradition:

*“We certainly still are an SME. We are very much influenced by the owner. We are very affected by people. This is one aspect. The second aspect is that we have a history that began 60 years ago as a carpentry shop” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 70-73).*

One family has owned the above business for more than three generations, and an external manager has just become its CEO. One needs to bear in mind that the business employs well over 1.000 people. It seems that the tradition of the carpentry shop, the origin of this large mass producer, has survived for six decades. It can be argued that the use of personalisation is the result of the traditions flowing from when the business was smaller. The personalisation of management has an important function for businesses, apart from the ability to make fast decisions:

*“I have previously worked for other businesses and I think I can say that we have a certain culture. Even though we are not an owner lead enterprise. Mr X is a hired CEO. Though he very much embodies the business and represents an entrepreneurship and builds a connection to the employees. Mr X certainly is one, if not the, figurehead of the business. [...] He is somebody when he hears something—or an employee asks a private question—who listens and is interested. This is something our employees see. We have a fair relationship with our employees. This is something very fundamental for us. We treat each other fairly” (Karsten, Luxurious Kitchens, Premium Segment, lines 272-282).*

From the manager's point of view, large conglomerates primarily use their CEO as figures for the public. These are managers who concentrate on representing companies. The function of personalisation within the SME seems to have a purpose other than to be a CEO and representative of the business. The personalisation of management is to create a social closeness with members of the business and their customers. The businesses deliberately try to personalise their CEOs. Furthermore (and of fundamental relevance for this research), personalisation and the 'SME way' are perceived as 'culture'. This means that such a business, which has formally lost the 'SME' label, has kept its norms and values, which seem to withstand structural change in companies. This concerns not only evolved family-owned businesses but also businesses that now belong to conglomerates. Managers are defined as the 'embodiment' of the businesses 'culture': its 'SME way'.

Apart from the possibly altruistic means, this has other strategic implications as well. Managers relate to people, though anonymity comes with larger enterprises. The businesses in this research pride themselves on their close relations with their employees. This is arguably a necessity resulting from their self-attributed dependence on personnel rather than on routines and their ability to make fast decisions:

*"[Closeness to employees] [...] is an essential element of the business. We know each other. 2000 employees are surely a lot and I surely don't know everybody on first name basis. The employees know me. We are, so to say, still in touch. We see each other, we still meet each other. When I take two hours and make a tour through the plant, I see each employee. Basically, by only having this production site, I take a walk for two hours and I see everything. This is a big advantage. This is, in my opinion, a typical SME element. Which is a strength, but when we discuss production sites, this can also mean a weakness. But I rather see it as a strength" (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 102-113).*

The managers see themselves as having more responsibilities towards their employees than managers in large enterprises. They are convinced that employees are valued more highly in SMEs than in large corporations. This is mainly because these businesses try to intensify the contact with their employees. They see this as a long-term relationship and as a commitment sometimes supported by events like

summer festivities and product presentations. The managers are interested in this because long-term relationships mean more experienced and knowledgeable employees. Employees are often recruited through vocational training and often stay for longer periods of time in the businesses (Knut, lines 141-147):

*“We are growing through our own vocational training. And because of the strong investment in the qualifications of our employees. We also have a very small attrition rate in our management. We also have very strong growth in terms of young people. These are, in my opinion, the best factors how to assess that one has a good and healthy development” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 704-710).*

It is characteristic that employees are employed on a long-term basis. They are seen as an investment and an asset to the company. The SMEs plan for the long run and are therefore interested to developing long lasting relationships with employees. It costs resources to train them. Having a good relationship with their own workforce is therefore a useful way for employers to avoid resistance in, for instance, the form of strikes. A good morale strengthens the ties between management and workers and decreases the probability of job losses. The personalisation of managers is a strategy to generate trust between management and the workforce:

*“We are an industrial business. But we treat each other fairly. We don’t pull the wool over anyone’s eyes. This means people build up trust towards management. Mr X is here for about 7 years now and I think that people trust him. This is definite” (Karsten, Luxurious Kitchens, Premium Segment, lines 283-287).*

Closeness is not only sought with employees. A close relationship is also important for managers to nurture with their customers:

*“Short decision-making processes and closeness to customers. Even when a customer is only worth €100,000 [a year], or 50,000, this is a customer we know personally. This personal relationship to customers, the market, subcontractors and so on, make a family-owned business special” (Tim, Small and Sunny Kitchens, Niche Segment, lines 149-155).*

Trust is regarded as being important for more than just the relationship with employees. The customer also needs to trust the companies. Retailers are the main media by which businesses in the kitchen furniture industry sell kitchens. They generate the turnovers for kitchen furniture producers. The personal relations between managers and retailers are therefore important in creating long-term commitment on both sides.

Trust, as pointed out by Granovetter (1985), is important in business networks. In this case, it provides close social relations not only with customers but also with their own employees. Both are means of securing business success—on the one hand, ensuring reliable production and, on the other hand, securing the retailers' commitment to sell products.

### **5.3 Conclusions: Relations between Structure and Cognitive Frameworks**

The first part of this chapter demonstrated the segmental differences in the self-perception of managers, describing the distinguishing features of each industrial segment. The businesses differ not only in size, production volume, and turnovers but also in the cognitive associations managers relate to when reflecting on the industry and their own place in it. Further more, it discussed the presented managerial perspectives in the context of organisational fields and institutional logics.

The second section presented the opposite. While it seems that segmental membership defines a specific set of perspectives, all businesses share a common cognitive framework or logic, which is described as the 'SME way'.

In what way do these observations contribute to the meaning of embeddedness? The results presented in this chapter indicate how the industrial structure, as described in chapter four, influences cognitive frameworks. This is done in respect to the demand, formulated in the literature review, to consider cognitive and structural aspects interdependently, which has been largely ignored so far (Beckert 2010; Fligstein and Dauter 2007).

In reviewing the results, two aspects become visible relating to the topic of cognitive embeddedness: the perspectives display a tendency to diversity as well as to convergence from the managerial perspectives. The cognitive frameworks display

strong influences according to their segmental structures. The ‘SME way’, though, displays a detachment from these structures, with other criteria contributing to its construction.

Diversity, in this case, relates to specific segmental perspectives and logics that provide different cognitive frameworks fitting each segment’s structural settings. These settings refer to businesses’ relations to, for instance, customer target groups, mode of production, or export rates. The observable cognitive frameworks seem therefore congruent with segmental business strategies based on market structures. Two observations can be made in this regard.

At first glance, business strategies seem very rational. For instance, premium producers concentrate on a small percentage of potential customers who own significant amounts of money. This allows premium producers to export their products globally without transportation cost restrictions. The relevance of transportation costs and customer target groups, as defined by price ranges, usually limits the export ability of mass and niche producers of assembled kitchens. This is why Europe is usually the most important export market for these segments. Further distances would overextend the price limit for consumers. Distant markets are usually reached only for equipping apartment blocks and other large-scale projects.

Second, the business strategies kitchen producers display also need to be put in context of their position in the field of forces, as described by Bourdieu (2012). This provides a much less rational picture. As demonstrated, it can be argued that the observable behaviour can be influenced by the available capital. Premium producers own a high amount of symbolic capital, which provides incentives for managers to pursue strategies that help reproducing this form of capital and provides legitimacy for their market position. The emphasis on symbolic capital also limits the use of other forms of capital, which leads to active avoidance of competition with other segments (cf Fligstein 1996; Fligstein 2001). At the same time, this also forces business behaviour in a direction because of limited choice through the lack of other capital (Bourdieu 2005). The views presented by managers of the premium segment also provide indicators for the continuity of institutional logics that create problems for the interviewed businesses and lead to pursuing strategies that have been successful in the past, but may provide obstacles for the future. The reason for this



could be the entrepreneurial role of mass producers. They developed new production technologies that seem to deinstitutionalise the prior stable field (cf Weik 2011). New production technologies seem to have increased the capability of mass producers to enhance product quality, which arguably led to a standardisation of quality through out the industry. This seems to have changed the claim of premium producers and niche producers to set them apart from the mass segment by promoting quality standards. While mass producers create new market conditions and redefine their position in the field, premium and niche producers seem to struggle to adapt to the new circumstances. It looks as if they maintain their old strategies, due to their organisational logics, and fail to reinvent their positions (cf Misangyi, et al. 2008; Munir 2005).

Apart from these indicators, it is interesting how businesses contribute to the social construction of market segments. White's (1981) argument rests on the assumption that market niches are created because businesses relate to other business with similar goods and aim at costumer groups not yet targeted. This is a very rational approach, which is based on the observation of measurable variables like production volume and turnover. However, the analysis provided indicators that businesses also use other variables to compare with competitors. They seem to contribute to the establishment of markets of symbolic goods (e.g. Bourdieu 1985). This is of particular interest when reviewing the perspectives of the premium segment. Premium producers relate to other businesses that produce luxury goods. They do not see other kitchen producers as competitors. What implication has this for market structure and business behaviour? Business strategies that relate to competitors are usually adapted to produce a market advantage. The question now is 'who are the competitors for premium kitchen producers?' If they are producers of other luxury goods and if businesses adapt their strategies to compete with them, will premium producers still share the same market as mass and niche businesses? The situation of premium kitchen producers leaves room for the argument that cognitive frameworks resulting from market structures may influence the creation of new markets that do not necessarily relate to each other because of product similarity, but relate to their symbolic value.

Apart from the differences, the 'SME way' seems to have other grounds for its construction. This is of particular interest because only three businesses in this thesis fulfil the requirements of an SME. The 'SME way' seems to be a prevailing collective set of institutional logics that overlaps all segments and is the result of experience, tradition, and the observation of large businesses outside their own market (Hinings 2012; Thornton and Ocasio 2008; Thornton and Ocasio 1999). How the 'SME way' is constructed could not be traced precisely in this analysis. It can be theorised that businesses relate to large conglomerates and see themselves as having to develop strategies that ensure their survival. The 'SME way' defines itself through close relations with customers and employees, its trust in people's decisions rather than in routines, flexibility, and a fast decision-making process. This seems to be the central reference point for strategic choices made by managers in the kitchen furniture industry. Miller, et al. (2011) demonstrated that different types of ownership influence business performance based on, for instance, traditions and management styles, which have then been institutionalised in behavioural logics. The 'SME way' could be the result of such business traditions. After all, all interviewed businesses have been founded by entrepreneurs, who have in some cases, sold their businesses or given them to third party managers, if family members have not inherited them. It could be the case that some traditions, routines, values, or practices have been institutionalised and survived change in leader- and ownership.

The chapter also demonstrated that businesses are very aware of consumer behaviour in the target groups in all segments. Managers know that consumers expect different characteristics of kitchens in each segment. As Zelizer (1989) points out, spending money seems to create different meanings for consumers. It seems that businesses have distinct kinds of knowledge about this. For instance, while premium producers have to satisfy the demand for a 'taste' and 'lifestyle', mass producers need to comply with the price expectations of 'the middle'. This is central to the businesses' strategic behaviour. This, again, leaves room for further research on whether such demands exist for kitchen furniture producers in other cultural contexts.

To conclude this chapter, it can be assumed that the creation of segments significantly influences the creation of and interaction with cognitive frameworks. It can be theorised that the number of segmental structures present in a market creates

as many cognitive frameworks. It can also be acknowledged that similar histories rooted in production networks may create, for instance, norms, values, and customs that withstand market developments and structural change, as the ‘SME way’ suggests. These cognitive frameworks—or institutional logics—may considerably influence business behaviour and determine businesses’ perspectives on locality. Evidence for this can be found in the subsequent chapters.

## **6 Structural Influences and Cognitive Frameworks: Segmental Differences in the Assessment of the Value of Labour for Production**

This chapter explores different business strategies and perceptions of labour and its relevance for production processes in each segment. It is this chapter’s aim to demonstrate that business strategies in relation to labour are influenced by segmental structures as well as by cognitive frameworks. The chapter explains the premium segment’s extensive dependency on vocationally trained employees and the dependency on many non-vocationally trained employees of the assembled mass production and niche segments. It also addresses the employment practice of flat-pack producers, who depend on non-vocationally trained employees most heavily. The chapter concludes with a discussion of the general need of labour in the production process for the kitchen furniture industry in EWL.

Labour is a much-discussed topic in Germany. Political and scientific discourses often argue over the ability of Germany industries to compete with other production sites. The common argument is that German labour has become too expensive in comparison with low wage countries. The political economy can allegedly sustain only relatively expensive high skill labour, which arguably leads to the off-shoring of cheap low-skilled labour (eg. Berthold and Berchem 2005; Gallie 2007b; Sinn 2005b; Streeck 2000; Willke 1998). The businesses taking part in this study do not display a tendency to off-shore, despite the radical developments in other EWL

furniture industries. It is therefore interesting to determine how important this production factor is for the EWL kitchen furniture industry.

## **6.1 Account of Managerial Views from the Premium Segment**

Chapters four and five demonstrated segmental differences in production processes and in managerial self-perceptions. This section follows the same argument by presenting an overview of how business strategies are influenced by segmental membership regarding structure and cognition. This section specifically deals with observations taken from interviews conducted in the premium segment.

The section starts with the assertion that managers in this segment seek only skilled employees. Unlike in other segments, skill has two defining attributes. First, skill is seen in relation to craftwork. Second, only vocationally trained employees are seen to be skilful. The analysis then moves on to an explanation of why managers demand vocational training. The extensive manual work involved in the individual custom shop work creates the basis for the managerial conviction that only the most skilled vocationally trained employees are capable of working in premium businesses. This makes labour an invaluable factor in the production of premium kitchens.

### **6.1.1 Managers Seek Artisan Skilled Employees**

Chapter four described how the premium segment focuses on custom shop work, which ensures individuality in products and sets the segment apart from the rest of the market. They seem to concentrate on symbolic capital (cf Bourdieu 2005). Managers within the premium segment believe that a high degree of custom shop work is possible only with highly skilled employees. Skill, for them, is synonymous with traditional German vocational training. This training is rooted in the medieval customs of German craftsmanship and related training, which continues to this day (cf Thelen 2004). A three-step educational journey combines school with the daily experience of practical work, commonly known in Germany as the ‘dual system’. A person starts out as a *Lehrling*, the apprentice or pupil in an artisan shop or industrial site. The *Geselle* is the status usually given three years after passing tests in school and at work. The *Geselle* is the title somebody receives after successfully passing

vocational training. A person can also rise to the status of *Meister*, which entitles a person to teach *Lehrling* and *Geselle*. While regularly working, the *Meister* has to pursue further schooling. It is the highest status among artisan workers. This artisan craft qualification is highly sought by managers in the premium segment:

*“We have so many tasks within our production that we only hire vocationally well trained people. Mr. X may have told you that we do the training ourselves and try to integrate these trainees in our production for the reason, because we have noticed that our trainees have it significantly easier in our production than people who come from outside and do not know that much” (Helge, Luxurious Kitchens, Premium Segment, 3:38,2-4:08,1).*

Helge makes a clear distinction between the level of employee qualification created through training within the company itself and the ‘outside’ that does ‘not know that much’. Premium producers regard their employees as the best in the industry. They are believed to be the most skilled, something achieved by in-house vocational training. The exclusive quality standards directed at the product, as discussed earlier, are also directed at the quality of labour. Why do they emphasise vocational training?

### **6.1.2 Vocational Training Is Viewed to Be Synonymous for Skills**

The answer appears to be rooted in two aspects of the production of kitchens in the premium segment. The first reason for the demand for artisan craftsmanship is the expectations directed at the product. Premium kitchens need to be individual, and this is achieved by custom shop work. This means less automation and more manual work within the organisation of work processes, resulting in a significant dependency on human labour. Additionally, it is important to remember what position premium producers occupy within the economic field of the kitchen furniture industry in EWL. Just like the smaller companies Bourdieu (2012) describes in his analysis of the house production market in France, premium producers need to coordinate their strategies based on the resources available to them. The struggle for economic, cultural, social, and symbolic capital forces businesses to pursue strategies to maintain or improve their position within the field. Premium producers face the problem that they probably have considerable less economic capital for their disposal

than mass producers and therefore cannot make large investments to abruptly change production procedures towards, for instance, automation. The situation could also be explained by the focus on symbolic capital. It is possible that premium producers believe that the status and reputation of their products can only be reproduced and improved by the labour force also entitled with the highest reputation and institutionalised cultural capital (ibid.): *Meister*.

This seems to be the case for at least one producer. The manager appears to create a direct connection between symbolic capital (e.g. individuality) and institutionalised cultural capital (degree of Meister):

*“We have a very high number of vocationally trained employees due to the high degree of individualisation in our production. This means that we only have a minimal need of non-vocationally trained people. We have a very high degree of vocationally trained workers. The automation process mostly compensates the tasks of non-vocationally trained personnel. This again broadens the range of skills for vocationally trained employees. This regards data entry; they need to use laptops or computer-based machines and program them” (Karsten, Luxurious Kitchens, Premium Segment, lines 37-46).*

This indicates that premium producers distinguish between vocationally and non-vocationally trained employees in relation to the creation of symbolic capital for their products. Whereas the attribute of vocational training is synonymous with high skills that ensure individuality and quality, non-vocationally trained employees are viewed as suitable only for ‘preliminary work’. This comprises storage and distribution, which generally deals with getting material from point A to point B. Such work is done manually in large parts of the premium segment, while the mass producers have automated these steps. Although, they try to reduce these ‘simple’ tasks, premium producers continue to rely on manual labour to carry them out, due to their limited automation of processes, as explained in chapter five. This limited automation affects the production process itself. Non-skill-demanding tasks are increasingly automated, reducing human work to a minimum. Luxury kitchens, for instance, introduced an automated storage system. Fully automatic machines have replaced the human-operated forklifts. The reduction in helping tasks through automation introduced more computer-based production systems that increased the demand for highly

skilled employees for production. The premium producers see vocationally trained employees as being solely suited to these tasks.

This is underlined by the second reason why premium producers seek vocationally trained employees. Work in premium business is viewed as demanding skills available only through vocational training (institutionalised cultural capital). These skills are not only craft-related:

*“There are the mass-producers. [Mentioning of names] They do have a completely different fundamental direction in their production. When I take a look at X. I have visited the foreman of production line 125 at his workspace. They only produced 60cm cupboards there. This means there were only the packaging boxes for this type, only the shelf boards for this type. Everything was highly automated just for this type of cupboard. We only have two production lines. One for upper and lower cupboards, and one for high cupboards. This means all upper and lower cupboards are running on one line. This means that the employee has to be able to put in this, so called, ‘magic corner’, which I’ve mentioned before, as well as the light-cross-beam, as well as glass and everything else. He needs to know the entire spectrum. This makes the difference quite clear. I need to know the product far more on an individual basis in every step of the production process. At least for my workspace. The person who works to make the worktops has to know all worktop types. From this thin until this thick, with every sink that can be fitted, with every ceramic cooking top. The person at the end of the line has to know every variation of the cabinets. [...] Everybody has to know everything that is professionally relevant for their own workspace. I have to see this in a company that produces completely different volumes and which is structured completely differently and says: ‘you don’t have to do this. You only put the 60cm box over it, and you put only the 60cm drawer in there, and you only put the 60cm door on its hinges.’ This is something you can clock very differently and you can work completely different with un-trained personnel. Because to show somebody how to put a door on its hinges takes only five minutes” (Walter, Hightech Kitchens, Premium Segment, 51:05,9-52:45,1).*

From the managerial perspective, the organisation of the entire production process demands employee skills specific to the premium segment. There is a strong awareness of the value of in-house vocationally trained employees, as demonstrated by the attributed ‘fundamental’ differences between the ways kitchens are produced in the premium segment and in others. Walter is convinced that the production process in his company is more complex and more skill demanding than in other

industrial segments. This becomes clear when he describes the skills required for different steps of the production process. The employee needs to know ‘everything that is professionally relevant’. The word ‘professionally’ translates *fachspezifisch*, which was used by Walter in the original interview. *Fachspezifisch* means ‘regarding their own profession or vocation’. The use of vocationally trained people within the production process of premium kitchens seems necessary because of the perceived fundamental vocational relevance of the skills demanded. The *fachspezifisch* knowledge stands in contrast to the ‘highly automated’ production and the accordingly limited use for ‘un-trained’ workers. For him, this is the distinguishing attribute that sets mass and premium production apart. This is a shared view among interviewees in the premium segment.

### **6.1.3 Manual Labour with Many Materials Creates the Need for Skilled Labour**

Vocational training is viewed as enabling employees to deal with the quality demands of the product and its complexity within the production process:

*“We have integrated completely new materials. The new design, which is presented right behind you, there is still some wood involved, but we now have questions arising like: metal? We have glasswork involved, which we do not do yet ourselves, but we need to have the knowledge within the product development and then of course the employee needs to know how to work with these materials. For instance, in the design X area. The whole kitchen would suffer if these fundamental qualifications were not present” (Karsten, Luxurious Kitchens, Premium Segment, lines 457-467).*

One of the major differences from other kitchen segments lies in the handling and use of material. Direct manual contact with materials like metal, wood, glass, plastic is constantly involved in the production process for premium kitchens. Often, ‘new design’ is connected with ‘new material’, and ‘metal’ is the new material in this case. Brushed steel has become popular for surface finishes within the premium segment. Karsten explains the importance of having ‘the knowledge’ of the use of the material, which results in high-skill demands. This is the case not only within product development but also in the production process itself. Here, the ‘fundamental



qualifications' are necessary to avoid any qualitative drawbacks. Vocational training signals to employers that a potential employee is skilled in artisan work and is equipped with the ability to command complex production procedures that are not necessarily related to their own profession. Carpenters need to be able to handle metal and glass in addition to wood, for instance.

This topic is so important for producers that employees are constantly schooled in the use of new materials. This schooling involves explanations of how to use such things as gloves on certain surfaces like high-gloss finishes in order to avoid fingerprints. Other training instructs in the handling, drilling, and cutting of aluminium. Workshops like these are a constant part of the production process for premium kitchens. Sometimes, new materials influence the new product to the extent that production processes are reorganised and extensive retraining is undertaken. For instance, the last project, for which Helge was responsible, was viewed as so significant in terms of design, the use of material, and the ambition for product quality that six employees were schooled over three months, and a separate production line was introduced.

#### **6.1.4 Demand for Skilled Employees Makes Labour Invaluable for Managers**

Premium producers have a different need for employees than the other segments. The automation of the production process has changed the portfolio of skills sought by businesses in different segments. A high degree of automation among mass producers is assessed as being an incentive for them to use offshore production. The work is perceived to be easier and the tasks more routine and simpler than in the premium segment. This view has a significant impact on the assessment of the value of labour within the production of premium kitchens. For managers, the role of the person remains central:

*“We can generally observe a trend towards more automation within the industry. This is very clear. You can observe this at the machine building exhibitions and fairs – the trend develops to even more automation. The more you use automation the less people you need of course. This is a clearly observable development. This does not exactly work for us, because we are forced – because we produce in the high quality segment - to work more on the basis of craftsmanship. We have no robots and we*

*will not use robots. We are putting our money on our employees despite our lean production. This is the case because our product is so diverse and so ever changing that a higher degree of automation just does not work” (Helge, Luxurious Kitchens, Premium Segment, 1:00:07,2-1:04:53,8).*

This view of skill and artisanship makes the vocationally trained employee invaluable for the premium producers. They ‘put their money’ on them. This substantiates theorising about the associations managers create between the achievement of high symbolic capital to maintain their market position and their belief of achieving this only with the means of institutionalised cultural capital. This has consequences for the employment structure of premium producers. The company Hightech Kitchens, for instance, employs only master craftsmen within the production processes. Premium producers emphasise the importance of vocationally trained employees within the production process. For them, this is necessary for the achievement of individuality and quality.

*“Employees have to fit the brand. We are obligated to a certain quality-standard as a producer of premium goods. Employees need to measure up to these demands. This concerns all parts of the business—internally and externally. This means that employees in the production need to have the highest quality aspiration for themselves and the product” (Olli, Luxurious Kitchens, Premium Segment, lines 63-68).*

Premium producers have a formal and standardised view of labour. They distinguish between vocationally and non-vocationally trained employees. Vocational training is the formal requirement to be able to work in such a business, which automatically excludes non-vocationally trained employees. Because of their lack of formal training, they are viewed as less skilled and therefore unable to achieve the demanded product quality, which depends on artisanship. The role and skill of vocationally trained employees, who are still needed for artisan work, dominate the view of the value of labour. This demand for vocational training is also characterised by a need for furniture-specific vocations. This is a distinct valuation of labour that sets the premium segment apart from others.

Vocational training is a good example of the ‘bounded rationality’ and ‘short cuts’ managers use, as introduced in the literature review (Hass 2007; Zukin and

DiMaggio 1990). Employers do not know what skills a potential employee has. Because premium producers seek highly artisan skilled workers, they use the hierarchical steps and assumed qualifications a vocationally trained employee supposedly has. Managers trust the process of vocational training. For them, it is a 'short cut' to make sure a worker is capable of working in the business. Managers use vocational training as a short cut in order to meet the requirements of the organisation of the production process and the expectations of product quality, which is arguably influenced by the available forms of capital. Managers in the premium segment seem to display a close relationship with the structural reasoning, the organisation of production, and the cognitive perspective on labour and quality expectations, which results in the strategy of employing vocationally trained workers in order to meet those demands and assumptions.

## **6.2 Account of Managerial Views in the Assembled Mass Production Segment**

A radical introduction of automation governs the contemporary production processes within the mass production of assembled kitchens. This significantly influences managerial perspectives on the importance of human labour in the production process.

This section starts by demonstrating that assembled mass producers, in contrast to premium producers, seek machine operators. Automation has caused a shift in the managerial perspective, which now demands technically skilled employees instead of artisan skilled workers for production. Employees are often seen to be machine operators or are used for quality control, which does not require vocational training (from the managerial perspective). This suggests a lesser focus on the relationship between the skill demands of the production process and the work quality assumptions of managers in the premium segment. The employment structure therefore contains many non-vocationally trained employees, a sign of a less deterministic attitude to vocational training in the assembled mass production segment. This section ends, however, by demonstrating that vocational training and the related need for skilled labour remains a central aspect for managers despite the degree of automation. Skilled employees are needed for key positions within the production process; they program and supervise complex processes. Despite the need

for technical skills, managers also demand artisan skills. These are needed in customer services and product delivery and setup. Labour remains an important factor in the production of assembled mass-produced kitchens.

### **6.2.1 Managers Seek Machine Operators**

Even though premium producers are industrial businesses, they remain dependent on artisan skills. This results in a traditionally high regard for vocationally trained people who are allegedly able to fulfil the individuality of production demanded by custom shop work. Mass producers have a radically different view of their production and the role of labour. The production process is highly automated so that employees seldom have contact with the raw materials. Because of this development, the focus of employee qualifications has moved away from *analogue* work to *digital* work, as mentioned in chapter four:

*“Let me put it this way: the meaning of product expertise has changed significantly within the last ten to fifteen years in comparison to the production expertise. The production expertise means, in this case, the operation of complex production lines and machines” (Gerd, Everyday Kitchens, Assembled Mass Production Segment, lines 306-309).*

While managers within the premium segment view the product as central, the mass producers of assembled kitchens emphasise the knowledge of production processes based on operating machines rather than using hammers and screwdrivers. Automation was used to reduce manual labour and hence to reduce production costs, as described in chapter five. The product itself is no longer the central focus as long as workers can operate machines. Mass production employees are more distant from the product than employees within the premium segment. This results in an entirely different employee structure:

*“We do not measure this, but the part of jobs with no requirement of vocational training is about 50%. We have distribution and logistik tasks. You don’t need to be a wood expert for these tasks. We have our polishing ladies who let our self-produced front finishes really shine. They also do quality checks. 50%, if not more” (Rüdiger, Good Kitchen Inc., Assembled Mass Segment, 31:07,5-31:30,7).*

Mass producers use a significantly higher number of non-vocationally trained employees than do premium producers. The handling of the raw material differentiates mass production from other segments. In the view of managers, employees do not work with the material anymore but perform tasks such as moving it or doing quality checks, which do not necessarily demand wood-specific technical skills. The task to ‘move’ items has replaced the need to work with them in a craft sense. Work in mass production is viewed as ‘machine handling’ instead of ‘wood crafting’. Automation, complex logistical procedures, and a minimal need for handcraft are the main characteristics of the production process for assembled mass-produced kitchens.

These characteristics display the market dominance of mass producers and how they change the economic field. They seem to use their economic capital in order to improve the production process using technological capital. They developed a product, which was based on artisan work, into a fully automatically produced consumer good. In a sense, these mass producers act like institutional entrepreneurs by altering rules of production and causing significant changes in the field of forces in kitchen furniture production (cf Bourdieu 2005; Weik 2011). They apparently reduced the need for artisan skills in the production process to a minimum.

Automation has reached such a high degree that employees need to be reminded that they actually are contributing to the production of kitchens:

*“We have the case, in our automated production, that we have to remind the employee that the items he sees will become furniture. This is the reason why we have posters displaying kitchens in our production. We have large posters displaying kitchens to remind our employees this is just not some board in front of him, but this board needs to be liked by a customer, because it is not just a board in the aftermath [...]” (Ralf, Everyday Kitchens, Assembled Mass Segment, 18:48,7-19:15,7).*

The production process has affected labour in two fundamental ways. First, labour is used for observation and distribution processes only. Second, this has created a distance from the product so that employees lose their connection to it and need to be reminded that they actually produce kitchens.

### 6.2.2 Automation Has Reduced Demand for Vocationally Trained Employees

While employees in the premium segment are continuously in *touch* with the raw materials, contributing and experiencing the development of the boards that become kitchens, employees in the mass production segment no longer have this experience. There seems to be a difference between the requirements of cultural capital premium and assembled mass producers require from their employees. These have a much more passive role within the production process. The division of labour and automation have progressed to a degree where the product is irrelevant, and recurring routines rule the daily tasks:

*“The high degree of automation causes a lot of repetition in daily work routines. In the daily tasks. But this is not a thing you can influence. Because the output is very much predetermined by the machines in this case” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 546-549).*

Recurring tasks and operating machines are the two most significant responsibilities workers are charged with within the production processes. This perspective on labour has important influences on the perception of the importance of vocational training. Managers in the premium segment seek kitchen-relevant vocations, like carpenters and wood mechanics. This demand is created by the artisan work involved. This indicates that premium producers have a high regard for embodied and institutionalised cultural capital. In the mass production of assembled kitchens, the organisation of labour has created a different situation. First, as described in chapter four, managers seek technical vocations such as mechanics. Second, the automated production process resulted in a relativisation of the need of vocations for these managers. They do not seem to emphasise institutionalised cultural capital as premium producers:

*“Vocational training is useful of course, but it is not necessarily unconditional. We have employees who learned other vocations, which we acquired through temporary employment agencies, where we are more flexible in employment relations. If we employ someone permanently, and the person comes from a different vocational background, and has a certain affinity to use machines, someone like that can learn these things rather quickly. We support this by offering*

*additional qualifications and training, and a person can become quite good at this. Especially career changers or our employees, who are here for a very long time, are not carpenters” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 567-576).*

Knut is a carpenter master craftsman himself. He has gone through vocational training and can assess the difference between manual and automated kitchen production through his experience. His perspective is therefore even more notable and significant for this research than that of a manager who has studied economics and has learned to organise production processes at the university rather than on the factory floor. The above, though, is a shared view of the mass production of assembled kitchens. The necessity of vocational training for employees, which is professionally connected with the production process of kitchens, is not a ‘must’ anymore. The absence of the need for artisan craftsmanship has reduced the value of vocational training.

While premium producers see vocational training as an unconditional aspect in order to achieve the quality standards they aspire to (symbolic capital), mass producers are more flexible. They do not necessarily associate quality with vocational training but with training in general:

*“To successfully qualify employees is a key to success.[...] Productivity automatically increases when I have a high [degree] of qualification” (Rüdiger, Good kitchen Inc, Assembled Mass Segment, 7:44,3-8:01,7).*

Because of the focus on process, labour is seen as a tool to improve productivity. Quality is important, but the use of machines has reduced the influence of labour on product quality to a minimum. Humans check for production flaws but are seldom responsible for them or charged with correcting them by, for instance, exchanging damaged items. On-the-job-training becomes a bigger issue for mass producers than vocational training; from this perspective, well-trained employees are an important factor in ensuring high productivity and therefore high cost-efficiency. This view of labour is fundamentally different from that of premium producers. Vocationally trained labour is the most important factor in all parts of production within the premium segment (emphasis on titles as symbols for skill), while labour within the mass production of assembled kitchens becomes relative (emphasis on embodied

cultural capital). Vocationally trained employees are important for some parts of production and not exchangeable at these points. The key positions are, for instance, the foremen responsible for the operation of production lines and in charge of teams, mechanics who repair machines, and programmers who ensure the right coordination of orders. The majority of jobs need on-the-job training and do not demand specific skills. This leads to the assessment that labour, in its rudimentary form without vocational specification, remains important for production processes but is not as central as in the premium segment.

### **6.2.3 Vocational Training and Artisan Skills Remain Important Despite Automation**

This view changes dramatically after the actual production process. While *digital* vocations are needed for the production process, *analogue* skilled labour is needed for the tasks after the kitchens have left the production floor. Chapters four and five demonstrated that kitchen furniture producers regard quality as a distinguishing factor. Businesses face customer expectations of flexibility, short delivery times, and flawless products. Customer complaints are a significant issue for kitchen producers. While premium and niche businesses often out-source their truck fleet, mass producers keep their own trucks in order to comply with expectations and reduce complaints. Their own highly trained personnel are very important in this matter:

*“[We have a lower] [...] customer complaint rate with our own truck fleet, we have analysed this many times and we were able to see for ourselves, because we regularly work with freight companies when we enter new markets. For instance, if we make 20 trips we don’t make every one with our own trucks. Considering the relatively small product volume. But we observe that the complaint rate is significantly lower with our own people.[...]If something went wrong, either caused by the retailer or us, we try to be flexible and able to react quickly. Because it is better to take care of a problem within two weeks than let it drag on for several more without coming to a conclusion. I can obviously achieve this easier with my own truck fleet” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 193-206).*

Their own truck fleet represents a cost intensive position within a businesses’ budget. This is why many businesses out-source it. Assembled mass producers are willing to



invest because they believe that it helps to reduce customer complaints. This is related to the ‘SME way’ described in chapter four. While other businesses from other segments did not observe significant differences between using their own truck and using contractors, the mass producers of assembled kitchens are convinced that their own truck fleet is worth the cost:

*Q: “Customer complaints play a very important role within the kitchen furniture industry.”*

*A: “Yes, yes! That’s right! This concerns what I would like to say. Let me put it this way: If you work with a freight company who transports charcoal on Monday, bricks on Tuesday, pigs on Wednesday, and kitchens on a Thursday, you should not be surprised that he does not deliver flawless goods on Thursday. We believe that we achieve a better quality of transportation with our own people. We don’t believe it. We know it” (Gerd, Every Day Kitchens, Assembled Mass Segment, lines 259-266).*

Considering that some fleets have more than 100 trucks with at least two people in order to comply with German law, this is a significant part of the labour force for the businesses. Managers in the mass production of assembled kitchens place their trust in their own employees because they are convinced that they can achieve a better quality standard. They hold this opinion even though almost all other businesses across the segments outsourced their deliveries, without complaints.

Why are these workers so important? From the perspective of managers, even though the mass production of assembled kitchens is dominated by automation, there is still a need for artisan work, done by vocationally trained workers:

*“[Employee qualifications] are a very important topic. I mean, we have a whole variety of qualifications that are necessary. The realisation of exhibitions—when we start from this point—we have assemblymen, who put together the exhibition kitchens. And they have to build them in a certain way—they are the last to see the kitchen before the end-consumer gets to see it. They take care that the kitchen functions and that the end-consumer can make a positive decision [for our products]” (Ralf, Every Day Kitchens, Assembled Mass Segment, 2:15,4-2:44,2).*

Qualified craftsmen are the ‘assemblymen’ of the end product and are often also truck drivers. They are important because they ultimately have to present the kitchen

to the 'end customer' in a way that enables these to 'make a positive decision'. These craftsmen not only assemble the kitchens in show rooms but also take care of customer complaints. They repair and exchange damaged parts. The quotation demonstrates the importance to these businesses of using employees in distribution and for installing kitchens. They are viewed as representing the business at the retail store and to the end customers. High quality work is therefore necessary. Mass producers therefore have a high regard for manual labour despite the automation processes.

Thus, due to automation, businesses in the mass production segment are relying less on labour within the production process. They need vocationally trained employees for the operation of key machines but can afford to rely on non-vocationally trained employees for large parts of production. This changes when the products leave the production hall. Every kitchen needs to be delivered, installed, and fitted, demanding skilled employees. Chapter five described the 'SME way'. Managers seek close and trusting relationships with their customers. The employees who work in customer service and distribution are accordingly trusted and viewed as ambassadors for the businesses:

*"Our truck driver is just as important as a contact person as the salesman, travelling agent, or the contact on the phone. It is about personal relations. This especially concerns the specialist retailers, who are responsible for about 80% of our product volume. Truck drivers have regular contact with retailers and thus have personal ties to them. We usually organise the routes in a way that lets the same drivers deliver the same areas. This generates trust. Our people sometimes have the key for the storage area and are allowed to unload the products on their own"* (Knut, *Small Man's Kitchens, Assembled Mass Segment*, lines 179-188).

Social relations and trusting relationships are often reproduced and established by their own workforce. Managers in this segment believe that the personal contact with representatives from the business establishes and secures customer relationships. The work done by these employees therefore needs to fulfil the highest quality standards, which moves the meaning of labour into the managerial realm. Labour remains a very important factor regardless of the degree of automation.

Mass producers of assembled kitchens display a similar connection between the structural organisation of the production process and cognitive expectations of quality and labour. Some critical steps within the production seem to demand vocationally trained employees. The skill expectations may differ, but the assumption that vocational training provides skills non-vocationally trained workers lack is similar to the way managers in the premium segment view vocational training. The need for less vocationally trained employees is the result only of a different mode of production. Here, managers also project expectations about skills onto the concept of vocational training.

### **6.3 Account of Managerial Views in the Flat-Pack Mass Production Segment**

The production process for the flat-pack businesses is significantly less complex than assembled kitchen production. This production process usually comprises the cutting and wrapping of boards, without the joining and integration of electrical appliances, as chapter four explained. This mode of production provides challenges other segments do not face.

This section starts by describing how managers seek skilled employees because they ensure product quality but cannot afford too many because of the relevance of labour costs in price creation. This is due to an international competition assembled kitchen producers do not face. The section then moves on to explain the managerial view on labour in their production process. It describes that most tasks do not require much skill. These are physical tasks that deal with the movement of parts and their boxing, which creates a generally lower demand for vocationally skilled employees. This part of the analysis concludes with the observation that it seems that the need for vocationally trained employees depends on the degree of outsourcing. It seems that the more production remains in their own hands, the more qualified workers are needed. These managers, too, describe a situation where structural organisation and cognitive perception influence the meaning of labour.

### 6.3.1 Managers Are Torn between the Need for High Quality Labour and the Need to Reduce Costs

Producers of flat-pack kitchens have a completely different view of the value of labour for the production process. This is due to the non-assembled nature of the product, which does not involve the complex logistics of mass-produced assembled kitchens or the artisanship-intensive process preferred by the premium segment. This has two significant results, as described in chapter four. First, the transport of non-assembled kitchens is significantly less expensive. Flat-pack kitchens are far more space efficient due to the non-assembled nature of the products. This leads to a different situation regarding market competition that has an effect on the evaluation of employee skills:

*“We consequently have to mass produce in the flat-pack segment and naturally are in competition with low-wage countries. So we can only shine if—let me say—we exhibit very high quality in the item production as well as when the real pieces are in the package. Because in the flat-pack business it is the customer who is the one to notice when parts don’t fit” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 73-78).*

The quotation above addresses three interconnected issues influencing the assessment of labour. As a pure flat-pack business, the company has to produce in the mass segment in order to be cost-efficient and productive. The two attributes ‘mass production’ and ‘flat-pack’ place the business in a highly competitive market that not only comprises national but also international competition by virtue of the relatively low transportation cost. Because transportation is not a significant cost factor, the products become comparable in price with international flat-pack producers. This makes the labour costs and the quality of labour relevant again:

*“We are more dependent on non-vocationally trained people concerning kitchens because of the labour cost” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 25-26).*

Labour is relatively expensive in Germany compared to traditional furniture-making off-shore countries like Poland and the Czech Republic. In order to be able to prevail in the market, businesses in the flat-pack segment need to be more productive and

produce better quality than their international competitors. They also need to lower their labour costs per item. Doing so means concentrating on the employment of cheaper non-vocationally trained workers. The third issue addresses the factor of risk. Producing flat-pack kitchens involves uncertainty because the customer is the first to notice ‘when parts don’t fit’. Managers need to trust their production processes. They depend on the quality of labour to ensure that parts are produced correctly. The employment of non-vocationally trained workers is therefore not a result of a disregard for vocational training but the increased costs of employing them.

Flat-pack producers deliver boards wrapped in cardboard and cannot test whether a cupboard is made correctly unless they assemble it. Flat-pack producers therefore need to find a balance. From the managerial point of view, vocationally trained employees guarantee high quality products. Managers within the flat-pack segment share the same attitude to the standardisation of work quality through certificates granted through vocational training as managers in the premium segment (institutionalised cultural capital). To recruit non-vocationally trained employees means training them in-house, which is a subjective risk and has a cost. Managers are convinced that vocationally trained employees minimise the risk of faults within production and increase trust in it. This relatively expensive workforce forces managers to calculate their value to production according to international competition. The key question for these managers is ‘how many vocationally trained employees can I afford without raising the production costs too significantly?’ The answer is that these businesses depend on labour because of their work-intensive production processes. The businesses cannot afford too many vocationally trained employees because of their costs. They consequently rely on the skill of non-vocationally trained employees.

Producers of flat-pack kitchens seem to be in a special position within the field of forces. Their major concern seems to be the lack of economic capital, which is caused by the need of a lot of embodied cultural capital (workers) due to the limited possibility to implement benefits stemming from technological capital (automation). However, their demand for embodied capital is high, the skill expectations remain moderate. Additionally, their products do not seem to have any special prestige

(symbolic capital) on the market. It seems, as this segment does not own a significant amount of any capital, which puts flat-pack producers in a more destabilised market situation, which causes a high amount of uncertainty and changing degrees of competition (Beckert 2010a; Fligstein 2001). This seemingly creates a different and less elitist definition of skilled employees than, for instance, premium producers use.

### **6.3.2 Labour Is Viewed Mainly as Low-Skilled and Inter-Changeable**

Labour costs are one reason why flat-pack producers employ many vocationally untrained workers. There is another reason. The work involved in producing flat-pack kitchens is seen as physical labour rather than craftsmanship. Physical labour means that the work routine is limited to loading and boxing tasks. The expectations towards embodied cultural capital are seemingly low. These businesses do not seek furniture vocation-specific tasks like premium producers, nor do they seek the skill of technical vocations. Their view on skills is different:

*“Employee skills are not a very big topic for us because our jobs are physically demanding. By physically demanding I mean muscle driven rather than mentally challenging” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 110-112).*

This means that the skill expectations for employees are less than in other kitchen-furniture businesses. Formal employee qualifications are not as important in this case. The employees in the main production process accordingly do not have vocational training associated with kitchen-production. Employees handling machines need to be somewhat trained because untrained personnel are not allowed to operate every machine. These employees need to have gained certain certificates in order to legitimately use them. Though the certificates are achieved during vocational training, they can also be acquired independently. In this case, the need for qualified employees is determined by formal regulation rather than managerial preference. Titles do not appear specifically important in this case.

Managers in charge of flat-pack production portray a picture of their labour force that distinguishes itself from other segments:

*“We have a lot of employees in the production who have been trained in our factory and—if I may say so—who have been employed regarding the criteria: ‘two arms, two legs’. Because we used to produce only large volumes of items. The plan was something like this: start producing in the morning, change at noon and done” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 174-178).*

The description ‘two arms, two legs’ means that past employment practices had low standards for the skill expectations of employees. There was no perceived need for vocationally trained employees. The production process is seen as fairly simple and non-challenging. The only qualification sought was the ability to use ‘arms’ and ‘legs’ in order to load and unload the production line. They were ‘trained’ in the business, but this does not mean that they had undergone classic vocational training. These employees had been ‘trained’ for a specific task instead of for a vocation. Labour is interchangeable for these managers.

### **6.3.3 Degree of Outsourcing Determines the Value of In-house Labour**

While the above assessment of the skill demands in the overall workforce is low, managers continue to have a high opinion of vocationally trained employees, who hold key positions and are supposedly responsible for good quality production and the success of the company:

*“Well vocationally trained employees are the foundation for the business especially in the machine room and in the second product line” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 27-28).*

Two flat-pack producers took part in this research. The first business also produces assembled kitchens. The second company only produces flat-pack kitchens. The first business does not include the manufacture of the items in its own production process. The second does. This difference changes the need, as perceived by managers, for well-trained employees. Peter is the manager of a flat-pack business that kept the production process in-house. While the business that has not integrated production has a lower regard for labour, Peter shows a different opinion. The ‘machine room’ comprises the production line, and the need for skilled employees is based on the perceived need for employees who are to operate the machines to have the required

qualifications represented by certificates gained during training. The ‘second product area’ comprises a higher quality and price-range of products. Many tasks within the production of flat-pack kitchens are usually perceived as simple by managers. For them, this demands no vocational training. The value of vocational training, though, changes with the degree of outsourced production. The more production steps are done by the businesses, the higher is the need of and regard for vocationally trained employees.

This is connected to machine operating tasks. The assembled kitchen mass producers have a high degree of automation, including completely computer-steered production lines that use robots for kitchen assembly. This is often compared to the automation of production in the car industry. Human labour has therefore a different meaning in these processes. Flat-pack producers present a different situation. The production line still involves ‘manpower’: loading, unloading, and cutting are done manually, using physical strength. The difference lies in the handling of the raw material, which no longer takes place in the assembled mass production, except when exchanging damaged items. The contact with raw materials and its physical handling demands skills that are associated with vocational training within the production of flat-pack kitchens, the from managers’ perspective, though this cannot be compared with the premium segment. The employees are not all vocationally trained; some gained their qualification through specific on-the-job training that entitled them to certificates and official permission to operate the machines. Vocational training provides managers with a ‘short cut’ for assessing employee skills. Vocational training ensures that employees have gained the certificates required for operating machines. This spares managers the investment of resources to train them. The demand for higher skills, and the importance of labour for these producers, is confined to the machine-room:

*“We are in principle only a logistics business outside the machine room. We could basically box toys or anything else. This is one of the unique features of somebody who produces flat-pack furniture” (Detlef, Flat and Chique Kitchens, Flat Pack Mass Segment, 1:58,6-2:11,8).*

This citation shows the distinct categorisation of the value of production in the business. The ‘machine-room’ houses the work done by skilled employees. The ‘outside’ of the ‘machine-room’ symbolises a significant border. While the



‘machine-room’ comprises furniture-related work, the ‘outside’ is primarily related to ‘logistics’ and not to ‘furniture’. This is underlined by making the statement that this part ‘could basically box toys or anything else’.

The proportion of production carried out in-house accordingly influences the perspective on the value of labour. Labour is primarily understood as a standardised need, symbolised by certificates, for the operation of machines in the machine-room. Thus, flat-pack companies have the most ambivalent opinion of the importance of labour. They are dependent on it as cultural embodied capital. The quality of the product is often dependent on the manual handling of raw materials and the manual use of machines. They therefore need well-trained employees, which is not, however, necessarily based on vocationally trained workers (institutionalised cultural capital). The pressure of international labour costs (economic capital) largely influences this calculation. However, flat-pack producers also show a distinct disregard for the importance of labour. From the managerial perspective, many tasks are easily interchangeable. This makes the quality and value of labour less important for these producers than for other segments. Vocational training, though, remains uncontested in its perceived quality standard and meaning for crucial production within production, as long as there is still some production left in their own hands.

#### **6.4 Account of Managerial Views of the Niche Segment**

The niche segment professes a view of labour that has characteristics found in the perspectives of the premium and assembled mass producers. Niche producers explain the need for artisan and technical vocations. They also share the need for a large number of non-vocationally trained lesser skilled employees. This section demonstrates why managers share this perspective. In this context, vocationally trained employees are invaluable for key positions in the production. They need to be able to use complex machinery, but they are also required to work with the raw material, in the custom shop work. The need of artisan skill is based on the handling and working with materials. This is a situation similar to that described in the premium segment. Employees are still in contact with material and therefore need to be knowledgeable about its handling. Though many production steps are similar to those taken by assembled mass producers, the operation of machines sometimes

requires only the push of a button; boards need to be moved and quality checks made. Niche producers generally see labour as an invaluable factor in the production process.

#### **6.4.1 Manual Work and New Materials Create Labour-Dependent Processes**

This hybrid version of premium and mass producers results in a similar view of the importance of labour. Production processes in the niche segment often involve large numbers of non-vocationally trained employees, which is comparable to the assembled kitchen mass-producers. The vocationally trained employees are still carpenters and wood mechanics, due to the custom shop work. This distinguishes them from mass producers, who use technicians and other technical vocations, and shows a need for artisan vocations similar to that of the premium segment (high regard for institutionalised cultural capital). The ambivalent situation of skill demands creates the need for skilled artisan craftsmen on the one hand and cheap less skilled workers on the other. The results in an employment structure comparable to that of mass producers:

*“We have about 50% of non-vocationally and internally trained employees in the production. The other half are vocationally trained people. These are carpenters and wood-mechanics” (Tim, Small and Sunny Kitchens, Niche Segment, lines 86-89).*

Work within the premium segment is very much determined by the use of new materials and handling and knowing product varieties. New technologies and materials have caused more complexity to enter the work process. A similar development is observable in niche producers. Their limited automation requires more interaction with raw materials. This creates a demand for more skilled labour. While niche producers employ many non-vocationally trained employees, they perceive an increasing complexity in the production process and increasing challenges for them:

*“You have to bear in mind how the kitchen itself develops. Information about the item the employee is working on is no longer isolated or related to a particular piece. One needs additional knowledge, additional*

*information, for the workspace. Where does it belong? For example: a dishwasher door-front used to be a board. The board today has different varieties. It is still a door. [...] [But] we have an item-number and this number has a meaning. This describes in which context the item is located. What kind of appliance is it and how does it open? Where does the handle belong or whether there is a handle at all. The people have to consider more concerning these things. The guiding principle for us is definitely: explosion of variety” (Alex, Feel Good Kitchens, Niche Segment, 43:58,4-44:52,7).*

Alex is using the example of the dishwasher front in order to explain the situation that is also taking place in the premium segment. The technologies and materials now provide more variation in final product assemblies. The sheer number of possibilities makes each product practically unique. There is a focus on the process through which the ‘kitchen itself develops’. He points out that the change that has taken place means that kitchens no longer consist of ‘items’ that are ‘isolated’ from each other. Parts are interconnected, and this is integrated within the production process. Each point in the chain needs to be viewed as part of the entire picture. Managers expect employees to be more knowledgeable within their workspace. They see this as a crucial factor for the quality of production. This indicates that managers increasingly seek employees with more knowledge, adaptability, and affinity towards technologies. This embodied cultural capital seems more important than institutionalised titles, as premium producers prefer.

#### **6.4.2 Managers Depend on Skilled Labour in Key-Production-Processes**

Even though managers see an increasing complexity within the production process, they do not relate this to an increasing demand for artisan skills within the work force. They need carpenters and wood mechanics to understand the product and handle pieces, but this is not comparable with the situation of premium producers, as described in chapter four:

*Q: “Do you still have the character of a carpentry shop?”*

*A: “No, I don’t think so. For custom-shop-demands yes, of course. But what kind of custom shop work are we doing? Some pieces are cut according to special measurements. We have some*

*pieces that are especially thick. Let me put it this way. We produce 500 pieces a day, which are produced on three different lines, for which you have the according machines. You don't need such machines in carpentry shops. No, this is not a carpentry shop anymore" (Chris, Innovative Kitchens, Niche Segment, lines 227-234).*

Labour within the niche segment is usually predetermined by the operation of machines. This is similar to the mass production of assembled kitchens. Because of their aspiration towards individuality, niche producers have integrated custom shop work into their own processes. This work is not comparable to that of the premium segment, because niche producers' success relies on keeping the labour costs per item as low as possible. This influences their assessment of the importance of labour:

*"The only hard physical work remaining is the loading of trucks. Everything else–You don't have to pick up the working top anymore with two people. Everything is automatic.[...] There are very intelligent people and very dumb. As a producer, I don't want the ones from the top, nor the ones from the bottom. Our desired employees are the ones from the middle" (Frank, Innovative Kitchens, Niche Segment, 20:14,1-22:07,6).*

Niche producers increasingly seek machine operators. They do not seek the 'top', most capable, employees but employees who are able to use new technologies and develop with the production process. The demand for highly skilled vocationally trained employees is similar to that of the mass producers. They see the key tasks that need to be done by this employee group:

*"The largest part is responsible for machine operation. Leading positions. [...] Well, we have many women here, who get the doors out of storage and put a sticker on them. I don't need to go to university to be able to do that. [...] I have about 40% [of tasks], where I need highly qualified personnel. To operate a machine – you don't need A levels to do that. You just need to want to do that. [...] The skills sought in such an industrialised business are lower than in a carpentry shop" (Frank, Innovative Kitchens, Niche Segment, 52:51,3-55:54,6).*

Highly skilled employees are valued but do not comprise the majority of the labour force. Most tasks are seen to be simple physical labour, involving the distribution of components and loading activities.

Niche producers thus share the need for manual labour with the premium segment, but the tasks are not seen as demanding artisan skills. Workers need to be knowledgeable about materials because they handle them more frequently than is the case in the assembled mass segment. This explains the high proportion of non-vocationally trained employees within the workforce, because these tasks do not necessarily require vocational training, though it helps. Vocationally trained employees are sought for the operation of machines. This is similar to the situation demonstrated in the mass production of assembled kitchens. Increasing automation, which decreases the meaning of artisan work and its importance for the production process, continuously influences production processes. Niche producers rely heavily on labour because of the many manual steps within the production. It is not as vocationally specific as in the premium segment but is nonetheless invaluable for the quality standards sought by managers.

Niche producers value vocationally trained employees as highly as do the other segments. Their need for vocational training is influenced mainly by the mode of production—the structure of the production process. More automation reduces the need for this group of workers, yet they are still needed for key positions within the production.

## **6.5 Discussion: The Differential Use of Labour in Kitchen Furniture Production in EWL and Its Implications for the Meaning of Embeddedness**

The previous two chapters have demonstrated that structure and cognitive settings seem closely related to market segments. This chapter explains how structure and cognitive frameworks influence employment practice in the EWL kitchen furniture industry. The segmental employment practices are congruent with what could have been expected from the market structure as well as the cognitive frameworks as introduced in the previous chapters.

The first observation is that businesses in same segmental structures with the same self-perceptions share similar employment practices. This observation is important for the influence on business behaviour regarding structural and cognitive influences, which cannot be separated, as suggested in the literature review (Beckert 2009; Fligstein and Dauter 2007).

According to the assumed close connection between segmental structure and cognitive framework, managers seem to derive their strategies for employment practices from the mode of production and market structures they observe. The relation between structure and cognitivism appears bilateral and inseparable. The data suggest that managers are rationally bound (as explained in the literature review) to their segments (Hass 2007; Zukin and DiMaggio 1990). The term 'rationally bound' here means that managers organise their production processes to meet the market demands resulting from the segmental structure they observe. This means that, for instance, regarding structure as the form of network relations, the nature of the product determines the distribution networks, which determines the mode of production, national and international competition, and customer target groups. Observing these relations, managers develop strategies in order to face the challenges arising from them. The cognitive framework, like managerial perspectives and opinions, is accordingly attuned to the structure they observe and adapts employment strategies to them.

However, this observation rather seems to be an undersocialised approach (cf Granovetter 1985). While there seems to be evidence that managers observe competitors, create segments, and share similar strategies (White 1981), businesses also give the impression that their actions are influenced by an uneven distribution of capital (cf Bourdieu 2005) and prevailing institutional logics (cf Thornton and Ocasio 2008).

Bourdieu's central claim in the analysis of markets is that economic, cultural, social, and symbolic capital are unevenly distributed on markets, which leads to the struggle of firms to either maintain or improve the own position in the field (Bourdieu 2012). Businesses are influenced in their behaviour by the amount of capital to their disposal. It seems that the businesses interviewed in this research adapt their employment strategies to their available capital.

The premium producers' positions within the field is characterised by relative small economic and large amounts of symbolic capital (the brand name). The analysis indicates that premium producers try to maintain their status as the innovative force within the industry. This provides them with prestige and the legitimacy to charge high prices. It appears that the status of their products creates the expectation that this kind of kitchen can only be produced with highly skilled employees. They accordingly trust in the employment of workers who promise to have the highest skills and can be trusted to fulfil production expectations: *Meister*. Titles - institutionalised cultural capital - are symbols for these managers that minimise managers' uncertainty for production processes. The repeated mentioning of 'extraordinary' product characteristics seems to provide evidence for this. It also provides grounds to theorise about prevailing institutional logics. This practice, as described by both businesses, is based on past experience and routines that have not changed despite the change of leadership. The cognitive connection between 'extraordinary' and 'titles' seems highly institutionalised and has become 'fact' for managers, automatically cancelling out other forms of employment strategies. Even though businesses start to feel the effects of increasing automation and its causing change in the field, as the introduction automated store units and the restructuring of production demonstrate, managers hold on to hire *Meister* instead of cheaper *Gesellen*. This shows that managers are willing to make 'cutbacks' on seemingly low-skilled work, but are unwilling to change practices within the actual production process. Managers feel the need to invest in employees with the most embodied cultural capital by employing workers with the fitting institutionalised education. Because managers are identifying symbolic capital as their unique selling proposition, they invest in the most likely skilled labour force that can guarantee its reproduction. Their choices are influenced by their position in the field of forces (cf Bernhard 2010).

The assembled mass producers' positions are characterised by considerable economic, technological, and social capital. The economic capital is easily identifiable because of the turnovers and market shares of the 'big five'. According to the managers, these businesses invest in technologies (automation) and in outsourcing. Here seems to be the most obvious difference between mass producers

and premium producers, which influences their employment strategies. The use of technological capital has fundamentally changed the organisation of production and the role of human labour in it. Because labour has arguably been down skilled through the implementation of new technologies, mass producers' view on labour has changed. Even though they have a high regard for vocational training (institutionalised cultural capital) they do not feel the need to position this type of worker throughout the production. They rely on a moderate amount of needed skills (embodied cultural capital). This seems to be connected with the focus on social capital. This form of capital is defined by the network resources available to firms (cf Bourdieu 2005). Mass producers accumulate social capital by outsourcing essential parts of the production and reduce their own procedures to assembling parts. This strategy seems to have a strong effect on the field. As mentioned in chapter five, the constant development of new technologies has dramatically increased the quality standards of kitchen production in general. This especially allowed mass producers to extend their shares of the market. They started accumulating symbolic capital from other segments (the reputation to deliver high quality).

This seems to especially concern businesses in the niche segment. They own the smallest volumes of economic capital. Production volumes and turnovers are small in comparison to businesses in other market segments. It can be argued that niche producers are in a difficult position within the field. Their customer target group is mostly similar to the mass producers', which puts them in direct competition. The problem niche producers face is the coordination of business strategies in relation to the mass producers. It appears that the development within the mass segment forced businesses in the niche segment to increase automation and invest in social capital (outsourcing to subcontractors), in order to avoid price gap between them and the mass production segment. It seems that niche producers seem in any way on the downside in relation with the ownership of capital and the position in the field. Their positions are destabilised by the deinstitutionalisation of the field caused by mass producers' strategies. Niche producers display a need to increase their symbolic capital by finding strategies that set them apart from mass producers. They believe they are unable to compete by merely concentrating on prices. The consequences in the shifts in the field cause niche producers to develop 'individuality' and other



trademarks that set them apart from the competition. But in contrast to premium producers, they lack the symbolic capital of a brand. This situation has a great effect on their employment strategies. They need to keep production costs as low as possible. This means increasing automation and investing less in embodied cultural capital and its institutionalised form (concentration on non-vocationally trained employees). Only the custom shop work and special machinery create managerial demand to emphasis and invest in vocationally trained workers.

Flat-pack producers display a different situation. Their position in the field is especially characterised by relying on low skill embodied capital (non-vocationally trained workers). These businesses formulate this need due to the organisation of their production processes and the nature of the product, which suggests a different competition situation in this part of the market. It seems that flat-pack producers have limited access to technological, social (subcontractors), and economic capital. While other segments are able to compensate – to some degree – labour costs with automation, flat-pack producer seem not able to do that. Because of international competition, managers believe that they can only be successful by producing better quality than their competitors. This perspective lets them rely on their workforce and their embodied cultural capital. However, titles and vocational training are viewed to be valuable, but seen as extra costs businesses cannot afford due to labor cost competition with low wage countries.

Apart from the segmental differences, the chapter has demonstrated that vocational training is a symbol of subjectivity and bound rationality within the kitchen furniture industry, which all managers share. As soon as managers talk about skill-challenging tasks, all businesses rely on vocationally trained employees (institutionalised cultural capital). Managers believe that this group of workers is superior to workers with no vocational training. They assume that these are not only equipped with task-specific expertise but also with most basic skills, like reading and writing. Managers share the cross-segmental belief that vocationally trained employees symbolise the backbone of production. This may be the result of the institutionalised meaning of vocational training for Germany, resulting from a staunch resistance to change (Thelen 2004).

Chapter four asserted that cluster research has seen in the furniture industry the tendency to employ mainly vocationally trained workers (Rafiqi, et al. 2009; Voelzkow, et al. 2009). This was criticised for being too general, demanding more industrial branch-specific scrutiny. This chapter adds another component, which seems interesting in cluster research and adds a more sociological component. First, segmental structures, even though they share the same product market, prefer different employment practices, depending on different vocations, resulting from managerial perspectives on production organisation and their work expectations. These practices are also influenced by the different emphasis and availability of capital. The second issue deals with the role of vocational training. The VoC debate and the comparison of production regimes consider coordinated markets like Germany to be dependent on vocationally trained employees but do not give reasons, though based on cognitive grounds (Dieckhoff 2008; Gallie 2007; Hall and Soskice 2001). This chapter suggests that managerial practice in employing vocational training is based not necessarily on measurable skill differences but in managerial beliefs in the skills that can be expected from vocationally trained employees. They are employed not only because of institutional pressure resulting from, for instance, corporate agreements between unions and employers' associations but because of managerial beliefs in the myths surrounding the skill level of vocationally trained employees (institutionalised cultural capital). The question is whether the cognitive motivations to employ vocationally trained workers are the same in all national and sub-national contexts. A subsequent question asks what happens if managers stop believing in the skill levels of vocational training and its value for production. The results suggest that, even though the research finds similar practices in different political economies and clusters, the cognitive motivations may differ. This can have diverse and important effects on employment behaviour when institutional frameworks change. This is an important factor when pursuing further research in clusters.

## **7 Cultural and Cognitive Factors in Managers' Assessments of the Value of Local Labour**

Chapter six demonstrated that labour is regarded as an invaluable factor in production within the kitchen furniture industry in EWL regardless of a businesses' membership in a specific segment. The matter of locality has not been thoroughly addressed in the previous chapters, even though it symbolises a central argument pursued in this research. Until this point, it seemed more important to introduce the different perspectives on how kitchen furniture is produced in EWL and how managers perceive themselves in their segments before taking locality into account as an important influence on embeddedness. This was done on the assumption that it is necessary to understand how the industry is organised and managers 'think' before it is possible to comprehend how they establish meaning for locality. This part of the analysis reviews how managers associate the meaning of EWL with the quality of labour.

The chapter is divided into three parts. It begins with general managers' assessments of how the local structure influences the quality perceptions of labour. It demonstrates that managers observe their local environment, notice the presence of competitors and similar industries, and assume that the presence of these raises the quality of the available workforce. It then deals with the institutional importance of vocational training in Germany and how this constructs locality. It then pursues aspects that arose in the conclusion of the last chapter regarding the construction of meaning for vocational training, a symbol for a cognitive short cut for managers (Hass 2007; Zukin and DiMaggio 1990).

The chapter also demonstrates that managers increasingly seek vocationally trained employees. The research has already stated that businesses in Germany prefer vocational training, though these studies explain with reference to the political framework businesses are embedded in, which supports the employment of vocational training (Dieckhoff 2008; Gallie 2007b; Gallie 2007c; Hall and Soskice 2001). Most studies do not provide managerial reasons for why vocational training is so valuable to them. It is argued that vocational training is so strongly institutionalised through history and in past and present policies that different

employment behaviours seem out of the question (Thelen and Kume 1999; Thelen 2004). Research on the furniture industry in EWL undertaken in the context of the debate on the varieties of capitalism does not provide an exception to this argument or present different reasons for this employment practice. It is merely argued that businesses tend to employ vocationally trained employees in the furniture industry in EWL (Voelzkow, et al. 2009). This chapter, though, explains the managerial perspectives on why vocational training is important for them and provides insight using a cognitive approach, which has often been neglected in explanations of employment practices.

Part two deals with cognitive cultural grounds and the importance of EWL for managers in particular. Managers see cultural differences between German and foreign labour. Managers actually associate sub-national regions with different qualities of labour. They even see a genuine local EWL mentality, which benefits the production of kitchens and is unique. The last part demonstrates that managers also assess their physical location in comparison to the centre of the furniture cluster. The further away a business is from the centre, the larger is the perceived disadvantage to source employees. These observations provide additional insight into the debate on diversity within new institutionalist research. This especially contributes to cluster analysis (Crouch, et al. 2004). Cluster development may therefore be influenced not only by institutional frameworks and local structures but also by the cultural and cognitive effects of local regions, which shape managerial perspectives and support regional cluster development. The chapter ends with a discussion on the meaning of EWL for the local embeddedness of labour.

### **7.1 Managers Describe the Value of the Locality of Vocational Training**

This part of the analysis deals with the meaning of vocational training for managers. It shows that they associate labour quality with vocational training and therefore with Germany. The section first describes the general importance of labour for the production site before it moves on to the managerial appreciation of vocational training as an institution. Vocational training helps managers decide whether a potential employee has the formal skills for a job; it is a 'short cut' or institutionalised cultural capital enabling managers to reduce the effort required to

estimate a worker's skills (Bourdieu 1983b; Hass 2007; Zukin and DiMaggio 1990). The next section explains that these skills do not necessarily need to be high quality artisan skills. This is caused by the de-skilling of labour through automation but also the lower skill demands created within the less complex production processes as found, for instance, in the flat-pack businesses. For these contexts, basic skill expectations involve things like the ability to read. It also demonstrates how the perspectives on jobs with lower skill demands develop towards increasing skill expectations because managers feel that all employees do not necessarily fit the changing skill demands of the workspace. In this case, vocational training is believed to equip employees with the most rudimentary skills, such as reading and writing. The section ends with the managerial opinion that the presence of the furniture cluster benefits vocational training in the area.

### **7.1.1 Local Structures Shape Managerial Views on the Quality of Available Labour**

Different modes of production create different needs for and views of the value of labour. Even though automation is increasing and the role of labour decreasing within production for large parts of the industry, there is still a universal view of the unconditional value of labour, which is associated with managers' confidence in Germany as the site of production:

*“I think that there is no other topic as important as the quality of labour for Germany, and especially for the furniture industry. I would not know any other advantage other than the qualifications we have here” (Alex, Feel Good Kitchens, Niche Segment, 1:24,5-1:35,8).*

Labour quality is associated with Germany, which supposedly no longer has other economic advantages as a production site in international markets. This is a notable observation, especially considering that the demand for employee qualifications and the meaning of labour vary significantly among market segments. From this perspective, labour is seen to be invaluable for the production process of kitchens and seems to be connected to location.

Managers construct meaning for the locality of labour by observing the local structure and its perceived effect on the quality of labour. The existence of sub-contractors, other kitchen furniture producers, and the presence of the furniture industry in general give managers the impression of being able to source employees better than anywhere else. The premium segment especially, which very much depends on vocationally trained employees, is profiting from the available workforce:

*“This means the local labour market serves us very well. We have very good abilities to acquire personnel for our positions. On the other hand, we miss certain qualifications on the labour market to satisfy our needs. But we can say we will most certainly not find these qualifications in the rest of Germany or the entire world. There are just not any other international kitchen brands that have retail experience. There probably are skilled workers in other countries, but not in the way they are available in the pool, which we have in this region. Especially the dual educational system in Germany plays an important role, resulting that in a very structured knowledge base” (Karsten, Luxurious Kitchens, lines 93-99).*

The above quotation concerns two important factors that make the local labour market an important factor in the meaning of local embeddedness of the industry in EWL. First, the dense cluster of the furniture industry seems to provide an important source of potential employees, but it is not only the ability to source many people that is significant for the assessment. Premium producers depend on vocationally trained workers, as is explicitly mentioned in the citation. The emphasis of the German dual educational system—which encompasses three years of training, combining taught classes in school and practical work in businesses—is viewed as an invaluable asset for the region. The combination of many businesses and the resulting vocational training that also takes place within these businesses creates the impression of a unique situation, which can be found neither elsewhere in Germany nor anywhere else in the world. The mentioned deficit of qualifications in the labour market involves retailing skills. Only the premium producers use brand stores to sell their kitchens. Everybody else uses retailers. This puts premium producers in a special situation where there is only a small group of potential employees for this kind of work. Premium producers want people to be able to sell a kitchen as much as

they want people with the technical know-how to construct one. These skills are rarely found in the labour market from the perspective of premium producers. Even though they all see this deficit in the region, they remain sure that they will not find the necessary skills in any other regional labour market.

The value of the EWL labour market is regarded highly not only in the premium segment:

*“This is of course the furniture and kitchen furniture industry, which is in this region. The proximity to skilled workers, the proximity to employees, and the proximity to subcontractors, which lead to close-knit relationships around here. It is the local closeness that matters. In so far East Westphalia represents the best possible production site there is” (Tim, Small and Sunny Kitchens, Niche Segment, lines 44-49).*

Businesses within the niche segment share the same opinion. The presence of subcontractors in connection with the closeness of skilled employees in the local labour market makes the EWL production site the ‘best possible production site there is’. Closeness seems to play an important role in the assessment of the region. Managers seek close relations with the top contractors, which is the social dimension. They also see a geographical closeness to customers, as demonstrated by the relative distance according to the assessment of the physical location of the production site. Another dimension of closeness plays an important role in the assessments of the value of the region’s labour market.

The local labour market is also held in high regard by mass producers. The quality and availability of workers is seen as an important asset. This is interesting because mass producers are not nearly as dependent on vocationally trained employees as are the other segments. These businesses employ up to 70% people for jobs that do not officially require vocational training. This should lead to the assumption that the importance of skills and qualifications is not as important as in other parts of the industry. Apparently, this is not the case, though the view of the labour market is more generalised, with a less specific emphasis on vocational training:

*A: “[The quality of labour] is a topic without a doubt. The reason for this is, if we look at it in a political economical way, we do not have any other natural resources. We have no raw*

*materials. We have no energy. This means we can only live from the quality of our people.[...] The success of the business is very much dependent on the work of our employees.”*

*Q: “Do you see employee qualifications as a production site factor?”*

*A: “Yes. Without a doubt” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 17-32).*

### **7.1.2 Managers Value the General Institution of Vocational Training**

Regardless of their different employment practices, managers share a fondness for German standardised vocational training. This assessment is not aimed at a specific vocation but is directed at the institution, as the next example of a flat-pack kitchen producer shows:

*“When I think of it now. We have just decided with our works council to employ two new people with a temporary work contract because of the simple reason that our employees did not have the qualifications to work with the [new] machines. But there was also a little bit more—I’ll put it in the words of our works council—they wished to have the future employees to be equipped with brains. These were not my words. This was shameful on the one hand. Even terrifying. But this is how it works here. When we start advertising for the new positions we will make sure that these candidates have gone through vocational training, if possible in a technical area. The more their vocation relates to mechanics or electricians the better. We just have to try to get qualified people because they generally do not cost less than non-qualified people. Because our wages are so high due to our membership of the wood collective wage agreement that we can employ people with vocations at every point in the production” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 514-529).*

Even though the manager sees no need to employ those with kitchen furniture related vocational skills like the carpenter or wood mechanic, this perspective nonetheless shows a preference for vocationally trained employees. The quotation demonstrates the changing attitude of managers within the EWL kitchen furniture industry, which could be observed in other businesses as well. The constant drive to automation and the introduction of new machines significantly alter managerial perspectives on the workspace. Managers used to have a higher demand for low-skilled physical labour. In the past, many tasks were not seen as ‘intellectually’ challenging and therefore did



not require any sort of specific education and training. Managers view the continuous automation of production processes and the increasing use of computers as a growth in skill-demanding tasks. For instance, when Detlef became chief of production, knowledge about production procedures was limited. According to his description, the company did not even have item identification numbers, which means that the business did not know in which shift an item was produced and where it went when it left the machine room. The managers did not know how many items were produced in one shift at any of their machines. The production process was literally a black box. The business was confident of always having enough customers, so they kept on producing for storage. This led to them having to throw away kitchen doors worth about 20.000 € at a past inventory because the business did not know that it had produced them. It was Detlef's first task as chief of production to introduce a system using barcodes in order to track items within production. This changed the demand for employee skills. Now, employees had to use bar code scanners before boxing parts, or they needed to use PC consoles to type reports. Managers are not confident that a person without vocational training is fully capable of fulfilling such tasks. Managers use vocational training as a cognitive short cut while assuming that vocational training has standardised skill levels enabling employees to fulfil supposedly 'intellectually demanding' tasks.

### **7.1.3 Vocational Training Ensures Basic Skills**

The above situation demonstrates a change in skills managers demand of their labour force. For some, labour was viewed as reduced to the mere physical capability to load and box parts. Managers observe the skill-increased demands for these previously simple tasks, which were found across all segments, that are not necessarily high-level skills, for instance, using several programming languages. Managers seek basic skills, which are allegedly not present throughout the entire workforce:

*“Basic qualifications like reading, as stupid as this may sound, naturally become more and more important. We have people around here that cannot read” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 180-183).*

For them, vocational training symbolises the worker's ability to have allegedly basic skills. Standardised certification ensures this. Surprisingly, these basic skill expectations for workers were very similar across the segments. All employees are expected to be able to read, write, and do basic arithmetic:

*“The employee with the easiest tasks needs be able to read German well needs to be able to do some arithmetic [...]” (Walter, Hightech Kitchens, Premium Segment, 3:51,2-3:55,3).*

In order to ensure the presence of the skills sought and minimise internal training and resources, managers trust the standardisation of skills supposedly available in a work force that has gone through vocational training. This is a similar practice to that in the premium segment. The only difference is that the vocational training does not necessarily need to be furniture-related.

The decision to employ vocationally trained rather than non-vocationally trained people is also influenced by the collective wage agreements within the industry. It is not only the standardisation of skills through vocational training but also the standardisation of wages that closes the gaps between these groups of workers and makes it easier for employers to rely on vocationally trained employees. For managers, vocational training is tightly connected to the production site in Germany. It is a locally bounded institution that makes the meaning of locality visible.

This view of labour seems to be changing not only from the managerial perspective but also within the labour force:

*“Quality only works with well trained people. We are emphasising in these times, in which we have a surplus of potential employees on the labour market, that we only employ people for the area of laying, that is placing parts in packages, who have experienced any kind of a complete vocational training. It almost doesn't matter what kind. It is only important that they somehow suffered through the three years. Not like: after leaving school a job here and a job there. But that they, at some point, have gone through this vocational training in order to have a basic understanding” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 93-102).*

Vocational training is a symbol of security for managers. Chapter five has demonstrated that managers seek trusting relationships, including with their workforce. Vocational training acts as a benchmark. The training is considered as showing a consistency and stamina that is allegedly unique to vocationally trained German employees.

#### **7.1.4 Changing Production Arrangements Create More Demands for Skills**

There is a change in recruiting policies and the mindset of managers regarding the importance of employee qualification within the flat-pack producers but also observable in other segments. This is demonstrated by this example. Businesses are currently going through a structural change across all segments. Consider the following quotation from a flat-pack producer who has introduced the production of assembled kitchens to his portfolio. This change has influenced the managerial perception of labour:

*“We have many people here who can handle the tasks of both jobs. And who sometimes switch. We have six people at this line. Some days we don’t have any flat-pack kitchens at all, so everybody works at the assembly line. Most of the employees can be used for multiple tasks. Most employees” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 547-551).*

The work routine for employees of this business has changed significantly. There is a higher demand for flexibility, which results from the expectation to be able to ‘switch’ between work tasks. The task of laying kitchens is entirely different from that of assembling kitchens. The change from merely ‘boxing boards’ to ‘assembling kitchens’ has augmented skill expectations. Producing assembled kitchens has also increased the amount of items dealt with in the custom shop. As mentioned earlier about other segments, managers see an ‘explosion of varieties’, which amplifies the need for vocationally trained employees. This is also predicted to become more important in the future. The proportion of assembled kitchens is growing and with it the demand for vocationally trained employees. Since assembled kitchens are not in the lowest price ranges, they face higher quality expectations from customers.

Managers repeatedly commented on the need for employees to be flexible in the production process and to switch workspaces. This is due to the development of lean production. This increases managers' skill expectations of their employees. They believe that vocational training provides employees with the flexibility to deal with the new demands.

The next example also demonstrates how skill expectations change and the meaning of vocational training increases because of changing institutional logics (cf Thornton and Ocasio 2008). As a result of international and inter-corporate competition, another business is restructuring its organisation of the production process. It did not have any competition for a long time and has grown in production volume, product variety, and capacity. The lack of past competition is the reason the business has not improved its production process nor analysed its business procedures. It appears that production routines, employment structures, and success managerial strategies created a set of institutionalised logics, which did not provide reason for change in production processes. It seems that this caused resistance to change because of past success (cf Munir 2005). This indicates the reason why the current business situation has become critical. The firm has been put under pressure, particularly because of Eastern European flat-pack kitchen producers and increased internal competition. The business belongs to a conglomerate that owns furniture producers all over Europe. The conglomerate also owns a flat-pack kitchen producer located in England. Because the member firms have to report to the conglomerate management regularly, the businesses become comparable to each other. The firm recently lost a significant contract to the English business. These two influences from competition have moved the business to make significant investments in order to develop a 'lean' and 'just in time' production to change from a 'messy' mode of production to a modern and efficient process.

This development has led to an evaluation of the production process in general and the way the work process needs to be revised. This includes past employment policies as well as future ones:

*"We do have employees[...] we have quite a lot of ladies here—how is he or she with that kind of figure supposed to carry the side of a cupboard? Because if you are only 1m and 50cm and are barely 50kg,*

*you can imagine that one gets a few problems at some of our production lines. There was no awareness in the past even regarding this situation. The Meister told me when that woman came through the door—they asked, ‘where should we put her?’ I don’t know how she was hired. I guess it probably was a time when there was a shortage of available workers on the market” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 567-585).*

Employment strategies have been different in the past for all businesses that took part in this research. Managers are facing the fact that the hiring of workers has often occurred without a long-term perspective. This especially concerns businesses with lower-skill expectations. Managers in low-skill work-intensive companies believe that they have not been strategic. While it was enough in the past to hire without any real expectations for potential employees, the situation today represents a challenge; these people are not necessarily fit for contemporary production procedures requiring skills that not only deal with furniture related tasks but also, for instance, the use of computers. The previous section has shown that the expectations for employee skills have been raised, which has changed the employment policy on hiring of vocationally trained people. The example shows that, even for the jobs with the lowest skill expectations, skill demands are rising and managers increasingly depend on vocationally trained employees. This seems to be evidence for the change of institutional logics in the use and managerial perception of the value of skills for the production process.

#### **7.1.5 Managers Value Social Networks in Education Structures: Trainees as Weak Ties**

The value of vocational training is not bound to a specific location only because of the quality of its education. This research observed that not only is the presence of vocationally trained employees important for managers but so are the networks trainees build among each other. Vocational trainees spend time within the businesses and at school. Managers value the German dual system not only because of its theoretical and practical streams that supposedly provide ideal training; they value the contact trainees have when they meet at school and interact.

*“When we send out trainees to school they meet trainees from competitors, this is very important for us, they exchange information” (Tim, Small and Sunny Kitchens, Niche Segment, lines 428-431).*

The network in the kitchen furniture industry resembles regular ongoing relationships, with their strong ties. Trainees are thus perceived, in the language of Granovetter (1973), as ‘weak ties’. They are the source of new information not otherwise accessible to managers. These believe that the network trainees’ interaction among each other contributes to the development of their own businesses. They support these relationships actively. It seems the denser the cluster is, the more information managers can source.

This access to weak ties influences businesses’ assessments of the presence of competitors in the near vicinity, especially when they are not only in the same region but share municipal school districts, allowing them to informally source information; trainees gather when they are at school and interact with trainees from other businesses:

*“If somebody talks about marketing for shoes and the other talks about kitchens, how do you think you can get them together? They can talk superficially about marketing. Because they have no common grounds to talk about examples. They are talking about entirely different things. It is something different when they are from the same industry. They can talk about brochures from this company and that company. They can talk about customer structures with others. And when somebody talks about retail associations others can ask him about them. Of course, everybody knows around here that kitchens are sold via retail associations. These things are very important and deciding factors for me. They can talk to each other” (Chris, Innovative Kitchens, Niche Segment, lines 369-378).*

The locality of school seems very important for managers, as this example of administrative vocational training shows. Managers value the information exchange among trainees in two ways. First, trainees are able to learn through interaction about strategies, structures, and practices within the industry, which allows managers to use fewer resources in the basic education of trainees. Managers also value the fresh information from potential competitors students acquire through this practice and use it for their own business. This is an invaluable aspect of the presence of the kitchen

furniture cluster for the perceived value of vocationally trained employees in EWL. This often influences the employment strategies of businesses:

*“Administrative trainees usually get experience in sales and so on. They are close to the product in the process preparation. The product is important. I would likely employ somebody who was trained at a competitor than somebody who studied mechanical engineering” (Tim, Small and Sunny Kitchens, Niche Segment, lines 433-438).*

## **7.2 Managers Explain Cultural and Cognitive Grounds for the Value of Local Labour**

Managers believe that the ‘German employee’ differs in skills and work attitude from foreign workers. Not only German workers in general, though, but labour within EWL in particular is associated with superior quality that provides a competitive advantage. Managers believe that local labour is the result of the region’s furniture history. They see an affinity in the workforce for furniture, which is reflected by the families that have worked in kitchen furniture businesses for generations. Managers appreciate this and support it actively. Finally, managers do not only believe in the cultural advantages of the region. They also see it in physical location: a long distance from the furniture cluster’s centre is seen as a drawback.

### **7.2.1 The ‘German Employee’: National Labelling of Labour**

Vocational training is viewed as an institutional benchmark that ensures a skilled workforce for managers (institutionalised cultural capital). For them, it is a feature unique to the locality of Germany, though it is not only this educational aspect of labour that seems to make Germany so valuable for managers. They also believe that the cultural cognitive aspects of German workers contribute to the success and quality of German (and EWL in particular) kitchen furniture production (high embodied cultural capital).

Labour costs generally play a minor role in the production processes within the kitchen furniture industry. Only the flat-pack producers see them as a significant factor that needs to be dealt with. Low labour costs are therefore one reason why off-

shoring is not a topic for businesses. There is another side aspect that reinforces the managerial belief in the superiority of the German production site. Even if the labour costs were the same, managers across the segments are convinced that production in Germany remains more cost efficient than that in other countries because of the workers' attitudes:

*“The German employee handles his machine completely differently. It is his machine. Mentally. You will not find anybody in China who says, ‘this is my machine’. Nor in India. It is a totally different mentality. Not even in Romania. If a machine stops running in Germany—and people are having a break—you can see ten people running to get the machine working again. In foreign countries people take a break. The machine is out of order for longer. The downtimes for machines in foreign countries are significantly higher. Because Germans, due to their higher degree of qualifications, can deal faster with disruptions—professionally and mentally” (Rüdiger, Good Kitchen Inc., Assembled Mass Segment, 5:06,3-5:40,5).*

This quote shows the cognitive relation between Germany and quality of labour for managers. Even though this citation deals with a group of employees assessed with a need for a lesser degree of skill, the expert nonetheless points out the perceived high quality of German employees. This is not only formulated in respect to the extensive vocational training that takes place in the country. Rüdiger introduces a second dimension important for the value and the definition of German workers in general. He pointedly makes a distinction between German employees and employees on an international scale. He not only addresses the quality of the training applied in Germany but also a ‘mental’ categorisation. He suggests a different mindset for employees on an international level and is convinced that the perceived higher degrees of qualifications found in Germany are both ‘professionally and mentally’ better. This is an observation that could be found across the segments and displays how much managers value the embodied cultural capital of the labour force.

Managers idealise the ‘German employee’. They are convinced that this type of employee has qualities foreign workers cannot offer. This belief is based on two main assumptions. First, an employee from Germany supposedly has a different work attitude from that in other countries. The label ‘German worker’ implies reliability, motivation, independent thinking’ and other implicit characteristics that



make him or her seemingly superior for managers. The other component is the German training. While the first category aims at more cultural grounds, the second deals with institutional superiority as symbolised by the educational system. The previously mentioned meaning of vocational training is generalised for the entire workforce and contributes to the cognitive cultural assessment of labour. The key question is whether this would remain if labour costs were significantly more relevant for kitchen production. Other furniture branches have demonstrated that this value of labour can withstand the price pressure for only a limited time.

### **7.2.2 Managers Associate Regions with Quality Expectations**

Managers therefore associate not only vocational training as a quality standard. They generalise entire regions and countries and label them with labour-quality expectations. There seems to be a perceived close connection between the meaning of the locally available workforce and the quality standard of the work:

*“This [quality of work] is something I don’t find in the same quality in other countries as I do here. As I do here in East Westphalia. We have hired assemblymen in foreign countries in the past. But we have normally found our way back to German assembly contractors. We work a lot with subcontractors and we are sending them into European countries. England, France. Because we don’t always get the qualifications we are seeking” (Ralf, Everyday Kitchens, Assembled Mass Segment, 2:45,6-3:11,9).*

The above quotation demonstrates the high value placed on the skill of assemblymen. The value of their work has been addressed earlier. This ‘quality’ is so important for the business that it acknowledges the investment produced by foregoing the hiring of foreign workers to assemble kitchens abroad and sending their own employees and sub-contractors to do the job. The special value of Germany in general and East Westphalia in particular is noticeable. His phrase ‘as we have it here in East Westphalia’ indicates that not only the German quality of craftsmanship is valued as superior to that of other countries but that EWL is given an elevated position within the German context.

What is so special about employees from Germany and EWL? It takes skill to assemble and install a kitchen in a show room or end-customer's home, as discussed earlier. Assemblymen need to pay attention to their work and consider details that can be decisive for customer satisfaction. Other countries produce kitchens, too. They need skilled workers who can produce and setup kitchens as well. Managers identify a 'love for details' as an outstanding feature of local employees:

*“Especially regarding the love for details is a big discrepancy. A binding screw can't go right through to the surface. It goes in on one side and must not come out on the other. Taking a look at these details, we observe that we do not see this kind of identification with the product in other countries” (Ralf, Everyday Kitchens, Assembled Mass Segment, 3:12,0-3:32,4).*

Managers want their employees to identify with the product. This is supposed to generate a sense of responsibility within the workforce and create more attention to details in order to avoid mistakes. The constant comparison between German and foreign skills shows a strong managerial awareness of the felt and personally observed regionally bound quality of work. Chapter five addressed the issue of trust for managers. They need to trust their employees to face the quality standards in order to minimise flaws and satisfy customer demands. Managers associate this trust with competence in the regionally available labour force. They feel that the local employees identify more strongly with the business than is the case for workers in other countries.

This identification has relatively simple roots for managers. Employees need to be close to the production plant. This is the case not only for workers within the production but also for service staff like assemblymen:

*“Because we have strong roots here in East Westphalia and—not that the local patriotism to East Westphalia should be overrated—but one identifies oneself more with a business one sees and drives by on a daily basis and in which one actually enters than with a business that is far away” (Ralf, Everyday Kitchens, Assembled Mass Segment, 4:07,7-4:23,6).*

The EWL region is a central point of reference. Even though the ‘local patriotism’ of the region should not be overrated, the physical closeness between the production site and employees is viewed as a key factor in the creation of an ‘identification’ with the product crucial for the quality of the assembled kitchens in the retail stores. To have ‘strong roots’ in the region suggests that the business assesses this relationship of employee qualification, Germany as a production site in general and EWL in particular, as significant factors in the competitiveness of the business.

The ‘German Employee’ is also a gendered construct. Managers talk about the skills as fairly masculine traits. This is probably the result of the large number of men in the labour force and the lack of women in management. This becomes readily apparent when reviewing the original interviews. Managers always used the word *Arbeiter*, ‘worker’ in its masculine form. Managers never referred to their employees as *Arbeiterin* or the ‘German Arbeiterin’, the feminine expressions for ‘worker’. The ‘German employee’ distinguishes himself from workers in other countries in two fundamental ways. First, his quality of work is viewed as better because of the vocational training received in Germany. Second, cognitive cultural reasons determine managers’ view of their workforce. They idealise stereotypic values like reliability, professionalism, responsibility, and the identification with local labour. Local labour means, in this case, not only Germany in general but EWL in particular. It was noticeable though, that the ‘German employee’ is a label associated with Germany as a context but not ‘German’ as an ethnicity. This suggests that the above characteristics of this particular group of employees are a socially constructed label that has its roots in managers’ beliefs that the label reflects learned behaviour, which is influenced by institutional pressures like vocational training and by cultural cognitive pressures, like employers’ expectations. This assumption is based on the fact that not all employees are Germans. They have various ethnic backgrounds but are not discriminated against by managers. While the actual employee breakdown is not available for this research, it seems possible that the label ‘German employee’ is the result of organisational inclusion.

### 7.2.3 The EWL-Employee: Labelling of Local Labour

The 'German employee' is a characterisation used by managers to distinguish between qualified and non-qualified labour. This stereotype is characterised by regional vicinity: the national border of Germany. Managers accordingly have an awareness for who 'belongs' and who does not. These managers also have distinguishing views on regions within Germany. For them, local networks possess distinct skills.

The awareness of a highly qualified labour force is embedded in the perception of the locality of the labour market. The EWL region is the dominant factor in this assessment:

*"In this production site we have the special situation of a kitchen cluster. This means: nowhere in Germany or in Europe is the opportunity to source our employees as specific as here. This is of course a huge advantage for the production site. This is why it is not interesting for us to move into East-European markets. Or to Asian markets. One does not need to produce there, because the presence of employee qualifications are far more present in this region" (Olli, Luxurious Kitchens, Premium Segment, lines 28-34).*

Managers view EWL as a unique production site that allows the optimal sourcing of employees. This perceived advantage seems to outweigh any attempts of businesses to off-shore production. The 'employee qualification' in EWL is judged to be unique not only within Germany but also all over Europe. The characteristic factor for this view is related to the 'kitchen cluster'. It seems that managers evaluate a region by assessing the presence of competitors, sub-contractors, and other related industries. The density of such clusters restricted to a region seems to have significant influence on its value for managers:

*"We have of course an intricate network here in the region. This means we have a lot competitors and market-companions in our closer environment, sub-contractors in our environment, we have all the associations in our region. This makes it naturally easier, from the human resources perspective, to source qualifications. If I were somewhere in Saxony with a production and there were no furniture producers anywhere around, I would have the problem that nobody could train carpenters and we would then naturally lack this qualification. Our current situation is an advantage for the production*

*site. Because of the high density of carpenters. Just to give an example. This is of course also the case for construction engineers and all the other qualifications” (Dirk, Hightech Kitchens, Premium Segment, 4:02,5-4:52,3).*

Three components seem to be important for the kitchen cluster: ‘competitors’, ‘sub-contractors’, and ‘associations’. This assessment shows two sides that are important for this analysis. Competitors and sub-contractors symbolise the structural embeddedness that contributes to the ability to source employees. The number of businesses within firms’ local network appears to heighten the impression of the meaning and value for managers. The more competitors and sub-contractors are observable in the environment, the more confidence in the available workforce can be observed. Sub-contractors and competitors train a perceived abundance of qualified employees. It appears the interaction, collaboration, and competition within the cluster contribute to a shared set of institutional logics concerning the perception of local labour. This seems to be important to the recruitment of employees with kitchen furniture-related skills. The use of the analogy about a hypothetical production site in a non-furniture influenced region describes the drawback caused by ‘naturally missing qualifications’. This structural embeddedness is reinforced by the institutional embeddedness. The presence of associations signals that there is an institutional awareness of the cluster; the existence of shared logics. The presence of so many furniture businesses in the region has caused a ‘tuning’ of institutions like the CCI and unions for furniture demands. The cluster acts like a collective institutional entrepreneur by interacting with the institutional framework (cf Weik 2011). The creation of the vocation of the wood mechanic is an example of this, as explained in chapter four. The local labour market is influenced not only by the number of businesses trying to source employees and therefore enlarge the volume of potential workers through demand and training; the interaction with the institutional framework seems to play an additional role for managers as well (cf Misangyi, et al. 2008).

These shared logics seem to make the local embeddedness of the labour market an invaluable asset for managers:

*“An off-shoring to other countries is not an option because the qualification profile we seek is simply not available. To move to the Czech Republic, Hungary or Bulgaria because of the labour costs is not as easily done because the skills are just too important” (Dirk, Hightech Kitchens, Premium Segment, 4:57,5-5:19,6).*

The ‘qualifications’ of the local labour force are judged to be ‘too important’ to be just discarded in favour of lower ‘labour costs’. This assessment is shared across the segments and shows how important the labour factor remains. Labour is not randomly interchangeable for managers. In the case of the EWL kitchen furniture industry, locality and quality of labour are viewed as inseparable.

The EWL region is not only assessed by the quantity of available labour but also distinguishes itself from other parts of Germany by the quality of its available work force:

*“[Labour] [...] is meaningful as a production site factor. This means for me that you can get any qualification you want here in the area of East Westphalia and Lippe. You don’t have to go through a painful search. Or somehow train your own people. Because the qualification standard here in the region principally provides all these things. This concerns our own employees as well as the upstream and downstream industries” (Chris, Innovative Kitchens, Niche Segment, lines 28-33).*

The skill level—the embodied cultural capital—of employees is considered to be ‘meaningful’ for the production site. The region of EWL has a particular importance for the recruitment of employees. This is formulated in relation to two characteristics: first, the region comprises a ‘qualification standard’ that provides employees skilled in every part of the production process. Second, no ‘painful search’ is necessary to find the needed workers. This is formulated by saying that competitors and other businesses ‘upstream’ and ‘downstream’ of the production chain train the local labour force. The terms ‘upstream’ and ‘downstream’ refer especially to the sub-contractors. The presence of these businesses allows the businesses to refrain from (vocationally) training their employees. The presence of other industry-related businesses provides a large enough employee pool from which the business can source skilled personnel.

Skilled employees are assessed as so significant for the success of businesses that other production site factors become secondary.

The skill of local labour is seen to be so important for the ‘furniture industry in specific’ that there appears to be no comparable incentive for the production of furniture in general. The combination of ‘technology and know-how’ creates the impression that the qualification and skill of the local workforce hold the key for future continuous success:

*“It is very, very important for me personally. Especially the area of the kitchen-furniture industry is very much based on technology and know-how. I see the future in qualifications” (Linda, Feel Good Kitchens, Niche Segment, lines 35-36).*

The first part of chapter six has shown the managerial assessment of the importance of labour for managers. They see a rising complexity within the production processes and demand more skills from their employees. This especially concerns the increasing use of automation. The rising demand for these qualifications, the strong association with the furniture cluster, and the local institutional embeddedness are signs for managers of a future dependence on locality.

#### **7.2.4 Managers See a Genuine Local Mentality in EWL**

Rüdiger has pointed out, from a mass producer’s perspective, that he sees a certain ‘mentality’ that is supposed to be genuine in the ‘German employee’. A similar view on the mindset of employees, showing a preference for local employees, can also be observed in other segments:

*“We have to principally say that the production site overall is not bad because the area is very down to earth. This is exactly what we have discussed earlier. Provides very professionally orientated employees, provides very loyal and straight forward employees. – This is generally a great advantage for the region. If I take a look at the people in the Rhineland. The average employee goes to waste partying and drinking during Carnival season. And he also, again, is less accurate. I myself like to work here very much because you have got here absolutely proper personnel” (Walter, Hightech Kitchens, Premium Segment, 20:17,4-20:47,5).*

The above data show a managerial perception that distinguishes the labour market in EWL from that of other areas in Germany and the world. A similar categorisation can be found here: EWL is by and large labelled as ‘down to earth’, which is perceived to be an advantage. Being ‘down to earth’ is then projected on the local work force that is perceived to be especially ‘professionally oriented’, ‘loyal’, and ‘straight’. The citation is particularly noticeable because EWL is being set apart from other parts of Germany. While the people in EWL are considered to be ‘down to earth’, ‘people in the ‘Rhineland’ are characterised differently. Walter has the impression that different origins influence the reliability, the ‘correctness’, of the professional ability to work. It is noticeable that there is not only an awareness of German employee skills and ‘mindsets’ as compared to other countries but also a categorisation of regional skills and mindsets on the sub-national level:

*“This means, considering the topic of highly qualified employees and employees with furniture experience, that this region is worth gold to us” (Karsten, Luxurious Kitchens, Premium Segment, lines 89-92).*

Managers within the kitchen furniture industry in EWL believe in the region’s history and its effect on the labour force. Labour is not seen as just a random production factor but as a historical development:

*“Furniture means a certain passion for living. A warmth. It means family, and I’m certain if somebody in a family has a relation towards furniture, or wood, or upholstery—which is very likely in this region—then you have a basis for the development for this industry in this region. [...] A little love for the product belongs [to the region]. To eventually achieve the degree of potential around here, is certainly based on this. Because a lot of people have a relation to furniture. This is part of our history” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 485-497).*

The value of the local labour force therefore goes further than the appreciation of available vocations but is associated with cultural cognitive influences. The 200 years of furniture production are viewed as having such an effect on the local labour



force that it is actually viewed as the foundation for the success of businesses. Managers believe there is an implicit motivation in the labour market.

Chapter five described how businesses seek long-term relationships with customers and sub-contractors but also with employees:

*“We appreciate our employees, which is visible by our attrition rate, which is about zero. When somebody leaves us, it because of retirement. Or part-time employment prior to retirement. We only had three people who quit within five years” (Karsten, Luxurious Kitchens, Premium Segment, lines 296-300).*

Managers seek this closeness partly because they wish to reinforce this identification with the business and the motivation of employees in order to secure the quality of work. The desired close relations with employees are seemingly part of a strategy that is supposed to ensure a competitive advantage for other production sites. Businesses use their resources to continue employment traditions and bind employees even more strongly to their businesses—to institutionalise this practice—in order to advocate an employee affinity with kitchen furniture:

*Q: “Do you have employees that work in the second generation for your business?”*

*A: “Yes.”*

*Q: “Even in third generation?”*

*A: “Yes, of course. There are a lot. This is of course a development that is caused by our own vocational training. A lot of the second generation has joined us in the last few years. This is a strong bond. This is something we cultivate very strongly. This is something I have to add. It is the bond with the business as well as directly with the family. We do this with events that take place during the whole year. These can be employee events for the families in order to present new products. These can be celebrations of any kind, [...], where we try to involve our employees and their families.”*

*Q: “Why do you do that?”*

*A: “To simply draw employees closer to the business and to our philosophy. This is very important. Which brings us back to the*

*topic of family businesses” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 501-519).*

The ‘SME way’ to have close relations with employees is not only altruistic but also part of strategic behaviour; essential to businesses’ logics. Managers seek to bind employees and their families to their businesses in order to achieve a stronger identification with the workplace. Why, though, do managers seek this identification and close bonds with employees and their families?

The answer to this question lies in the most valued characteristic employees need to be productive and produce high quality kitchens: motivation. This evaluation is shared by all segments and was repeatedly pointed out. Motivation has been mentioned in connection with expectations of employees at production lines as well as managerial staff whose main responsibility remains the motivation of subordinates. Gerd put the reason why motivation is so important for managers in a short and explicit way:

*“Because only motivation ensures performance. Only performance causes growth. Only growth ensures future. That’s it” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 501-502).*

This leaves room to theorise that the institutionalisation of ‘the local EWL mentality’ is not only caused by the observation made by managers. They do not seem to be passive bystanders in their organisational field. The managerial perspectives rather imply that managers and businesses actively take part in the institutionalisation of values, traditions, practice, and beliefs. They appear as active agents that help deinstitutionalise and institutionalise logics and shape the field by interaction with peers and the institutional framework (cf Apitzsch and Piotti 2012; Battilana 2006; Thornton and Ocasio 2008).

### **7.2.5 Managers Regard Geographical Distance to the Cluster as a Drawback**

While this situation can be generalised for assembled kitchen producers, this cannot be easily said about flat-pack producers. This chapter demonstrates a different view of the value of labour for flat-pack producers, which loses significantly when large

parts of the production can be outsourced. The more parts of the production are outsourced, the more labour is seen as easily interchangeable ‘manpower’, rather than skilled work:

*“Like I said. We can source workers everywhere. We do not have jobs that require high professional demands and because of that, it is easier for us than for other businesses. The city of X is located in the middle of Germany so we value our production site very highly” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 125-129).*

The lack of a need for jobs with ‘high professional demands’ makes it easier for the business to source employees. The region as a valuable provider of a highly qualified workforce is therefore not a significant issue. The production site is valued more for its geographic position in Germany, allowing the efficient transportation of goods. Despite this situation for flat-pack producers, the presence of the furniture cluster is perceived as a kind of ‘bonus’ for businesses because it makes it easier to source human capital:

*“The presence of other furniture businesses makes it easier to get employees for the production. Because when there is a little surplus you can always hire someone. If nobody is around, and that’s what we experience here, we are too far away—try to get a machine operator to this place. [...] When you are located at the rim like we are, you don’t profit very much from labour market fluctuation” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 839-848).*

The emphasis on the local labour market is not as strong as in the assembled kitchen mass production segment. Nevertheless, managers in this segment have an awareness of the physical location and the meaning of the furniture cluster, for it makes it ‘easier to get employees for the production’. The location of the business at the ‘rim’ is seen to be a disadvantage, being further away from the centre of the cluster where, according to his perception, he could source his employees with less effort. The mention of the ‘machine operator’ and the suggested difficulty to ‘to get him to this place’ relates to the physical presence of the business in relation to other furniture producers. The company is located in the most northern part of EWL, in an area that is largely agricultural. It literally takes a few miles to get to a neighbour. It seems

that the observed distance between the physical locations, far away from EWL's and the industry's centre, contributes to a regional awareness that is created by the comparison to other furniture producers and is seen to be a disadvantage. Even though these managers do not necessarily need the skilled employee pool other businesses do, distance is a perceived drawback.

The impression of the local labour market as significant for production is less developed than in other kitchen segments and has a different meaning:

*“Fundamentally, if you want to say it with an evil undercurrent, laying boards in a box can be done everywhere. But I cannot start from square one and say, ‘I’ll get me 111 people and let them work at the assembly line.’ And tell them to start packing things. This will not work. This needs to grow” (Detlef, Flat and Chique Kitchens, Flat Pack Mass Segment, 24:14,1-24:33,2).*

The identification with the work force in EWL is less quality oriented than time oriented for flat-pack producers. That the production ‘can be done everywhere’ shows the managerial perspective that these jobs are generally interchangeable with a work force that is not rooted in a special location. Unlike the assembled mass producer, these flat-pack producers do not acknowledge a collective skill within the work force that significantly influences the production. This perspective sees labour as related to time investment. Not being able to ‘start from zero’ shows that the routine of the production process cannot be easily transferred to another production site.

### **7.3 Conclusions for Local Embeddedness of Labour**

The perspectives on labour formulated in chapter six could have easily resulted in fundamental differences between the segments on the judgement of the importance of EWL's labour market. Surprisingly, managers showed the same unified assessment of the value of local labour, just as they shared the values about the ‘SME way’ and the value of EWL as a production site. The first and central factor influencing managerial evaluations is the institutionalisation of vocational training. Managers, regardless of their segmental affiliation, view the quality of labour as represented by vocational training in general and in particular as an invaluable

production site advantage for Germany and EWL. German vocational training supposedly provides employees with the basic skills sought by managers and specific vocational knowledge, which makes these employees superior to the international competition. The managerial perspective shows that, for them, labour is culturally tied to Germany. The important observation concerning the literature is that vocational training is usually associated with the German institutional framework in general (Crouch, et al. 2009; Hall and Soskice 2001). The titles related to vocational training seem to symbolise outstanding characteristics for the embodied knowledge of employees (cf Bourdieu 1987, 47f; Bourdieu 2005).

The institutionalisation, though, seems to happen at a regional level, such as in EWL, which has not been taken into account. Businesses, unions, and governance structures like the ICC develop their own vocations that suit local production networks and the demands of businesses, as the example of the wood mechanic shows. Businesses seem to act as institutional entrepreneurs that interact and shape their institutional environment and organisational fields (cf Dorado 2005; Weik 2011). By creating vocations like the wood- mechanic, businesses actively partake in changes of the local educational system, by demanding new classes that fit the education of the new vocation. They also apply pressure on the governance structures like labour unions and the CCI to comply with their demands and adapt the curricula for vocational training. Businesses actively change the conditions for the local labour market by creating competition between established vocations within the industry—like the carpenter—and create a demand for, e.g., mechatronics and wood mechanics. This indicates that clusters and industrial segments are not just adapting to institutional pressure on a local level, but are important agents for institutional change on this aggregate. They appear to actively contribute to the social construction for the meaning of locality.

This seems not to be a ‘smooth’ process but creates friction between these industrial segments and single businesses. The previous chapters have displayed indicators that assembled mass producers cause a significant change in the field of forces by driving production procedures towards more automation. This seems to be a major irritation for the field. Each business has to coordinate with this change and develop new strategies in order to cope with the seemingly new competition. This particularly

concerns the change of expectations. The analysis indicates that the change in the field sometimes causes friction with institutionalised logics, each business presumably developed, for instance, because of its history, success, and culture (Misangyi, et al. 2008; Munir 2005). The example of the flat-pack producer in this chapter is such an example. Businesses appear to have trouble reacting to the change of the field and each business probably does it differently.

The first half of the chapter demonstrated the value of embodied and institutionalised capital employees represent for businesses. There seems to be evidence for a shift in the managerial perception of labour as well as their preference for it. It seems important at this point to address one of the questions that arose during the conclusion of chapter six. What happens if managerial opinions of work change? The observable change appears to be based on managerial cognition in connection with structural change. Managers described the de-skilling effect automation had on labour in the kitchen production in EWL. The segments (except the premium producers) emphasised the need for well-trained employees for a few key production positions. Managers describe a situation in which they feel that employees no longer fit the job requirements. This is also the case for allegedly de-skilled jobs. The situation seems paradoxical. Managers describe a situation where automation simplified work routines. But they also describe a situation where employees need to be able to use digital equipment, ranging from a barcode scanner to complex production lines. Managers feel that past employment practices for jobs with low skill expectations do not fit the present skill demands of these jobs. The change of attitude is based on personal experience and the observation of changing production procedures.

The introduction of new technologies into the production process seems to change institutionalised logics of the businesses. Past employment strategies are reviewed and new expectations towards the workforce are developed. Whether employees are fit for these tasks cannot be answered, but it is important that managers changed their strategies concerning job expectations. Businesses increasingly depend on vocationally trained workers, whereas the type of vocational training is not necessarily decisive. They are increasingly depending on titles (cf Bourdieu 1987, 47f). This is an important observation regarding the change in economic behaviour.

Recent attempts in economic sociology have tried to explain how the interaction of structures, cognitions, and institutions influence change in economic behaviour (Beckert 2010). In the case of the kitchen furniture industry, this change can be described as new employment practices, caused by a shift of forces in the field by technological capital (cf Bourdieu 2005). This apparently causes structural change (new modes of production) and its effect on managerial cognition (skill expectations for jobs). As a result, managers rely on vocationally trained workers because they are insecure about the skill levels in the labour force. Vocational training signals to managers that they are employing people capable of dealing with changing production processes. The specific dependency on vocational training for vocations like the wood mechanic and the increasing value of vocational training in general represent the high value of the German production site for managers. This is an important observation. This development demonstrates that changes in skill expectations change employment practices. The cause for this appears to be a deinstitutionalisation of the field by redefining previously stable competition-relationships among the segments and single firms (cf Fligstein 2001, 75f). This seems to cause uncertainty, which compels businesses to redefine their strategies.

While this is an example of the kitchen furniture industry in EWL that deals with the change of managerial preferences for vocational training, different localities may create different structures, cognitions, and logics, which may influence managerial strategies in other directions. This makes the analysis of structural and cognitive interdependencies an important future research subject to further the understanding of change in local economic contexts.

The businesses not only distinguish the value of vocational training in Germany from that of foreign production sites, they also distinguish among vocational training methods within Germany. The important aspect of this evaluation is connected with the local presence of the furniture cluster and the attention of local institutions. The presence of the furniture cluster, for instance, supported the creation of the vocation of the wood mechanic. This also influences schools, as educational institutions because the more businesses are in the area, the more trainees are attending classes in the dual system. Trainees interact at school, form social networks, and provide businesses with new information, playing the roles of weak ties (Granovetter 1973).

This is perceived as an important asset of the locality of EWL. The managers feel that they have access to considerable social capital represented by the personal relationships employees, subcontractors, and competitors build in the direct business environment (Bowen 2011; Vyborny and Maier 2010).

Apart from the institutional regard for the dual system and its effect on networks, managers show a distinct cognitive cultural perspective on the labour force in Germany and EWL. The stereotype of the 'German employee' is commonly used by managers within the EWL kitchen furniture industry. The superiority of German employees in the mind of managers has been addressed as regards vocational training. Apart from this 'professional' assessment, managers also see cognitive cultural grounds that set the 'German employee' apart from those of other countries. They endow this worker stereotype with reliability, skilfulness, and loyalty. They do this in response to the received training and to a 'German mentality'. Interestingly, they not only distinguish the German locality from other countries but see differences within Germany as well. This case demonstrates that it is not only structure that has an impact on business behaviour but cognitive and cultural aspects as well. This implies that managers connect embodied cultural capital with local culture.

This seems to be influenced by two factors. First, a region is evaluated according to the presence of an industrial cluster. Managers repeatedly hypothesised that it would be a drawback to produce anywhere in Germany without the presence of a furniture cluster. The absence of such an industry symbolises the absence of potential employees. This provides room to theorise that the social capital of a region provides promising relationships for businesses. The second distinguishing aspect is perceived to be on cultural grounds. The businesses are relating to the supposed mentalities within the workforce; the cultural capital. Managers accordingly discriminate between the worker from the 'Rhineland' and the 'down to earth' employee from EWL, who is more reliable and professional. It appears as if the judgement of a region's labour force is a matter of—in a Bourdieuan (1987) sense— 'taste'.

Managers also appear to have an awareness of locality in the geographical sense. They view their own position in relation to the centre of the cluster. They have a sense of closeness and distance. Managers feel increasingly disadvantaged the



further they are away from the centre. Businesses believe that it is more difficult to source employees closer to the border of the locality than those in the middle.

Thus, the localness of the labour market is very important for the interviewed managers. Businesses seem locally embedded. The example of the importance of the locality for the valuation of labour has shown that these businesses are embedded in many ways. First, they are structurally embedded; the cluster resembles an invaluable network, in which businesses are deeply integrated (social capital). This structural embeddedness signals to managers an abundance of potential employees (embodied cultural capital). Businesses are also institutionally embedded. The presence of the cluster forces institutions to adapt to its demands. Vocations are created, and businesses profit from the institutions by using them for educational purposes. Businesses are also significantly embedded in cultural cognitive local contexts. Managers believe in locally embedded skills, affinities, and ties resulting from tradition and history, which undeniably bind businesses to a specific locality (culture). Managers are aware of their direct environment. For them, locality matters.

## **8 Managers' Assessments of EWL's Importance as a Production Locality: Structural, Cognitive, and Cultural Indicators**

This chapter brings together the first two parts of the analysis, the 'SME way' and the organisation of production, and answers the question of how important the EWL is for the kitchen production process. It adds to the managers' assessment of local labour presented in chapter seven.

The above question is important given the developments in industrial production. That industries rely on outsourced, and even off-shored, production is no secret. In fact, international production chains have become common. This concerns not only traditional industries like the automobile production (Sinn 2005a) or the textile industry (Lane and Probert 2009). High tech computer production has also long left Silicon Valley and moved to Asia, as the case of Apple demonstrates very well (Lo 2011). These so-called 'global production' networks have included the production of

consumer goods for some time (Dicken 2003). All these businesses are also structurally embedded in a large net of sub-contractors. Thus, if the kitchen furniture industry in EWL tends to compare itself with the German automobile industry, which has many parts of its production off-shored to Eastern Europe, how is the production of kitchens locally embedded? The fact that 100% of the German kitchen furniture industry retains production sites in Germany must have a reason. There must be some kind of value that prevents even the mass producers from leaving the country and following the example of other furniture branches, like the upholstered furniture industry.

This chapter tries to answer this by analysing how managers assess the value of EWL as a production site and what role the region plays in the production process from their perspectives. It argues that the combination of the SME way of thinking with the fragmentation of the production chain constructs the meaning of EWL for managers. This assessment is largely influenced by managers' personal relations with the businesses and the environment. Cultural and cognitive reasons contribute to determine the meaning of local embeddedness for managers and create structural embeddedness.

This chapter is organised in three major parts dealing with the importance of EWL as a locality in the production process for the regional kitchen furniture industry. The first two sections deal with two main themes apparent during the analysis. First, the topic of sub-contractors, which evolved in chapter four, is addressed. This is further analysed and put in the context of the EWL production site. This accordingly describes how sub-contractors contribute to the meaning of locality. The second important issue addresses customer expectations. The section deals with the cognitive influences and expectations that contribute to the development of business strategies. The businesses are facing customer demands, which significantly influence production strategies as well as the perceived importance of EWL as a production site. Part three addresses two other issues influencing managers and their view of locality. These are addressed briefly because they arose during the analysis and were not deeply discussed in the interviews. The presence of the cluster provides managers with the sense that they are at the ideal production site. The geographic location of EWL is also important for managers, because the region is well

connected to an extensive infrastructure and provides fast delivery routes to customers. The third point deals with the meaning of the local labour market as an important factor for the meaning of EWL as a production site for managers. The chapter ends with a discussion of how local structures influence cognitive frameworks and how external expectations influence the meaning of locality for kitchen producers.

## **8.1 Sub-contractors: Local Structure and Its Meaning for Managers**

This section explains managers' views of the role of sub-contractors. It demonstrates how they, as part of the local structure, influence the assessment of locality for managers. Sub-contractors are perceived to be the driving force behind innovations in the kitchen furniture industry because they develop new technologies and provide their expertise when businesses are considering new materials and designs. The section also describes managers' perspectives on the invaluable role of sub-contractors in the production process. These suppliers take over important parts of the production chain and are the foundation for the industry's complex production process. All these characteristics contribute to the meaning of locality for managers. The dependency on sub-contractors and the managerial demand for face-to-face interaction make the locality of production processes important. This situation is reinforced by the role of trust. The complex logistics involved in the production of kitchens demands reliability from sub-contractors. Managers believe that the closer they are, the more trustworthy the relationships are, and the more confident they are that they will enjoy an undisturbed production process. Finally, locality is important because managers appreciate the shared culturally determined norms and values attributed to locality.

### **8.1.1 Source for Creativity and Innovation**

Businesses approach the topic of product development in two ways. They either rely on internal resources, their own design ideas developed by a team, or they work with external furniture designers. The choice is determined by the exclusiveness of the

project and the available resources. Subcontractors seem to be an important component of the social capital available for businesses (cf Bourdieu 2005). For instance, businesses that have enough financial resources and are not dependent on the exclusivity of design tend to hire externals and include sub-contractors in the process quite early. This is the usual process in the mass production segment that often imitates designs from premium producers and therefore does not consider product secrecy a significant topic. The sources for design ideas are accordingly diverse and embedded in the social capital; businesses' social networks. Once a business develops or is introduced to an idea, it is generally introduced to a team that concerns itself exclusively with product development:

*“This [product development process] is quite versatile. We collect information from different sources. We work together with external designers. Of course we also have our own product developers, who are concerned and experienced with technical issues. [The product developers] have a sort of collection function. They are not the designers that provide the great innovative creativity as input. We usually get our creativity from external sources. We get it from contact with designers, from input on the subcontractor side, and by visiting exhibitions and fairs. We collect the information, also from our sales department, and then develop our own product concept using our own team” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 228-236).*

Knut describes the common situation within the kitchen furniture industry. While the technical expertise remains in the businesses, design ideas usually come from exterior sources. Ideas and inspirations are then processed within the development teams. These teams differ from business to business but usually consist of somebody from the production process, marketing, and administration. Usually, all parts of the businesses are represented in these circles. These are also often the leading personnel, the decision makers of these business parts:

*“All the important parts of the business are represented within this circle.[...] This means apart from our designer Mrs. X., our product manager is present, of course our technical development team, our production management, procurement, quality control, IT, and logistics. In our case, product development means to check how the product can be implemented into our existing production processes. How can it be handled logistically, and how can it be integrated into our IT? This is*

*why these people need to be part of the development process” (Helge, Luxurious Kitchens, Premium Segment, 7:53,0-8:39,1).*

This circle represents the creative centre and business expertise. Each person is responsible for the decision-making processes resulting from the process of this group. This is one example of the previously mentioned reliance on people—the quick decision processes expected by managers within an SME.

The team charged with product design assesses whether a new product gets produced. This depends on the assessment of the production and whether changes need to be made within the processes. It depends on the affordability as determined by the accountant. The marketing representative assesses whether the product is attractive for the portfolio and if there is a chance for the product on the market.

### **8.1.2 External Expertise**

As the above quotations show, ideas very often come from businesses within the producer’s environment. Either producers approach designers or they are being approached by them. Ideas are often bought. Kitchen producers and sub-contractors of all kinds (including producers of working tops and door finishes, and designers) have a symbiotic relationship:

*“The relationship with subcontractors is a constant give and take. There regularly are exhibitions, like the ZOW in Bad Salzuflen a little while ago. Subcontractors present themselves there with their new ideas. We look at these ideas and talk to them. We discuss what we like and what we would like to have changed. It is a give and take situation. There are projects where we give the impetus. There are projects where subcontractors give the impetus.[...] The telephone rings constantly” (Otto, Hightech Kitchens, Premium Segment, 14:52,3-15:45,1).*

The businesses seek constant and personal contact with their sub-contractors, and this contact is not taking place only on official occasions like exhibitions and fairs. The words ‘the telephone rings constantly’ exemplify the constant unofficial communication between producer and sub-contractor. This is not the case only for a specific segment of the kitchen furniture industry; all businesses that took part in this research pursue a constant exchange of ideas. It is noticeable that the personal

relationship between sub-contractor and kitchen producer often remains between two people. The sub-contractor calls the chief of design or chief of production, who exchanges information, which is then distributed within the business. This is important for understanding the dependency on persons within SME. There is a direct contact between sub-contractors and the businesses. The businesses' relationship depends on the exchange of information between a small group of people. The chief of design can make decisions independently, deciding whether products are interesting for the business. There is no 'checks and balances' procedure. One person is in charge, whose decisions have direct consequences for the business.

While the initial phase of the product development process is basically brainstorming, in which sub-contractors play a rather passive role and where possibilities and available technologies are being assessed, sub-contractors are assigned active tasks when the developed ideas need to be realised. They even assume important facets of the daily business tasks:

*"We need to point out that there are more and more specialists developing in the entire industry. This means businesses pursue outsourcing in the areas of logistics, payroll, component production, custom shop component production, and so on. There is an increasing amount of subcontractors. And the business segments, the real producers, which put together the entire production chain, are more or less distribution companies today with a production as an appendix" (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 330-337).*

### **8.1.3 Segmental Differences of Dependency on Sub-contractors**

The segments differ not only in their self-perceptions but also in their modes of production. Automation, custom shop work, and exclusive designs and materials influenced the degree of outsourcing and dependency on sub-contractors. Premium producers, for instance, rely on exterior businesses differently:

*"Your mind is set on a certain design. The next step is: we have to build it. This is the case when the subcontractor enters the game. Subcontractors may already have what we seek in their portfolio. Here subcontractors enter the product development process relatively late.*

*[...] There are, of course, different cases. This is the case when we say, we want to go in a certain direction and we do not want to invest in new tools and machines. In this case subcontractors are contacted quite early in the process when we check what is in their portfolio. Profiles, handles, and whatnot. And we try to use these things with our existing production possibilities. You need to contact people in this case quite early in order to get results. This is also the case if you have a theme that is so important that you need consulting. When you need to know whether this is the right direction or if you can save four weeks of work. For instance, when we work with glass, the subcontractor [may give] the feedback: if this is your design and you want to work with glass that thin, you can forget it” (Otto, Hightech Kitchens, Premium Segment, 16:17,6-17:42,1).*

Premium producers often have significantly higher proportions of their production integrated into their own processes at the production site. These businesses construct and realise their prototypes themselves. This means that planning and building the prototype is done internally. Sub-contractors play the part of consultants offering expertise on their own products offered to the industry. The above quotation uses glass as an example, but this is only a small part of the sub-contractor industry. Kitchen producers use various materials, for instance, metal, high gloss finishes, and different kinds of resin. The kitchen producers approach the business with their ideas, which involves more than giving the purchase order. Sub-contractors, though, are asked whether a project can be realised through the design ideas. The sub-contractors and their assessments influence the decision-making processes of future products. The businesses outsourced many parts of the production and their knowledge on materials like glass. Kitchen producers therefore lack knowledge of and experience with the materials used for production. They need to trust the judgment of the sub-contractors. This trust is reproduced by the constant exchange of information, as described earlier. Managers’ expectation of trusting relationships with business partners of any kind (and sub-contractors in particular) is based on a lack of expertise in outsourced production processes. This is congruent with Granovetter’s concept of trust, which aims at reliable business relations, to avoid fallacy:

*“We have completely new materials integrated. The new design, which is hanging behind you on the wall, still has some wood used in its construction. Now we have challenges like metal. We have glass works*

*involved, something we don't do here. We need the knowledge, at least some of it, regarding these materials within the production design process [...]" (Karsten, Luxurious Kitchens, Premium Kitchens, lines 457-462).*

Businesses are aware that the constant innovation and integration of new materials and technologies requires expertise. These new elements create new dependencies on sub-contractors as well as on their own people. The above citation explains the dilemma of the business. It wanted to do something with metal, but the internal employees were specialists in wood construction. Their own people were familiar with furniture-related materials; metalwork was not part of their field of work. The above situation required the hiring of a metal engineer instead of a wood engineer. Construction of a product consisting mostly of metal would have forced the business to rely exclusively on sub-contractors within the product development process. The business philosophy, though, demanded that staff develop the first construction ideas because of the need for security and the desire to prevent ideas from leaking into the public (to avoid competition drawbacks). In order to gain knowledge about new materials, the business had no choice but to hire someone with the needed expertise. On the surface, this has no impact on the meaning of locality; its influence on the meaning of locality will become apparent further on in this chapter.

The situation for mass producers is different. They have developed an extensive use of sub-contracting in production arrangements. The flexibility of internal production processes and the ability of production development to occur mainly through internal procedures are difficult, if not impossible. The previous chapter showed that mass producers concentrate on the core competence of assembling components, cutting and rejoining plywood. While the planning process is similar throughout all industrial segments, realising the prototype is quite different in the mass segment. The role of sub-contractors remains as important as in businesses with more internal production:

*"We are extremely small in our team for product design. We have five people in the product development team. Why is that possible? Because there are a lot of subcontractors around us. They have their own ideas. But we can also approach them with our ideas. We have subcontractors*



*that approach us any time, and who already build whole cupboards for us: they approach us with their own ideas. Or we develop these ideas together. Subcontractors also build and realise our prototypes.[...] Subcontractors build our models and are rewarded by making profit with us. Because they can deliver an exact cupboard, idea, a surface, and handle” (Ralf, Everyday Kitchens, Assembled Mass Segment, 9:34,0-10:18,0).*

The relationship within the product development process for mass producers is significantly different from that in smaller businesses. Here, sub-contractors play a more active role. While small businesses often consult and then order components for the production of prototypes (which is done internally), mass producers rely even more on the input of sub-contractors. This symbiotic relationship goes so far that the businesses are responsible and charged with the realisation of prototypes. While sub-contractors are often consulted when building the first prototype begins in other segments, mass producers often work together with these businesses from the start. Design ideas and different technologies are proactively highlighted by external businesses. Mass producers seem to build their production process on social capital.

#### **8.1.4 Dependency on Trust**

The matter of trust and reliability plays an important role in this relationship. Smaller businesses pursue product development using their own processes. They are less reliant on sub-contractors. This concerns the actual building of prototypes and models and the final implementation of serial production. Mass producers often outsourced even those steps. They therefore entrust their partners with crucial parts of product development and production procedures. This is a risk:

*“As soon as I give [the insider knowledge of] significant parts of this process to the subcontractor industry, I immediately have the risk that I become comparable. I give know-how away. This is of course always a difficult choice to make” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 320-323).*

Businesses within the kitchen furniture industry rely on close and trusting relationships with sub-contractors. By outsourcing this know-how, they create the possibility that sub-contractors may use the knowledge to supply other businesses,

but this is not seen as a significant drawback, only a by-product of continuous outsourcing, from which kitchen producers have profited:

*“You always have to consider: what is product development? We are building kitchen cupboards. To put it this way. To make it simple. The kitchen cupboard is nothing different than a shelf with doors. The product development has mostly taken place in the subcontractor industry, and one needs to acknowledge that. Hinges, all sorts of metal fittings and mechanics, these are all things we buy at the Xs and Ys of this world. A lot has happened there concerning product development. Accordingly we do not have a product development in so far, that what we have here is nothing different than the purchasing of hinges and metal parts, which are then integrated into our products. This is one way of seeing it. The second part of product development is surface technology. A lot has happened here, too. If you take melamine decors. The technology behind this makes it possible that you as a layperson cannot distinguish it from a natural surface. Solid wood. You cannot distinguish it visually, nor can you distinguish it with the help of your hands. This is a development, which is integrated into our product, which is again not developed here. This is done by the businesses that produce these surfaces” (Gerd, Everyday Kitchens, Assembled Mass Segment, lines 321-329).*

Product development is very much influenced by the innovations provided by sub-contractors. Design ideas may be developed on the kitchen business' side, but the technical realisation of the products is made possible through the inventions of sub-contractors. The above quotation simplifies the production process. On the other hand, it also makes clear how kitchen furniture producers depend on the sub-contractor industry. This dependence does not only concern such things as hinges and resin. Chapter four introduced a view of the kitchen as consisting of many parts. Sub-contractors provide components like lighting, water, and electricity. The choice and challenge of picking the right surface for the products is equally faced when the business seeks a specific design for, say, light. The kitchen furniture industry is very much embedded within the sub-contractor industry. The industries are inter-dependent and have developed strong personal relationships built on trust. This makes this network very stable.

### **8.1.5 Managers See Sub-Contractors as the Foundation for Complex Production Procedures**

Sub-contractors are perceived as invaluable not only for product development but also for the production itself. Depending on the degree of outsourcing, businesses rely more or less on the active part within production. Whether the business produces an entire product, like a cupboard, or delivers high-gloss surfaced doors, sub-contractors are equally integrated in the production process:

*Q: “How far is the industry dependent on subcontractors?”*

*A: “To the degree that you would be able to provide the complexity and variety of the product. Let’s take a glass door as an example. If you have a subcontractor who produces glass doors for five different kitchen producers—these are usually always the same. Only the dimensions may be a little different, but basically it’s the identical product. If each of the five businesses produced the doors themselves, this would decrease productivity and it wouldn’t pay off” (Chris, Innovative Kitchens, Niche Segment, lines 523-529).*

Kitchen producers use the advantage of specialists, like a glass door producer, who produces for more than one business, creating a synergy within the industry. Managers regularly emphasise the difficulty and complexity of kitchen production. They express the opinion that the product is very hard to produce and that the German kitchen producers have developed this process to ‘perfection’. The real strength of the industry, though, is based on the continuous innovations provided by sub-contractors and their deep integration into the production and design processes. That kitchen producers can outsource so many parts and rely on so many sub-contractors makes it possible to produce this complex and difficult product.

### **8.1.6 Relevance of Sub-contractors in EWL**

The production chains within the kitchen furniture industry are very often significantly fragmented. Businesses rely on sub-contractors in order to achieve innovations and design ideas. These sub-contractors are integrated within the product development and production processes. The symbiotic relationship between kitchen

producers and the sub-contractor industry creates a crucial dependency on each other. The question is how important the local sub-contractors are for the production process of these businesses.

#### **8.1.6.1 Desired ‘Face-To-Face’ Relationships Demand Locality**

Chapter five presented an account of the way in which managers perceive themselves and the expectations they have for their own businesses. Each industrial segment has individual self-defining attributes. On the other hand, they all share common perceptions of attributes and expectations. Central to this are the attributes of flexibility, quick decision-making processes, and dependency on people. These key defining characteristics are projected onto the importance of local sub-contractors. The importance of personal relations has been mentioned. Businesses are dependent on a constant personal information exchange with their sub-contractors in order to establish trust and obtain innovations. While Granovetter’s (1985) concept of trust primarily deals with formal agreements (like contracts), the trust sought in this context is established through less formality. Managers want face-to-face relationships:

*“This is an important factor—also for the product development process. Let me use the example of our recent project. The only one who was able to deliver the components in a quality we needed, with a surface we wanted, was in Austria. This is when you realize it is pretty far away. You have to set up dates, you need to meet, you have to plan how and when you drive down there. This is different when [the subcontractor] is only 5 km away. This is something I experience every day. I just leave 15 minutes early and stop by the subcontractor and talk with him about my stuff and I have it the next morning. This is an advantage we can use in this process. This also regards producing a prototype. If you have any issues you just get in the car and stop by. Before you write e-mails or send a picture you can just use this proximity” (Helge, Luxurious Kitchens, Premium Segment, 36:15,3-37:04,3).*

Flexibility and quick decision-making processes involve the time factor. The businesses want to be fast. Closeness plays an important role in achieving this, as the above quotation shows. An adjacent country like Austria is already perceived to be far away. Compared to American technology producers who produce in Asia,

Austria seems to be close. Fast processes are cognitively connected with physical distance. Digital communication technology is seen only as a secondary resource. Managers want to be able to adjust production processes, relate to customer wishes, and have quick, reliable relations with their sub-contractors:

*“Okay, a good subcontractor from Bavaria is preferable to a bad subcontractor from right in front of our door step. This would not compensate this. If everything is the same [quality] the area makes the difference. But if I tell the contractor: this and that are my demands and I want to have this stuff on day X, then I don’t care whether it comes from Bavaria or from a neighbouring village. But let it put me this way: the probability that you get it done with a subcontractor who is right here is of course bigger” (Tim, Small and Sunny Kitchens, Niche Segment, lines 463-470).*

#### **8.1.6.2 Trust and the Meaning of Locality**

The quality of the product delivered by sub-contractors is undeniably an important factor for kitchen furniture businesses. The ‘SME way’ describes how managers seek (informal) trusting relationships. The previous sections have demonstrated that trust is an important factor in the relationship with sub-contractors. This trust seems to be connected with locality. Managers believe that production achieves the highest quality and reliability with local sub-contractors. They trust EWL:

*“Hinges, plywood boards, handles and so on can definitely be produced in any place in Europe and maybe even the entire world. The [location] does not play an important role. When it comes down to it—if you take that 3x2 m kitchen, where the working top needs to be cut exactly to the dimensions, where many subcontractor components are used—the kitchen uses about 10 to 12 commissioned parts. These are about three to four easy parts and six ‘difficult’ parts. You cannot simply outsource these parts to China, Czech Republic, or Poland. The Polish do build kitchens, but the expectations towards kitchen production are significantly higher than producing a chair, sofa, or a blouse. And this is why I’m sure that the established structures in EWL will provide a long-lasting future for the kitchen furniture industry” (Herbert, Flat and Ready Kitchens, Niche Segment, lines 716-729).*

The complexity and fragmentation of the production chain create the impression that locally produced kitchens are superior to other products from foreign production

sites. China, the Czech Republic, and Poland are traditional offshore countries for furniture production. Herbert uses the example of ‘chair, sofa, and blouse’. These are products that often originate from production sites in the above countries. He specifically addresses fragmentation. While some parts of the kitchen can be produced anywhere in the world, off-shoring is seen to be impossible because of the ‘difficult’ items produced by sub-contractors. The EWL region in particular is seen to be an outstanding production site, due to the quality and physical closeness of its sub-contractors; the presence of social capital.

The preference for sub-contractors in the area is due to the expectations that kitchen furniture businesses should be flexible and fast. The physical closeness of the contractors to the businesses is seen as invaluable. The previously mentioned constant ‘ringing of the phone’ symbolises not only constant communication but also the constant face-to-face situations businesses seek. Physical closeness is very important for managers. Close distance to their sub-contractors generates trust.

*“If they do not deliver on time, we are not able to distribute our products to the customer. We are very dependent on our subcontractors. We had the case last year that one of our subcontractors had an explosion in their business, which led to production deficits, which resulted in the case that we did not get our plywood. [...] We are dependent. [...] We have had the same case with our surfaces. The Italian contractor is a good example. The truck was on the way. It was supposed to be here on Tuesday, but only arrived on Friday. It was allegedly stuck somewhere in the Alps or I don’t know. They are lying like hell, anyway [laughing]” (Detlef, Flat and Chique Kitchens, Flat Pack Mass Segment, 35:31,5-36:14,4).*

### **8.1.6.3 Short Distances Ensure Continuity of Production**

Chapter four described the drive within the kitchen furniture industry towards lean production. This has significant effects on relations with sub-contractors. Lean production means that items in storage are minimised to reduce storage costs. This means businesses depend on the reliability of their business partners. The above example shows this. The ‘unreliable Italian truck’ poses a risk to the continuity of the production process. Businesses need to consider delayed components if they buy them from further away. Accordingly, flexibility also implies short distances that

allow fast delivery of goods. This is especially important because some businesses are so organised that they sometimes need multiple deliveries a day from one sub-contractor. This makes distance an important factor in decision-making processes. It seems that the further away a supplier is within a producer's network the less trust is put in him:

*“You have the subcontractors here in the region of EWL. This is a very important factor. This is a significant competitive advantage. This is something the people in southern Germany do not have. They have to consider producing more by themselves. But this is something we [in EWL] can easily share” (Ralf, Everyday Kitchens, Assembled Mass Segment, 23:13,8-24:16,7).*

The close proximity of sub-contractors in EWL creates the confidence of a production site advantage for local businesses. The more sub-contractors are present, the more possibilities to outsource parts of the production are created. The number of sub-contractors also provides a wider variety of available products. Businesses that do not produce in EWL are forced to have a larger extent of the production chain integrated into their own processes or to accept the risks of long distance transportation. Because businesses in the kitchen furniture industry seek to reduce these internal processes to a minimum in order to concentrate on core competencies, the sheer possibility of outsourcing significant parts to sub-contractors is perceived as an important advantage over kitchen producers who are not located in EWL:

*“A second advantage is the present subcontractor industry. This means I have short distances. If I wanted to found a similar business in Leipzig, I would have to think and plan to find the right location that even allows kitchen production” (Karsten, Luxurious Kitchens, Premium Segment, lines 957-961).*

Managers seek not only short decision processes in their businesses but also literally short paths to their business partners. Sub-contractors are defining benchmarks (for managers) that make the production of kitchens possible. As Karsten and Ralf mention, managers do not consider off-shoring to other countries; the above quotations relate to other regions in Germany. Leipzig represents eastern Germany, and Ralf mentions southern Germany. The presence of the sub-contractor industry in

EWL is a dominant distinguishing factor, which is perceived to be decisive in the assessment of the value (social capital) of EWL as a production site. Previous quotations have shown that traditional offshore countries for furniture are not seen as valuable production sites. The underlying argument for the disregard of these production sites is based on the fragmented nature of the production chain as well as on the difficulty of the production of single components. It seems, when comparing EWL with other places in Germany, that managers also have the impression that it would be hard, if not impossible, to produce kitchens in a productive and profitable way anywhere else in Germany. The presence of sub-contractors makes the region unique for managers:

*“Anyway, the way it is, this is ideal to have this focus on competence [around here], as I said before [...] this is ideal. This constellation is so unique even in the entire world. One has to acknowledge this. And emphasise it. There is good reason why 70% of all kitchens produced in Germany come from this region. From a radius of about 30 km” (Tim, Small and Sunny Kitchens, Niche Segment, lines 446-448).*

#### **8.1.6.4 EWL: A Cultural Cognitive Advantage**

This closeness is not the only perceived advantage for contractors in EWL. Managers also value shared cultural backgrounds. They seek close relations and face-to-face situations within the industry. Trust is reinforced by these procedures, but the process alone seems not to be the defining factor that signals reliability, flexibility, and quick decision-making. Managers are aware not only of the economic environment but also of the people who work in the businesses. As the previous example about the ‘lying Italian truck driver’ showed, managers are conscious of cultural differences. They perceive people with different origins in various ways. The Italian truck driver is supposed to be lying because of his working attitude. Managers not only discriminate among people from other countries using labelling, but they also show the same attitude towards different regions in Germany. Being a sub-contractor in EWL is an advantage, but to be native to the region is perceived as an additional advantage.

*“This closeness is basically an advantage.[...] Even if it’s a cultural advantage. It is something different when two Eastwestfalians talk to*



*each other than one Eastwestfalian talks to a person from Baden-Württemberg” (Tim, Small and Sunny Kitchens, Niche Segment, lines 452-457).*

Cultural perceptions also play a role. It seems that the identification with the region and the evolved structures of the industry have created an ‘us’ feeling in managers. Sub-contractors are therefore not only good because they are present in fairly large numbers, but they are also part of ‘us’. Managers appreciate the shared cultural forms of understandings that come from a common locality.

## **8.2 Customer Expectations**

This section of the analysis deals with customer expectations. It outlines the cognitive and cultural reasons behind the meaning of embeddedness for managers. Managers face customer expectations that significantly influence business behaviour. Three issues demonstrate this. The analysis starts with the meaning of time. Customers expect short delivery times. This means that production needs to be fast and delivery distance short, which makes close proximity to customers important. The second topic is the high customer complaint rate. Managers are sure that only the production site in EWL ensures a quality standard that helps reduce customer complaints. Lastly, ‘made in Germany’ is a powerful label that customers project on the kitchen furniture industry and that forces producers to remain with their own production and its out-sourced parts in Germany.

### **8.2.1 Short Delivery Times**

The first reason kitchen producers think off-shoring is difficult or impossible is the time factor. Customers expect producers to deliver their goods within an acceptable time frame. This expectation makes physical closeness to the actual market very important from the manager’s perspective. While managers in the mass production segment agree that the reproduction of the logistic processes to mass produce kitchens in foreign production sites may be possible, they also agree that this would not be possible because of customer expectations:

*“The selling process of kitchens is basically like this: the customer goes to the retailer. He plans the kitchen for you and sends a purchase order to the producer who builds the kitchen for you. You will never be able to do that in a Chinese production site. The Chinese have a comparable production time like we do. But you have to take into account the time for transportation. It takes about eight weeks from China to here. [...] You would have to add to the two weeks production time eight weeks for transportation. This means a kitchen from China would take ten weeks to get to the customer. This means the Chinese producer is ‘dead’ on the German market. And if something goes wrong, it only needs to be a little thing, like a missing handle, this also takes time to be sent. This takes another ten weeks. This is why there is, for instance, no threat for the German kitchen industry from China. No threats from the Far East” (Gerd, *Everyday Kitchens, Assembled Mass Segment*, lines 712-723).*

Production time in relation to transportation time is an important reason why offshoring is basically seen as impossible for producers. A long transportation time means literal ‘death’ for the German market. This is based on the acceptance of customer expectations, which force the industry to remain in Germany, or at least close to the market. However, the situation might be different if customer expectations changed and began to accept longer delivery times.

### **8.2.2 Customer Complaints**

The above quotation shows another important aspect of why the industry is bound to market closeness. Gerd mentions that, if something goes wrong within the production process, like a lost handle or a missing door, this prolongs the time needed for the final product to arrive to the customer. At first glance, this may not seem very important, assuming that these things do not happen very often. The situation in the kitchen furniture industry is different. This industry has the highest customer complaint rate in the furniture business. Businesses are very dependent on securing the quality of their production. The previous chapters have shown that quality is not necessarily a distinguishing factor among kitchen producers in Germany. Sometimes, quality has moved into the background, replaced by innovation and design. Quality is viewed as a distinguishing factor as distinct from companies that do not originate in Germany. The example of IKEA has shown this. Because customer complaints are relatively high within the business, ensuring high

quality production and allowing as few mistakes as possible remains a prominent objective for managers:

*“Quality is everything and let me say, there is no company meeting without a report on quality numbers. We already have a competition between our production areas for the best quality numbers. Who has the trophy and who brings up the rear” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 878-882).*

While quality is a given for managers presenting their goods on the market, the communication of quality still remains a high-priority issue for their own production. This is based on the expectations customers direct to producers. The managers who took part in this research are very aware of this. They also share the belief, even the conviction, that producing this quality standard is possible only in Germany and, ultimately, in EWL:

*“It is the product, which is extremely difficult. It is extremely hard to produce this way in collaboration with Poland or Ukraine or Romania. I dare you to try to explain to them how to produce kitchens. The flexibility that we have developed towards kitchen trends contributes to that. I cannot say, today I produce 100 kitchens in green and tomorrow I’ll make 100 in black. I would be able to do that, if I were able to forecast the trend moving from green to black. [...] but if you want to produce individual products, which is also a fashion article, which is sought in faraway countries, this is where I see the advantage for Germany. Or this production site. This is definitely important” (Chris, Innovative Kitchens, Niche Segment, lines 493-503).*

The marketing of kitchens develops towards individual ‘fashion’ products. The label of ‘individuality’ remains the defining factor for kitchens. The aim for quality and individuality defined the expectations of managers for the kitchen production processes. These expectations result from customer demands. Fulfilling these cannot be done just anywhere. Managers have the impression that this can be done only in Germany and EWL. Managers do give credit to other countries; some are traditional places for furniture mass production, but they deny these production sites the ability to meet the individual standard of their products. In their view, the German production site encompasses these key features, which are allegedly sought in international markets:

*“Upholstered furniture, fabrics and such things can be easily produced anywhere in the world. You can outsource that to China and transport it for little money from A to B. A kitchen, especially a fitted assembled kitchen, which has to be produced according to drawings, which is produced with commissioned components and so on, makes this off-shoring impossible” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 709-714).*

### **8.2.3 ‘Made In Germany’: A Status Symbol Which Demands Locality**

Kitchen producers, especially the premium segment, perceive their products as status symbols made in Germany. Customers create the demand that businesses produce in Germany. Managers have the impression that off-shoring is not possible due to this expectation:

*“The off shoring of production? For our case: definitely not! ‘Made in Germany’ is important for us in our distribution activities, especially if you go Asia, go to America, in the area of outfitting objects, and in retail. This makes it very, very important that we have our own production site right here. We have a lot of customers [...] who visit us here in order to check whether we are actually producing here or not. This is especially important for the Asian market because they are paying special attention because our products are in a price range that is not affordable for everybody. The customers emphasise that the products they buy are made in Germany. Because of this it is very, very important to have a significant level of production here” (Helge, Luxurious Kitchens, Premium Segment, 51:35,6-52:46,7).*

Businesses are dependent on their brands’ reputations, as pointed out in chapter five (symbolic capital); ‘made in Germany’ is apparently synonymous for labels that raise expectations in customers, which then creates expectations of the businesses that have to fulfil these standards. The active customer control enforces loyalty for the production site. Premium businesses therefore do not have the option of off-shoring without diminishing their reputation as premium producers from Germany.

However, ‘made in Germany’ is a demand directed not only at the premium segment; it seems to be a label important to all segments. This includes the mass producers:

*“I think other countries, especially emerging markets, for instance the Asian region, will develop their own strong furniture business in time. Build their own kitchen furniture industry. This makes it of course*

*especially important for us to present ourselves with distinguishing feature. Just like other strong German brands do. This only works with a clean image and clean history. Something like this can always be investigated. 'Where does it come from?' This is always the question. The winners will be the ones who are able to communicate this honestly. The ones who have a local production site and a sound representation. This is very important for us. I think that such a image at a single production site is a lot more emotional and important, if you have reached a certain size, than if you have production sites everywhere. This is important for the customer who visits us and passes judgment" (Knut, Small Man's Kitchen, Assembled Mass Segment, lines 787-800).*

Ultimately, the businesses are victims of customer judgments. The above quotation makes this clear. Businesses are constantly struggling to find characteristics that make them stand out among the international competition. German kitchen producers use the same selling strategies and marketing that other native industries seem to use. Managers have the impression that such things like design and quality are not the only factors that inspire customer purchase. Kitchen producers have the impression that they need to convince customers on an 'emotional' level (symbolic capital). The two quotations show that the investigative motivation of potential customers is a threat to business credibility. Producing in foreign production sites creates an aura of immorality. The predicament of moral expectations of the label 'made in Germany' hinders the businesses from pursuing plans to offshore parts of their production. Both citations show that managers need to keep significant parts of the production in their own hands. Customers need to be able to see the production, from the raw material to the finished product.

Even though flat-pack kitchen producers are far more threatened by international competition than assembled kitchen producers are, this 'emotional' marketing also applies to them. They advertise their products with the label 'made in Germany'. This is so not only for the production site but also for sub-contractors:

*A: "We have the goal to produce inexpensive kitchens, which are worth their money, and of high quality. Our website describes it just like this: we use mostly products from Germany or which are produced by us."*

*Q: "Why?"*

A: *“Okay, you always have to see the price and product relationship. If we cannot get large volume items here in Germany, we buy from Asia and other production sites. But this—we need to emphasize - these items need to be at least 5% cheaper” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 303-313).*

Flat-pack kitchen producers lower costs by buying large volumes of raw materials. Even though they are concerned about this, this example shows the same tendency other businesses pursue in trying to provide a German product to satisfy customer demands. Central to this strategy is the connection between being worth buying and being high quality. These two characteristics are connected with the label ‘made in Germany’. This is the central object of marketing.

So what does ‘made in Germany’ stand for? Businesses within the kitchen furniture industry relate to this label in different ways. Mostly, it is synonymous for quality. For them, it means being able to produce kitchen furniture in a quality and variety nobody else can. They believe that they can produce this only in EWL:

*“I believe that in such a technical product like the kitchen more factors play important roles than in other furniture industries. The meaning of quality has more emphasis in connection with capacity and productivity. This is why I think that we can continually be successful in Germany and especially in the region of East Westphalia and Lippe” (Knut, Small Man’s Kitchen, Assembled Mass Segment, lines 733-739).*

### **8.3 Two Other Aspects of Local Embeddedness**

Sub-contractors and customer expectations are the two factors this chapter concentrated on in relation to the meaning of EWL for local embeddedness. These are only two of many. The analysis of the data has shown that more factors are important for the assessment of the region. Neither the interview setting nor the space in this thesis allowed an examination of these in a more penetrating analysis. They are nonetheless topics worth pursuing in further research.

This part introduces two major topics that are also relevant for managers’ perspectives and present a set of factors relevant for businesses. Managers view the presence of competitors, sub-contractors and related industries as ‘magnets’ for the

resources they seek. Geographical positioning also influences the assessment of locality.

### **8.3.1 Magnet for Businesses and Employees**

Research has shown that businesses observe and signal to other businesses in the same market (White 1981). Economists view competition as a crucial asset of market development. Businesses in the kitchen furniture industry observe and relate to competitors as well. They copy production strategies, as the development towards lean productions shows. Businesses in EWL are accordingly aware of the presence of the furniture business in the region. Kitchen furniture producers regard the physical closeness, the sharing of space, with competitors as an important asset for the region. Businesses within the kitchen furniture industry in EWL trust the region. This is rooted in the existence of a dense presence of sub-contractors. These allegedly allow complex production processes within the industry. In fact, for managers the contractors are the reason for the success of the German kitchen furniture industry. Managers are aware that EWL holds a prominent position within the kitchen furniture industry. This is based on a view of the history of economic development.

*“I think this is caused by the historic development of the region. It is the case that when businesses are successful, other people become entrepreneurs. There is no other way how to describe and explain why we have so many kitchen producers around here. This is also the reason that so many other businesses move into the region, like we can see with business X. This is a logical step, because there are so many subcontractors around here, which also provide machine technology. It is no coincidence that the business Y has a show room around here even though its production is in southern Germany. This list could go on and on [...]. It is easy to observe that not only the presence of kitchen furniture producers shapes and influences the importance of the region, but the furniture industry in general. I can still remember when I was in Rosenheim in my final semester - we went on a trip to Detmold. This is when we told ourselves: if you get fired from one job and the kick in the butt is hard enough, you would end at the business two doors further. And if the kick is not hard enough you land next door” (Peter, Flat and Chique Kitchens, Flat Pack Mass Segment, lines 799-816).*

Peter addresses several important issues regarding the worth of EWL for the kitchen production process. In the view of managers, the region acts like a magnet in several ways. The success of the region lies in its past. The 200-year history of the region, which is explained in chapter one, created a strong structure. The region is defined not only by the kitchen furniture industry but by the general furniture industry, of which kitchens are only a part. The strong presence of the industry draws sub-contractors to the region. An example is shown by the business in the quotation. The other mentioned business is another kitchen producer, who mainly produces in southern Germany. Peter's mentioning of it relates to its relocation of its entire serial production and the creation of more than 400 jobs in the region. He also shows this perspective when he was still attending the University of Applied Science. The region was already known among students and future employees as an important labour market. He accordingly moved from southern Germany to EWL. In fact, his family lives in the south and he still commutes.

The EWL region therefore acts like a magnet in three ways according to this perspective. It first draws new furniture companies to the region; sub-contractors follow as a consequence, and the region therefore creates an incentive for future employees, who are not necessarily native to the region.

### **8.3.2 Connectivity to Infrastructure**

Infrastructure in this case means the connection to transportation. Managers believe that, because of EWL's geographic location, they have an advantage. The relatively central location of the cluster provides managers with the feeling of being well connected. The locality of the production site enables them to reach all parts of Europe:

*“The importance of the production site has many factors. An important aspect is the connection to the transportation infrastructure. Especially because we have to transport the furniture to the customer. This surely makes our city a very good production site. [...] Our city is pretty much in the middle of Germany. From this point of view we see it as an important production site” (Herbert, Flat and Ready Kitchens, Flat Pack Mass Segment, lines 120-129).*



One of the most important Autobahnen, the A2, runs right through the region. This highway connects eastern and western Germany. The area is also well connected to the railway. Chapter one described the railway's development as a 'lifeline' running from EWL to the Ruhr and Rhine areas. The railway system is now part of an extended system, which is also part of several important routes. All major cities can be reached with almost no transfer from the city of Bielefeld, the largest in the area. Managers are aware of the advantages of their geographic position, which enables relatively short ways. The well-connected infrastructure also contributes to the assessment of the importance of EWL as a production site. It contributes to the 'SME way' of seeking fast production and short distances to sub-contractors and customers.

#### **8.4 Discussing Structural, Cognitive, and Cultural Influences on the Meaning of Locality**

Chapter four demonstrated how the kitchen furniture industry is organising production. Continuous outsourcing and cooperation with sub-contractors has resulted in symbiotic relationships in the supply chain. The kitchen furniture industry in EWL is deeply and irreversibly embedded in a large network of sub-contractors. This form of structural embeddedness is therefore an important aspect of locality. This has been further analysed in the first part of this chapter.

The second section addressed cognitive expectations directed at the businesses and how these influence business strategies. It dealt with how customer demands pressure kitchen producers to be physically close to consumers. The complaints rate forces the quality standards of kitchen production. The 'made in Germany' expectation demands that producers maintain their production in the national vicinity.

Managers observe local structures. They assess, label, and define their values. The presence of the furniture cluster has a positive effect on this subjective evaluation. The EWL region has a geographic meaning as well. The relatively central position in Germany and Europe enables the businesses to easily distribute their goods in the European market, which is additionally influenced by a well-connected infrastructure. Finally, the local labour market is viewed as being of an unparalleled quality, which provides a significant incentive for managers in EWL.

These observations on the locality of EWL as a production site have several implications for the meaning of embeddedness.

The first observation is that local production structures appear to contribute to the creation of meaning for locality. This means that the organisation of the production chain has an effect on the meaning of locality. In this case, the fragmentation of the production process seems to be an important influence on the evaluation of locality. Kitchen furniture producers seem to increasingly depend on their sub-contractors—the social capital for businesses (cf Bourdieu 2005). This dependency on external factors seems to create uncertainty, which needs to be compensated by physical closeness of the sub-contractors in order to establish trustful relationships. However, fragmented production chains are common in modern production networks and cannot be the primary reason for the value placed on EWL as a production location (Lane 1987; Lo 2011; Sinn 2005). In the case of the kitchen furniture industry, it seems that the local business relationships pursued have significant influence on the meaning attributed to local structures by managers. Sub-contractors significantly contribute to the product development and the production process. They are not just means for cost-efficient production. It therefore seems that the importance of roles assigned to actors in production networks influences assessments of locality. The resultant question is not how far the production is fragmented but how important the functions of the elements in the supply chain are. This would make the locality of these fragments important, but this does not explain the importance of EWL in particular.

The particular meaning of locality for production processes could be the result of institutional logics (Thornton and Ocasio 2008). An indicator for this is the ‘SME way’. Family owned businesses are likely to establish rules, norms, and values that can withstand organisational change caused by change of ownership or changes in the field. Institutional logics of SME and family businesses are often based on intimacy, stability, and emotional ties (cf Miller, et al. 2011). All businesses interviewed are several decades old and started out to be family owned. Most entrepreneurial families are still involved in the firms. This provides the ground to theorise that the history of each kitchen producer has created a distinctive set of institutionalised logics, which may define businesses’ relationships with their sub-

contractors, which could be reinforced by the regional history of furniture production. This interaction may have resulted in a special relationship businesses developed with their immediate environment.

This seems to be supported by the second observation made in this chapter. The key factor that creates meaning for locality is, in Granovetter's tradition, the role of trust within relationships (Granovetter 1985). Trust is traditionally used to minimise risks in business partnerships. This seems to be no different in the EWL kitchen furniture industry. The single businesses in the fragmented production chain have significant influences on the production of kitchens. Kitchen producers organised their processes into lean production systems. Their 'just in time' organised production processes deliberately 'pull' supplies as orders come in. They are accordingly dependent on a reliable supply chain. The data have shown that close proximity to sub-contractors increases the trust put in them to guarantee deliveries. This suggests that Granovetter's concept of trust may thus be added to a sense of locality in the analysis of some production markets. The difference to Granovetter is another focus on trust within business relationships and supports the logics symbolised by the 'SME way'. While he described the function of formal arrangement to establish trust—like contracts—the managers interviewed in this research emphasise a much more informal meaning of trust. They seem to seek face-to-face relationships. This strengthens the trust in depersonalised supply relationships based on contracts. Usually, contracts symbolise a trustworthy business relationship. Business partners can trust in contractors because of the retributions resulting from violations of these agreements. Face-to-face relationships are accordingly used to further minimise risks. This seems to be the result of lean production and fragmented production chains. This implies that, in the case of kitchen furniture production in EWL, contracts are not viewed as sufficient to put trust in business relationships in production networks. Face-to-face relationships are wanted because they demand close proximity to the production site, which minimises the risk of disruption to the overall production chain.

The meaning of locality for the supply chain and business structure can be summarised as the following. If businesses have outsourced critical aspects of their production and knowledge and thus created a strong dependency on external

businesses (social capital), the importance of (informal) trust can create a demand for the close local proximity of production networks. This process implies a very risky relationship, because businesses outsource large amounts of their expertise, concentrating on their core competence of assembling goods. As regards the role of trust, this probably can be the result only of long-term business relationships and the logics provided by the 'SME way'. The 'SME way' demonstrated that businesses want close and trusting relationships with their business partners. It can be argued at this point that the influence of the 'SME way'—institutional logics—significantly contributes to the need for and significance of trust in production networks, which significantly influences the meaning of locality in them.

The literature review demonstrated that consumers direct their expectations to businesses (Schor, et al. 2010; Zelizer 2005; Zukin and Maguire 2004). They want to make sure that products are ethically produced and demand reasonable prices. Customer expectations therefore put pressure on businesses to create legitimacy for their product. Kitchen furniture producers are in this position. In this case, customer expectations create meaning for local production processes. The customers have high expectations of the product. The label 'made in Germany' is an important identification for kitchen producers in international markets. These expectations create pressure on the businesses. This also seems to influence the choice of suppliers. This is important leverage on the businesses, which prevents them from off-shoring and foreign outsourcing. Businesses know that production histories can be researched easily and that such information is available to the customer. Businesses also face strong expectations regarding production and delivery times. Production processes can be adjusted only to a certain extent. Kitchen production will always take a certain amount of time. Distribution adds more time. Kitchen producers face the dilemma in which they feel that customers are willing to wait only for a limited time for their products. This creates considerable pressure on businesses to stay in close vicinity to their main customers in order to fit their demands. This has significant influence on the meaning of locality for production markets as well. Businesses also face customer repercussions. The complexity of the product, the difficulty of transportation, and the task of setting kitchens up provide enough room for damages, which cause customer complaints. This seems to be a particularity of

kitchen production. Customer complaints significantly increase the demand for quality management in the kitchen furniture industry. This seems to have an increasing effect on the trust producers have in their relationships with their suppliers. It can be theorised that the pressure of customer complaints adds to the quality demands managers place on their production chain. This adds more pressure on reliability and quality demands sub-contractors have to fulfil, which again produces meaning for their physical closeness to the producers. This reduces uncertainty and provides stability.

Recent economic sociology has displayed limited interest in the significance of locality for the concept of business environment (Davis 2005). The results of this chapter suggest a different perspective. Managers seem to be very aware of locality as a key facet of their business environment. They observe connections to infrastructures, other businesses, and proximity to labour markets. These influences create meaning for the economic value of geographical location of production and markets. It seems that, at least in this case, businesses demonstrate a definite awareness of their environment and what their place in it is. It seems that prevailing institutional logics shared in the field may influence this. In this case, culture has a definite local dimension. Managers describe close proximity as a production advantage. The preference for regional sub-contractors derives from managers' trust in business partners who share the same local cultural background. Managers believe that shared rules, norms, and values, based on common cultural grounds, contribute benefits to business relations. Cultural foundations appear to be an important contribution to the meaning of locality for production networks.

## **9 Indicators of Local Embeddedness: A Conclusion**

This thesis explored the relevance of local embeddedness for production processes from the perspectives of managers in the kitchen furniture cluster in EWL. It asked whether locality, as a form of business diversity, could influence business structure, strategy, and organisation.

This was done in the context of two challenges in sociological new institutionalism. Theory and research have generally paid less attention to the effects of locality than to processes of globalisation and the convergence of organisations around similar structures. New institutionalism in sociology is interested in ‘non-local environments’ (DiMaggio and Powell 1991, 13). Theory is governed by the paradigm of processes of convergence, which are expected to take place on a global scale and leave limited room for diversity stemming from locality (Beckert 2010; Marquis and Battilana 2009). Exploring the possibility that locality beneath the national level influences business behaviour provides the grounds to theorise that different localities may promote different behaviour. The second contribution to theory and research deals with embeddedness as a holistic concept (Beckert 2009; Fligstein and Dauter 2007). It suggests that not only are structures important but cognitive and cultural influences are too. It follows the call to consider all dimensions of embeddedness.

The goal of this thesis was to explore indicators of local components of embeddedness rather than provide a full examination of all dimensions. The analysis demonstrated that managers have a distinct awareness of their local environment, distinguish it from other localities, and attribute values to it.

The thesis primarily dealt with the impact market structures (e.g. the organisation of production and distribution networks), cognitive frameworks (e.g. managerial opinions), and cultural influence (e.g. norms and values) have on business behaviour. The analysis explored the results of 19 interviews with managers in the kitchen furniture industry in EWL and other material on the sector, including statistical information and production visitations.

The thesis aimed to answer the question:

*How do managers in the cluster of the kitchen furniture industry of East Westphalia and Lippe assess the importance of the local business environment, and how does this shape business practice?*

The thesis started by theorising locality as a dimension of embeddedness. Mainstream new institutionalist theory and research have focused on the macro level

and on understanding embeddedness in the contexts of globalising markets. While the legitimacy of this focus is not questioned, this thesis takes the opposite view. The first step dealt with the definition of locality and the boundaries of local embeddedness. Locality was defined using Marquis and Battilana's (2009) definition in combination with the cluster research approach used in the VoC debate (Crouch, et al. 2004). The EWL region presented the smallest local environment because it comprises a cluster as well as a governmental district. The analysis accordingly explored how managers relate to EWL and the larger context of Germany and international relations as influences on managerial strategies. The definition of locality used here can also be applied for further research interested in even smaller communities and clusters.

In order to develop an understanding of the significance of locality, the thesis examined how the kitchen furniture industry operates. Chapters four and five laid the foundation for an understanding of the local production network and how the industrial structure influences managerial perspectives. Chapter five demonstrated how managers identify with their products and how they organise production. The main theme addressed the structural embeddedness of the kitchen furniture industry in EWL. Structural embeddedness is referred to in different ways. First, it explored the market segmentation in the cluster's networks. The industry resembles a clear categorisation in three market segments and two product categories. Businesses created market segments for premium, mass, and niche producers. The market also developed two product types: assembled and flat-pack kitchens. It can be assumed that the market segmentation is the result of the reciprocal observation of the businesses sharing the production market and supports the theoretical suggestion of how market niches develop (Fligstein 1996; White 1981). It can also be theorised that segment creation as well as the reproduction of the positions businesses occupy in these can be related to the uneven distribution of economic, cultural, social, and symbolic capital among the businesses (Bourdieu 1983; Bourdieu 2005). Businesses accordingly identified the opportunities their competitors have not yet acknowledged and occupied these niches according to their available forms of capital. These niches, referred to as 'segments' in this case, are well distinguished and developed during the 200-year history of the region's furniture production.

Each segment is embedded in a potential and distinct customer, retailer, and competition network. The market structure suggests that businesses do not share cross-segmental relations in their competition. Businesses actively avoid competition among segments, which is largely determined by price differences, acknowledging segmental strengths and superiority in their product groups. These networks can almost be described as 'sub-markets'. However, it can be observed that the assembled mass producers try to gain more market shares, which seems to deinstitutionalise parts of it and causes change in the field of forces. An important finding of this chapter deals with the development of strategies adapted to the demands of the 'sub-markets'. In order to be successful in them, businesses use different degrees of automation in production, alternate employment practices, and varying levels of outsourcing. Being a 'member' of a product category or segment has significant consequences for businesses. For instance, while flat-pack producers face significant international competition due to the relevance of high labour costs and low transportation costs, producers of assembled kitchens do not face such international competition in the German internal market. Low transportation costs is a disadvantage in this case, because it raises competition and puts pressure on the organisation of production processes. Assembled kitchen producers managed to minimise labour costs through automation. The significance of labour costs as a factor in production is additionally decreased by the high transportation costs, which protect the German kitchen furniture market from imports. Control over transportation costs adds value to locality for businesses distribution networks. This particularity of assembled and flat-pack kitchens influences the territorial limits of the markets of the two product types. Access to markets is, in this case, determined by product category and membership in an industrial segment. The least locally bound market network can be associated with the premium segment, which has an affluent customer target group, whose financial resources mean that transportation costs do not seem to hinder trade.

Previous cluster research undertaken in the furniture industry in EWL claims that businesses tend to employ vocationally trained workers (Rafiqui, et al. 2009; Voelzkow, et al. 2009). The data of this research suggest that this assessment needs more careful consideration. This study focussed on the kitchen furniture industry and



is limited by its focus on this industrial branch of the furniture cluster. It also excludes data from its sub-contractor industry, which means that only part of the cluster could be analysed. However, the data at hand suggest that vocationally untrained workers represent the majority of the labour force for kitchen producers. These observations become relevant when taking into account that the kitchen furniture industry becomes increasingly important for the furniture cluster and continuously expands. Further cluster analysis should therefore focus more on the diversity of products in each sector. Results may be otherwise too generalised and may not fit distinct industrial branches.

Another important observation of the structure of the EWL kitchen furniture industry concerns its fragmentation. Businesses generally strongly rely on sub-contractors, but the importance of sub-contractors differs according to segment. While premium producers keep most of their production in-house, assembled mass producers concentrate on the assembly of outsourced items. Businesses also tend to organise processes towards lean production. This comprises two important factors. Businesses seek to maximise automation processes to the limit. They also try to keep storage costs as low as possible, by producing 'made to order'. This leads to a concentration on core competences. In order to minimise costs, businesses outsource significant parts of their production to sub-contractors, who have the better expertise as well as the ability to produce items more cost-efficiently. It can be observed that businesses increasingly depend on their social capital to produce kitchens.

Chapter five analysed the connection between cognitive frameworks and structural embeddedness and demonstrated that membership in a specific industrial segment has important influences on the cognitive frameworks of managers. Cognitive frameworks are here referred to as managerial perspectives, given how they address themes of structure and strategy. The results suggest an interesting relationship between diversity and market convergence, which seems to result from the bilateral relation of structure and cognitivity (Beckert 2010; Fligstein and Dauter 2007). Each segment uses distinct attributions in characterising the structure of the industry, business strategy, and the position of their business within the network. Managers defined their place within the market by identifying customer groups and competitors and by describing different characters for the kitchens produced in each segment. For

instance, premium producers labelled themselves as producers of luxury goods, which put them in competition with other producers of luxury goods (e.g. cars and jewellery) and made them disregard other kitchen furniture segments. Mass producers explicitly define themselves in comparison to premium businesses. They observe innovations of the premium segment and produce them for an affordable price targeting a customer group, which is defined by a specific price range. Diversity seems closely connected to market structure and cognitive frameworks, though it could not be traced which is the dominant factor nor could it be identified how deterministic the relationship between structure and cognitive is. This means that more qualitative research needs to be undertaken that reflects managerial perspectives in the context of their market segmentation in order to generate comparable data for other production markets.

The SME way is a form of converging cognitive framework all businesses share. Businesses define themselves as seeking close relations with customers, retailers, and regional structures. Managers demand flexible, fast, and people-dependent decision processes. The 'SME way' does not seem to be necessarily the result of existing market structures. The segmental differences are rather connected to this. The 'SME way' seems to be the result of history and experience. It appears to be a distinct set of collectively shared institutional logics (Thornton and Ocasio 2008). Some managers described the 'SME way' as a business philosophy or culture, which sets them apart from large-scale enterprises. Managers relate to it as a form of tradition and code of practice with roots in the founding days of the businesses. The 'SME way' seems to have survived significant market and business developments, and significantly influences business behaviour today. This concept appears to resemble institutionalised logics from family owned businesses (Miller, et al. 2011). The 'SME way' is a useful category analysing production markets. The interviews in the upholstered and cabinetmaker industries indicated a similar mentality. It is therefore interesting to ask whether the 'SME way' can be found in other industries and whether conglomerates and other large-scale enterprises have different self-perceptions and logics. This would indicate that businesses not only define themselves in relation to their own market, or cluster, but also seek benchmarks outside their markets, which define collective identities and strategies.

Chapter six then analysed the structural and cognitive influences on the managerial assessment of labour for the production process of kitchen furniture in EWL. The overall findings demonstrate that the congruent relationship between structure and cognitive frameworks (market structure and mode of production) cannot be separated from the cognitive frameworks present in each segment. This means that managers adapt employment practice and their view on labour to the expectations they formulate about product quality (cognitive expectations) or mode of production (structure of production processes). Premium producers accordingly displayed the highest demand for skilled labour due their highest quality expectations, which can allegedly be produced only through the manual-labour intensive organisation of production. Flat-pack mass producers, on the other hand, demonstrate the lowest need for skilled employees due to the lower skill demands of the organisation of the production process. The international competitors in their market segments, who put them under price pressure, also influence this. Assembled kitchen producers do not feel pressure to this extent.

Even though businesses use labour differently in their production processes and have different preferences for it, all businesses share and appreciate vocationally trained employees. Managers may not employ many of them (except the premium segment), but all agree on their value for key positions within the production process. The reasons for not employing these supposedly skilled workers may differ according to segmental membership and logics. One reason may be the relatively expensive costs because of general wage agreements. Another may be the lower skill expectation for the majority of jobs within the production process. Managers seem engrossed by the alleged superiority of vocational training. For them, it is a symbol of the highest and most strongly standardised skill standards in the labour force. Employment practice may not be consistently congruent with expectations of coordinated political economies (e.g. Gallie 2007; Voelzkow and Crouch 2009). In coordinated markets, businesses largely employ vocationally trained, highly skilled workers. This is not the case for kitchen furniture producers. While employment practices differ, however, all segments share a genuine appreciation for vocational training as an institution.

This is further developed concerning the cultural and cognitive aspects of the value of labour in chapter seven. Managers do not only have a high regard for vocational training but also see it as directly connected to the locality of Germany; they even formulate it as a cultural relation. Vocational training is a symbol managers use as a short cut to estimate the skill level of a worker (cf Hass 2007; Zukin and DiMaggio 1990). Vocational training plays a growing role for managers; despite increasing automation, managers are placing rising skill demands on workers. They seem to increasingly rely on institutionalised cultural capital (Bourdieu 1983; Bourdieu 1987, 47f).

Managerial attitudes towards labour are connected with the cultural ties they have with Germany and EWL in particular. Managers do not only identify a different skill level because of vocational training that distinguishes German employees from foreign workers; they also describe skills they view as culturally unique to German employees. Such skills allegedly are higher motivation, reliability, endurance, and loyalty. While the previous observations about market structures and cognitive frameworks had no particular relevance for localness, cultural bias managers have created a connection between economic behaviour and locality. Because managers believe German employees to be superior, they prefer to hire these and do not consider off-shoring productions. How far this conviction can withstand market changes is a matter of debate. Another interesting observation is that managers do not only discriminate between German and foreign workers but also among workers originating from different regions in Germany.

After it had been established that locality is an important factor for managers regarding the assessment of labour, chapter eight concluded the analysis by exploring EWL's relevance as a production site in general. The sub-contractor industry received most attention in this context, because managers judged it to be the most important asset for the kitchen furniture industry in EWL. Surprisingly, it was not the segmental managerial perspectives that were the important factor in assessing the sub-contractor industry and its meaning for locality but the cross segmental logics of the 'SME way'. The drive for fast decisions and processes and strong close relationships is a strong demand for the local presence of sub-contractors. Managers equate close proximity with trust. The further away a sub-contractor is, the less

trustworthy he appears to managers. Most business is accordingly done with local sub-contractors. This is an important finding for the relationships in business networks. Other industries suggested that locality does not necessarily matter for production processes (Lane and Probert 2009; Lo 2011; Sinn 2005). In this case, locality matters because of an all-encompassing cognitive framework. Locality is in this case probably constructed on cognitive grounds instead of structural conditions. The meaning of EWL as locality also has reasons different from labour, sub-contractors, and the 'SME way'. Kitchen furniture producers also face significant customer pressure, which binds them to Germany and ultimately to EWL. Locality has also to be considered not only as a concept constructed by a researcher, but also by geographical means. Managers seem to relate to geographical positions and how these benefit or hinder business.

In conclusion, researchers are right to call for more research that takes structural, cognitive, cultural, and institutional influences on economic behaviour into account (Beckert 2009; Fligstein and Dauter 2007). It is also observable that locality can have meaning for markets; thus, calls to consider locality in future research are legitimate (Bowen 2011; Marquis and Battilana 2009). It is also important to view market structures and cognitive frameworks as expressions of diversity and institutional logics (Beckert 2010; Miller, et al. 2011; Thornton and Ocasio 2008). Managers face constant expectations from their environment, employees, customers, and others. They are conditioned by structure and cognitive and cultural frameworks that create beliefs and views real to them. Locality is such a belief, as demonstrated in this case. For instance, if a manager believes that employees from EWL are superior to employees from other parts of Germany due to their working attitude, managers judge this to be an advantage for the production site, it becomes reality for them. This becomes practice, for instance, by remaining in the region and relying on local labour. In the case of this research, local embeddedness does matter for the kitchen furniture industry in EWL, because managers have constructed meaning for locality. If this form of local embeddedness can matter for businesses, then it is possible that other business clusters in other regions may construct a similar meaning for locality or none at all. While organisation structures and practices can be similar throughout

industries, motivations and strategies can differ. This research demonstrated that businesses are connected to their region. This is probably due to the historic development and the resulting structure of the industry resulting in distinct institutional logics (cf Misangyi, et al. 2008; Wicks 2001). While businesses are structurally similar in terms of hierarchy levels and drive towards automation, differences can be found when undertaking an in-depth analysis. Cognitive, cultural, and strategic differences were identified throughout the segments. If these differences can be found in the kitchen furniture industry in EWL, why not in other regions as well?

This becomes especially relevant when considering the holistic analysis of embeddedness. The formal similarities (form of organisation) of businesses become less relevant when analysing the motivation (logics) behind the mechanisms that result in a structural similarity. By emphasising different kinds of embeddedness, the complexities of markets in their social relations, their motivations, and their logics become visible, especially when trying to establish the relations between structural action and cognitive motivation of market segments.

This encourages following the idea of diversity and considering many layers of embeddedness at the same time. It frees the deterministic character of sociological new institutionalism and broadens the focus of research for the diversity of economic behaviour, which is the result of many factors of embeddedness. This can contribute to the understanding of change in market behaviour and the development of new strategies. For instance, the European Union has discussed prohibiting the label 'made in Germany'. This is an important factor for kitchen producers in EWL. The strong customer demands force businesses to stay in the area. What if this prohibition took place? Would it change the meaning of locality for businesses and would it influence segmental behaviour?

It makes sense at this point to go back to the developed concept of embeddedness in the literature review in order to contextualise locality and embeddedness and conclude its relevance according to the figure.

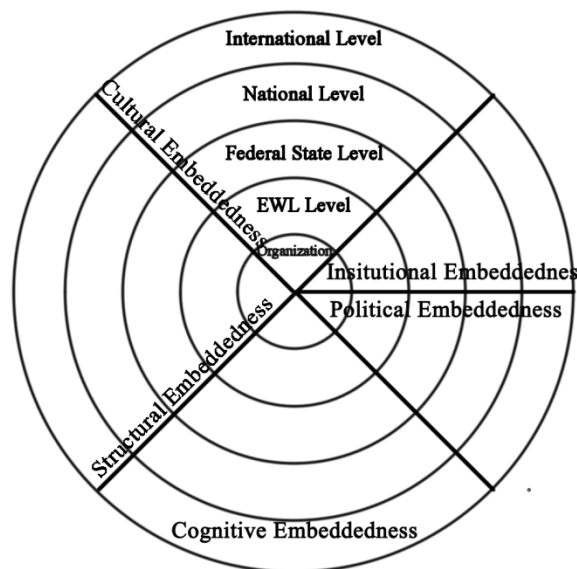


Figure 7: Concept of Embeddedness (created by the author)

The analysis has shown how networks of social relations influence business behaviour significantly. Locality has different meanings for these relationships. This is also the case for the different concepts of embeddedness.

The segments differ in their local elements concerning their structural embeddedness. This has two aspects: localness for production networks and localness for distribution networks. The EWL vicinity displays a similar meaning for the production network of all segments. Most outsourced production takes place here. Some parts of the production chain are located on the federal and national level. A minimal part is outsourced to international suppliers who are mainly located in Europe. Locality concentrates on EWL and thus creates meaning. The distribution network significantly differs in segmental comparison of locality. Premium and niche producers concentrate in their distribution networks on the international level. While premium producers demonstrated a ‘non local’ network, which enables them to distribute their product globally, niche producers are generally concentrating on the European market. Germany as the main sells-market plays a minor role due to limited business opportunities. Mass producers, assembled and flat-pack, concentrate in their distribution networks on the locality of Germany. They are also present in the European market, but the main business is done on the national level.

Cultural embeddedness has a similar local effect on businesses. This also concerns production and distribution. Locality has a strong meaning for these aspects. The

production concentrates on the level of EWL. The attributed meaning to labour, for instance, is locally embedded in EWL. Managers have a sense of some sort of collective expertise resulting from local production tradition. This, again, is a shared opinion across the segments. The managers share cultural norms and values in Germany as a locality in general but also make differences on the sub-national level in particular. These cultural norms and values are concentrated on the EWL level. Cultural embeddedness also affects locality from the distribution perspective. ‘Made in Germany’ is the label that best symbolises this local aspect of embeddedness. It is a generalisation for the customers’ side that creates meaning for the production site, Germany.

Cognitive embeddedness is closely linked to cultural and structural forms of embeddedness and is therefore similarly locally embedded. For instance, the mode of production and customer expectations influence managerial cognitive frameworks. This is a bilateral situation. Managers observe—and interact with—structures and expectations and adapt their business strategies accordingly. This creates meaning for locality in this case. This also means that they, too, influence the creation of structures and customer expectations with their strategies. For instance, managers seek new distribution markets or develop the image of their products into status symbols. Cognitive frameworks can therefore actively contribute to creating meaning for locality. For instance, if transportation costs develop to be of lesser importance and the image of German-made kitchen furniture increases in significance for international customers, niche and mass producers may decide to re-locate their distribution networks to a further international network.

Institutional and political embeddedness represent the most locally distinguishable aspects of locality. The governmental district of EWL locally institutionalises it on the smallest local level for this research. The ability to create new vocations that fit the demands of local industries is an example of the meaning of locally embedded institutions. This process is also embedded in the national institutionalisation of the vocational training in Germany, which provides the legitimate framework. The extent of this system and at the national border creates meaning for Germany as a locality within networks of international economies. Institutional and political embeddedness influences businesses on all levels of locality.



These aspects of locality and embeddedness allows the statement that the kitchen furniture industry in EWL is tightly embedded in a production network, which is distinctly locally integrated on a sub-national level but is also embedded in an international, sometimes globalised (non-local) distribution market. The interdependency of production and distribution create significant meaning of locality for the kitchen cluster in EWL.

The results presented in this research demonstrate the close relationship between structural, cognitive, and cultural frameworks and business behaviour. This study was able to establish that locality is not only an important asset for this kitchen furniture production network but is also used as a marketing strategy to promote German produced kitchens on national and international distribution markets. It can also be argued that businesses use locality strategically in order to form some degree of protection from international competitors. Locality therefore seems to have two meanings in this case: one for production and another for distribution strategies. This thesis also showed that locality works on different levels. This is a specific observation for kitchen furniture production in EWL. It therefore raises the question of whether other clusters use locality as a strategy for production and distribution networks.

The scope of this case study is limited. While it was possible to establish the meaning of locality for kitchen producers, these results only represent a small picture of the entire EWL furniture cluster. Further research is needed to develop a more distinct concept of the meaning of locality, which can depict a larger context. For instance, sub-contractors are important assets that contribute to the meaning of local embeddedness, though no research was conducted on this vital part of the industry, which represents a significant part of the production chain. Knowing this, future research concepts need to take the importance of supply networks for production sites more carefully into account to achieve more in-depth knowledge of the relationships in production networks. For instance, while the managers of this research provided indicators where the sub-contractors are and how much they are involved in the business processes, little information could be found about how many sub-contractors are actually in the region and how much of the supplies come from there. Further research should focus on the perspectives of sub-contractors and

explore whether they have a sense for locality similar to what the kitchen furniture managers have. Should these depict similar perspectives, this would generate significant meaning for locality that supports the findings of this analysis. The analysis also demonstrated that consumer expectations are important for managers. Researching consumer perspectives may promise to provide further insight into the producer-customer relationship. The exploratory character of this research can only claim that locality matters for a part of the production chain of kitchen furniture production. It also presented indicators that locality could matter in production markets.

## Appendix A: Statement of Honest Intent



Date

SCHOOL of SOCIAL and POLITICAL  
SCIENCE

The University of Edinburgh  
Chrystal Macmillan Building  
15A George Square  
Edinburgh, EH8 9LD

### Ehrenwörtliche Erklärung

Als Doktorand an der University of Edinburgh versichere ich hiermit durch meine Unterschrift, dass ich die Informationen, die ich in diesem Interview bekomme, ausschließlich für die wissenschaftliche Auswertung im Rahmen meiner Doktorarbeit nutzen werde. Des Weiteren versichere ich die vertrauliche Behandlung dieser Informationen. Im Forschungsverlauf werden sämtliche Daten und Aussagen von mir anonymisiert. Die nicht anonymisierte Fassung des Interviews wird nur mir vorliegen.

Für weitere Fragen oder Versicherungen stehen selbstverständlich meine beiden Betreuer als Referenzen zur Verfügung.

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Götz Harald Frommholz

Doktorrand an der University of Edinburgh

## Appendix B: Informed Consent



Date

SCHOOL of SOCIAL and POLITICAL SCIENCE

The University of Edinburgh  
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15A George Square  
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### Einverständniserklärung

Die University of Edinburgh trägt die Verantwortung, dass die Forschung, die in ihrem Namen durchgeführt wird, mit geltendem Gesetz und wissenschaftlicher Ethik übereinstimmen. Die Universität erwartet von ihren Forschern ein hohes Maß an Verantwortung und Integrität.

Nähere Informationen zu diesem *Code of Good Practice in Research* finden Sie unter folgendem Link:

<http://www.acaffairs.ed.ac.uk/Administration/GuidanceInformation/AcademicBestPractice/Index.htm>

Um die Einhaltung dieses Standards zu gewährleisten, wird von dem Forscher erwartet, die Einwilligung der Interviewpartner zu dokumentieren. Diese ist schriftlich möglich, indem Sie diese Einverständniserklärung unterschreiben. Es besteht auch die Möglichkeit zur mündlichen Zustimmung. Die verbale Einverständniserklärung wird dann mit dem Aufnahmegerät festgehalten.

Mit Ihrem Einverständnis werden die Informationen, die Sie in diesem Interview zur Verfügung stellen, im Rahmen der Doktorarbeit von Götz Harald Frommholz mit dem Arbeitstitel „Arbeitsmarktperspektiven der Küchenmöbelindustrie in

Ostwestfalen-Lippe“ wissenschaftlich ausgewertet und veröffentlicht. Jede Information, die Sie der Forschung von Götz Harald Frommholz zur Verfügung stellen, wird strikt vertraulich behandelt. Informationen und mögliche Zitate werden in der Dissertation und damit zusammenhängenden Arbeiten von Herrn Frommholz wissenschaftlich verarbeitet.

Herr Frommholz garantiert selbstverständlich die Anonymisierung von Informationen und Zitaten.

Bitte ankreuzen:

Ich habe diese Einverständniserklärung gelesen.

Ich weiß, dass die Teilnahme an diesem Forschungsprojekt freiwillig ist und ich mein Einverständnis und meine Teilnahme jederzeit zurückziehen kann.

Ich erkläre mein Einverständnis für die Teilnahme an diesem Forschungsprojekt.

---

Name des Teilnehmers

---

Unterschrift des Teilnehmers

Vielen Dank, dass Sie an dieser Forschung teilnehmen.

---

Götz Harald Frommholz

---

Datum

## **Appendix C: Introductory Letter From Gatekeeper**

Sehr geehrter Herr

wir unterstützen Herrn Götz Harald Frommholz im Rahmen seiner Promotion, an der er für die Universität Edinburgh z. Zt. arbeitet. Dies machen wir mit umso mehr Überzeugung, als sich die Promotion mit den „Arbeitsmarktperspektiven in der Küchenmöbelindustrie in Ostwestfalen-Lippe“ beschäftigt und wir uns daher auch für unsere verbandliche und Branchenarbeit wichtige Impulse durch diese Promotion erhoffen.

Für seine genannte Promotion möchte Herr Frommholz gerne bei ausgewählten Küchenmöbelherstellern in Ostwestfalen-Lippe Interviews zu promotionsrelevanten Fragen durchführen. Beabsichtigt sind pro Unternehmen Interviews mit

- einem mit Fragen der Unternehmensstrategie und des Personalwesens befassten Vertreter der Geschäftsleitung;
- einem mit Fragen der Produktentwicklung befassten verantwortlichen Mitarbeiter des Unternehmens und
- einem mit der Produktions-/Betriebsleitung befassten Mitarbeiter des Unternehmens.

Jedes Interview wird ca. eine Stunde dauern.

Bezüglich des Termins für die Durchführung der Interviews ist Herr Frommholz selbstverständlich bereit, sich nach den Wünschen des jeweiligen Unternehmens zu richten. Nach seinen zeitlichen Planungen müssen die Interviews abgeschlossen werden bis Sommer 2010, sodass genügend Zeit für terminliche und sonstige Planungen besteht.

Herr Frommholz beabsichtigt, demnächst an Sie heranzutreten mit der Bitte, die genannten Interviews auch in Ihrem Unternehmen durchführen zu können.

Wir würden uns außerordentlich freuen, wenn Sie dies in Ihrem Unternehmen möglich machen würden.

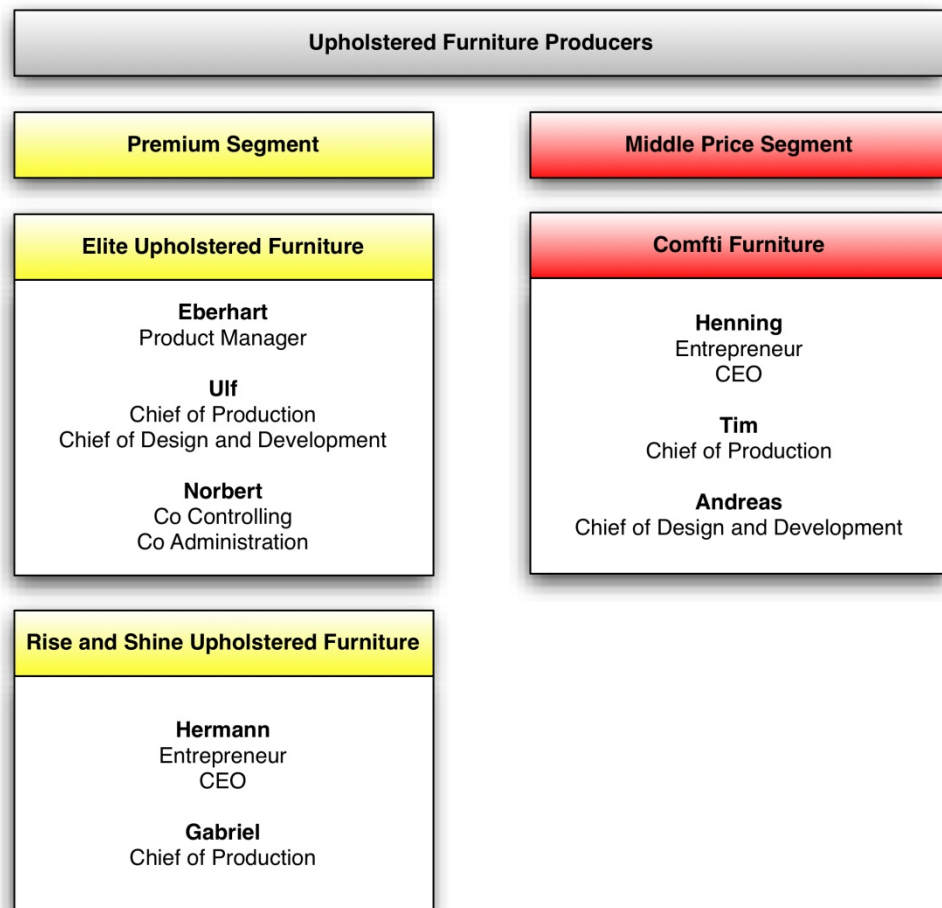
Für Ihre Bemühungen bedanke auch ich mich schon jetzt und verbleibe

Mit freundlichen Grüßen

Dr. Lucas Heumann  
Hauptgeschäftsführer

## Appendix D: Overview Of Upholstered Furniture Interviews

All three of the upholstered furniture businesses contacted agreed to participate. Figure 3 shows the distribution of the interviewees and their general responsibilities.

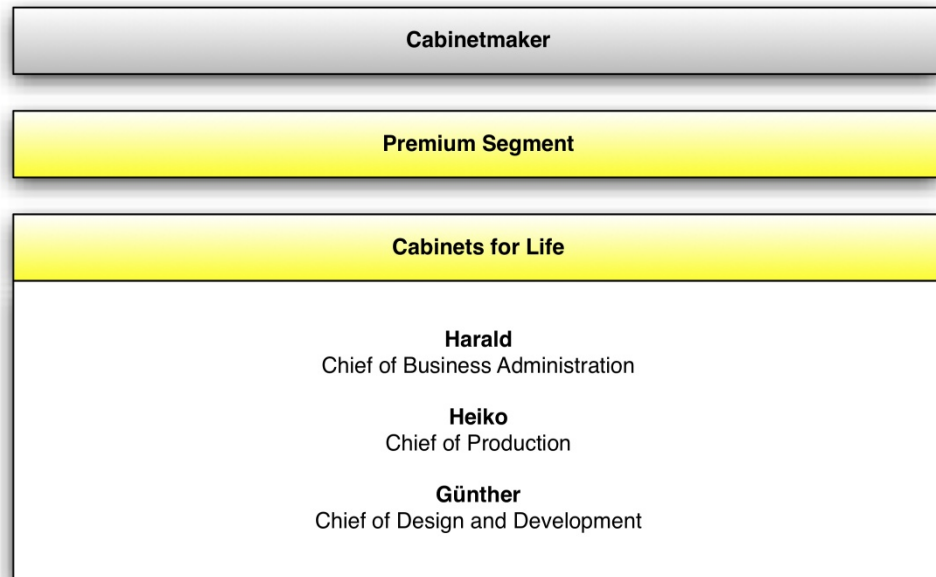


The situation in these businesses was similar to the kitchen-furniture companies. The managers often took over many responsibilities due to their relatively small business size. Only one manager had an university degree without vocational training. The others had no degrees of higher education. The business size ranged between 100 and 300 employees, with yearly turnovers between 10 – 32 million €. The businesses were not only considerably smaller, but were also less present on international markets than the kitchen furniture producers. The export varied between 12% and 26%.



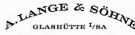



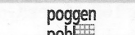


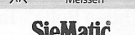

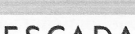
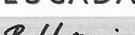
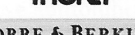
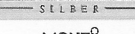

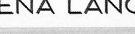

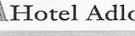



## Appendix E: Overview Of Cabinetmaker Interviews

The cabinet producer “Cabinets for Life” was the only cabinet producer that consented to participate in the research.



The figure shows the three interviewees assigned to me. Harald, Heiko and Günther have all gone through vocational training. Heiko and Günther were carpenters while Harald did his vocational training in business administration to become an “Industriekaufmann”. They were working in a premium business that exports 40% of its goods and made about 38 million € turnover in a year. The high export rate was the result of the similar situation of premium producers in the kitchen-furniture industry. Because of its very expensive goods, the business needed to find its customers internationally.

## Appendix F: Ranking of German Luxury Goods 2009 and 2011

Das deutsche Luxusranking					
Die 30 Top-Marken 2011					
Rang 2011	Rang 2009		Brand Networks Luxusmarkenindex (max. 300)*	Entwicklung seit 2009	Marktsegment
1	1	 A. LANGE & SÖHNE GLASHÜTTE I.S.A.	239 (242)	↔	Uhren
2	2	 MAYBACH	211 (218)	↘	Auto
3	3	 Glashütte ORIGINAL	204 (210)	↘	Uhren
4	4	 PORSCHE	195 (197)	↔	Auto
5	7	 bulthaup	184 (179)	↗	Küchen
6	5	 WIELMANN	180 (190)	↘	Auto
7	6	 poggen poh	174 (180)	↘	Küchen
8	8	 CHRONOSWISS KUNST DER ZEIT	170 (167)	↔	Uhren
9	12	 GAGGENAU	163 (158)	↗	Elektro
10	10	 Staatliche Porzellan Manufaktur Meissen	162 (164)	↔	Porzellan
11	9	 SieMatic	161 (166)	↘	Küchen
12	NEU	 Burmester ART FOR THE EAR	156		Elektronik
13	11	 COR	152 (162)	↘	Wohnmöbel
14	13	 JILSANDER	151 (153)	↔	Mode
15	20	 ESCADA	144 (139)	↗	Mode
16	19	 Balmain	143 (140)	↔	Mode
17	17	 THONET	142 (143)	↔	Möbel
18	14	 ROBBE & BERKING SILBER	141 (150)	↘	Besteck
18	16	 MONT BLANC	141 (145)	↔	Schreibgeräte
20	15	 interlübke	139 (148)	↘	Möbel
21	18	 WUNDERKIND	135 (142)	↘	Mode
22	23	 Welfendorff	133 (136)	↔	Schmuck
23	26	 RENA LANGE	128 (126)	↔	Mode
24	21	 LOEWE.	123 (137)	↘	Elektronik
25	22	 AHotel Adlon	121 (136)	↘	Hotel
26	24	 ROLF BENZ	120 (131)	↘	Möbel
27	25	 DORN BRACHT	119 (127)	↘	Armaturen
27	30	 BOGNER	119 (117)	↔	Lederwaren
27	27	 COMTESSE	119 (124)	↘	Mode
30	29	 WEMPE	118 (117)	↔	Schmuck

Der Luxusmarkenindex ergibt max. 300 Punkte und basiert auf den drei Kriterien Preisbonus, Preishöhe und Brand-Appeal, deren Stärke in 200 Experteninterviews ermittelt wurde; Trendanzeige ab 5 Punkten; \* in Klammern 2009; Quelle: Brand Networks

Source: Wirtschaftswoche Issue 44 in 2011

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