

ASSESSING THE KEYS AND BARRIERS TO SUCCESS IN THE VALUE-ADDED FOREST PRODUCTS SECTOR

A multiple-case study analysis of small and medium-sized secondary wood product manufacturers in the British Columbia Interior

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Outline

- Motivation for the study
- Objectives
- Research Design
- Methods
- Results & Discussion
- Further research



MOTIVATION:

Why SMEs?

- Majority of businesses in Canada < 75 employees
- Employ over 65% of all Canadian workers, yet only responsible for approximately 40% of job losses in the 2008-09 recession (Stat Can, 2009)
- Given boom-bust nature of the forest products industry, buffers against job loss are a must

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MOTIVATION:

Why the secondary wood products sector?

- Long touted as the way forward
- International competition mounting in the commodities sector
- Changing values and expectations with regard to the forest resource seem to be aligned with an increased role for the value-added sector

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MOTIVATION:

Why the secondary wood products sector?

- Small Business Forest Enterprise Program
 - 1980 – 2003
 - *Commonly known as “Category 2 sales” **
- BC Timber Sales
 - Active since 2003
 - Impact on SMEs in the value-added sector?

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OBJECTIVES:

The main objectives of the research:

Exploratory study

1. Understand the key factors and barriers to success at play for each firm studied
2. Generate potential hypotheses to be tested in further research that can be generalizable to the population

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RESEARCH DESIGN:

Region of study

- Forest dependent community (+15% direct employment)
- Community in the BC Interior
- Relatively large secondary wood product manufacturing sector

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RESEARCH DESIGN:

Case identification

- Solicited input from local industry experts
- Background research on each proposed case (8 in total)
 - Each proposed case was examined for applicability to the study and competitive position.
- Study selection criteria:
 - 2 successful firms
 - 2 struggling firms

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RESEARCH DESIGN:

Case study profiles

Firm A: *struggling*

- Start-up:
1987
- Current status:
Bankrupt in 2009
- Products:
EWP, reman, millwork

Firm B: *successful*

- Start-up:
2005
- Current status:
Operational
- Products:
*Custom reman, millwork,
panelling, EWP*

Firm C: *struggling*

- Start-up:
1989 (2007)
- Current status:
*Bankrupt in 2005; re-opened
in 2007 (2-3 days/week)*
- Products:
Custom reman

Firm D: *successful*

- Start-up:
1994
- Current status:
Operational
- Products:
*Timber frame homes, cabinets,
millwork*

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METHODS:

Themes to be explored*

- Skills: management and labour
- Competitive advantage
- Associations and clusters
- Innovation: product and process
- Business plan development
- Sales tactics
- Customer base
- Recent policy developments
- Risk exposure
- BC tenure system
- Softwood lumber dispute
- Interaction with major licensees
- Future direction of the business

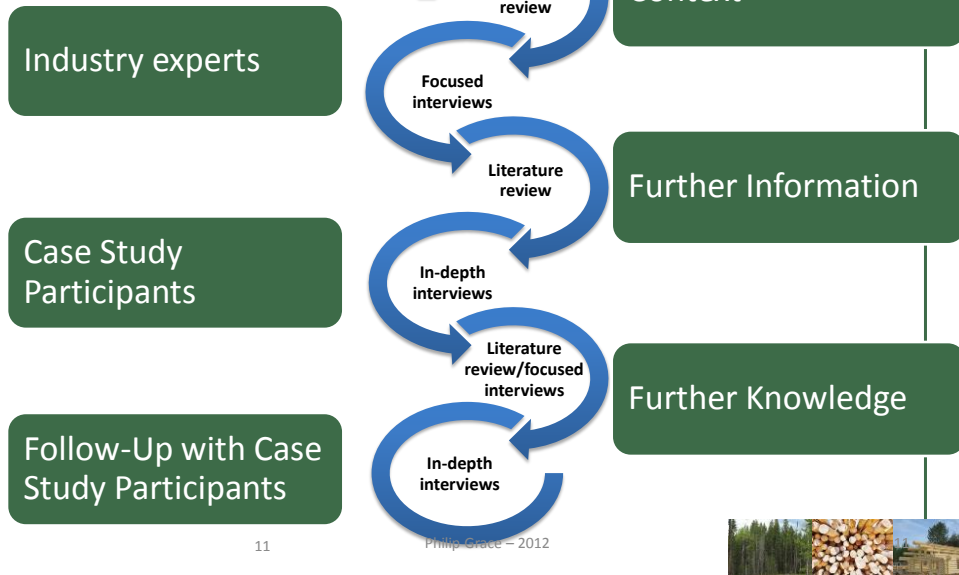
**As identified in literature review and focused interviews*

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METHODS:

Data collection

METHODS:

Data analysis: (Rubin & Rubin 1995)**Step 1**

- Transcribe all interviews
- Notes/debrief following each interview
- Identify existing and emerging themes to code

Step 2

- Use qualitative software analysis tool (NVivo8)
- Add new themes that emerge from this stage of analysis; drop irrelevant/insufficient themes

Step 3

- Prepare text summaries
- *Step 3* summaries provide the quotations used in the final report

Step 4

- Send interview summaries to interviewees to provide feedback for improvement and “*reality check*” for results

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RESULTS:

The usual suspects are involved...

“ We can’t any wood. Damn [insert name of major licensee]!”

Wood



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“The banks don’t lend to the forest products industry...”

Finance



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“ I just can’t seem to find good workers”

Skill



RESULTS:

...but there is more to the story:

- Wood is plentiful, but unaffordable for some smaller players
- Wood destined for China viewed as a new form of competition
- Changes to the tenure system are suggested: e.g.- creation of a larger woodlot market

Wood



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- Resources required to gain access to financial capital
- Failure to discern between *investment* and *expenditure*
- Firms in good financial position say “financing could easily become an issue”

Finance



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- Lack of skilled workers;
- Competition for skilled workers
- Management skill limitations
- Skills development

Skill



RESULTS:

*“We’ll hold the good stuff for **[Firm D]** because we know they’ll pay a bit more. The fact that we know they’ll do something good with the wood is also really important to us”*

-Firm B, owner

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RESULTS:

“We’re doing pretty well, but we’re pretty much at the mercy of the economy; we’re not the ones creating the jobs, but we really hope others create those high-paying job so people will buy our product.”

-Firm D, owner

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RESULTS:

"I think, maybe next month, I'll try to apply for Category 2 sales." (November, 2010)

-Firm C, owner

*Recall from slide 5 that 'Category 2 sales' ended in 2003.

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RESULTS:

Additional themes





- Industrial land availability
- Marketing & sales expertise
- Environmental certification
- Risk exposure: foreign vs. domestic markets

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RESULTS: POTENTIAL POLICY IMPLICATIONS

<ul style="list-style-type: none"> • <i>“BCTS is simply too big, and Community Forests inefficient for manufacturing sector”</i> • <i>“Increased woodlots in the area to boost value-added sector competitiveness”</i> 	<ul style="list-style-type: none"> • Use of fiscal tools to “crowd out” undesirable ventures • <i>“Provision of Crown timber as collateral for bank loans and business-to-business transactions has worked in the past”</i> 	<ul style="list-style-type: none"> • <i>“Match educational objectives with job potential: in highly forest-dependent regions, trades training is vital”</i> • <i>“Work in partnership with organizations providing skills training: offer courses on business basics”</i>
<p>Wood</p> 	<p>Finance</p> 	<p>Skill</p> 
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Further research:

Potential avenues:

- Expand the study to include more case studies
- Repeat the study in different regions of BC (or Canada)
- Conduct survey research using the findings from the current study to formulate questions



Further research:

Potential hypothesis:

Management skills and the development of management skills play a pivotal role in the competitive position of SMEs operating in value-added forest products sector. Lack of management skills will have adverse impacts on other areas of the business including fibre supply and access to financial capital- which are of critical importance themselves.

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Selected references

Rubin, H.J., and Rubin, I.S. 1995. *Qualitative interviewing, the art of hearing data*. Sage Publications, Thousand Oaks, California.

Yin, R.K. 2009. *Case study research: design and methods*. 4th ed. Sage Publications, Thousands Oaks, California.

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