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From single-family houses to multi-family houses – resistance to change and perceived hinders

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Problem

In Sweden, more firms are needed that offer building systems for wooden multi-family houses (Stehn and Brege, 2007). Potential firms could be those operating in the single-family house industry. This would trigger competition, improve product quality and utilize economies of scale due to product relatedness, e.g. for prefabricated walls. Financially, the majority of these firms have a rather good potential to enter that new segment (Schauerte *et al.*, 2014), yet, only few of these firms take that step.

Aim

To explore resistance to change and perceived hinders for Swedish firms producing wooden single-family houses to enter the market for multi-family houses.

Method

Six deep interviews were performed with decision makers in relevant firms. The results will serve as the input into the upcoming survey-study, covering all listed firms in that industry segment.

Result and conclusion

Summarizing the interviews results in the following perceived hinders that can be seen as motivating firms not to do a strategic move towards multi-family houses.

- The firms are used to work in certain ways in their supply chains. Entering that new segment would e.g. lead to different approaches in sales, since the type of customer is different. New business model would be needed to succeed.
- Turnkey contractors would get problems to acquire appropriate land, since the banks place too high requirements on loans.
- In the planning stage of the building projects, too few employees have the right competence, and those who have it cannot leave their regular tasks aside.
- Building high with wood still is underdeveloped and thus too insecure.
- Technical issues like shrinkages, springiness, sound transmission or fire resistance etc. need to be solved; an open building system would simplify matters.
- Assembly on-site would be beyond current expertise and therefore remains insecure.
- Investments in product development would be required that however have low internal priority.
- Production capacity is a limitation. More prefabricated elements would require more internal capacity.

Decision makers in the studied firms had a relatively negative attitude towards expanding their operations towards another market segment, even though that segment can be seen as highly related to their core business.

Many issues that were brought up have been worked upon in the industry, yet, it seems that knowledge either not has been spread adequately, or that firms concerned not have been ready to adopt it. Probably it was regarded as not being relevant for their businesses.

References

Schauerte T, Lindblad F and Johansson J (2014). Industry Structure and Risk Positions for Wooden Single-Family House Firms in Sweden: Evaluating their Potential to Enter the Multi-Family House Segment. In FPS and WCTE joint proc, 10-14 August 2014, Québec City, Canada.

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