

Lifestyle production: Transformation from manufacturing to knowledge based production using innovation

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Abstract

During the last decades, traditional manufacturing firms in Western economies have undergone a rapid transformation. Two effects of the globalised economy prompting firms to outsource labour intensive production to low wage areas are the increased market size and the competition. Innovation is a prerequisite for a successful transformation process and this paper analyses this process within four Danish lifestyle production industries: textile and clothing and wood product and furniture, which are being developed from being traditional production-oriented industries to becoming much more oriented towards knowledge intensive production in the form of design and marketing aspects.

The analysis shows that the industries have experienced a decline in employment and a positive development in productivity while maintaining a significant contribution to export. A 2008 survey of Danish SMEs reveals that about two thirds of the firms carry out innovative activities. The decision to innovate is influenced by networking activities, access to financial resources, firm strategy, export orientation, growth potentials and age of the firm while a traditional characteristic like size does not influence the decision to innovate; innovation is a prerequisite for firm survival in the four industries.

Keywords: Transformation, Lifestyle production, Innovation

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1. Introduction

The industrial development in Western Europe has been notable during the last years. Many traditional manufacturing firms have outsourced their production to East European countries and the former Soviet nations in the first instance and later on to the

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