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30 cases reducing operating costs in small & medium enterprises in the cross-border area: the Bulgarian experience

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Overview of the 30 Bulgarian cases in the Cross-border area according to their business activity and products

- **Manufacture of textiles including manufacture of wearing apparel – 7 SMEs**
- **Manufacture of fabricated metal products except machinery and equipment – 3 SMEs**
- **Manufacture of electronic products and equipment -2 SMEs**
- **Manufacture of machinery, motor vehicles and trailers – 2 SMEs**
- **Construction of buildings – 2 SMEs**
- **Manufacture of leather and related products – 1 SME**
- **Printing and reproduction of recorded media – 1 SMEs**
- **Manufacture of food, beverages or tobacco products – 4 SMEs**
- **Agriculture and forestry – 1 SME for mushrooms growing farm**
- **Security and investigation activities – 1 SME for Sales & Installation of electronic equipment for security purposes.**
- **Wholesale trade and retail trade – 3 SMEs**
- **Travel agency, tour operator and other reservation services – 2 SMEs**
- **One SME in the Restaurant business**



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**Manufacturing
and electronics**

2 SMEs

**Manufacture of
machinery,
motor vehicles
and trailers**

3 SMEs

**Manufacture of
fabricated metal
products except
machinery and
equipment**

One SME

**Manufacture of
electronic
products and
equipment**

8 SMEs

**Manufacturing
of textiles
including
leather products**



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**FOOD,
BEVERAGES
OR
TOBACCO
PRODUCTS**

**One SME -
White And
Brown Bread**

**One SME
Tobacco
products**

**One SME
For salads and
snacks**

**One SME
Mushrooms**



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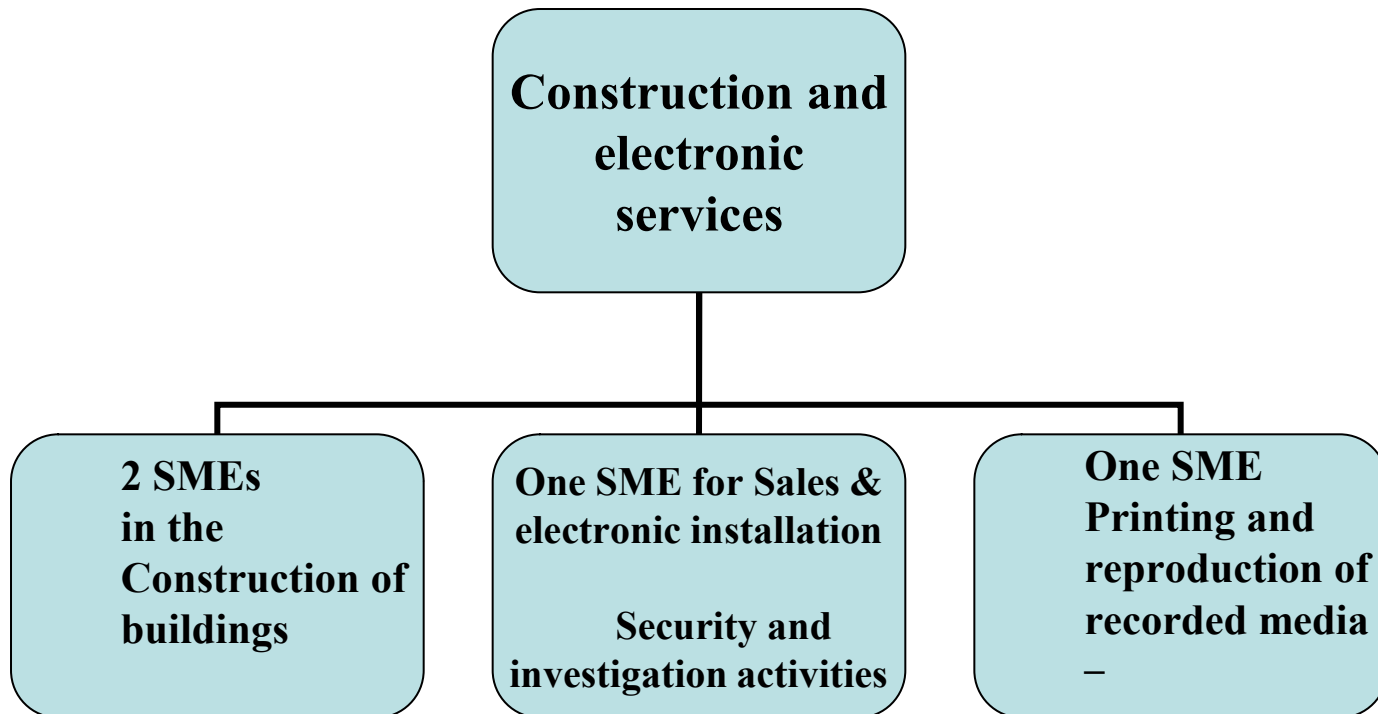
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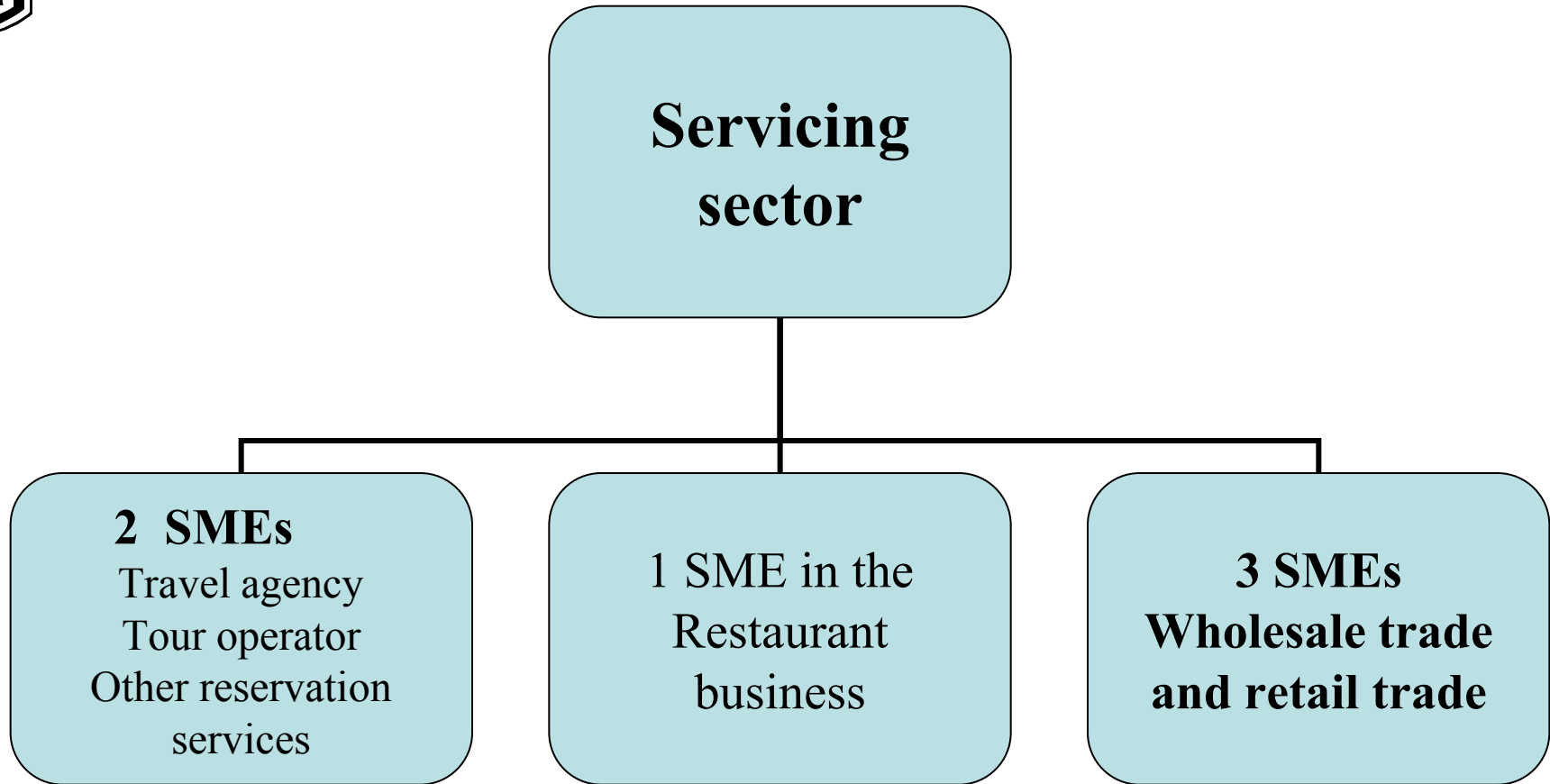




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High cost area: PEOPLE AND PROCESSES

- *3 MAIN POSITIVE SIDES*

77% of the SMEs have an organized order monitoring process from order to delivery

70% of the SMEs have an organized after sale procedure?

AND

50% have a dedicated account manager for each client



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High cost area: PEOPLE AND PROCESSES

•5 Negative SIDES

- Less than 42 % have a specified process for monitoring sales from prospect, inactive, and current customers
- Only 46% of the SMEs have a sales performance appraisal system for rewarding high performance
 - Less than 36 % of the companies use sales forecasting tools
 - Only 46% apply employee measurement of productivity methods
 - Only 42% of the SMEs implement training programmes.



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IDENTIFIED WEAKNESS AREAS for the SMEs in the region of Blagoevgrad on the bases of diagnostics and audits reports

- 1.) 40% of the SMEs have significant strengths and very few weaknesses that could evoke cost reduction in the people and processes high cost areas. In these enterprises the personnel is qualified and well motivated. Though processes within the enterprises are as a whole efficient, there is still a great potential for some performance improvement by using the methodology of the project.
- 2.) 10 % have also great potential for performance improvement by using the methodology of the project, but if this very same enterprise does not change many of the processes, it will be threatened by loss of competitiveness (customers, reducing sales, loss of markets).



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IDENTIFIED WEAKNESS AREAS for the SMEs in the region of Blagoevgrad on the bases of diagnostics and audits reports

- 3.) 20% have also successfully developed their business, but if they do not change many of the processes the enterprises will be threatened by loss of competitiveness as well.
- 4.) 50% in the Blagoevgrad region must develop a specified process for monitoring sales from the point of view of prospect, inactive and current customers. Some of the processes in these enterprises must be redesigned through reengineering. It will create more competitive enterprises and ensure a sustainable development. This group also needs to motivate better their employees.



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INITIAL RECOMMENDATIONS FOR PROBLEM-SOLVING TOOLS AND SOLUTIONS



- Reengineering of the business processes is most often recommended as a solution for the enterprises in the Blagoevgrad region in regards to their problems in the people and processes cost reduction area. The degree, in which this managerial approach should be used, however, varies from reengineering of all the processes to the reengineering of only of a few critical business processes. The overall expectation is that by a successful reengineering, it will be achieved not only a dramatic increase in competitiveness but also in the sustainability of the enterprises.



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UNDERSTANDING AND ATTENTION PAID BY THE MANAGEMENT



- In 75% of the SMEs, the management understands the need for changes in processes across their enterprises. The priority of management there is the elimination of the weaknesses in the processes operations. In the rest of them the management partially understands the need for changes in processes across their enterprises. Under certain circumstances (low cost) managers of these enterprises are more likely to provide the necessary funds for such type of changes.
- The management of one of the audited enterprises does not understand the risks of loss of competitiveness (if the processes will be not improved). The management of this very same enterprise is not ready to fund change in the improvement of the processes.



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AVAILABILITY OF THE NECESSARY FINANCIAL, TECHNOLOGICAL OR HUMAN RESOURCES



- 40% of the enterprises have the necessary technological, human and partially financial resources allowing the improvement of their processes on condition that a detailed plan is to be provided.
- 50% of the enterprises have on their disposal only a part of the technological and human resources needed for the change of the process. Two of them, despite having the necessary financial and human resources, need a detailed plan to implement the changes envisaged by their management.
- 10% of the SMEs do not have either the adequate technology, or the financial resources for implementation of these changes.



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HIGH COST AREA: **SUPPLY CHAIN** – Positive Sides

- 73% of the SMEs have a certain procedure to define a safety stock
- 77% of the SMEs are monitoring transport of finished goods (or if exist transports of material to subcontractors) based on optimal freights for reducing tied up capital on stock room
- % of the SMEs are monitoring large seasonal fluctuations of orders or demands fluctuations from clients
- % of the SMEs have a procedure to monitor distribution cost



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HIGH COST AREA: **SUPPLY CHAIN** – Positive Sides

- More than 65% of the SMEs have adequate handling and packaging procedures
- More than 76% of the SMEs are adopting the chosen transportation system to the quantity and distance of each order
- More than 64% of the SMEs are evaluating regularly the services offered by distribution operators
- More than 56% of the SMEs are monitoring the occurrence of missing assembly parts from an order
- More than 73% of the SMEs have an organized supplier performance evaluation procedure



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HIGH COST AREA: **SUPPLY CHAIN** – Negative Sides

- Only 42% of the SMEs are applying just in time management
- Only 46 % of the SMEs have monitoring practices on the number of options for a large product range
- Only 42 % of the SMEs are monitoring all tied up capital in all stages from production, semi-finished goods finish goods and on transit to the clients
- Only 42% of the SMEs are monitoring transportation damages
- Only 42% of the SMEs are applying sales forecasts to optimize order volume
- Only 31% of the SMEs are following and monitoring supplier contracts for material supply control



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Some comments on Supply chain for the BG SMEs

- In regards of supply chain 50% of the SMEs can dramatically improve supply chain and reduce the high cost.
The other five enterprises have less potential to reduce the high cost by improving the supply chain.
- Only 10% of the SMEs do apply a system to ensure the production of goods. Other 10% may establish a procedure for monitoring of the distribution cost.
- The other 80% do not have a system for monitoring seasonal fluctuations.



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INITIAL RECOMMENDATIONS FOR PROBLEM-SOLVING TOOLS AND SOLUTIONS



- The most of the SMEs may use computer systems (MPR, MPR3 and MRP4) to improve their supply chains.
- The main tools that can be used in the other four enterprises to improve the supply chain are: Just-in Time, MRP3 and MRP4, ABC analysis etc.



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Marketing savings and social media as weak areas



- Only 30% of the BG SMEs in the Blagoevgrad region do follow a marketing plan or have a defined marketing strategy for your company
- Only 35 % have ever proceed a market research survey for your company/products.
- Less than 23% have a defined budget for marketing expenses.
- Only on BG SME have a company blog.



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Some recommendations ...

- It is necessary for all of the enterprises to develop a marketing strategy for better clarify which are the customers, ways to communicating with them, main advantage over competitors. It is part of marketing activities to enhance internet communications.
- All enterprise managements understand the need for improving marketing processes. Two of them define market budget as a percentage of sales.



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Green Buildings – Identifies weakness areas

- 30% of the SMEs may reduce its energy expenditure. The main weakness is associated with a lower percentage of energy efficient lamps in the building. Another option is the use of solar energy.
- The other 70% are able to significantly reduce its energy expenditures. The main weakness is related to the building's energy efficiency. Remediation should be carried out.



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UNDERSTANDING AND ATTENTION PAID BY THE MANAGEMENT



- 70% of the SMEs' managements understand the need for energy saving. These enterprises are ready to start work on energy efficiency. The managements of the other enterprises partially understand the need or changes in process across the enterprises.



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Renewable energies and savings

- After reviewing the auditor's report, one can summarize that the extraction of solar energy is possible only for some of the enterprises (40%) in the Blagoevgrad region.
- The extraction of solar energy is not appropriate for other enterprises because of their small size and inadequate area to accommodate photovoltaic panels (60%).
- Another problem is related to the fact that the high temperatures variations in the Blagoevgrad region reduce the effect of photovoltaic panels. The installations of photovoltaic panels will not result for substantial financial cost cuts due to the high costs in the investment in photovoltaic panels.
- Because of the lack of geothermal sources (hot mineral water sources) all the audited companies are unable to use geothermal energy.



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Thank YOU for YOUR ATTENTION !!!

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