

Business Case No. (4)



Business Case

**“BulClust” Bulgaria,
An innovative cluster structure
to improve quality production and CSR standards**

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INTRODUCTION

A business case has two primary objectives:

- To present decision-makers with key information about social initiatives in term of responsible supply-chain management in a consistent, balanced format that facilitates the evaluation, comparison and prioritization of competing initiatives.
- To guide a group of suppliers, buyers and managers in developing their vision and plans to prepare for responsible initiatives.

A RESPECT Business Case is designed to provide a common starting point for discussion and illustrations during the RESPECT training and coaching sessions. However, no two business cases are the same.

This case study, developed by a supplier partner of the RESPECT project, shows how a supplier can be at the origin of CSR and innovative practices to improve its competitiveness in a difficult market situation.

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EXECUTIVE SUMMARY

In the recent years, Bulgarian companies' interest in Corporate Social Responsibility issues has increased considerably. More private companies identify CSR as part of the day-to-day operations of their business. Many of them realize the importance of implementing CSR principles and policies, acknowledging they have a direct impact not only on business competitiveness, but also on social environment, transparency and trust among the stakeholders - employees, suppliers, clients, partners, state institutions, and non-governmental organizations (NGOs).

While the number of factories adopting CSR in Bulgaria has increased, they are still facing difficulties in maintaining the standards and making improvements.

Companies are very much dependent on the needs of brands and world trade. Brands are more interested to securing the best prices, and CSR in general increases costs for factories.

So what can be done to become more attractive as a business?

Bulgarian producers must retain reliable delivery times and continue to be highly qualified textile specialists, while preserving a well trained workforce, good production organization and responsible CSR practices. The thought is that these changes will bring increased Buyer attention.

The idea of CSR comes from the philosophy that companies are producing something from the society they function in, and thus the society is the basis of the company. In other words, the company owes society a portion of its profits just the way companies gives bonuses to their employees for their services over a period of time.

CSR should be an indispensable part of the business plan, just as the company aims to make a profit. The overall goal should be to behave ethically and contribute to the economic development of the society: improving the quality of life for the workforce and their families, the local community, and the society at large.

1 BUSINESS NEED AND CURRENT SITUATION

Overall the world market is expanding, especially with the increased economic growth in emerging countries. However, Bulgaria's domestic market remains stable or is declining considerably. Because of increased imports from China combined with stagnant Bulgarian exports, shipments from Bulgaria have sharply declined. In the downstream textile fields (fabric, dyeing, sewing and knitting industries), most enterprises have very small or medium scales and are mainly engaged in CMT basics processing. As the import of final products increases, the number of orders and unit prices decrease. Workers in textile production are aging, and as a result, manufacturers are depending increasingly on foreign and skilled workers to supplement the shortage of domestic workers. In particular, Bulgarian textile and jersey companies are facing this problem. Difficulty in use of sensitivity in business (lack of brand power), limited provision of materials to the fashion sector (general-purpose materials in particular), quickly changing fashions, and lower prices. Employment in the textile business is unattractive to younger Bulgarian workers. There will be chance for development if more is not done.

The textile companies need to invest in more qualified workers, with experience in the field, in order to meet the Buyers' requirements. To achieve this, trainings in pattern making, production organization and quality follow up are necessary in order to stay competitive. However, many of the companies are unable to bear all the costs of implementing these program and CSR standards, thus many have given up on the latter.

2 COMPANY DESCRIPTION

New Age Bulgaria was established in 2008. NAB designs and manufactures Ladies fashion garments, as well as underwear. Even though it is a young company, the design team is highly qualified, having been trained in pattern making in the UK. Further, the management team excels in production organization, since the company works with subcontractors.

The size of the company is designed to meet the needs of their main clients: the company employs 20 people in the production side workers, specifically trained to work on their unique products. All our workers are versatile and with skills to work on more than one machine type, and throughout the year the machine equipment is updated. On the management side there is one production manager and one technology director.

Since the company is aware of CSR compliance, they are constantly working to make improvements and improve the conditions for their workers. Overall, the company values its employees and as result promotes good management and ethical behaviour in the company, striving to increase working conditions every year. These efforts are based on the business philosophy that this will lead to better business relations with clients and improve the image of the company.

3 HISTORICAL BACKGROUND

Since New Age Bulgaria actively invests in education and training for the management team, the company has begun to create sustainable business relations and to improve and implement new business strategies. Some examples include:

- Free health care – preventive health care measures – annual physical exams and tests;
- Social room with free coffee and beverages;
- Group risk life insurance covered by the company;
- Offering job positions for already retired company workers;
- Provision of informal free of charge training – English language and specific garment design and pattern making training

In CSR it is important to invest in your own workers, in order to be seen as a reliable partner.

The small company is constantly looking for more opportunities to increase its CSR capacity and appear attractive to Brands. In order to achieve this, they developed a group with other textile companies and to create a Textile Cluster named “**BulClust**”. The cluster is made up New Age and seven other companies, all with similar working conditions and standards. The aim is to increase competitiveness and attract new clients. It is an innovative way to keep a good quality production and sustainability standards of the companies, as the union acts as an accountability tool. In order to cover the costs of formation, “BulClust” has recently applied to an EU project for funding. The purpose is to form a stable development base to appear to enter the world market with a closed production circle.

4 ENVIRONMENT AND THE CONTEXT

It is important to remember that customers are becoming increasingly demanding. As awareness of the scale of environmental problems grows, they are looking for companies with purchasing decisions that promote sustainability and look to the future. Wasted energy, water, and raw materials are not only costing companies money but also increasing the risk for environmental accidents, which result in fines for the company.

In order to increase environmental sustainability, the company should start to engage in cross-sector partnerships and develop solutions that help customers reduce their environmental impact. These efforts will help to meet the expectations of stakeholders, and also make good business sense: reducing operating costs and business risks.

Environmental sustainability requires an effective and specific strategy, an environmental management system, and a leadership structure in place to fight current problems and monitor issues that arise in the future.

5 BEST PRACTICES PRESENTATION

MORE GOOD PRACTICES in development at “New Age Bulgaria”

- Retirement compensation – from 2 to 4 month salaries depending on the years spent in the company;
- Shorter period for “Performance review” of the employees in the + 55 age group – instead of every 6 months – every 3 months, in order examine their motivation, go for a promotion and to recommend the next steps in their professional development;
- Separate storage of waste.

“BULCLUST” – Cluster organisation as an innovative method of best practices in CSR issues:

- “Bulclust” united 8 competitive companies, promoting a common strategy while keeping companies separate.
- While each individual company was struggling to implement sustainability strategies on their own, by creating this union, it allows for the companies to work together to achieve a common sustainability goal.
- This union also allows companies to concentrate on one aspect of production of a product, in order to create a quality product that is attractive to Buyers.
- Overall it will hopefully have a positive impact in Bulgaria – creating a model for quality, production, capacity planning all while implementing effective CSR strategies.

6 RESULTS AND RECOMMENDATIONS

Overall, the company policy provides its employees with an excellent working environment. Workers feel secure and stable, allowing them to focus on their jobs, hence improving product quality. Furthermore they have the chance to participate in new projects and to constantly improve their skills, professional competence and training. That directly affects their life in a positive way, knowing that they belong to a company that encourages professional and personal development.

“Bulclust” allows “New Age” to reach a better level of company management and procurement. This innovative method should encourage Buyers – who will want to work with an organization that will provide quality products and delivery planning, because overall it will save Buyers time and money.

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For further information please consult:

- The RESPECT website www.responsible-practices.eu
- The case studies: www.responsible-practices.eu/index.php/m-r-factory/m-cases