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Primavet-Sofia, Bulgaria

- Type of restructuring:
Business expansion
- Employees before restructuring:
10-49
- Employees after restructuring:
10-49
- Nace/Sector:
Manufacturing
- Country:
Bulgaria
- Date:
12/04/2012
- Keywords:
GlobalisationRecession/Crisis

Abstract

Primavet-Sofia Ltd. specialises in the development, production and trade of pharmaceutical products and feed for animals, and also in cosmetic products for animals and humans. The main challenge experienced by the firm during the planning and implementation of restructuring was the long and complicated process of licensing new products – mostly veterinary drugs. On the whole, the restructuring process took place according to the management's initial plans for the firm's business development, and the planned outcomes were achieved.

Organisational profile

Primavet-Sofia Ltd. was established in 1993. The company specialises in the development, production and trade of pharmaceutical products and feed for animals, and in also cosmetic products for animals and humans. More than 30 veterinary medicinal products and more than ten cosmetic and dental products for pets have been developed and put into production, as well as some supplementary and special feeds for animals, and cosmetics for humans containing bee products.

The manufacture of veterinary medicinal products is a specialised process, based on high standards of quality, safety and efficacy of the products. The quality of the products is guaranteed by GMP and HACCP (GMP is a production and testing practice that helps to ensure a good quality product, while Hazard Analysis Critical Control Point is the systematic preventative approach to food safety, which addresses physical, chemical, and biological hazards as a means of prevention, rather than finished product inspection).

The Quality Management System of the company is certified by ISO 9001–2000. During the 7th National Innovation Forum in 2011 in Bulgaria, the company was awarded the 'Innovation Firm of 2010' in the category of SMEs with up to 50 employees.

The firm strives to provide its customers with good quality, reliable products. This objective is achieved through the use of good quality materials,

experienced staff and modern technological equipment.

The process of creation, registration and production of veterinary medicinal products is regulated by European and Bulgarian law as well as other regulations. This is also true of supplementary and special feeds, biocides and cosmetics.

The company's experts, in cooperation with research workers from scientific centres, develop new products and perform laboratory and clinical tests.

Primavet-Sofia Ltd. is particularly active in beekeeping societies and addresses the problems of the beekeepers, trying to help preserve the health of their bee colonies not only by the production and sale of effective medicines, but also by their presence on various forums with specialists from the firm giving lectures, seminars and presentations.

The company edits the newsletter *Zdrava pchela* (Healthy bee), which specialises in bee health care.

The company can be considered international, because in 2011 60% of its production was exported into 18 countries.

The company's highly-qualified team works in a 1,200 square metre modern production site. There are 45 full-time employees (80% are women, 50% have a university education and the average age is 40). The firm is owned by two people, who have equal shares. The manager has a degree in economics, but had no previous experience with restructuring.

The business performance of the company since 2005 can be summarised as follows:

- 2005–2007, low profit because the main investments were in the process;
- 2008–2009, an increase in sales and profit;
- 2010–2011, a steady increase in sales and profit by around 30%.

There are no works councils or trade union branches in the firm.

Background to restructuring event

There were three main factors that led to the restructuring process:

- signs of the forthcoming economic crisis;
- the desire to expand the company's activities;
- the belief that only through constant restructuring could the firm innovate in different areas.

The company's approach to restructuring was very cautious and was organised step by step, because of some difficulties with finance. First, it built its production premises and then it bought the equipment, again gradually, one machine after the other.

Restructuring processes

The restructuring constituted a *business expansion* as well as an *internal restructuring*.

The restructuring included the following stages:

- development of cooperation with research and development institutions;
- development of innovation activities in all areas, and particularly the production of new products;
- preparations for entering a new foreign market, including adaptation of management strategy and company structure;
- increase in exports (with 100% in 2011 and with 50% in 2010).

Priority was given to the innovations, because the company has a good track record in this area, in particular:

- much experience in the field of innovations;
- a number of innovators in the firm;
- close cooperation with innovators in different institutes and universities.

The restructuring began in 2007 and is ongoing. It is a combination of:

- introduction of new products (veterinary drugs and products);
- changes in management (in accordance with the changes of the firm buildings);
- changes to company structure (organisational adjustments);
- exports (finding new non-EU partners).

The whole process of generating and implementing ideas for changes, with the increase in contacts with Bulgarian and foreign partners, and greater participation in national and international conferences was implemented by the managers and the owners of the firm.

An important factor for restructuring was the company premises. Up to 2001 they had rented premises. After 2001 the firm built its new plant, and after 2004 started buying the necessary equipment step by step. This action made the company more independent, led to organisational changes in its structure and increased its production. All of these resulted in an increase in profits. The manager and the two owners were involved in the decision to restructure the firm. They had clear ideas about restructuring for several years but there was no written restructuring plan, although this was a part of its investment programme. The necessary adjustments were made during the implementation of their ideas for restructuring.

The whole process of restructuring was funded by firm's own financial resources. For example, in 2005–2007 almost all profit was directed toward investments in restructuring.

The workers were informed about the restructuring process and most of them showed high commitment during the whole restructuring period. They well understood the need for modernisation during a time of crisis. To some extent, the crisis triggered the restructuring, but the process was also a part of the continuous efforts of the owners and management to improve the work of the firm.

Challenges and constraints of restructuring

The main challenge experienced by the firm during the planning and implementation of restructuring was the long and complicated process of licensing new products – mostly veterinary drugs – as well as licensing products for selling in other countries (which can take at least two to three years). These long delays have a negative impact on the whole firm's activity, especially in the field of exports, because it prevents the firm from being able to service the requests of international partners.

Restructuring advice and support

The firm managed to carry out the restructuring without any advice or support. They relied entirely on their and their business partners' (suppliers and customers) professional resources. This required a good understanding of the temporary constraints and breach of contractual obligations, business advice and counselling. Access to bank loans was very difficult, so the company decided to apply for finance from European funds.

Unfortunately their proposal for the project for the Operational Programme 'Competitiveness' was rejected on the grounds of what they consider to be 'formal reasons'. Therefore the firm had to develop new products by using their own funds. Management feel the Bulgarian administration is still not prepared to support and help Bulgarian business, especially during a crisis.

Outcomes of restructuring

On the whole, the restructuring process took place according to the management's initial plans for the firm's business development, and the planned outcomes were achieved.

- Employees were encouraged, through a series of meetings, to participate in the restructuring plans. These led to better understanding of the process of restructuring and active participation in it.
- The number of employees increased from 25 to 45 because of the business development of the firm. All newly recruited employees had the required professional training, selected according to the firm's standard procedures.
- The working conditions improved (most of the staff are working in the new building with improved health and safety conditions, and new, modern equipment was introduced).
- Due to the improvement of the production process, introduction of new technologies and the new organisational structure, the quality of the production was improved and the range of the vet products was expanded.
- Exports increased.
- Employees' salaries increased and are now above the Bulgarian average.
- The introduction of the new organisational structure proved to be successful.

The general reaction of the employees was very positive. This opinion of the management was confirmed by an interview with one staff member of the commercial department. She considers that the changes made in the firm during the last ten years have benefited both employees and the business of the company. The changes were especially successful in finding new foreign markets, which resulted in better economic results for the company during the last few years. That was reflected by an increase of wages for staff.

Primavet-Sofia Ltd. plans to continue to focus on innovation and better business performance.

Commentary

The major success factors of the restructuring process were identified as:

- a pro-active and strategic approach;

- close personal engagement and initiative by the manager and owners;
- economic and commercial expertise;
- development of a sense of taking responsibility by the management and the majority of staff;
- timely implementation of tasks;
- concentration on the core competences of the firm;
- organising a more active form of sales;
- an honest attitude towards employees;
- the willingness of most employees to adapt to the speed of the changes.

Management also feels that their staff understands that an increase in wages and the hiring of extra staff during a crisis is a sign of a good management. However, management would like to see an improvement in the bureaucracy of state administration, which they think is a prerequisite for better business performance. Management also feels that constant restructuring is the key to success in the 21st century – overcoming the status quo is a permanent job.

Authors

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Information sources

Interviews

Nadezhda Pancheva, Manager Primavet-Sofia Ltd.

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