



Plastika Skaza, Slovenia

Type of restructuring:	Internal restructuring
Employees before restructuring:	50-249
Employees after restructuring:	50-249
Nace/Sector: Manufacturing	
Country:	Slovenia
Date:	24/11/2011
Keywords:	Recession/Crisis

Abstract

Slovenian company Plastika Skaza decided to cooperate intensively with foreign clients when it lost its largest client, a locally based multinational company, and experienced increasing late payment problems with other Slovenian clients. Export markets have since significantly contributed to sales growth.

Organisational profile

Plastika Skaza, a small plastics reprocessing company was established in 1975 by Martina and Franc Skaza. From its humble beginnings in a garage, the business has become a well-established international company, contributing significantly to the industrial development in its region. Today Igor Skaza, the founders' son, and his wife, Tanja, manage the company. Laura Rednak, sales and financial director, is the third member of the management board.

Plastika Skaza aims to become one of the top producers of plastic products in domestic and international markets, and to develop specialised, highly sophisticated products in an environmentally friendly manner. The company has the Certificate of Quality ISO 9001 and conform to IKEAWAY, a business agreement for all IKEA subcontractors. Corporate social responsibility is integrated into the company's mission. The company has also obtained the Certificate of Environmental protection ISO 14001.

More than 90% of production is destined for export (to all EU countries, Russia, USA and Canada). Long-term partners include IKEA; Landis and Gyr, manufacturers of energy meters; Striebel and John, makers of energy distribution systems; and Gorenje, a Slovenian company, one of the leading European manufacturers of home appliances. Gorenje now comprises less than 10% of sales; before restructuring, this figure was 70%–80%. Successful cooperation with Gorenje enabled the firm to extend business operations to the former Yugoslav republics and profits have been reinvested to increase automated production.

The company processes 4,500 tons of plastic materials per year using state-of-the-art machinery, knowledge and quality. The 44 injection moulding machines allow them to mass produce plastic injection moulding technology for industrial production of electrical, automotive, furniture, white goods, and general consumption goods. Attention is now turning to the consumer market, to making environmentally-friendly products, made of recycled plastics, under their own trademark. These include 'Organko', a bin for organic waste disposal.

The company employs 160 people, although this has fluctuated in recent years (Table 1). The workforce is equally divided between men and women. Women work primarily in production while men work mainly in technical fields. Most employees are young, with an average age of 33. The company does not have a works council.

Table 1: Average number of employees

2007	2008	2009	2010	2011
120	93	88	102	160


Background to restructuring event



Plastika Skaza has been restructured several times during the last 13 years. The first took place in 1999–2000 when Igor Skaza took over the business from his parents. Employees remember this period as a major milestone for themselves and the company. Under the new leader, the business underwent a period of development, shifting operations to foreign markets. The company began to pay more attention to customer needs, adapting more flexibly to market requirements.

The next restructuring began in 2007, at a time when the company was highly dependent on a single large client, Gorenje, a locally based multinational company with over 5,000 employees, Gorenje accounted for 70%–80% of sales, but in 2007, when it stopped outsourcing, many subcontractors, including Plastika Skaza, lost their contracts. Plastika Skaza, which was also experiencing increasing late payment problems with Slovenian clients, then began to cooperate intensively with foreign customers, especially IKEA. Today export markets predominate and since 2009 have contributed to significant sales growth, with sales for 2011 forecast to be € 16 million.

The time period for the restructuring event described here cannot be defined precisely: management indicates that this is an ongoing process.

The third restructuring process involved a 10-year strategic plan to set up the company's own brands. However, they are hampered by the fact that they have a very weak competitive advantage – Slovenia is ranked 45th according to the 2010–2011  Global

Restructuring processes



The decision to enter the own-brand market raised a series of questions, including defining potential fields of business and what products should be launched. Three product areas were identified:

- convenient waste disposal;
- practical dishware with a cutting-edge design;
- modern eco-friendly home products.

The decision about which product to launch was based on detailed market research. The first, 'Organko', a technically sophisticated and user-friendly version of a fermenting waste bin to collect organic waste without the unpleasant odour, is made of recycled plastic. It reduces the amount of organic waste in landfills and also reduces greenhouse gases. It was inspired by the method of collecting organic waste in Japan, using the concept of 'bokashi' (fermenting method in an air-tight bin), which was implemented following observation of good practice examples abroad. The idea was developed in-house (drafting, development, planning), while production was outsourced to a nearby subcontractor. The whole process took two years, starting in 2007. By the end of 2010, 3,000 units had been sold online and in organic shops throughout Slovenia. Improved sales were forecast for 2011 mainly because mandatory segregation of organic waste came into force at the end of June 2011. By the end of 2011 11,000 units were sold.

'Yodo', a set of homeware, also made out of recycled plastic, was designed with the help of well-known industrial designers in a competition where the winner gets to bring the design to the production stage. Serial production is to begin in September 2012 and products are expected to be available in January 2013. By 2015, 40% of sales revenue is expected to come from the Organko and Yodo brands.

Challenges and constraints of restructuring



When Plastika Skaza lost its contract with Gorenje, its revenue dropped from €12 million to €8 million and it could no longer extend the fixed-term employment contracts of 30 employees, cutting the workforce from 110 to 80. The firm's owners said this caused undue stress and led to a feeling of failure, especially as the company had the reputation of being fair and reliable employers. However, within six to ten months, the majority of employees were taken back on. Those previously dismissed were prioritised for recruitment.

Restructuring advice and support



The company did not use external consultants for restructuring, although some were used to help with minor changes in business operations. The company decided to outsource storage locally instead of building their own warehouse. Considerable cost savings were achieved this way and they plan to continue to outsource in future

Outcomes of restructuring



The restructuring took place according to the initial plan, but according to management successful implementation required continuous adjustment. In 2011, due to a large increase in orders employee leave was suspended during the summer and the company introduced work in four shifts. In early 2011, the company increased wages by 10%. Salaries are above average for Slovenian manufacturing companies. Manufacturing workers can earn up to 40% above their normal wage based on performance. Employees may also benefit from submitting proposals for 'Continual Improvement in the Company', resulting in cost savings. Middle management executives and board members are rewarded for achieving profit objectives.

Management staff considers the third (and current) wave of restructuring projects to be a time of new challenges and opportunities to prove themselves in areas where they have previously had limited experience. Employees are aware that the company's future depends on their joint efforts to achieve specified goals. Staff feel they are learning the necessary new knowledge from their formal education as well as from self-education and their own ingenuity. Employees also believe that management 'has an ear for their new ideas'. They are trying to see novelties as a challenge, not as a problem, and tackle them with an attitude of mutual benefit. One result of restructuring is the shift in strategy towards environmental protection. Although Plastika Skaza does not have a large impact on the environment, striving for continual improvement, awareness of the importance of protecting the environment, and efforts to gain customer trust, stimulated them to establish an environmental management system in accordance with International Standard ISO 14001:2004. Employees work according to the adopted environmental management policy with regard to:

- the prevention of pollution;
- energy consumption;
- noise control;
- waste-handling and segregation;
- employee health and safety;
- open communication with employees and the public;
- continuing improvements of the environmental management system.

Management is aware that employees and people who live in their environment ought to be able to participate in forming their environmental policy, so they consider all recommendations and ideas that could contribute to the improvement of the policy. Partnership relations however also oblige them to take into account the standard IKEA WAY.

The company has recently decided they will no longer buy recycled plastics only from others, but will also recycle themselves. Investment in technology and staff training is estimated at €1m per year. Unfortunately, they failed to secure a hoped-for grant from the Eco Innovation Call, which is supported by the European Commission and which promotes eco-innovative projects in different sectors that aim to prevent or reduce environmental impacts, or to contribute to the optimal use of resources. The investment is greater than their usual investments in development, which are normally about €500,000 to €700,000 per year.

Despite the global financial crisis, the company is operating successfully. Old customers such as IKEA, Landis and Gyr, Striebel and John, and Gorenje have been retained, and the volume of business has increased. Landis and Gyr is moving its tools for electrical boxes from

Commentary



Flexibility is the highest priority in the restructuring of small businesses. As the management team had only three members, it was easy for them to coordinate on a daily basis. Management is not only involved in development of the company but also very closely connected to the production process. Managers participate in production eight hours a week, in order to obtain first-hand experience of the main issues workers deal with. Small companies have the advantage of being able to react quickly to changing circumstances. The company built their restructuring processes on a philosophy that state aid is not needed for success. Another difficulty relates to the problem of domestic companies' protection in many foreign markets. This is becoming a regular issue, as small Slovenian companies face competitiveness problems. In Poland, for example, some cantons introduced tax havens, payment of certain contributions, grants for land purchases, and technological equipment. Such activities result in the demolition of competitiveness that a company can

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Information sources



Interviews

Laura Rednak, Commerce and Finance Manager, Plastika Skaza d.o.o.

Renata Goličnik, sales clerk, Plastika Skaza d.o.o.

Secondary sources

Presentation brochure of the company: 'Plastika Skaza: Every part matters'.

Company website

<http://www.plastika-skaza.si/>

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