

WE KNOW
how

Methods and Instruments for Improvement of
Competitiveness of Enterprises and Support to Job Creation



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Introduction

Although there is a common opinion that the competitiveness of small and medium enterprises cannot be influenced, Eda's experiences earned within the CREDO Krajina project are different.

Preparation of specific research and analyses, identification of priority business sectors, establishing of sector boards, organising study visits, trainings and workshops for directors of companies, advisory support in solving specific problems, co-financing projects aimed at improving production capabilities and processes, as well as improving public-private dialogue through activities of economic councils are some of mechanisms and tools whose application can make a significant contribution to improving competitiveness in a relatively short period of time.

How we did that, what results we achieved, and how satisfied are directors of enterprises and institutions with whom we have worked, is presented in this publication.

For additional information and support in design and implementation of projects aimed at improving competitiveness, please contact us. We look forward to working with you.

Eda team

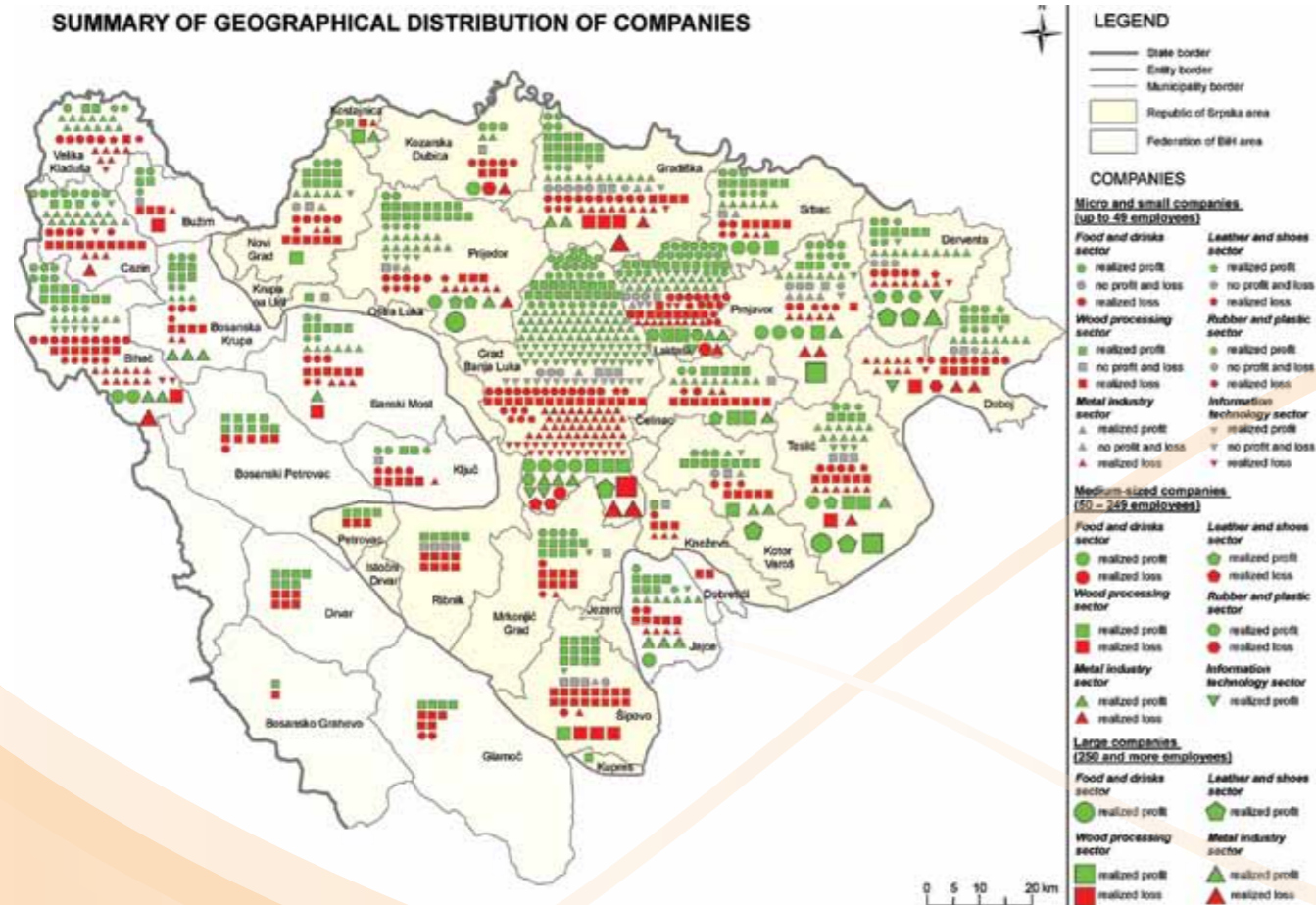


1. What We Have Done and How We Did It Within the Project CREDO Krajina?

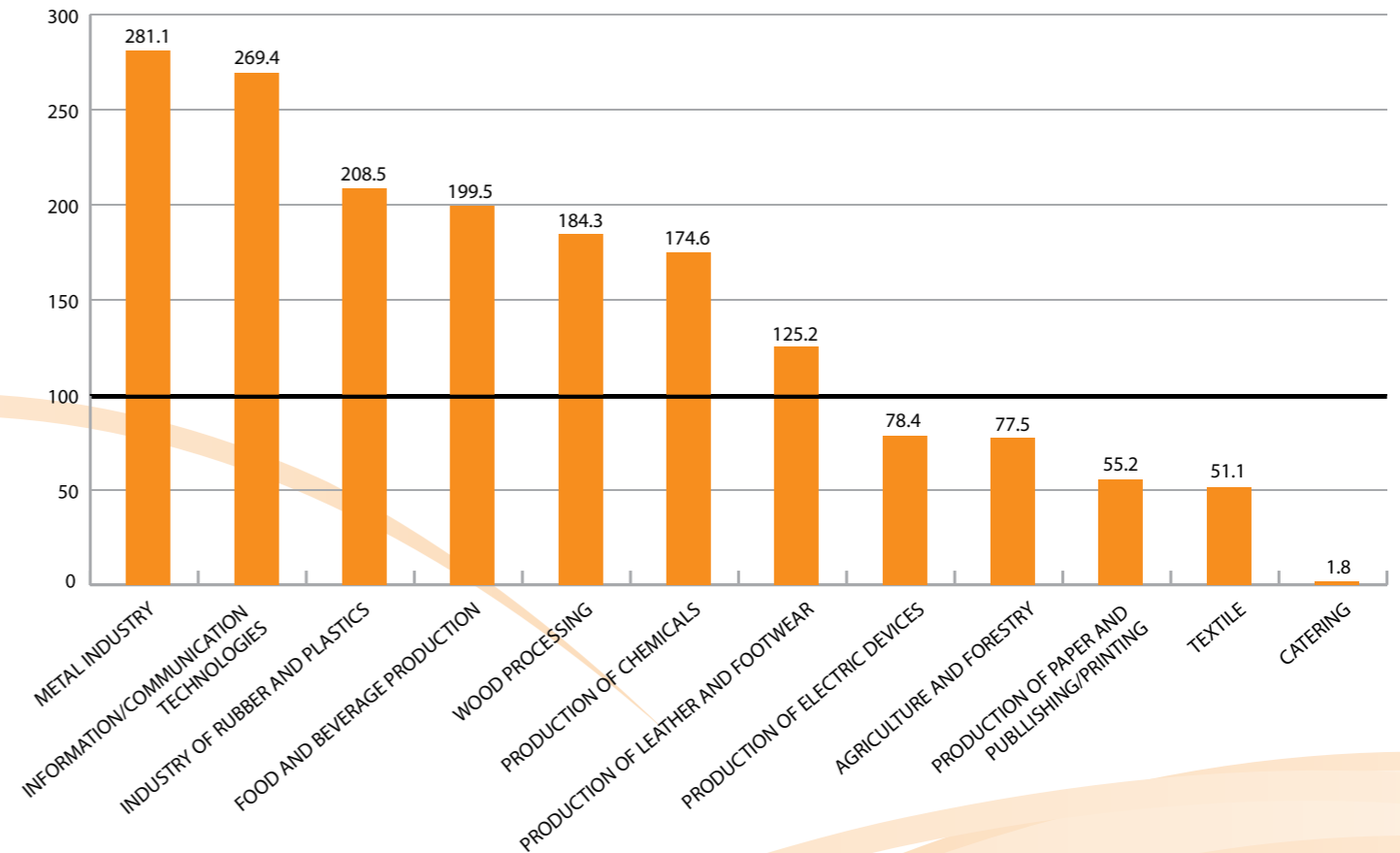
1.1. Research and Analyses

1.1.1. Baseline Analysis of Economic Sectors

In order to identify which economic sectors are the most competitive and which economic sectors can largely contribute to the improvement of the economy in the Krajina region, Baseline Analysis of Economic Sectors was prepared. Based on the analysis of data on income, export, productivity, employment and return on assets for more than 8,300 companies from the 36 municipalities covered by the project, as well as gathered opinions and assessments of relevant experts on the future sector performances related to employment growth, income growth (sale), investments, technological advancement and export, we concluded that the most competitive are: metal, wood processing and food sector, as well as leather and footwear production, together with information and communication technology, and rubber and plastics as sectors that provide support to other sectors in improving their production and productivity. For this reason, the project activities were focused on the aforementioned sectors.



Sector composite index of competitiveness (average = 100)



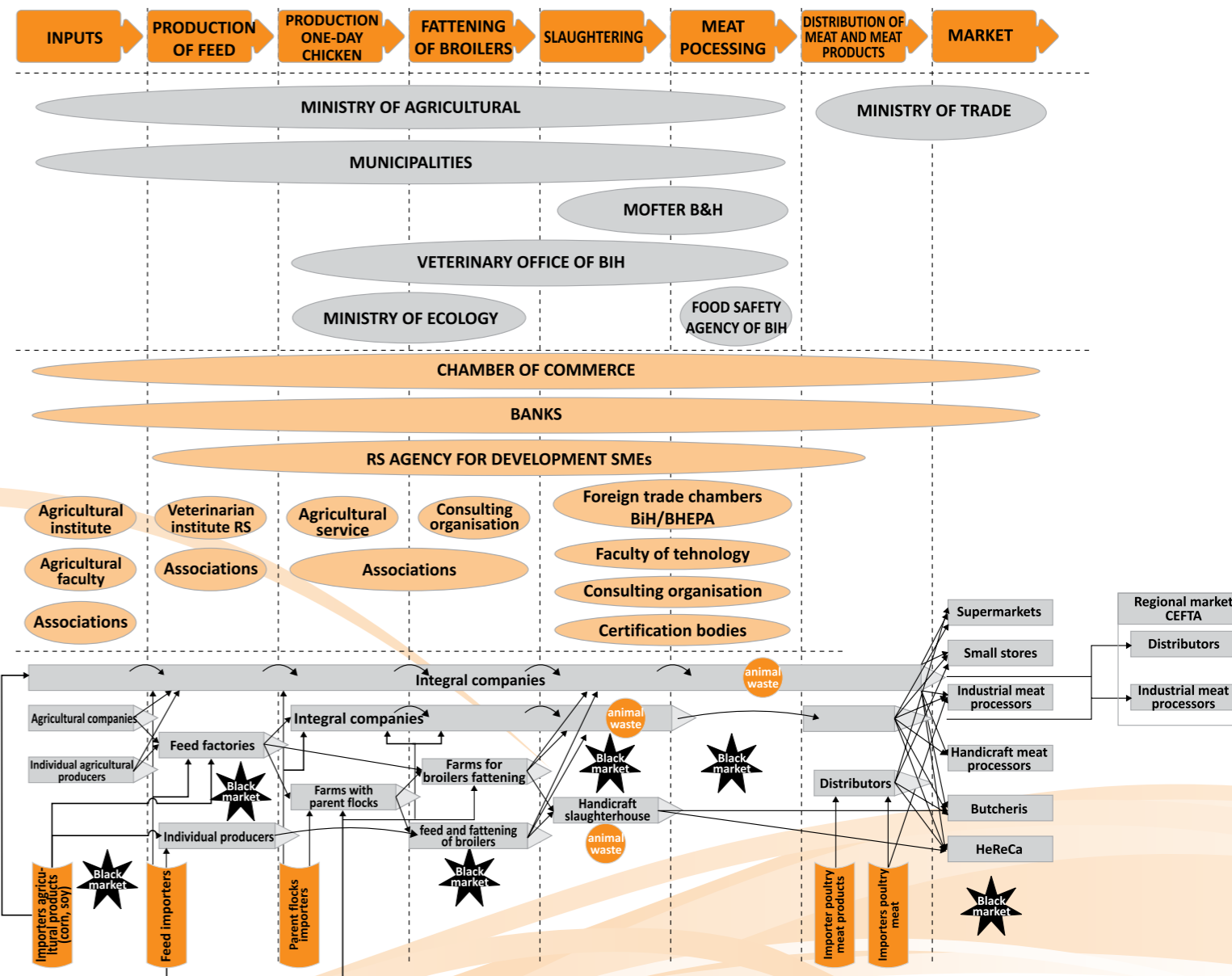
1.1.2. Value Chain Analysis

In order to understand the challenges faced by companies in leading industrial sectors, based on a series of interviews with directors of companies, their suppliers, customers and supporting institutions, a value chain analysis for each of the sectors was prepared.

Value chain represents a series of organizations and institutions involved in process of creating and delivering of product, i.e. value for consumer - from procurement, over production and distribution, to the final consumer. Conducting of the value chain analysis is important because of the fact that the competitiveness of a particular company is largely determined by competitiveness of its suppliers and customers, as well as relevant supporting institutions.

The analysis provides insight in the weakest links in the chain whose strengthening leads to empowering chain as a whole, providing benefits to all participants in the value chain.

Value Chain for Poultry Meat and Poultry Meat Products



1.1.3. Gap—Aanalysis

Based on the value chain analysis, the gap analysis of metal, food, wood and leather and footwear industry was prepared. It provides answers to the questions: where are we now (description of the current situation in respective sectors), where do we want to be (indicative sketch of the desired future situation in the sectors) and how should we get there (concrete measures to overcome gaps identified while working with the sector boards).



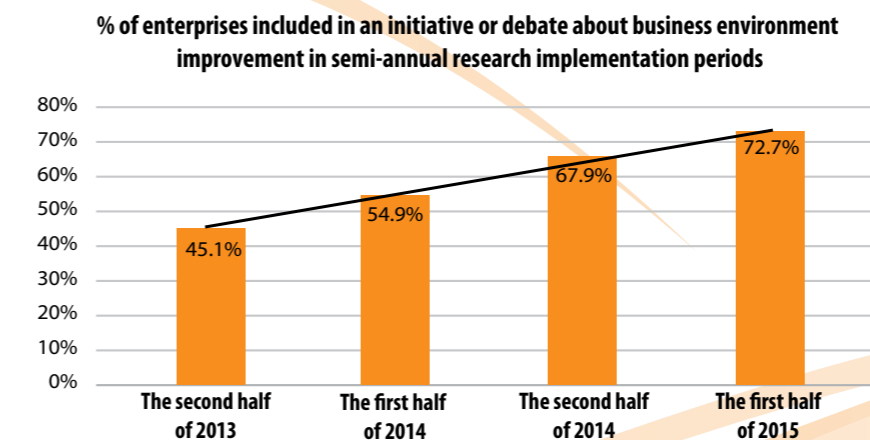
1.1.4. Business Environment Barometer of SMEs

Business Environment Barometer of small and medium enterprises presents a part of research activities that are implemented within the “CREDO Krajina” Project. The research deals with opinions and attitudes of SME representatives from selected economic sectors on the most important preconditions and characteristics of business.

The research is performed two times a year, using identical procedure, while selected sample remains the same (panel research).

The selected methodology enables following of trends, as the attitudes are monitored in comparison with the previous semi-annual periods, while questions are related both to internal environment (scope of production, financial results, employees, investments, etc.) and to external environment (business environment, available financial support, inclusion into initiatives or discussions about the improvement of business conditions, etc.). Benefits of the research are numerous for both, entrepreneurs and institutions dealing with economic development.

In period from May 2014 to February 2016, four issues of the Business Environment Barometer of SMEs were prepared.





1. What We Have Done and How We Did It Within the Project CREDO Krajina?

1.2. Sector Boards

Given the fact that directors of companies know the best what is situation in respective business sectors like, sector boards of metal, wood processing, food and footwear industry were established within the project. Each of sector boards consists of 12 to 15 directors of successful companies from the Krajina region.

Each of the sector boards held seven meetings, including one study visit, where, with support of sector experts and coordinators, problems were identified, goals were set, action plans for their implementation were prepared and interventions aimed at improving situation in the sector were initiated.

It is important to emphasize that a large number of interventions were carried out immediately after their defining, so that most of interventions were implemented during the project.



At the initiative of directors, most sector board meetings were held in companies, which was an opportunity for other members of the sector board to get relevant information about the company which had a role of a host.

The meetings have contributed to strengthening mutual trust, and after getting acquainted with production capabilities and available technologies, it happened quite often that spontaneous cooperation on concrete business operations was achieved.

Also, during the project implementation, sector boards were recognized as an important mechanism for improving cooperation between companies and supporting organizations and institutions.

In accordance with concept of work of the sector boards, the second study visit was organized, when representatives of companies had an opportunity to learn on way of working of companies in the same sector in the region and the EU.

Depending on interests and specific challenges faced by companies, the study visits included different companies, organizations, institutions, fairs etc.



„We created good cooperation, thanks to our participation at this Board.“

We cooperate with many companies that were involved in this project and I think that this is quite a huge progress.“

*Sandra Pezerović, Business Manager
Naš dom MB Ltd, Gradiška*

„I definitely believe that the Sectoral Board discussed the right questions and problems. Of course, the reason for that was that within the Sectoral Board we had people coming from different areas of the food industry.“

This interaction actually helped us come closer and not just work better, but also to find solutions that all the sides were happy with and also to create some new business arrangements between us.“

*Mario Derajić,
Director Fratello-trade,
stock company, Banja Luka*

„Smart people said that we should learn on other people's mistakes, rather than on our own. And, also, that the only thing worse than learning from own mistakes is not learning from them.“

Precisely for that reason, the study visits we had with *Eda* in the last several years, served us to see what the others do, to see their experiences, exchange our opinions and, based on those conversations, improve the situation in our companies.“

*Miroslav Petrešin,
Director Sportek Ltd,
Kotor Varoš*



1. What We Have Done and How We Did It Within the Project CREDO Krajina?

1.3. Trainings, Workshops and the Voucher Program

Within the CREDO Krajina project, six trainings and workshops were organized with participation of more than 130 directors of companies.

Topics of trainings and workshops were the following: *The Challenges and Opportunities for Development of Industrial Enterprises, Improvement of Processes and Procedures in Industrial Enterprises, Opportunities and Challenges of Cooperation with Companies from Germany by AHK - Delegation of the German Economy in BiH, Improving Competitiveness Through Energy Efficiency and Export Management*. Also, a training on topic *Improving Standards and Quality of Products of the Meat Industry* for food processing companies was organized.

With these trainings and workshops we wanted to draw attention of directors of companies to the importance of selected topics, as well as to provide them a better basis for a possible investment in this area.



In order to provide support to directors of companies in solving concrete problems which require specific knowledge, within the CREDO Krajina project, a Voucher Program for co-financing of consulting services was implemented. Through the Voucher Program of the project, the companies were awarded BAM 115,692 and the companies invested additional BAM 77,802. In this way, 21 companies successfully realized different business improvement projects.

A significant number of consulting services was related to topics which were previously presented and discussed at workshops and trainings (e.g. consulting services for improvement of processes by using 5S system which companies *Tri best* and *Spektra DMG* used together after the workshop *Improvement of processes and procedures in industrial enterprises*).

„Participation in training organized by the Enterprise Development Agency *Eda* contributed to look at all the problems we are faced with in our production, as quite often we cannot recognize them for we are too focused on daily work, achieving of deadlines, etc.

So, participation in these training, pointed out to the problems we face in production and it contributed greatly to our decision to hire external consultants, who would recognize all those shortcomings in our production and that we could use our joint efforts to resolve them and improve our production.“

Dragoslav Šiljak,
Director Masterwood Ltd,
Prijedor

„Advisory services from the 5S project have helped us a great deal in the improvement of organization of work places and we changed the philosophy of thinking of all the employees, as they directly participated in the implementation of the 5S project, where we started another avalanche of problem solving through the IT system and resolving the problem of inconsistencies, so the very project was rather useful.

After the end of the 5S project – organization of work places – which was implemented within the CREDO Krajina Project by the Enterprise Development Agency *Eda*, we continued with organization of other work places and the project has gained momentum and it is our plan to organize all work places according to the 5S system.“

Goran Kecman, Director
Spektra DMG Ltd, Banja Luka



1. What We Have Done and How We Did It Within the Project CREDO Krajina?

1.4. Development Fund

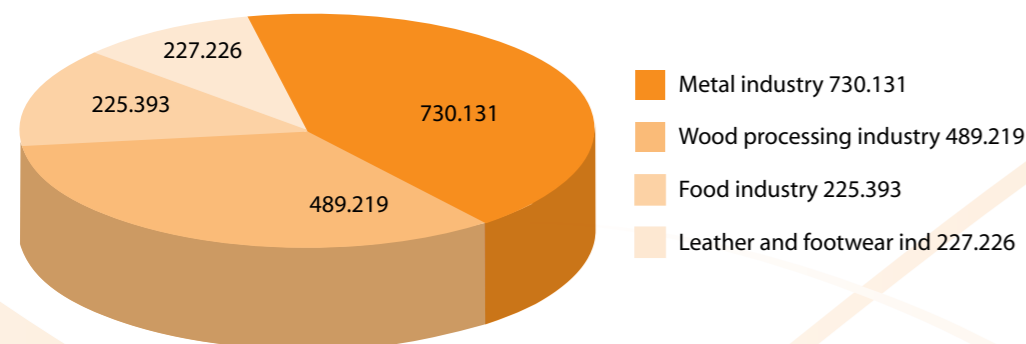
The Development Fund is one of key instruments for improvement of competitiveness of enterprises and locations. One of the most important instruments of the CREDO Krajina Project is the Development Fund in the amount of one million EUR.

The funds from the Development Fund are in the form of a grant and they are intended for co-financing of the projects from the metal, wood processing and food industry as well as the leather and footwear industry, and also the projects implemented by the local self-governance units and non-profit organizations in the Krajina region. All the beneficiaries are requested to co-finance the project in the amount of at least 50% of the project value, while the maximum grant amount per project amounted to BAM 30,000. Three public calls were published – on 2nd June 2014, 20th April 2015 and 14th March 2016.

Based on the three published public calls for financing of projects, grants in the amount of BAM 1,671,969 were disbursed to the companies.

Observed by business activities, the companies from the metal industry were paid grants in the total amount of BAM 730,131, the wood processing industry companies were paid grants in the total amount of BAM 489,219, the food industry companies were paid grants in the total amount of BAM 225,393 and the leather and footwear industry were paid grants in the total amount of BAM 227,226.

*Structure of the allocated grants of the Development Fund of
CREDO Krajina project by sectors (in BAM)*



1.4.1. Flood Recovery Fund

In May 2014, BiH was hit by severe floods that caused huge damages on business and industrial facilities, plants, raw materials and finished goods, in an estimated amount of EUR 346.55 million¹. The Government of Sweden and Enterprise Development Agency *Eda* together with the Association NERDA, a partner in the implementation of the whole project, reacted fastest of all and for more than 50 companies hit by the floods, they approved grants in the amount of almost BAM one million for the construction works on the repair of their facilities, purchasing and repair of machines and equipment, and for purchasing of necessary raw and production materials.

This was the first aid for recovery from floods that the companies received.



„If we analyze, as it has been several years since the floods now and if we reflect shortly on that period, any support and even kind words meant a lot.

However, I would like to emphasize timely and fast reaction of *Eda*, which by making the payment to our account, contributed to the undisturbed continuation of our production process and it enabled us to continue cooperating with our customers. The only support we got at the time, we got it from *Eda* and it contributed to keep all the jobs in our company.“

*Veljko Vukadin, Deputy Director
Procesna oprema Ltd, Laktaši*

¹ Source: European Commission, Procjena potreba za oporavkom i obnovom u BiH, 2014, http://ec.europa.eu/enlargement/pdf/press_corner/floods/procjena-potreba-za-oporavkom-i-obnovom-sazetak-u-eur.pdf

1. What We Have Done and How We Did It Within the Project CREDO Krajina?

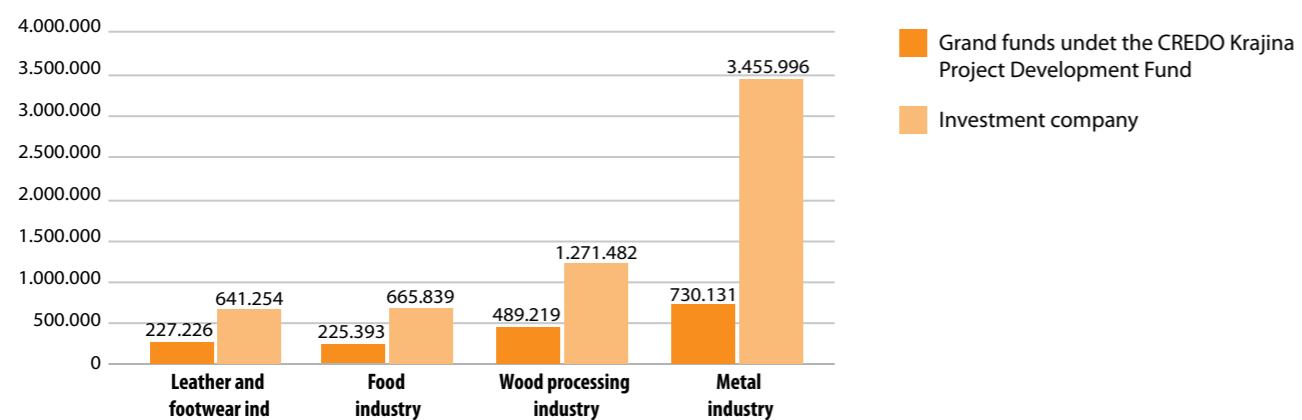
*1.5. Local Economic Councils and Local Act -
Methodology of Localization of the Small
Business Act*

2. What Results We Have Achieved?

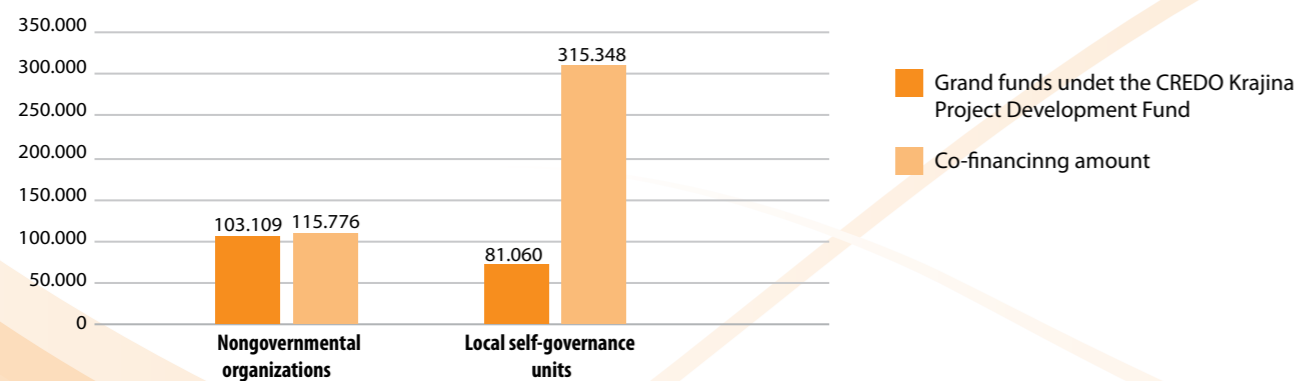
2.1. Investments and Financial Results

Based on the approved BAM 1,671,969 grant funds from the CREDO Krajina Project Development Fund, the companies invested in their development projects additional BAM 6,034,571, so that, on average, an additional BAM 3.6 was invested on BAM 1 of the grant funds.

The structure of financing development projects by sectors (in BAM)



Supported projects of self-governance units and non-profit organizations



„The Development Fund has accelerated our decision to start with this investment. With the support of the Development Fund, we purchased a CNC numeric machine, a four-axis one, which significantly increased the process of production in the segment of production of table plates.

Practically, we are now capable to produce, in very short time, certain prototypes of products the customers wants and we can now define the work faster and agree faster on business relationships contracts with our customers. The very project has, to a great extent, improved the competitiveness of the company, as we have given the possibility to shorten the time of production and, in a certain way, decrease the factor of errors in production.“

*Stojko Petković, Director
Interlignum Ltd, Teslić*



„Amongst other, in the very public call, there was a possibility of co-financing investments related to the renewable energy sources. We used this as a good opportunity to make a decision to start with this investment and, in the end, to start with the project. We built and installed a solar system for energy production, a photo-voltaic power plant of 50 kW capacity, with all the accompanying generators, panels and equipment necessary for the power plant start-up.

All the technological processes in our production were improved by more efficient usage of energy. Until now, we used oil derivatives as energy. Now, we have, to a certain extent and with the capacity of a small solar power plant, decreased the very costs of production costs of products by some 7%, which significantly increases the competitiveness of our products on the market and it opens up possibilities for us to be much more competitive on this market.“

*Jelena Vasić, Deputy Director
MI Trivas Ltd, Prnjavor*

„With the support of the Development Fund, the DM machine was purchased, which is a five-axis simultaneous miller for metal processing.

By purchasing of this machine, we got an opportunity to both respect the deadlines and offer better prices, so we are competitive on the market.“

*Adna Smajlović Rasavac,
Director of Sector for Joint Operations
GAT Ltd, Sanski Most*





„After the project was approved by Eda, i.e. by the CREDO Krajina project, we decided to accelerate our investments by some half a year, actually, to accelerate the complete implementation of this project.“

With support of Development Fund, we decided to implement project for establishing a measuring laboratory, i.e. for installation of digital measuring equipment, so that we can confirm our quality and issue quality certificates for the delivered products. By installing of this measuring equipment, the number of complaints decreased, compared to the same period of last year, so we believe the installation of the measuring equipment of the Mar brand was very successfully completed.“

*Alma Mujagić,
Sales and Quality Manager
ZAH Ltd, Bosanska Krupa*

„Some time ago, we implemented this project with the Development Fund; through our Faculty, the employees from 10 companies, i.e. several employees from each one of them underwent training at our Faculty. These activities have had a good, positive effect. On one side, for the companies, as they have seen that they can obtain some knowledge they need in their work processes, which they cannot obtain at their very companies, but can obtain them at the Faculty. Those activities have enabled to us to have better cooperation with other business companies.“

Also, the project and project activities became known at a regional level, so we signed a cooperation agreement with the Municipality of Mrkonjić Grad, under which we should perform training of staff for the needs of that municipality and the needs of small and medium-sized companies, and similar such agreements were announced by the Municipalities of Prijedor and Gradiška.“

*Darko Knežević,
Dean Faculty of Mechanical Engineering,
University of Banja Luka*



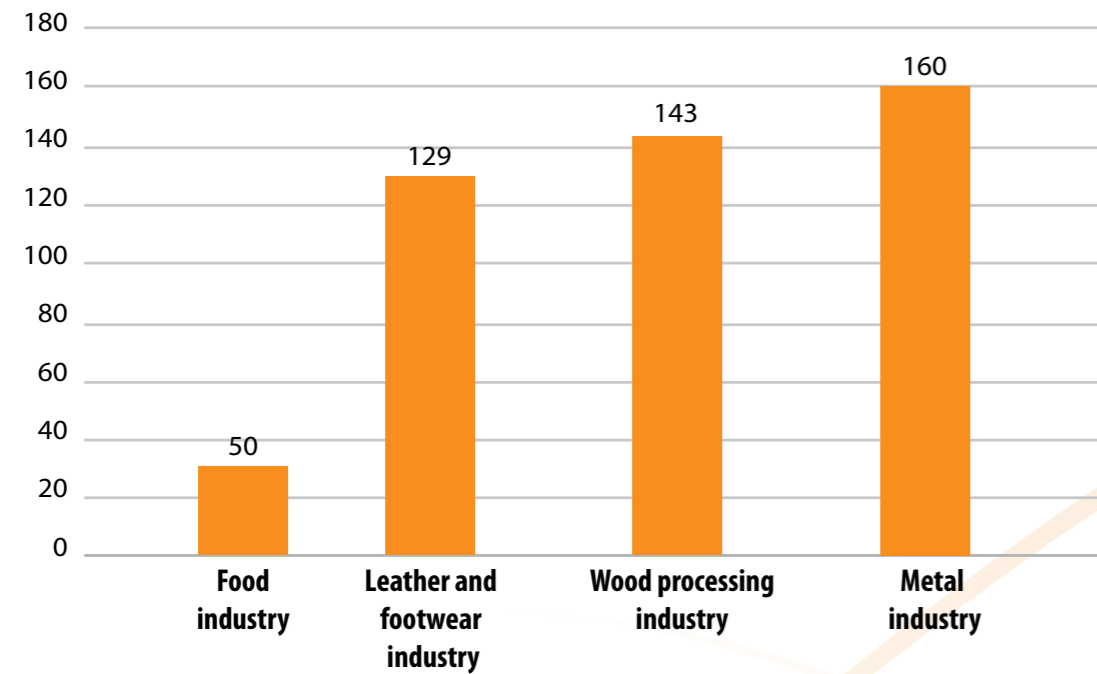
2. What Results We Have Achieved?

2.2. New Jobs

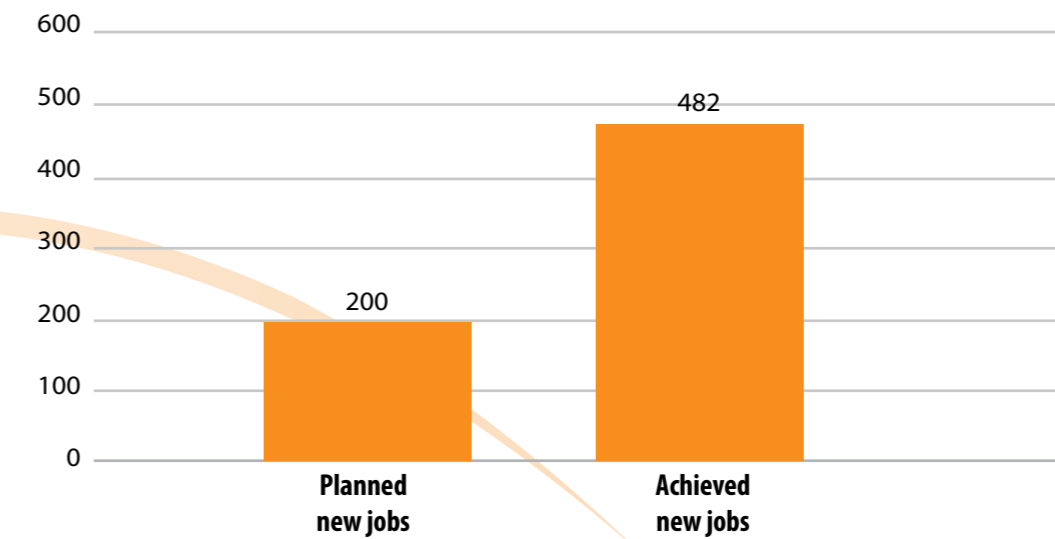
Based on the supported projects that the companies have already implemented, the total of 63 priority sector companies were supported through the grant funds, by which 482 new jobs were created.

The metal industry created 160, the wood processing industry created 143, the leather and footwear industry created 129 and the food industry created 50 new jobs.

New jobs by sector



Planned and achieved new jobs





Epilogue

What can we say at the end?

Although we have exceeded defined project goals, we feel that we have just started one great process. We learned and observed a lot – on challenges that enterprises are facing with, resources that companies have, strategies that they apply, position in the market they hold and barriers that limit their growth and development. We have decreased or eliminated some of these barriers, thus supporting further development and improvement of competitiveness and job creation. Perhaps the most important is that we justified the project title CREDO by building trust and by developing cooperation with representatives of private, public and non-governmental sector. We believe that path of development is ahead all of us.

We express our gratitude to directors of enterprises, mayors of municipalities and cities, directors of institutions and non-governmental organizations, representatives of academic community and authorities on entity and state level, as well as to all others that we have cooperated with. Especially, we want to express our gratitude to Sweden, for the trust and for the contribution to improvement of competitiveness and to job creation in BiH.



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