

AUGUST 2021

Evaluation of the challenges faced by Bulgarian business



INTRODUCTION

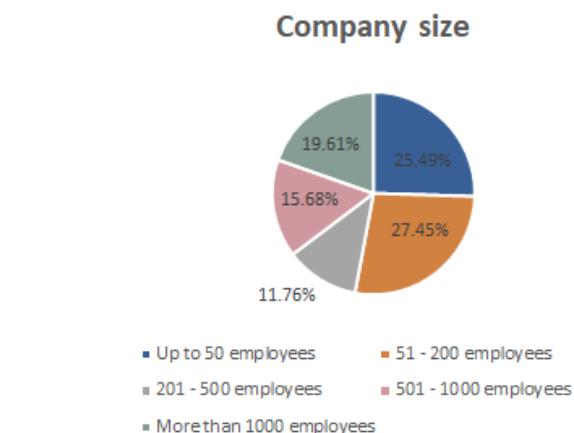
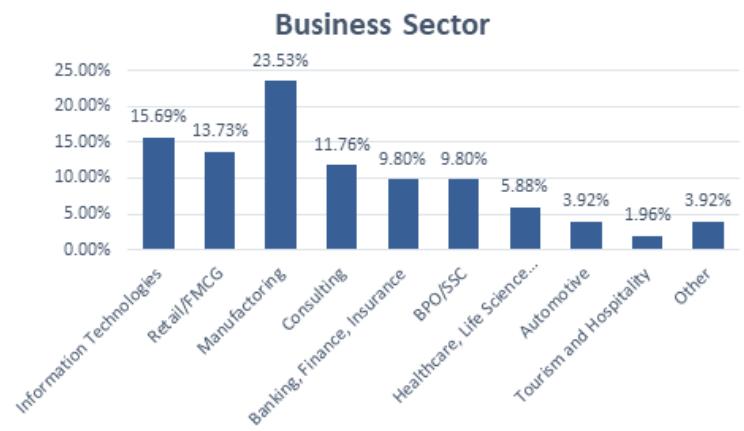
ManpowerGroup Bulgaria in partnership with Ironbridge Associates offer innovative solutions that drive the transformation, sustainability and optimization of employee performance, business support structures, operating processes, and technology solutions.

The global pandemic has accelerated the need for transformation, sustainability, and transformation and as a result is now challenging businesses to innovate to survive. In order to assess the challenges Bulgarian businesses face as a result of the pandemic, we conducted a study to identify the impact on Bulgarian businesses and on the country's economy over the past twelve months. Our study is based on the experience of 51 respondents from 10 industries.

The purpose of this analysis is to identify the challenges faced by businesses and to understand how they plan to ensure they can transform and optimize their operating models in today's rapidly changing environment.

The largest number of respondents are from the "Production" sector (24%), followed by "Information Technology" (16%), "Trade and FMCG" (14%), "Consulting" (12%), "Outsourcing of business processes" (10%), "Banking, finance and insurance" (10%) and others.

A quarter of the respondents are small and medium-sized companies with up to 50 employees. Slightly more (27%) are companies with 50 - 200 employees and one third are large companies (20% with more than 1000 employees, 16% with 500 – 1000 employees and the remaining 12% with 500 - 1000 employees).

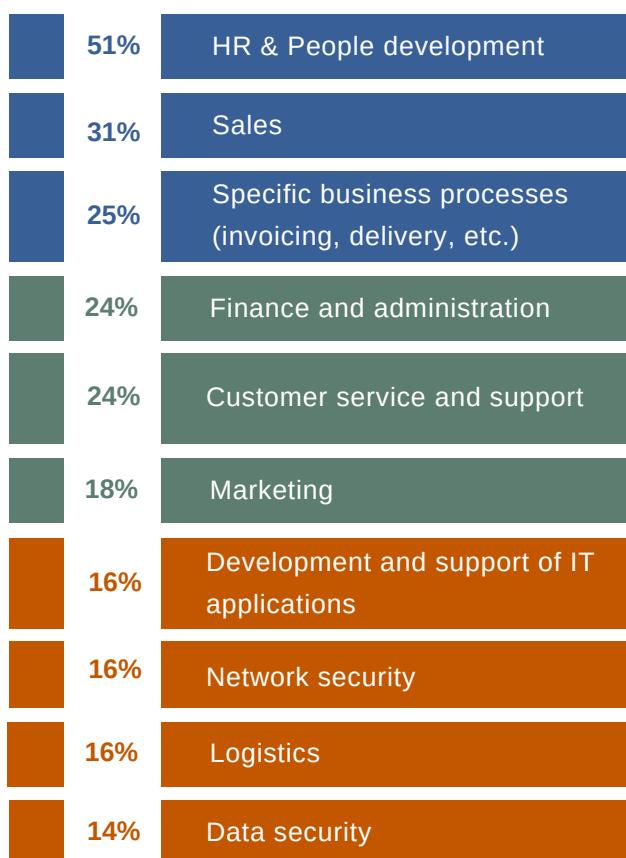


More than two thirds of the surveyed companies are based in the capital or are managed from there with offices in other cities in the country. Another 10% are based in Varna, 6% in Plovdiv and the region, 4% in Burgas, and the rest in smaller cities.

The survey was conducted online and by telephone in the second quarter of 2021.

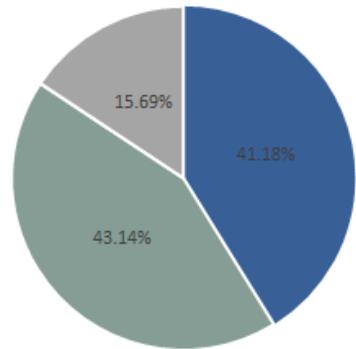
Result analysis

OPERATIONAL FUNCTIONS THAT CREATE BUSINESS CHALLENGES



Centralized back-office support services

If you are not an SSC or BPO business do you have centralized back office support services?



■ Yes ■ No ■ The company I work for is a BPO/SSC

Relatively equal is the number of companies outside the SSC/BPO sector who say that they have centralized back-office support services and those that say they do not. It is worth noting that the companies with centralized services are nearly all larger companies - mostly with over 200 employees.

The observations of ManpowerGroup Bulgaria and Ironbridge Associates are that centralized back-office support services, even for smaller business operations, often deliver significant advantages - efficiency of operations, cost savings, scalability, and resilience. This enables the business to focus its efforts and resources on its customers and its core business services. This type of business model is increasingly entering various traditional business sectors, such as Manufacturing and Trade.

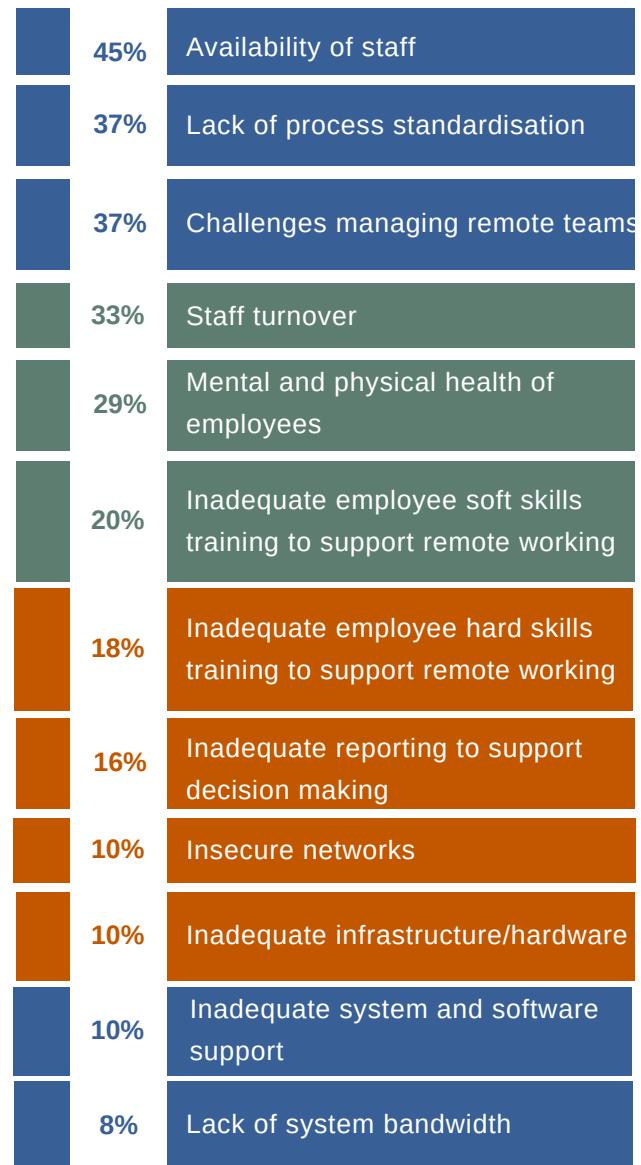
Which of these challenges limit your service delivery?

Access to good human capital is regularly raised as one of the most significant factors limiting the ability of businesses to transform - nearly half of the survey respondents said that the availability of talent is the most critical factor for the successful operation of their companies.

Challenges in the management of remote teams and the lack of standardization of processes shared second place in the ranking with 37.5%.

The experience of ManpowerGroup Bulgaria and Ironbridge Associates, gained from working with clients across the Bulgarian market, is that in addition to the functions that create challenges for companies there are other serious obstacles limiting the delivery of certain business services.

Targeted and strategic efforts to address these challenges are critical for businesses in the country. Examples of such activities are diversification of business activities, development of a sustainable employer brand, additional soft and hard skills training for employees in the short and long term, operating process optimisation, operating model restructuring and deployment of software tools to manage and support remote teams.

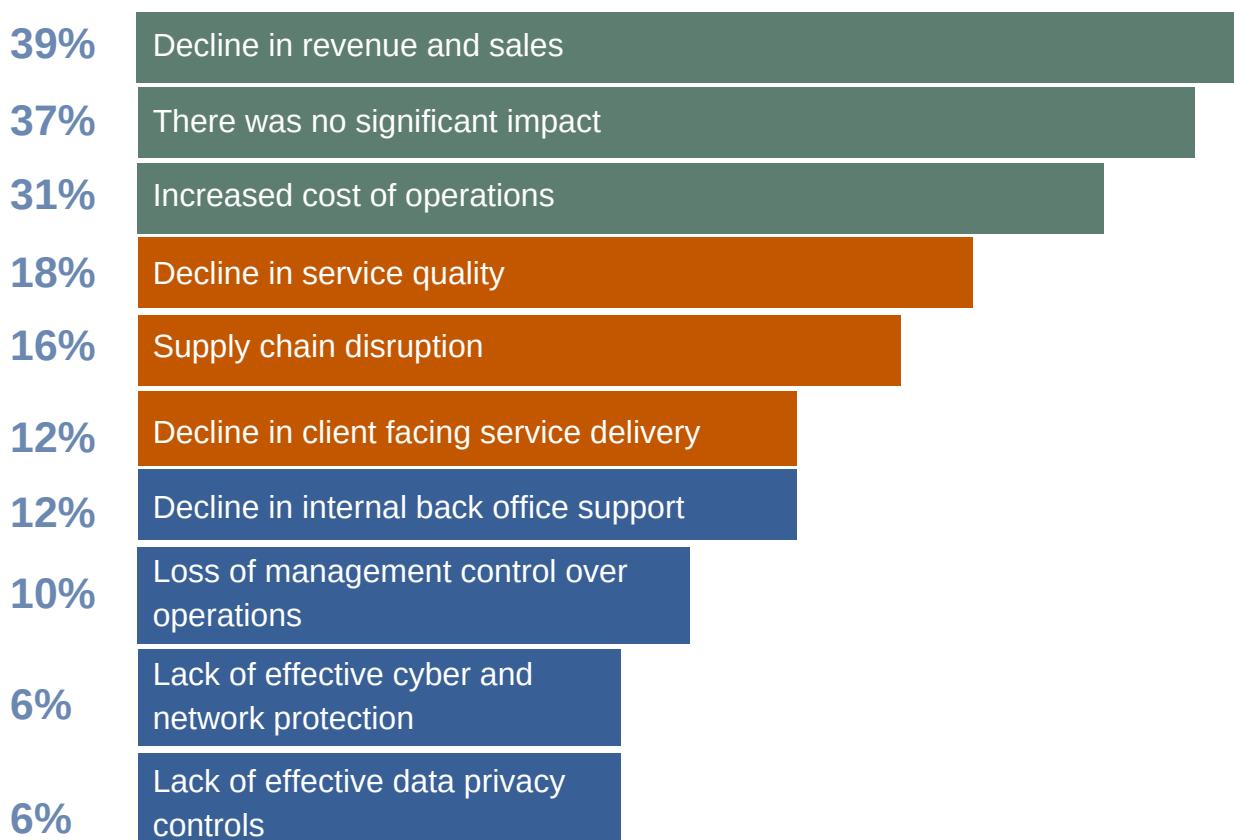


Effect of the Covid-19 pandemic

The survey analyses the impact over the last year on new business generation in the country as a result of the pandemic. Slightly more than one third of the respondents say it has not had a significant impact on them, but 39% of the companies have seen declines in revenue and sales. Declining revenue and sales have most often affected companies in the "Tourism, Hospitality and Restaurants", "Manufacturing" and "Automotive Industry" sectors.

One of the most widely commented business challenges in the last year has been the disruption of supply chains. This was reported by 37% of the companies in the survey, with the largest number of respondents from the "Manufacturing", "Automotive" and "Retail / FMCG" sectors.

Respondents also reported increased costs for operational processes (31%) and a decline in service quality (18%).



The survey has been able to identify how companies intend to improve their operational models by asking them what changes they are currently considering. The largest percentage of the respondents, almost half, say they will make remote work part of their operational model. Only 2% less (45%) say they are ready to increase the level of automation in their processes.

31% of companies are also ready to review and optimize their operational processes. The same percentage have switched or are moving to a "virtual" operational model to reduce the need for physical offices. In recent months, many companies have already taken this step, initially as a temporary working model, and later as a permanent one.

ManpowerGroup's observations of the labour market show that homeworking opportunities are becoming more and more important for candidates with some people even considering a remote working option as equivalent to pay criteria when choosing an employer.

The survey also identified that one third of respondents are focused on introducing a culture of change to encourage their workforce to identify more effective ways of working and to enable them to see change as a positive event that creates opportunities. For organizations that want to become more resilient, adaptable, and innovative developing a culture of change is often the most challenging part of their transformation.

WHAT CHANGES WILL YOU CONSIDER TO STRENGTHEN YOUR OPERATING MODEL?



Another key change identified by the companies who took part in our survey is the need to review and revise their operational model to make it more sustainable (27%) and to embrace and increase the use of artificial intelligence (AI) tools. AI tools can support and enhance many different business functions, but their use should always be aligned to functions where they can deliver a tangible business benefit. Generally speaking, AI can support three important business needs: analysing and automating workflows, obtaining information through data analysis, and engaging directly with customers and employees to deliver support services.

Delivering innovation requires new behaviours and approaches at all levels within a business. Historically, many organisations have driven change from the top down but in today's rapidly evolving world of work the support and engagement of employees at all levels is required to ensure the identification of opportunities to transform and their effective delivery.

Conclusion



Process automation and robotics are becoming more widespread in short-term plans to improve companies' operational models in order to maintain the level of competitiveness and in a dynamic market situation.



A growing number of companies value the key role of their employees in ensuring their success and focus on attracting, retaining, and developing talent as a strategy for long-term stability.



Increasingly seen as core elements of business planning are the revising of operation models and the optimization of business processes. The support of a change-oriented and resilient workforce, as well as technological solutions are what deliver real value and support the success of such initiatives.



Despite the difficulties caused by the pandemic, one third of the companies say that it has not had a significant impact on their business. These are most often companies that were already following strategic initiatives for diversification of their business activities and development of their operating models, had developed a good employer brand and had well-prepared and up to date business continuity plans.

The strategic partnership between MPG & Ironbridge aims to help our joint partners in the transformation of processes, operational sustainability, and human capital development. To support the needs of businesses in today's rapidly changing and dynamic market, ManpowerGroup Bulgaria and Ironbridge Associates have established a specialized Centre of Excellence to deliver a range of business services and to support the optimisation, transformation, and automation of processes. They have also developed a range of software tools and services that support the continuous improvement of processes and the development of a skilled and resilient workforce.

Our range of services includes:

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|---------------------------------|
| People Assessment & Development |
| Recruiting & Headhunting |
| Research & Consulting |
| Staffing & Payroll Management |
| Outsourcing & Outplacement |
| Process Transformation |
| IT services & Cyber Security |
| Process Mapping |
| HR Digitalization |
| BPO/SSC Development |
| Project Management |

Ironbridge Associates is a team of multidisciplinary professionals with extensive leadership experience in international business management, gained in collaboration with leading teams in the private and public sectors.

ManpowerGroup Bulgaria combines global trends with local expertise and 15+ years of market experience. A leader in innovative human capital management solutions, we are a full-circle HR partner of companies from all business sectors, sizes, and regions in the country.

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