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MANAGEMENT AND MARKETING PROBLEMS OF WOOD PROCESSING AND FURNITURE PRODUCTION ENTERPRISES

The paper presents results of a survey in the wood processing and furniture sector. It is identified that there is no system for obtaining professional qualifications; inadequate qualifications of middle and upper management; the strong protection of the employees by labour legislation hinders management; difficulties in employing specialists with good qualifications; lack of motivation in employees; limited opportunities for efficient improvement of qualifications.

It is summarized that to deal with the problems facing the Bulgarian woodworking and furniture production companies, solutions should be pursued in the following directions: establishing a strategic basis for company management; improving the efficiency of investment process management; developing a well-functioning system for collecting and maintaining market information for the sector; activating the international marketing; improving the qualifications of managers and entrepreneurs in the area of management and marketing.

JEL: L10, O13, J31

For several years now the wood processing and furniture production industry in Bulgaria has been changing dynamically. The market economy has posed new challenges to the companies in this sector.

According to an expert opinion one of the problem areas to be considered is the qualification of managers and entrepreneurs in the field of management and marketing. A radical change is needed in the way of thinking as well as in the complex company management. This opinion is confirmed by several consecutive surveys of the sector.

The data obtained from the survey of the state, problems and necessary changes in the wood processing and furniture production enterprises in Bulgaria and the survey of the processing enterprises' demand for wood show that **the sector experts identified the following specific problems with qualifications:**

- no system for obtaining professional qualifications;
- inadequate qualifications of middle and upper management;
- strong protection of the employees by labour legislation hinders management;
- difficulties in employing specialists with good qualifications;
- lack of motivation in employees;
- limited opportunities for efficient improvement of qualifications.

Many companies, which stated **they collaborated with research institutes**, evaluated this collaboration as insufficient.

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As summarized data show (Table 1) 35% of the surveyed companies collaborated with research institutes.

Table 1

Companies Collaborating with Research Institutes by Number of Employees

Number of employees	1-10	11-50	51-100	>100	Total
Number of companies collaborating with research institutes	2	3	2	3	10
Number of companies not collaborating with research institutes	3	10	2	3	18
Total	5	13	4	6	28

Another serious management problem of the companies in this sector are the activities related to **planning and developing plans for various time periods**.

Mostly the main reasons for lack of long-term company strategy are stated as follows:

- dynamic changes in market demand;
- lack of market information;
- dynamic changes in the common economic environment in Bulgaria;
- lack of time and resources for developing the strategy.

Most of the difficulties related to the development of company strategies resulted from **the inability of managers to cope with the new marking conditions** due to **the unsatisfactory level of their management skills**. This problem reflects on the weaknesses in planning, short-term orientation and lack of perspective of most companies.

The complicated and dynamic environment of the new time has transformed company management into a hard task for Bulgarian managers. The problem at the top of the list of problems to be resolved by company management, including the management of furniture production companies, is **achieving better competitiveness**.

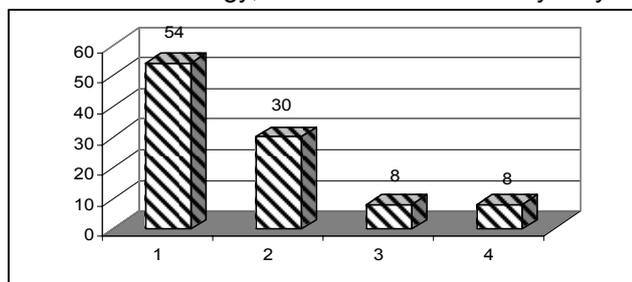
Competitiveness is related to the existence of advantages with regard to machines, technologies, marketing, employees, products and quality which is directly correlated to another even "hotter" problem – **investment**.

The extent to which the Bulgarian furniture production companies manage their investments strategically can be shown by the sector survey of 26 leading furniture production companies aiming at growth and competitiveness improvement, and which are supposed to be more active in investing.

The results from the survey of investment management in furniture production companies show the following:

Figure 1

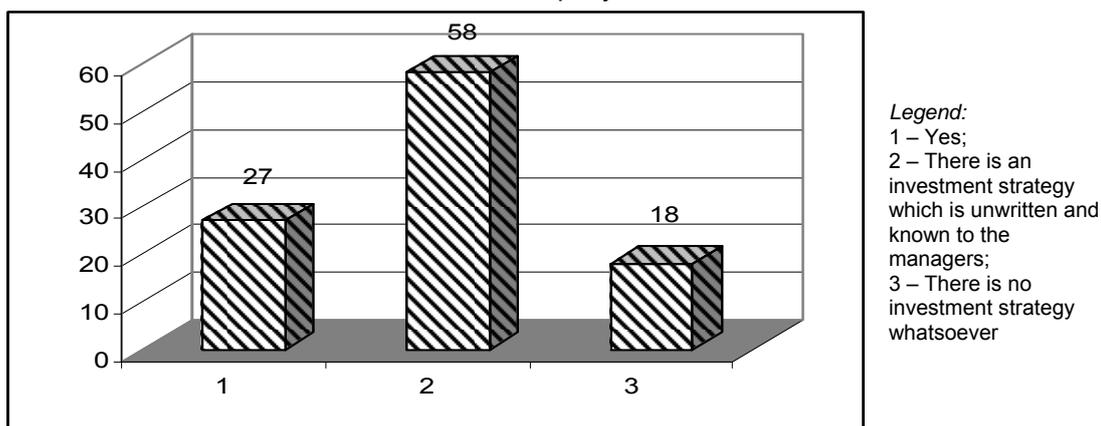
Distribution of answers of the question: Is it necessary to have a written investment strategy, which is known to everybody in the company?



Legend:
 1 – Yes;
 2 – Yes, but this is not a current task for us;
 3 – No, due to the unsteady environment; 4 – Others

Figure 2

Distribution of answers of the question: Is there an investment strategy developed in the company?



The reasons for the lack of investment strategy were stated as follows:

- by 2 companies (8% of the total number) – due to lack of financial resources;
- by 2 companies (8% of the total number) – because the management is situational;
- by 1 company – due to lack of specialists who are able to develop such.

According to the Strategy for Sector Development one of the main problems of the furniture production companies is **lack of up-to-date and timely market information**.

This problem is discussed in the survey of the processing enterprises' demand for wood, carried out among the companies. In this survey a question about the main sources of market information was asked.

As shown by the data from the survey of the processing enterprises' demand for wood the enterprises are mainly interested in the following types of market information:

- clients in the country and abroad;
- demand and supply prices of the main products;
- demand quantities of the main products;
- supply quantities of the main products;
- distribution channels;
- offers for demand of wood products;
- legislation related to wood trade;
- advertising information.

The sources of new ideas and know-how are ranked as follows:

- fairs and exhibitions;
- meetings with other companies' representatives and clients;
- press and specialised publications;
- Internet.

Conclusion

To deal with the problems facing the Bulgarian wood processing and furniture production companies, solutions should be pursued in the following directions:

- establishing strategic basis for company management;
- improving the efficiency of investment process management;
- developing a well-functioning system for collecting and maintaining market information for the sector;
- activating the international marketing;
- improving the qualifications of managers and entrepreneurs in management and marketing.

Reference

1. Survey of the state, problems and necessary changes in the wood processing and furniture production enterprises in Bulgaria, carried out in 2002 by the Professional Chamber and by the policy makers of the Strategy for the Wood processing and Furniture Production Sector Development by 2005.
2. Survey of the processing enterprises' demand for wood, carried out by the Professional Chamber in 2002 and by the policy makers of the Strategy for the Wood processing and Furniture Production Sector Development by 2005.
3. Data from a representative survey of the state of investment management in furniture production companies for the period 2002-2003.