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SEEDING

Social Economy Enterprises addressing Digitalisation,
Industrial relations and the European Pillar of Social Rights



CASE STUDY SLOVENIA

Zavod KNOF

knof

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Zavod KNOF



NAME OF THE PRACTICE **ZAVOD KNOF SO.P.**

Responsible actor	• management unilaterally
Type of practice	• business plan
Challenges addressed	• automation of work (automation of selling and sourcing textile materials and other recyclable material (mainly wood and plastic)
Employment impact	<ul style="list-style-type: none"> • job retention • skills and training • work organisation and work-life balance • health and safety at work
Geographical coverage	KNOF is active mostly in the Eastern Slovenia region (where 4 out of its 5 warehouses for reused products are located). The region is targeted by the Cohesion Fund, providing for relevant public funding opportunities. At the same time, it features strong competition in access to funding and less availability of public support services such as regional agencies or business incubators.

Sectoral coverage	<p>The company's sectoral coverage is spread over many different sectors: waste treatment, woodworking, product design, web development and consultancy/educational services for the circular economy. There is a lot of competition, but KNOF is quite unique as an organisation. Its main focus is searching for ecological solutions and at the same time giving opportunities to vulnerable groups. The company is also expanding by helping small and developing businesses and NGOs to start implementing digitalisation in their business models.</p> <p>The focus of the practice is on the sourcing and treatment of recyclable materials, mainly clothes and textile fibres, plastics and furniture. The company collects materials from people or partner companies and processes them in order to sell them as second-hand products, or as upcycled high added value products.</p>
Company coverage	<p>In 2018, the company had an overall turnover of €169,159. Sales accounted for €27,782, while state grants covered €141,377 for an overall profit of €69,331. The overwhelming share of state grants is due to the award of a large grant in 2018. Usually, 70-80% of income comes from the private sector (sales of second-hand and recycled materials in shops and consulting services to firms), and the rest from state grants.</p>
Occupational coverage	<p>The number of workers was on average three in 2018. In 2020 the company will hire five more workers. Yet KNOF is the founder of seven different social companies operating in a network. Overall, the network employs 37 employees, spread mainly over the five warehouses.</p> <p>Each of the seven companies has a chief manager, the rest of occupations being:</p> <ul style="list-style-type: none"> • sales, marketing and development managers • electrotechnical engineers • finance professionals • marketing and public relations professionals • performing artists
Workforce addressed	<p>There is a 30%-70% ratio between men and women. All workers are from Slovenia. The age varies from 26 to 52, with many workers being over 50. All workers have completed secondary education and one-third have a bachelor's degree.</p> <p>KNOF is part of an apprenticeship programme, supported by public funds, through which it hires young workers for six months to teach them new skills. Some of them are subsequently hired on full-time open-ended contracts.</p>

ACTORS INVOLVED IN THE ACTION

Company management	Yes
Worker members of the cooperative at large	No
Works councils	No

Trade unions	No
Employers' organisations	No
NGO	Yes
Public authority	No
DESCRIPTION	
Rationale for the adoption of the practice	<p>Working in the circular economy and in the social economy is always a struggle. The company has to adapt to new technologies fast. Competition is very evolved and digitalised, so the risks of not adapting are quite high.</p> <p>In particular, the selling of reused materials in shops targeted a niche market, which inhibited expansion. By introducing a platform for selling the products, including a proper presentation of products with photos and textual descriptions, the company aims to reach a wider public.</p> <p>In addition, as the platform facilitates communication with suppliers and data analysis of the type and quality of recovered material, this can help the company:</p> <ul style="list-style-type: none"> • to extend its partnerships and presence across the region (in the whole of Slovenia and in northern Croatia); • to measure its progress and environmental impact, which is useful in presenting the companies to potential partners and donors, such as the local authorities in charge of waste management policies.
Process of the adoption of the practice	<p>In order to make the platform effective, the company had to reorganise and train its workforce. For example, store salespeople had to be integrated into the web-store system. Each store sells some of its reused items through the online store. Each item has to be digitised (description, photos, metadata). The first step was that the company showed workers that being digitalised does not mean that you have to be a programmer or web professional, but that you have to prepare work for them.</p> <p>The company evaluated the skills of the staff and their adaptability to the new system. No worker was fired, but some titles and responsibilities were changed, and the necessary training was given.</p> <p>The company also hired some young apprentices. As young workers already had good skills in using the internet and social media, on the one hand they learned new skills from older workers, while on the other hand they helped them to develop digital skills.</p> <p>KNOF is investing further in transforming its business. It is moving its operation to a new location which is substantially bigger. At this location, it will build a big warehouse and a shop with a regional circular economy lab. This laboratory will be a disrupter in the circular economy and will support the digital platform.</p>

Description of the practice	<p>First, KNOF digitalised all paperwork into the cloud (OneDrive). It is now developing new digital tools to digitalise its second-hand shops (selling reused items online) and to adequately present second-hand products online, with appropriate photos and information.</p> <p>Management obtained a grant to train themselves for the change (the ‘everyone can be a leader’ project).</p> <p>With the benefit of this new knowledge, the company started to train all other workers. First on the list was a transition to the OneDrive service (SharePoint, Microsoft Teams, Outlook, Planner etc.). This transition allowed the company to update its business plan and develop new services and products.</p> <p>According to the new business plan, it launched an online store for reused products, for which it had to introduce a new system in its classical stores, along with a new digital platform. To cope with the bigger workload, it got help from the apprentice programme, which brought the opportunity to combine people from different backgrounds to work together for better results. The results were astonishing.</p> <p>With this new experience, KNOF has started to coach local companies and NGOs.</p>
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Dismissed alternatives	None
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ASSESSMENT

IMPACT OF THE PRACTICE ON:

Job stability and secure employment	<p>The platform has enabled KNOF to increase employment while digitalising production by expanding its customer basis through e-commerce.</p> <p>Overall, the company’s jobs are secure, but the risk is still there, because the circular economy in Slovenia is still in its infancy.</p>
Skills needs and training	<p>The results of the training are great, but there have been some problems on the way. The number of training courses and the new competences to be learned put the staff under strain, so morale was bad.</p> <p>The issue was, and still is, about developing the new competences necessary to increase sales through the platform and to build the visibility of the company through social media, e.g. graphic design, photography, digital arts, basic knowledge of social media and social marketing, and language skills.</p> <p>Now the results are visible and the bad times are forgotten. Some employees have new responsibilities and have received help from apprentices, where they were not up to the task. The company has employed two apprentices full-time.</p>
Working conditions	Working conditions did not change (they were quite good beforehand).
Company performance	Business is growing rapidly. KNOF is opening two new stores and wants to employ five new workers in 2020. It says that digitalisation and digital transformation is crucial for its future and its business model.

Overall strengths and weaknesses	The biggest challenge for KNOF is to finance its rapid expansions because it cannot rely on its own assets.
Overall opportunities and threats	<p>The challenge is to expand the operation and sales.</p> <p>In this respect, beyond the measures already adopted, the company also plans to use the platform to reward people who donate materials, e.g. reducing waste disposal taxes depending on the quantity and quality of material donated or if a person buys second-hand furniture.</p> <p>In this respect, beyond measuring waste delivered according to the different types, the platform will also provide information, e.g. will inform people that plastic should be clean in order to be recycled.</p> <p>The biggest threat is that the new expansion will not deliver a sufficient money stream and the company will have to terminate some jobs.</p> <p>In addition, it is not easy to obtain loans or grants for the necessary investments. If the company receives grants, they come with their own rules, which can overcomplicate development.</p> <p>The second threat is additional stress for workers if more training and new responsibilities are needed.</p>
Potential for social partners and collective bargaining to upscale/transfer the practice	<p>The company provides a good case of business expansion through digitalisation.</p> <p>It also shows how the transition from sales in shops to e-commerce can be supported by a company's own staff, after a proper evaluation of staff skills and competences, and a proper training programme.</p> <p>The enrolment of young apprentices also helped to trigger a two-sided learning process, with new workers acquiring job-related skills from their tutors, and older workers informally learning digital skills from their new colleagues.</p>
Potential for public authorities to support upscaling/ transferring the practice	<p>Public authorities could help the growth of similar practices by means of financial tools targeting investments in the circular economy, thus supporting (digital) development in businesses while also supporting wider local development, social and environmental goals.</p> <p>For instance, guarantee funds to ease access to loans could ease access to funding, or additional tax cuts (e.g. no value-added tax for reused products) could increase demand.</p>
List of annexes, sources	<ul style="list-style-type: none"> • interview with manager • interview with workers
Company website	https://www.knof.si/

The case study was prepared by: Association Social Economy Slovenia (Slovenia)