Major Factors Affecting the Growth of Emerging Consulting Companies in Kosovo: [presentation given May 27, 2010]

Leke Zogaj

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Major factors affecting the growth of emerging consulting companies in Kosovo

Rochester Institute of Technology
Center for Multidisciplinary Studies
Master of Science Degree in Professional Studies
Service Management

Submitted as a Capstone Project Report in partial fulfillment of a Master of Science Degree in Service Management at American University of Kosovo.

“Major factors affecting the growth of emerging consulting companies in Kosovo”

Prepared by: Lekë Zogaj

May 10, 2010
Major factors affecting the growth of emerging consulting companies in Kosovo

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I am thankful for my capstone consultant and friend Faton Aliu for his commitment and support.

Finally, I would like to thank my parents, for their support and encouragement to pursue what I’ve chosen to do throughout my life.
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**ABSTRACT:**

There are many problems and challenges confronting small consulting companies in Kosovo today. The major factors involved form the basis of the problem that is described in this proposal. The Kosovo market has its unique characteristics that local companies are having to face as well as general factors affecting companies all around the world. These factors are listed below a) General Factors, b) East Europe Factors, and c) Kosovo specific Factors:

A) General Factors

1) Technology
2) Globalization
3) Innovations
4) Fast changing markets

B) Kosovo Specific Factors

1) TAM-BAS Project
2) International aid agencies
3) The recently established regional free trade agreements
4) Economy

C) East Europe Factors

1) Post communist market
2) Privatization
3) Business Processes

Assessing these above factors, which directly affect the Kosovo market and its trends is the main object of analysis in this paper. These important factors are influencing current situations and possible changes of the Kosovo market and will influence business long term strategies.

Market penetration for every industry, including Service Companies, is the most challenging and difficult task through all phases of the business life cycle. Moreover, branding and establishment of a respected company identity thee need to be done in order to create a market for its services. The establishment of consulting companies after the war and their further evolvement in the Kosovo market, proving to be a difficult journey. Consulting companies should develop market – oriented strategic planning as managerial process and multiple creative advertising techniques to the market with lower price than other companies in Kosovo.
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CHAPTER I

1. General Factors

1.1. Technology

Starting from the mid-1990s, the technological revolution and IT was the sector, which challenged the world economy and changed they way of doing business worldwide.

A large-scale IT projects required hundreds of consultants working with a much smaller team from the client side toward fulfilling project needs and its implementation requirements. Typically, it involved the implementation of new software’s that had to be tailored to meet the specific business needs, which also had to run on new hardware.

All these elements of technology involvement in public, private and personal operations increased effectiveness of almost every sector of the economy.

Currently IT challenges - and the pioneers responding to them - are vastly different. The technology used for congestion charging scheme in different cities involves cameras and software capable of ‘reading’ car registration plates, drivers can pay their charge either via a network of electronic point-of-sale terminals in stores via the Internet or via SMS text messaging etc. All these elements of technology involvement in public, private and personal operations increased effectiveness of almost every sector of the economy.

Kosovo still doesn’t have technology involvement in all public, social, private sectors in order to increase effectiveness of these institutions on their daily operations and making life easier for every citizen of the country. Only few steps are taken until now on this field by central government like: e-governance project, online MIS “Management Information System” implementation in some local agencies and institutions.

Foreign experience as mentioned above while main public and government operations are digitalized obviously will be an asset also for business environment by enabling fast transactions, easy and free trade, more opportunities and better business/investment climate on the domestic market.

“Finally the rapid advance of new payment forms and internet banking is great significance to financial institutions and central banks. Households and business increasingly use electronic payments, not currency and checks, to buy products, pay bills, pay income taxes, transfer bank funds, and handle recurring mortgage and utility payments.” [1]

Moreover, associations for quality, professionalism, lobbying etc. as important and constant elements of developed countries are highly needed for countries like Kosovo
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which market is still consolidating. “The American Productivity and Quality Center” [2] provides a website where companies can go to find other companies to benchmark. By this service the association enables companies to compare their practices, operations and procedures with the best in the world.

### 1.2. Globalization

“Globalization describes an ongoing process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of communication and execution. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political, and biological factors. The term can also refer to the transnational circulation of ideas, languages, or popular culture through acculturation.” [3]

Today’s trend toward globalization means that the world’s best manufactures can enter the global and possible free trade climate. By free trade we mean, the movements of goods and services among nations will be without political or economical obstruction.

In terms of global trade companies are facing risk, aggressive competition that also influenced researches and scholars to conduct academic approach, which led to explanation of two main economic theories:

- Comparative advantage theory asserts that a country should produce and sell to other countries those products that it produces most efficiently,

  Absolute advantage theory explains that when a country has a monopoly on producing a product or is able to produce it more efficiently than all other countries.

Moreover, for every company to operate on the global market there are foreign forces to be considered while preparing strategic management plan:

- Financial forces
- Economic and Socioeconomic forces
- Physical and Environmental forces
- Socio-cultural forces
- Political forces
- Legal forces
- Labor forces
- Competitive forces
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Additionally companies to participate on the global market need to prepare strategies to enter the global competition and new unknown markets. Main strategies for a company to participate on the global market or international trade are:

- Exporting
- Licensing
- Creating Subsidiaries
- Contract Manufacturing
- Franchising
- International Joint Ventures
- Countertrading

1.3. Innovation

Innovation as integral part of the knowledge driven societies influenced high government and private investments on education, research centers, institutes etc. Through constant innovations in various fields and advancement of equipments used for business processes, companies can establish differential advantage on the particular markets.

Technological innovations including computer hardware and professional software’s important for business, advanced business processes, contemporary economic and quality theories also play an important role on determining future economic and market trends. Therefore, companies investing in technology and constantly absorbing new management, marketing and business techniques will most probably be more competitive and adapt to various trends on the global and local markets.

Scenario planning as new technique for strategic long term planning is becoming crucial part of strategic management for every organization. Today, on the very dynamic and fast changing world, scenario planning for market trends, future technology, equipments, energy source etc. are promoting scenario planning through it’s most productive techniques: Taida – (Tracing, analyzing, imaging, deciding, acting), OODA Loop (Observation, Orientation, Decision, Action) etc.

“The grand challenge to strategic management is to manage the balance between stability and flexibility. Thus, those who are capable of defining and redefining robust, hard-to-copy, core-competence-based differentiation strategies will be able to gain a sustainable competitive advantage.” [4]
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1.4. Fast changing market

Currently we are living on the very fast changing market while this fact is pushing all companies and individuals to constantly change, adopt, improve etc. in order to maintain its position on the market. Various small, medium and big companies are facing difficult problems varying the nature of their business and market characteristics.

Important elements to be considered as productive strategy on the fast changing markets are:

- Visibility to anticipate change and support long- and short-term competitive strategy
- Speed to develop and deliver innovative products and services and stake out an early-to-market position
- Flexibility to make rapid adjustments in response to changes in market demand
- Scalability to expand and contract projects, workforce, and workload as needed
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**CHAPTER II**

2. Kosovo Factors

2.1. TAM-BAS project

“TAM-BAS – Turn around Management – Business Advisory Service” a project sponsored by European Bank for Development and Reconstruction is directly involved on helping Kosovo companies to advance their processes through investments on consulting services. The project is design on the way that will make it a vital bridge between consulting companies and all other companies operating in Kosovo. Project has resources as donation to Kosovo market to pay 25% up to 75% of consulting expenditures of local companies if they register on the project and required it’s assistance on this field.

“The purpose of the TAM/BAS Program is to promote the economic transition through advice and mentoring at the enterprise level and the development of a sustainable infrastructure of business advisory services, and to contribute to improving the policy and regulatory environment for business.” [8]

TAM-BAS role on the market was very productive since it’s involvement directly on the market problems and it’s mission helped directly consulting companies expand and constantly have new clients due to project financial construction by helping interested companies to engage consultants.

**Mission statement**

“The purpose of the TAM and BAS Program is to promote economic transition through advice and mentoring at the enterprise level and to develop a sustainable infrastructure of business advisory services. The Program also aims to improve the policy and regulatory environment for business” [8]
The TAM and BAS Program provides assistance to enterprises across a variety of sectors. However, the main focus of activities is in agribusiness, services, manufacturing and tourism (and an increasing focus on the IT sector). TAM and BAS projects have helped to meet an ever-growing demand from the region’s 400 million people for high-quality products and services in all sectors.

TAM has experience working in Western Balkans since 1997 by carrying out around 100 projects with total of €8 million in donor funding, mainly provided by the EAR (European Agency for Reconstruction). In addition to EAR funds, TAM also received funding from Ireland, Japan, Switzerland, United Kingdom and many other bilateral donors. In general, companies assisted by TAM on the West Balkans region have an aggregate turnover of over €780 million and employ around 46,000 people.

Comparing to TAM, BAS carried more projects in the Western Balkans, total 440 projects using over €6 million in donor funds. BAS used various funding sources as CEI (Central European Initiative), EAR, Netherlands. In general, companies assisted by BAS in this region combine turnover of nearly €850 million and 30,000 workers.

**TAM and BAS activities and EBRD financing**

There are strong parallels between the work of TAM and BAS and the investment priorities of the EBRD. To date, the EBRD and its financial intermediaries have invested
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€722 million in 163 TAM and BAS enterprises. This funding has led to co-financing with a total project value of €1.66 billion.

Figure 2.2 Regional breakdown of EBRD funding in TAM and BAS project

2.2. International Agencies:

There are many international agencies operating in Kosovo as donors of their government funds, international funds and other spending international agencies with political authority to govern or monitor particular fields of Kosovo government or it’s institutions.

Part of these international agencies are engaged directly on service and consulting investments while the rest initiate or encourages projects and local business which gradually required services and consultancy on various phases of their business development.

Development agencies of the most developed countries of the world take largest part of international aid including USAID, DFID, SIDA, Olofpalme, ACT etc. and international agencies like UNDP, UNCF, IOM, European Commission, European Bank for Reconstruction and Development etc.
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**IFC**

International Standards and Technical Regulations (ISTR) is a 5-year Program co-financed by the Royal Norwegian Ministry of Foreign Affairs and International Finance Corporation (IFC). The IFC’s International Standards and Technical Regulations project for Kosovo aims to stimulate growth and increase exports, by strengthening the knowledge and understanding of international standards. IFC is focusing on helping firms to achieve CE mark (product safety based on EU directives), HACCP and ISO 22000 (food safety), environmental management (ISO 14001) and health and occupational safety (OHSAS 18001). The activities and expected impact of the proposed project for Kosovo through December, 31 2010.

**GTZ (Gesellschaft für Technische Zusammenarbeit) - German Technical Cooperation**

GTZ promotes economic development, higher educational standards, and a more efficient and decentralized public administration and a more reliable water supply. Under the economic development sector the following projects are to be developed:

Supporting the food industry: The project supports introduction of international standards in business enterprises, leading to better product quality and productivity.

Economic development and employment promotion: Build capacity with local private sector development consulting services, who can then effectively assist businesses in opening local, regional and international markets, primarily in the wood, metal and tourism sectors advising and training the staff of the relevant associations, institutions and chambers of commerce.

**PEP BSS**

The Business Support Services Component aims to ensure that businesses in Kosovo have the necessary business and technical support services they need to operate efficiently and effectively. BSS defines the term “business service provider” - (BSP) broadly, encompassing private firms, partnerships, individual consultants, non-government organizations (NGOs) and associations.
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2.3. Recently established free trade agreements

Historically Kosovo was a very closed market since it was part of the Yugoslavia and than from 1989 part of Serbia while it had no much chances of regional and international cooperation.

After the war, Kosovo government and United Nations Administration did sign free trade agreements with countries on the region by enabling free trade of goods and services. By these measures undertaken by authorities, local companies faced new phenomena on the market – regional competition. Immediately after facing consequences of regional and global competition by failing to provide quality and prices competition was able to deliver, local companies started requiring consulting services. Free trade agreements were signed with Macedonia, Albania, Montenegro, Bosnia and Croatia.

Local companies mainly producers and construction companies faced shift of markets after free trade agreements while they were enable to compete with foreign companies and manage their market segmentation.

2.4. Economy

In the period of ten years, Kosovo has gone from a post-conflict environment into a state which is considered to be under transition. After the war it has passed the reconstruction period by orienting itself toward the rule of law, economic development and European Integrations. Still current economic development is not enough to be able to address the challenges Kosovo is facing, such as high unemployment and high trade deficit rate.

Through all economic problems Kosovo is facing the unemployment as one the highest economic concerns. The unemployment rates fluctuate from around 30% (FMN 2004) up to 40% (ESK, 2006). In addition to unemployment high deficit of the current account of balance of payments is with high concern estimating approximately 17.3% of the GDP after international help.

Experience and economic theories show that the main steps every country should undertake in order to overcome these problems is to encourage high public and private investments. So countries that invest higher proportion of their GDP tend to grow faster and easily overtake above mentioned economic problems. Since Kosovo is still underdeveloped and possess old and not efficient infrastructure, there is a need for very high investments on this sector including foreign investments which fact will encourage economic activities and creation of new jobs. In Kosovo only after independence starting
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from 2008 investments on infrastructure started to become priority which shows lack of planning for economic development.

The main problems

1) Since early 1990s Kosovo faced de-industrialization. This can be explained by this fact comparing 1988 while 45% of GDP came from the industrial sector and mining and today, industrial production amounts to just about 17% of GDP. Share of companies active in manufacturing remains at a very low level approximately 10%, and the economy is marked by incessant growth of the tertiary sector. At present, the service sector accounts for 60% of GDP, but a major part of these services are small trade companies, shops, hotels etc. and not capital intensive.

2) Today, in Kosovo there is a lack of direct investments, particularly foreign direct investment since there is only present public investment by renewing current infrastructures and maintaining it. Disinvestment in Kosovo can be considered a consequence of de-industrialization since in 1988, 600 million dollars (30% of which was private investment) were invested in Kosovo, as compared to only 70 million in 1998 (70% private share).

3) Kosovo currently needs to re-establish the competitiveness of the Kosovar economy in the context of the Euro system. Actual insufficient production levels combined with a lack of investment and too-high salaries and prices are a handicap for Kosovo's external trade relations. Kosovo’s poor state of the transport infrastructure explain the weak import cover rate (only 5 to 7%), the virtual non-existence of exports and the huge trade balance deficit.

4) Current Kosovo labor market and it’s economy is incapable of absorbing demographic growth. Growth in Kosovo is subject to three distinct factors:

a) The international presence, which is financially strong but on the decline;

b) The private sector which is still fragile but showing continuous growth; and

c) The public sector which adopts a stop-and-go policy and tries to juggle a budget deficit and a voluntarism policy approach.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

Table 1.1 Source: Riinvest Institute, Labor market and employment in Kosovo, 2003

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>39.1</td>
<td>41.4</td>
<td>40.2</td>
</tr>
<tr>
<td>25-34</td>
<td>30.4</td>
<td>30.6</td>
<td>30.5</td>
</tr>
<tr>
<td>35-44</td>
<td>18.1</td>
<td>19.5</td>
<td>18.8</td>
</tr>
<tr>
<td>45-55</td>
<td>8</td>
<td>6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>55-64</td>
<td>4.4</td>
<td>1.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

[9]

The unemployment rate in Kosovo is estimated between 44 and 60% varying from sources which fact can be also illustrated by comparing that 30,000 new entrants onto the labor market every year, while its absorption capacity is estimated to be about 6,000 jobs.

5) Kosovo economic dependency on international aid. This economic international aid is decreasing gradually since 2009. On the internal market we can identify numerous distortions caused by the presence of the “internationals”, which by themselves would account for 2.5% of inflation-adjusted GDP. The public finances of Kosovo are largely dependent on donations, and the needs are probably going to grow further since very high infrastructure investments are needed including: construction of highway to link Kosovo main centers, highways to Macedonia and Albania, telecommunications, energy etc.

6) Restrictive fiscal policy from 1999 until independence 2008 while local producers faced many difficulties competing on the local and regional market. Moreover, in Kosovo there is still no government support for local companies while this fact can be explained with very high number of companies facing insolvency every year.

Total number of companies registered with Kosovo Ministry of Trade and Industry operating in Kosovo in 2009 is 92,890.

From the total 92,890, 98% are microenterprises employing 1-9 workers.

Second group of enterprises are small enterprises which employee 10-15 workers.

The smallest group of companies are middle enterprises which employee 50-249 workers.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

According to the Ministry of Trade and Industry, during the year 2009 from the previous balance of registered companies 92,890; 7838 companies were voluntarily unregistered due to lack of economic activities.

On the table below we can see some of Kosovo Macroeconomic indicators and their changes from 2002 until 2006.

*Figure 2.2 Kosovo Macroeconomic indicators according to IMF report 2007*

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth (%)</td>
<td>9.6</td>
<td>8.3</td>
<td>2.1</td>
<td>0.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>3.6</td>
<td>1.2</td>
<td>-1.4</td>
<td>-1.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Growth of investments</td>
<td>-9</td>
<td>-7</td>
<td>25.1</td>
<td>-26.0</td>
<td>29.4</td>
</tr>
<tr>
<td>Increase of export (%)</td>
<td>2.2</td>
<td>0.1</td>
<td>-8.7</td>
<td>-11.1</td>
<td>30.3</td>
</tr>
<tr>
<td>Increase of import (%)</td>
<td>-5.6</td>
<td>-4.5</td>
<td>1.0</td>
<td>9.4</td>
<td>13.3</td>
</tr>
<tr>
<td>Coverage of import with export (%)</td>
<td>2.3</td>
<td>2.4</td>
<td>7.7</td>
<td>6.5</td>
<td>8.1</td>
</tr>
<tr>
<td>Remittances (mil.euro)</td>
<td>341.4</td>
<td>341.4</td>
<td>215.0</td>
<td>281.0</td>
<td>318.0</td>
</tr>
<tr>
<td>Foreign assistance (mil.euro)</td>
<td>897.5</td>
<td>698.7</td>
<td>565.0</td>
<td>491.0</td>
<td>465.0</td>
</tr>
</tbody>
</table>

Privatization in Kosovo also was delayed by listing Kosovo on the end of the list of east European countries dealing with Privatization. There was a slight success in some companies especially those ones possessing also mines and large reserves included on the sale package.

Below we can see comparison of two local company before privatized and after privatization done by KTA:
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Table 2.3  Comparison, before and after privatization

<table>
<thead>
<tr>
<th>SOE &quot;Y&quot; - Metal Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2003 Before Privatization)</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>ManPower costs</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Profit / Loss</td>
</tr>
<tr>
<td>(2005 After Privatization)</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>ManPower costs</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Profit / Loss</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SOE &quot;Z&quot; - Brick Factory SSQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2004 Before Privatization)</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>ManPower costs</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Profit / Loss</td>
</tr>
<tr>
<td>(2005 After Privatization)</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>ManPower costs</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Profit / Loss</td>
</tr>
</tbody>
</table>

According to various surveys, market research results and statistical data obtain from government agencies, in most cases Prishtina the capital city is more than 50% of the Kosovo market.

Figure 2.3  Structure of enterprises by region – Minisry of Trade and Industry bulletin, 2006

- Prishtina 60%
- Prizren 5%
- Gjilan 23%
- Peja 7%
- Mitrovica 5%
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Table 2.4  Number of foreign enterprises that have invested in Kosovo - Ministry of Trade and Industry, Annual Report, Prishtina, 2007

<table>
<thead>
<tr>
<th>Type of Enterprise</th>
<th>Quantity</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production, extraction and processing enterprise</td>
<td>180</td>
<td>11.5</td>
</tr>
<tr>
<td>Construction enterprise</td>
<td>120</td>
<td>7.5</td>
</tr>
<tr>
<td>Trade enterprise</td>
<td>1002</td>
<td>63</td>
</tr>
<tr>
<td>Service enterprise</td>
<td>286</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>1588</td>
<td></td>
</tr>
</tbody>
</table>

[12]

Table 2.5  GDP of Kosovo during the periods 2001 – 2006, in million Euros according to IMF report 2007

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>2,680</td>
<td>2,623</td>
<td>2,600</td>
<td>2,711</td>
<td>2,660</td>
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[10]

Table 2.6  Investments in Kosovo, 2001 – 2006, in millions of Euros according to IMF report 2006

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</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

| Other | 109 | 150 | 163 | 167 | 181 | 188 |

[13]

**CHAPTER III**

3. East Europe Factors

3.1. Post-communist market

Almost twenty years have passed since the beginning of the period of post-Communist transition of command market to a market economy.

According to Weber, the economy and politics are in a relationship of relative autonomy. Therefore, political changes reflect directly economic regulations and philosophy as the real case of post communist countries.

As every country with previous communist market, which included directed economy and state ownership of all properties on the country faced a long and very difficult period of transition.

Some of these countries started immediately privatization process as a first and most important step to create a competitive market economy, but some countries like in particularly the case in southeastern European countries and the southern former Soviet republics, where there have been only limited moves towards privatization. Many countries seem to be focusing on a narrow technical privatization and are not allowing complete market liberalization.

However, privatization success stories can be seen in Hungary, Czech Republic, Poland while they discovered even new techniques like “hybrid privatization” [5] which equipped workers with part of the ownership in various previous state companies and reconstructed those companies with new private capital to enter the market economy.

3.2 Privatization

Privatization as necessary phenomena on eastern European countries since depending on the country government ownership was dominant in every sector.

Generally we have 3 methods of privatization:

- SIP - Share issue Privatization which means selling shares on the stock market,
Major factors affecting the growth of emerging consulting companies in Kosovo

- ASP – Asset sale Privatization which means selling the entire firm or part of it to a strategic investor, usually by auction,
- VP – Voucher Privatization by which shares of ownership are distributed to all citizens, usually for free or at a very low price.

The very long challenging question of how fast, to privatize state assets and create a free trade dominated discussion, both within Eastern Europe and in the growing ranks of Western advisers, faculties, consultants, commentators, and fortune seekers. Privatization, in particular, assumed special significance. The conventional wisdom was that Communist firms produced inappropriate, low quality goods at exorbitant costs because state ownership of industry distorted managerial and worker incentives. The generally poor performance of state industries throughout the Third World reinforced the impression that the state and the market don’t mix.

After fall of communism, the main objective of East European economic planners and their Western advisers became "Getting the state out." Therefore, majority of eastern countries had western European support with consultants of how to design privatization process in order to achieve the most in terms of market liberalization and economic development as very important steps toward European integration.

Eastern Europe reveals countries with different political systems, legal traditions, ownership patterns, educational levels, industrial structures, languages, ethnic cleavages, religions and population sizes. It is little wonder that of the four Eastern European countries most actively engaged in privatization - Czechoslovakia, Poland, Hungary, Slovenia and each of them had a different privatization strategy. Nonetheless, the demise of Communism left a legacy common to each state: experience with the plan and inefficient centralized state enterprises coupled with inexperience with capitalist institutions.

In case of Kosovo only Asset sale Privatization was used for a very big number of SOE-s (Socially Owned Enterprises), which used to operate during all communist time through their partially independent managerial structures and coordinated by government. These companies according to the international literature currently can be named also as zombie firms. During privatization process started by KTA (Kosovo Trust Agency) and continued after independent by PAK (Privatization Agency of Kosovo) total number of less than 600 SOE-s are facing privatization which also means new investments on the Kosovo market.
Major factors affecting the growth of emerging consulting companies in Kosovo

By some calculations, SOE-s comprised 90% of Kosovo’s industrial assets. SOE-s also comprised 20% of the prime agricultural real estate, including the major parcels suitable for large-scale modern agriculture, and 60% of Kosovo’s forests. The KTA has prioritized the SOE-s, which have the greatest promise to immediately improve the economy of Kosovo and further privatization process is ongoing by PAK.

Moreover, eight big publically owned enterprises currently are facing feasibility study before privatization and this means direct investment of couple billion Euros on the local market. In addition to huge direct capital investment to Kosovo this fact will also will required various consulting services. “The publicly owned enterprises of Kosovo are what would be termed “utilities” in Western Europe and the United States. These include such properties as KEK, the electrical company of Kosovo, and PTK, the telephone and post company. “ [7]

3.3 Business Processes

South Europe consists of countries that used to operate on the commanded economy of communist system for approximately 50 years that makes transition period very difficult and complex. Constant improvement of Business Processes and it’s elements were not an important topic of communist government since all decision were made on the op management or government including (sellers: whom to sell, what to sell, how much to sell and for buyer: from whom to buy, how much and for which price). Kosovo also as partially independent province of former Yugoslavia was part of the same commanded economy regime whose effects are still present on the mentality and market characteristics.

Western experience on Quality Management like: Total Quality Management, ISO, Just in Time Management, Lean Manufacturing, Benchmarking etc. are gradually influencing local companies toward improving their operations in order to survive the regional and global competition. Moreover, there is a significant need for companies from these region to adopt and use other techniques as: CAD - computer-aided design, ERP – enterprise resource planning, robots, mass customization, CAM – computer-aided manufacturing, critical path, PERT – program evaluation and review technique, Gant chart, analytic systems etc.

Since East Europe industry faced destruction from lack of investments for a long time and in western Balkans through consequence of the war, their industry faced very big problems in majority of these countries pushing them toward privatization or selling partial or full ownership to western similar companies. By becoming part of large western
**Major factors affecting the growth of emerging consulting companies in Kosovo**

companies some factories benefited from their quality management, ISO 9001 and other implemented standards while other locally owned industries had to move toward quality improvement through implementation various international standards from which ISO was mostly experienced and used.

Imimization of business process consists many phases and depends from the region and market characteristics. Particularly on the east European countries, ISO standards were most attractive.

“ISO” - International Standard Organization is international standard setting body, which includes representatives from various national standards organizations. It it’s established on February 23, 1947 with headquarters in Geneva – Switzerland. ISO defines as NGO – nongovernmental organization but it’s ability to set standards often become law through different way like treaties or national standards. Additionally ISO works as consortium with strong links to governments.

Quality management systems have become a necessity for the survival of any company and the ISO 9000 standards provide a framework upon which to build that system. The ISO 9000 family of standards mentioned in the BS EN 9000:2005 have been developed to assist organizations, of all types and sizes, to implement and operate effective quality management systems:

- ISO 9000 describes fundamentals of quality management system and specifies the terminology for quality management systems.
- ISO 9001 specifies the requirements for a quality management system where an organization needs to demonstrate the ability to provide products that fulfill customer and applicable regulatory requirements and aims to enhance customer satisfaction. Only ISO 9001 can be certified.
- ISO 9004 provides guidelines that consider both effectiveness and efficiency of quality management system. The aim of this standard is improvement of the performance of the organization and satisfaction of customers and other interested parties.
- ISO 19011 provides guidance on auditing quality and environmental management systems in national and international trade.
- ISO 22000 international standard specifies the requirements for a food safety management system that involves the following elements:
  - interactive communication
  - system management
  - prerequisite programs
  - HACCP principles
Major factors affecting the growth of emerging consulting companies in Kosovo

- ISO 14001 is a standard for environmental management systems that is applicable to any business, regardless of size, location or income. The aim of the standard is to reduce the environmental footprint of a business and to decrease the pollution and waste a business produces.

- ISO 31000 is intended to be a family of standards relating to risk management codified by the International Organization for Standardization. The purpose of ISO 31000:2009 is to provide principles and generic guidelines on risk management.


ISO/IEC 27001 formally specifies a management system that is intended to bring information security under explicit management control. Being a formal specification means that it mandates specific requirements. Organizations that claim to have adopted ISO/IEC 27001 can therefore be formally audited and certified compliant with the standard.

Figure 2.4  PDCA

- PLAN for changes to bring about improvement
  - Customer/supplier mapping
  - Flowcharting
  - Pareto analysis
  - Brainstorming
  - Nominal group technique
  - Solution/fault tree
  - Evaluation matrix
  - Cause & Effect diagrams

- DO changes on a small scale first to trial them
  - Small-group leadership skills
  - Experiment design
  - Conflict resolution
  - On-Job training

- ACT to get the greatest benefit from changes
  - Process mapping
  - Process standardization
  - Controlled reference information
  - Formal training for standard processes

- CHECK to see if changes are working and to investigate selected processes
  - Data check sheets
  - Graphical analysis
  - Control charts
  - Key performance indicators

[20]
Major factors affecting the growth of emerging consulting companies in Kosovo

According to Wright there are several ways to satisfy this element of the standard, and quality manager has to choose which method best suits the organization:

a) Mapping
b) Referencing
c) Corporate or global processes (stating the policies, processes and procedures)

According to ISO 9000:2005 there is an approach to develop and implement a quality management system consists of several steps including:

- Determining the needs and expectations from customers and interested parties
- Establishing a quality policy and quality objectives of the organization
- Determining the processes and responsibilities necessary to attain the quality objectives
- Determining and providing the resources necessary to attain the quality objectives
- Establishing methods to measure the effectiveness and efficiency of the process
- Applying these measures to determine the effectiveness and efficiency of the process
- Determining means of preventing nonconformities and eliminating their causes
- Establishing and applying a process for continual improvement of the quality management system.

The organization that adopts this approach can be sure that its processes and the quality products are reliable and ready for a continuous improvement. For that companies establish, document, implement and maintain a quality system that conforms the ISO 9000 series standards, with a quality manual that covers the requirements, including references, quality system procedures and outlines of the quality system structure documentation.

The following types of documents are mentioned and used in quality management systems. According to ISO 9000:2005

- Documents that provide consistent information about the organization’s quality management system; such documents are referred as the Quality Manuals
- Documents that describe how the quality management system is applied to a specific, product, project or contract; such documents are referred to as quality plans
- Documents stating requirements; such documents are referred to as specifications
- Documents stating recommendations or suggestions; such documents are referred to as guidelines
**Major factors affecting the growth of emerging consulting companies in Kosovo**

- Documents that provide information about how to perform activities and processes consistently; such documents can include documented procedures, work instructions and drawings.
- Documents that provide objective evidence of activities performed or results achieved; such documents are referred as records.

Analysis between ISO and other quality management organizations can be based on various elements or criteria’s. The most important criteria’s according to me are its worldwide usage and recorded success of companies which implemented particular quality management system.

ISO is international organization which is used in almost all countries on the world. It has quality manuals and very clear procedures to follow through processes which implementation will make companies more familiar with each other through standardization of processes.

Comparing ISO with TQM provides us the idea of high importance of international standardization of process additionally to just quality management. TQM is a management philosophy that seeks to integrate all organizational functions (management, marketing, finance, design, engineering, production, customer service, etc.) to focus on meeting customer needs and general organizational objectives. TQM is a method by which management and employees can become involved in the continuous improvement of the production of goods and services and it is a combination of quality/management tools aimed at increasing business and reducing losses due to wasteful practices. Through this important information TQM it’s just quality improvement strategy while ISO as an organization will make all quality management tools available through same procedures and to every company, NGO or Government in the world.

Additionally if we compare Serve Quality and ISO it’s easy to see the high success of all kinds of companies that implemented ISO and only service companies in particular regions of the world that implemented Serve Quality. Therefore ISO as international standardization organization has very high reputation in the world and through its standardized tools and processes provided support to companies worldwide.

**TQM - Total Quality Management** is a management concept coined by W. Edwards Deming. The basis of TQM is to reduce the errors produced during the manufacturing or service process, increase customer satisfaction, streamline supply chain management, aim for modernization of equipment and ensure workers have the highest level of training. One of the principal aims of TQM is to limit errors to 1 per 1 million units produced.

The application of TQM can vary tremendously from business to business, even across the same industry.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

To be successful implementing TQM, an organization must concentrate on the eight key elements:

- Ethics
- Integrity
- Trust
- Training
- Teamwork
- Leadership
- Recognition
- Communication

![Deming’s Wheel](image)

**Figure 2.5** Deming’s Wheel

**Lean Manufacturing** or lean production, which is often known simply as "Lean", is a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination.

Basically lean is focused on preserving value with less work. Lean manufacturing is a generic process management philosophy derived mostly from the Toyota Production System (TPS) known also as Toyotism and as "Lean" only from the 1990s.
Major factors affecting the growth of emerging consulting companies in Kosovo

“Lean manufacturing is a variation on the theme of efficiency based on optimizing flow; it is a present-day instance of the recurring theme in human history toward increasing efficiency, decreasing waste, and using empirical methods to decide what matters, rather than uncritically accepting pre-existing ideas. As such, it is a chapter in the larger narrative that also includes such ideas as the folk wisdom of thrift, time and motion study, Taylorism, the Efficiency Movement, and Fordism. Lean manufacturing is often seen as a more refined version of earlier efficiency efforts, building upon the work of earlier leaders such as Taylor or Ford, and learning from their mistakes.” [20]

CHAPTER IV

4. CONSULTING SERVICES AND STRATEGIES

Consolidation of the Kosovo market started after 1999, immediately after the war, or more precisely, after 2001 while the emergency phase of rebuilding the damages of the war were completed and all efforts were concentrated on economical development and new job creation. Therefore, transition is still very important issue in Kosovo and on the region.

“Defining Kosovo as the poorest country in Europe” {14} can be complex because its economy produces a very high quality of life in some fields. For example, “the percentage of people using mobile phones and the Internet in Kosovo is one of the highest in Europe, overtaking even some major economic superpowers in the European Union” [15]. This fact can be considered an asset for the growing need for IT consultancy, IT management services and Marketing.

Since the Kosovo market is growing fast and there are many differences between Prishtina, the capital, and other regions of the country, the gap that exists is not being addressed by any consulting company. Moreover, privatization process is still taking place in Kosovo, a process that will provide investments of more than 6 billion Euros over a two year period, 2009 - 2012, the market will required more consulting services than required ever before.

There are many international agencies operating in Kosovo as donors of their government funds, international funds and other spending international agencies with political authority to govern or monitor particular fields of Kosovo government or institutions.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

Part of these international agencies directly invest on consultancy and the rest of their involvement, initiate or encourages projects for institutions and local business that constantly need services and consultancy on various phases of their business development.

The Kosovo market is growing fast and is becoming more complex through the involvement of new businesses. The fact that the current market is already segmented and controlled by existing service companies will not be an obstacle in the long run. The constant changing market and new business developments will be a challenge and strategic path for consulting companies future market. Small towns, rural areas and the space created through constant local and foreign investments are going to be the target of new consulting companies.

For new Consulting Companies it’s very important to create a brand name in the market by creating value and by possessing the expertise to complete the job. By creating a brand name I mean creation of the opinion within potential clients that a particular company offers services, for which is professionally able to successfully complete. After having the name successfully established in the market entering new segments of the current market will be much easier than starting from the scratch.

“The Kosovo Business Registration Agency, officially opened in 2002, continued to register businesses. The business register includes 92,890 companies; however, only 10% of these are active. Fees to start and close a business are the lowest in the region (€5-20). Information on registered companies becomes automatically available online. There is no law on e-signature. This impedes progress in electronic registration of companies.” [16]

**4.1. Specific industry related issues for positioning of Consulting Business on the market**

In the consulting business, the intensity of interaction is best expressed by the level of expertise of professionals. The classification of David Maister, describes three types of project work:

- **Brain**
  Brain projects require expert professionals since the client’s project can involve major, complex, innovative issues requiring state-of-the-art, professional knowledge.

- **Gray Hair**
  Gray Hair projects require experienced professionals who are able to customize and adapt solutions that are not completely new and have been developed in other industries.

- **Procedure**
  Procedure projects address well-recognized and familiar issues.
Major factors affecting the growth of emerging consulting companies in Kosovo

Moreover, consultants have to be careful not to waste professional expertise on projects that are becoming more standard and routine. On the other hand, efficiency can be increased by more rapidly developing the professionalism of junior staff with expert system and knowledge management.

4.2. List of consulting tactics focusing on managing lines and customer expectations

- Keeping current customers informed by using the “one foot in the door” approach that means keeping them constantly informed and updated on new services, price changes, market changes as a way to create a vital bridge between clients and consulting companies ability to offer services.

- The psychology of waiting and other service theories like, “Monitoring and approaching constructively the customer’s expectations versus their perception,” as a first law of service can be considered a theoretical change for market strategies. By these measures consulting companies can deal constructively with issues of “Queuing theory” [20] and its outcomes. If we consider the situation of a customer waiting in line for a service as analogous to the work-in-process inventory for a manufacturing firm then the economic cost of waiting will be analyzed and adequate actions should be taken.

- Expert consultation model in which information are gathered and recommended solutions are provided to the clients in written and in an oral format is an important strategy too. Moreover, this will be an opportunity for small business owners to learn how to approach their business problems, whether they are general business planning, marketing, accounting or financial systems issues.

- Using the “process consulting model” [20] will be a priority since it involves the client in the definition of the problem, in brainstorming solutions and in choosing the final recommendations. As a result of the client’s involvement in the process, the client will be more independent and can rely more on the consulting company in the future. In addition benefits will be mutual since co-creation will enable the company to use various services for free from customers.

4.3. Quality in consulting services

Quality of service is different from quality of product. No matter how much care is taken in designing the service on paper, in testing it and delivering it, what customers perceive is quite different from the original proposition. The service concept, born from analysis of needs, segmentation and marketing studies, is transformed into a proposition
Major factors affecting the growth of emerging consulting companies in Kosovo

formulated according to the service mix (product/outcome, price, place/location, process/layout and capacity, people/style and behavior).

Contemporary approach of focusing on service processes and implementing continual improvement of internal processes started with Edward Deming’s theory “Move from mass inspection to process control”. Deming’s approach to quality emphasizes that checking or inspecting for quality is just one stage in the quality – improvement processes. Deming’s approach, represented by a wheel, consists of four steps: plan, select and analyze the problem; do, implement the solution; check the results of the change; and act to standardize the solution and reflect on the learning.

A systematic approach to solving problems is central to a worker – empowered program of continuous improvement in quality and productivity. The principal objective of continuous improvement is eliminating the cause of problems so they do not recur. Moreover, corrective actions mentioned through all ISO standards mean eliminating the cause of the problems so particular problem never happens again instead of healing the wound.

Figure 2.6  Deming’s wheel of Continual Improvement toward ensuring quality

Edward Deming generally is accredited with initiating the successful Japanese quality revolution. In Deming’s view, management was responsible for 85% of all quality problems and, therefore, had to provide the leadership in changing the systems and processes that created them. Therefore, management should be focused on meeting customer needs and on continuous improvement to stay ahead of the competition.

Deming’s 14 – Point Program includes:
Major factors affecting the growth of emerging consulting companies in Kosovo

1) Create constancy of purpose for improvements of product and service.
   Management must stop its preoccupation solely with the next quarter and build for
   the future. Innovation in all area of business should be expected.

2) Adopt the new philosophy.
   Refuse to allow commonly accepted poor levels of work, delays, and lax service.

3) Cease dependence on mass inspection.
   Inspection comes to late and is costly. Instead, focus on improving the process itself.

4) End the practice of awarding business on price tag alone.
   The purchasing department should buy on the basis of statistical evidence of quality,
   not on the basis of price. Reduce the number of vendors, and reward high-quality
   suppliers with long-term contracts.

5) Constantly and forever improve the system of production and service.
   Search continually for problems in the system, and seek ways of improvement.
   Waste must be reduced and quality improved in every business activity, both front
   office and back office.

6) Institute modern methods of training on the job.
   Restructure training to define acceptable levels of work. Use statistical methods to
   evaluate training.

7) Institute modern methods of supervising.
   Focus supervision on helping workers to do a better job. Provide the tools and
   techniques to promote pride in one’s work.

8) Drive out fear.
   Eliminate fear by encouraging the communication of problems and expression of
   ideas.

9) Break down barriers between departments.
   Encourage problem solving through teamwork and use of quality-control circles.

10) Eliminate numerical goals for the workforce.
    Goals, slogans, and posters cajoling workers to increase productivity should be
    eliminated. Such exhortations cause worker resentment, because most of the
    necessary changes are outside their control.

11) Eliminate work standards and numerical quotas.
    Production quotas focus on quantity, and they guarantee poor quality in their
    attainment. Quality goals such as an acceptable percentage of defective items do not
    motivate workers toward improvement. Use statistical methods for continuing
    improvement of quality and productivity.
Major factors affecting the growth of emerging consulting companies in Kosovo

12) Remove barriers that hinder hourly workers. Workers need feedback on the quality of their work. All barriers to pride in one’s work must be removed.

13) Institute a vigorous program of education and training. Because of changes in technology and turnover of personnel, all employees need continual training and retraining. All training must include basic statistical techniques.

14) Create a structure in top management that will push every day on the above 13 points. Clearly define management’s permanent commitment to continuous improvement in both quality and productivity.

4.4. Competitive Service Strategies

In general, service firms compete in a difficult economic environment, and they have to work and plan constantly to develop competitive service strategies. According to the Michael Porter, there are main three generic competitive strategies:

   a) Overall Cost Leadership – which consists (seeking out low-costs customers, standardizing a custom service, reducing the personal element in service delivery, reducing network costs, taking service operations offline)

   b) Differentiation – (making the intangible tangible, customizing the standard product, reducing risk, giving attention to personnel training, controlling quality)

   c) Focus

CHAPTER V

5. Cases and Interview Results from Consulting Companies

Through analysis of the Kosovo market, its core characteristics and problems we list three groups of factors impacting the growth of consulting companies in Kosovo. Therefore, below can be found results of comprehensive survey of 8 consulting companies operating in Kosovo and they opinion about influence of these factors on their business performance. Moreover, below is included survey of 4 foreign service/consulting
Major factors affecting the growth of emerging consulting companies in Kosovo

companies and their view for first group of factors (Technology, Globalization, Innovation, Fast changing markets).

Throughout period 1999 – 2009, which is after the war period and the area of development and general progress, Ministry of Trade and Industry registered 92,890 companies operating in Kosovo. But from various analysis and reports only 10% of them seemed to be operating productively. From survey and interpretation of analysis done by local and international organization we conclude that majority of these companies are created for various not real economic reasons including: tax avoiding, money laundering etc. and rest of them were part of failed project and never become operational.

5.1. Phase one Results:
The first Phase consists interview with 8 local and 4 foreign consulting companies. This interview aimed to investigate their views with regard to the General, Kosovo factors and East Europe influencing their services and consulting activities.

<table>
<thead>
<tr>
<th>Table 2.7  List of 8 local Interviewed companies</th>
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<tr>
<td><strong>List of 8 local Interviewed Consulting Companies</strong></td>
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<tr>
<td>DCE</td>
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<tr>
<td>MDA</td>
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<td>Marketing Mix</td>
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<td>ADV Mediahouse</td>
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<th>Table 2.8  Results of interviewed companies</th>
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<tr>
<td>Results from First Phase Interview while local Consulting companies selected numbers from 1 to 10 (1 is less important and 10 is most important) to rate importance of each Factor</td>
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<tr>
<td></td>
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<tr>
<td>---------------------------------------------</td>
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<td>Technology</td>
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<tr>
<td>Globalization</td>
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<td>Innovation</td>
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<td>Fast Changing Markets</td>
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**Major factors affecting the growth of emerging consulting companies in Kosovo**

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<tr>
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<tr>
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<td>Post Communist Market</td>
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<td>Business Processes</td>
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<td>32</td>
<td>55</td>
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</tbody>
</table>

From the results of the first phase interviews of 8 local consulting companies we notice very high importance of one factor from each group of factors. Economy, Technology and Business Processes play the most important role for doing business in Kosovo according to interviewed consulting companies.

Economy as part of the group of Kosovo factors seemed to be most important factor influencing business performance for consulting industry. Technology from general factors group is the second most important factor and Business processes from the East Europe group of factors is the third most important factor according to 8 interviewed consulting companies in Kosovo.

**Figure 2.6** Importance of Factors according to interviewed consulting companies
Major factors affecting the growth of emerging consulting companies in Kosovo

Table 2.9  List of foreign Consulting Companies

<table>
<thead>
<tr>
<th>List of 4 foreign Interviewed Consulting Companies</th>
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</thead>
<tbody>
<tr>
<td>Acenture</td>
</tr>
<tr>
<td>Pohl Consulting</td>
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</table>

Table 2.10  Results of phase one interview

Results from First Phase Interview while foreign Consulting companies selected numbers from 1 to 10 (1 is less important and 10 is most important) to rate importance of each Factor

<table>
<thead>
<tr>
<th>Results from 4 interviewed companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>57</td>
</tr>
<tr>
<td>Globalization</td>
<td>34</td>
</tr>
<tr>
<td>Innovation</td>
<td>39</td>
</tr>
<tr>
<td>Fast Changing Markets</td>
<td>31</td>
</tr>
</tbody>
</table>
Major factors affecting the growth of emerging consulting companies in Kosovo

Figure 2.7  Results of phase one interview of foreign consulting companies

<table>
<thead>
<tr>
<th></th>
<th>Technology</th>
<th>Globalization</th>
<th>Innovation</th>
<th>Fast Changing Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Consulting</td>
<td>25</td>
<td>15</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>

5.2. Phase two Results:

The second Phase of the project consist of a larger representative group of companies compared to Phase 1 (15 active national consulting companies) and they provide a more specific and detailed comprehensive survey, improved by the experiences from Phase 1.

Table 1.11  List of companies surveyed on the phase two

<table>
<thead>
<tr>
<th>List of local Consulting Companies participated on the survey</th>
<th>DCE</th>
<th>UBO</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALIDEMAJ.info</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Mix</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B2</td>
<td></td>
</tr>
</tbody>
</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>ADV Mediahouse</th>
<th>Rota</th>
</tr>
</thead>
<tbody>
<tr>
<td>2M</td>
<td>Dardanica Group</td>
</tr>
<tr>
<td>PRIMA</td>
<td>PRM</td>
</tr>
<tr>
<td>Gravitas Media</td>
<td>Ameba</td>
</tr>
<tr>
<td>Adea</td>
<td>PointMedia</td>
</tr>
</tbody>
</table>

Table 1.12  Results from phase two surveys

<table>
<thead>
<tr>
<th><strong>Total number given on quantitative questions of 16 surveyed companies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Influence of Technology in general</strong></td>
</tr>
<tr>
<td><strong>Influence of Technological innovations on the services offered</strong></td>
</tr>
<tr>
<td><strong>Level of affect of technology on the market</strong></td>
</tr>
<tr>
<td><strong>Competitive Advantage opportunities from investing in Technology</strong></td>
</tr>
<tr>
<td><strong>General Affect from Globalization</strong></td>
</tr>
<tr>
<td><strong>Level of affect Globalization has on the company</strong></td>
</tr>
<tr>
<td><strong>Importance of investing in IT for services offered</strong></td>
</tr>
<tr>
<td><strong>Importance of innovations in general</strong></td>
</tr>
<tr>
<td><strong>Level of importance of fast changing markets</strong></td>
</tr>
<tr>
<td><strong>Level of importance of TAM-BAS</strong></td>
</tr>
<tr>
<td><strong>Importance of International Aid Agencies</strong></td>
</tr>
<tr>
<td><strong>Level of importance of Free Trade Agreements</strong></td>
</tr>
<tr>
<td><strong>Impact of the economy</strong></td>
</tr>
<tr>
<td><strong>Level of affect of the economy</strong></td>
</tr>
<tr>
<td><strong>Affects of fiscal policy</strong></td>
</tr>
<tr>
<td><strong>Importance of working on the Post Communist Market</strong></td>
</tr>
<tr>
<td><strong>Importance of Privatization</strong></td>
</tr>
<tr>
<td><strong>Importance of Constant Improvement</strong></td>
</tr>
</tbody>
</table>

From the results of the above table we can see that Economy, Innovation and Technology as important factors from group of general factors and Kosovo specific factors are most important according to 16 surveyed local consulting companies.

The importance of economy in general was explained clearly by each surveyed company as key factor which indicated their performance, investment plan, strategic planning, HR strategies, long term planning of services to be offered etc.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

Technology and innovations as general factors play an important role for strategic planning, competitive advantage planning, performance of services etc. according to survey companies.

List of service which are affected by Technology in general according to surveyed consulting companies:

- Information security measures
- Marketing
- Market research
- Advertising
- Project management
- Website development
- Media services
- Animations
- 3D Design
- IT Support

**According to all surveyed companies about the need for investments in technology:**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10 000 €</td>
<td></td>
</tr>
<tr>
<td>10 000 – 50 000 €</td>
<td></td>
</tr>
<tr>
<td>50 000 – 100 000 €</td>
<td></td>
</tr>
<tr>
<td>100 000 – 1 000 000 €</td>
<td></td>
</tr>
<tr>
<td>More than 1 000 000 €</td>
<td></td>
</tr>
</tbody>
</table>

All companies responded with the same answer that 1 – 10,000 € are needed for their companies.

**List of challenges as a result of globalization according to the surveyed companies:**

- More competition
- More opportunities
- Constant improvement
- Knowledge sharing
- Outsourcing opportunities
- Foreign competition
- Lower prices
- Unfair competition

**List of priorities for investing in surveyed companies:**

- HR
- Technology
- Advance certifications
- Project management
- New software’s
- New methodologies of communication
- Advertising
- New Trends
- Information systems

**List of possible benefits from International Aid Agencies:**

- Grants
- Sub-contracted
- Training
- Projects
- Engaged for Design work
- Animation
- Market Research
- Co-financed projects
Major factors affecting the growth of emerging consulting companies in Kosovo

List of the potential advantages and disadvantages for operating in the post communist environment:

Liberal economy; Free information in terms of getting knowledge; New possibilities;
Not regulated market; There is space for new companies; Not much taxes; Low
competition; Emerging markets; Strong entrepreneurial spirit

List of suggestions for continual improvement of business processes for consulting companies
operating in Kosovo:

Avoid Corruption; Constantly follow the world trends
**Major factors affecting the growth of emerging consulting companies in Kosovo**

**CHAPTER VI**

6. Project Results and Discussion

6.1. Quality of collaboration and Future Improvements

From the research in general including literary research, market research, consulting company research and interviewing and surveying consulting companies in Kosovo, I did learn much more in addition to formal learning from the literature and university. There are many factors influencing consulting companies, which can be grouped as informal factors of particular market.

As a consequence of post-communist market environment in Kosovo, there are still formal and informal economic elements present at every company. Tax avoiding, winning projects as results of corruption and money laundering are normal phenomena in the market, which deregulates the competition the increases the gap between legal and illegal activities. Moreover, these elements influence the level of cooperation between companies and possible interviewing bodies like students, institutes, Universities. Companies involved in illegal activities can never be open to surveys and other interviews even for academic reasons because of nature of business they do.

Generally conducting surveys in Kosovo, especially with private companies is very difficult as consequence of many factors discussed through project. During my experience, the only productive and easy results were taken from companies I did cooperate or just know somebody working there.

<table>
<thead>
<tr>
<th>Companies willing cooperate</th>
<th>Companies hesitating to cooperate</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCE</td>
<td>UBO</td>
</tr>
<tr>
<td>Prima</td>
<td>Adea</td>
</tr>
<tr>
<td>Quality Pro</td>
<td>PR</td>
</tr>
<tr>
<td>2M</td>
<td>PointMedia</td>
</tr>
<tr>
<td>Dardanica</td>
<td>Marketing Mix</td>
</tr>
<tr>
<td>B2</td>
<td>Rota</td>
</tr>
<tr>
<td>Gravitas Media</td>
<td>Adv Mediahouse</td>
</tr>
<tr>
<td>BALIDEMAJ.info</td>
<td>Ameba</td>
</tr>
</tbody>
</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

6.2. TAM-BAS Project

This project helps economic transition by advancing enterprises operating in Kosovo and developing a sustainable infrastructure of business advisory services. TAM-BAS activities are involvement on the market by assisting enterprises to engage local consultants on narrowly based, specific projects with a rapid payback.

According to majority of local consulting companies, TAM-BAS project played a very important role for market advancement and development of consulting culture on Kosovo market.

However, there might be a possible risk related to business culture and environment for consulting companies, since they will learn to depend on TAM-BAS help. While TAM-BAS as project has its own project phases until lack of funding will lead to it’s termination.

6.3. International aid agencies

International Agencies operating in Kosovo since the end of the war on June 1999 did play a very important role for countries economic development.

International agencies did play a various roles in Kosovo’s economic development and it’s market advancement. Their mission in Kosovo made them spend billions of Euros which fact stimulated local business and created a need for creation of many other companies to fulfill these newly established market gaps. Many other agencies had particular mission to help Kosovo market development, help local companies, advance their business processes, help privatization process etc.

Additionally, Kosovo economy faced rapid growth as consequence of very high presence of international agencies, while the local economy was not able do produce satisfactory to the GDP. Since 2008, declaration of independence, many international agencies moved from Kosovo, which fact affected directly and indirectly the whole economy and the GDP.

6.4. The recently established regional free trade agreements

Obviously recent free trade agreements did have negative affect on Kosovo and it’s trade balance with regional countries. However, this fact influenced all local producers to
**Major factors affecting the growth of emerging consulting companies in Kosovo**

improve their business process and quality to compete in regional market and be able to sell their goods outside Kosovo. Moreover, from these changes many local consultants face rapid change on demand for quality management systems, ISO implementation, strategic planning, marketing planning etc.

In general from the challenging point of view, the free trade agreements in the long term will have positive effects by teaching local producers and other companies about foreign and global competition.

**6.5. Economy**

Kosovo Economy and its fast developing phase in various fields is influencing majority of enterprises and investors.

The immediate increase of the GDP until 2002 was fairly affected by the large amount of international donor contributions, which amounted to approximately 900 million Euros and was concentrated in the construction of houses and infrastructure damaged by the conflict of 1999, did encourage creation of thousand of companies and radically increased employment. Afterward, this assistance had decreased considerably and by 2006 it is considered to be two times lower than in 2002. Which fact influenced economists, government and local producers to work harder toward ensuring economic development.

The adoption of Euro as a national currency has been in favor of sustainable monetary policies and exchange rates. The trade deficit remains high, whereas exports are scarce and due to limited production capacities for export and inability to cope the competition. The coverage of import with export is still very low, at about 8%. Therefore, majority of local producers are constantly cooperating with consulting companies toward advancing their business processes through implementing: quality management systems, strategic planning, market research’s, project management etc.
Major factors affecting the growth of emerging consulting companies in Kosovo

CHAPTER VII

7. Conclusion and Recommendations

From the results of research including: market research and consulting company surveys, there are many factors influencing consulting companies operating in Kosovo. According to the surveyed consulting companies main factors influencing them are: economy, technology and business processes. Conducting surveys in general in Kosovo are very difficult because of the very large presence of informal economy.

Recommendations have been complied from results of interviews, surveys with foreign consulting companies and national consulting companies.

It is recommended that consulting companies working in Kosovo assess all three groups of factors elaborated in this project, as this will help them to have a deeper understanding of their consequences. All the factors considered will to varying degrees affect the whole market. They also affect certain companies regarding their range of services.

- According to all interviewed and surveyed consulting companies, the most important factor is Economy in general, while its impact is very broad on company’s performance.

- Second most important factor according to interviewed and surveyed consulting companies is Technology in general, which shows the importance of investing in technology for ensuring competitive edge, providing professional services, maintaining the brand on the market etc. Therefore, consulting companies should constantly update their special software’s needed to produce services their offer in order to reduce costs of goods and provide more qualitative services.

- Third most important factor according to interviewed and surveyed consulting companies is Business processes. Almost every consulting company operating in Kosovo experiences constant need for improvement of its core business processes toward ensuring more efficiency and increasing the quality of it’s services. Therefore,
Major factors affecting the growth of emerging consulting companies in Kosovo

this factor deserves a special focus while it's very important for Kosovo national consulting companies in order to maintain they current market share, penetrate on the new markets, manage the global competition etc. Implementation of the ISO standards related to their specific nature of business is preferable while company will have worldwide standard processes and continual improvement system.

Consulting market and the first consulting companies in Kosovo started to develop from 2003, while this fact shows lack of long-term experience. Therefore, there is a need for special focus on these areas:

a) Constant research of the local and global economy toward anticipating future economic trends and market changes.

b) Follow technological trends and their use for production of services. By possessing latest technology, services to be offered can be more cost effective while company can establish competitive edge on their market.

c) Constantly improve business processes and watch world trends on quality and standardization. Continual improvement of business processes and not inspecting the results should be they key focus of every consulting company’s toward transforming the local traditional approach in to contemporary quality approach.

In addition to the factors elaborated through this project and the main three factors to be addressed by every consulting company in Kosovo as the most important according to interviewed and surveyed companies, there are also other elements related to the market and specific industry to be addressed. Informal characteristic of the Kosovo market which include informal economy, illegally awarded projects etc. should be analyzed in order to establish strategy to penetrate this particular unregulated market.

Consulting companies should develop and implement a framework for managing the security of their information assets. Prepare an independent assessment for their information security measures. They include protection of information, such as financial information, intellectual property, employee details, project proposals and ongoing projects, information entrusted to employees by customers or third parties.

Implementation of the above-recommended actions is critical for the fast-moving and very complex business environment of Kosovo. Therefore, adaptation and speed are often emphasized as critical to success in turbulent environments and transition markets.
### Major factors affecting the growth of emerging consulting companies in Kosovo

#### Annex I

**Phase one interview of consulting companies operating in Kosovo and abroad**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DCE</td>
</tr>
<tr>
<td><strong>General Factors</strong></td>
<td></td>
</tr>
<tr>
<td><strong>How Technology is affecting the way your company is doing business?</strong></td>
<td>Technology is very important element of our business scope. Constantly we adopt new software's and consulting needed for new technologies implemented on local market by producers etc.</td>
</tr>
<tr>
<td><strong>How Globalization is influencing your company in general including markets?</strong></td>
<td>Only few consulting companies in Kosovo are doing international business. Therefore, local consultants are not much influenced by globalization and it’s characteristics.</td>
</tr>
</tbody>
</table>
### Major factors affecting the growth of emerging consulting companies in Kosovo

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Does Innovations influence your company?</strong></td>
<td>DCE as engineering and consulting company is committed to follow all innovation in business opportunities, management, marketing and technology used on these fields.</td>
</tr>
<tr>
<td><strong>What are advantages and disadvantages for Fast changing market?</strong></td>
<td>On the fast changing market every company has a need to constantly improve itself which fact improves quality and opens space for service companies.</td>
</tr>
<tr>
<td><strong>East Europe Factors</strong></td>
<td></td>
</tr>
<tr>
<td><strong>How transition as being par of post communist markets is effecting the market and local companies performance?</strong></td>
<td>Transition as phenomena of transforming the society from communist view to market economy is the main factor for general development of the society. Also it creates space for new ideas and new business.</td>
</tr>
<tr>
<td><strong>Does Privatization Process in Kosovo affect your</strong></td>
<td>Not much, privatization started in 2003 and only some large SOE-s privatized required</td>
</tr>
</tbody>
</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>DCE</th>
<th>UBO</th>
<th>MDA</th>
<th>QualityPro</th>
</tr>
</thead>
<tbody>
<tr>
<td>company?</td>
<td>consultancy during privatization while foreign companies were engaged.</td>
<td>there are hundreds of companies to be privatize. Their privatization will mean that they be more effective while influencing positively the whole economy.</td>
<td>also consulting companies.</td>
<td>mean they will have to invest in quality in order to be competitive on local and regional markets. Therefore, they required quality management implementation where our company is taking place.</td>
</tr>
<tr>
<td>Do you face any problems or challenges related to Quality in general?</td>
<td>Quality is becoming more and more important part of discussion in business community in Kosovo. DCE is very engaged in quality management implementation as a new service for Kosovo market required since not more than 5 years.</td>
<td>Quality theories and requirements are becoming part of our society too while successful and large companies are very interested to implement quality management systems.</td>
<td>Quality is integral part of every business, product or service. The more we deal and implement quality systems will provide us with more opportunities.</td>
<td>Quality in general is the main part of our company. We offer quality management systems mainly ISO:9001.</td>
</tr>
</tbody>
</table>

**Kosovo Factors**

| What is the role of TAM-BAS for company and percentage of project implemented through TAM-BAS | TAM-BAS project is very important for the local market in general. Through paying partially consulting expenses as donation for Kosovo they educate local companies to constantly improve their | TAM-BAS has an important role for developing Kosovo market but it’s not crucial for any company’s success. | TAM-BAS project is very important for development of local consulting companies and advancement of business processes for local companies. Project helps | They help consulting companies penetrate the market, advance their consulting skills and they become a vital bridge between clients and consultants. |

48
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>involvement?</td>
<td>business process through consultancy involvement.</td>
</tr>
<tr>
<td>Role of International Agencies aid to Kosovo toward increasing demand for consulting services?</td>
<td>International Agencies play a very important role for Kosovo market in almost every field. Every company operating in Kosovo registered some kind of benefit from their involvement on the market. Recently international agencies are helping local institutions to become more effective on their daily activities. They sponsor trainings, MIS implementation, external experts etc. while local consulting companies are engaged to implement these capacity building actions. International Agencies after the war in Kosovo sponsored hundreds of projects implemented by local consultants for capacity building of newly established Kosovo institutions.</td>
</tr>
<tr>
<td>Explain how recent free trade agreements did effect local market through encouraging demand for consulting services (need for quality and business processes)</td>
<td>Local production companies faced quality problems while they were forced from competition to implement quality management systems like ISO:9001 etc. from local consultants. It affected directly almost all production and trade companies to engage consultants in order to find alternative ways to compete with regional competition. They did influence all local producers to implement quality management systems especially ISO standards while local consulting companies benefited through this increase of demand. There were no much changes on the market through these trade agreements expect legal and quality issues, which were considered more seriously by local producers.</td>
</tr>
</tbody>
</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DCE</td>
</tr>
<tr>
<td>How Kosovo Economy in general is affecting your company?</td>
<td>Economy in general is influencing every company including consulting companies. There would be no demand for consulting services if there wouldn’t be economic activities. This also can be explained with increased demand for consultancy in Kosovo only after emergency phase was finished and economic development started after 2004.</td>
</tr>
</tbody>
</table>

Compiled from interviews with these companies done during early November and December 2009.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th></th>
<th>DCE</th>
<th>UBO</th>
<th>MDA</th>
<th>Quality Pro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Globalization</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Innovation</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Fast changing Markets</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>East Europe Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Communist Markets</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Privatization</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Business Processes</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td><strong>Kosovo Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAM-BAS</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>International Agencies</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Free Trade Agreements</td>
<td>7</td>
<td>3</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Economy</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

All 4 companies used numbers from 1 to 10 (1 is less important and 10 is most important) to rate the importance of five factors influencing growth of consulting companies.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Marketing Mix</th>
<th>“B2” Marketing Agency</th>
<th>ADV Mediahouse</th>
<th>Rrota</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How Technology is affecting the way your company is doing business?</strong></td>
<td>Technology is part of every day life and work. In marketing we use computers, computer sofware, internet etc.</td>
<td>Only computer software’s specialized for design and animation concern us and are directly linked with the services we offer.</td>
<td>Internet, new software’s for web-development, web-design are very much on our concern since we opera as IT consulting company.</td>
<td>As a IT consulting company we depend mainly in technology and it’s components. Technology is work, therefore, we study and deal with it constantly.</td>
</tr>
<tr>
<td><strong>How Globalization is influencing your company in general including markets?</strong></td>
<td>Globalization is very important for economy in general but our company has no particular affect from it.</td>
<td>Not much, only regional free trade agreements helped us benefit in regional countries, especially Albania.</td>
<td>We opera only in Kosovo, therefore, we see no affect of globalization in our market and our company.</td>
<td>Our very existence as IT consulting company is based on positive result of globalization. We are IT consulting company working in Kosovo while our main customers is AT&amp;T in USA.</td>
</tr>
<tr>
<td><strong>Does Innovations influence your company?</strong></td>
<td>We provide marketing solutions to our clients, while innovation in general it’s not important part of our scope.</td>
<td>Innovation in general including new products and services offered by banks and other companies helps us directly since we are the one to advertise them.</td>
<td>Of course, since we constantly adopt new software’s and constantly advertise through internet new products offered by our regular clients.</td>
<td>We constantly follow all innovation in telecommunication since we have to be up to date in order to maintain our pressures clients.</td>
</tr>
<tr>
<td><strong>What are advantages and disadvantages for Fast changing market?</strong></td>
<td>They can create market even for new companies with very low expertise and experience.</td>
<td>Fast changing markets create only problems and push companies invest constantly in marketing research and advertising.</td>
<td>There are only disadvantages since the deregulate the market.</td>
<td>There are advantages and disadvantages of fast changing markets while we consider that this phenomena has more negative sides.</td>
</tr>
</tbody>
</table>
### Major factors affecting the growth of emerging consulting companies in Kosovo

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of 4 other consulting companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marketing Mix</td>
</tr>
<tr>
<td><strong>East Europe Factors</strong></td>
<td></td>
</tr>
<tr>
<td>How transition as being par of post communist markets is effecting the market and local companies performance?</td>
<td>Transition in general can be considered as a phase while Kosovo is becoming a capitalist state and expanding it’s market. We all depend on the performance of transition in general.</td>
</tr>
<tr>
<td>Does Privatization Process in Kosovo affect your company?</td>
<td>Privatization in Kosovo affected directly also our company since it was a very large and important project for the health of the economy.</td>
</tr>
<tr>
<td>Do you face any problems or challenges related to Quality in general?</td>
<td>Quality is what we offer.</td>
</tr>
<tr>
<td>What is the role of TAM-BAS for company and percentage of</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of 4 other consulting companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marketing Mix</td>
</tr>
<tr>
<td>project implemented through TAM-BAS involvement?</td>
<td></td>
</tr>
<tr>
<td>Role of International Agencies aid to Kosovo toward increasing demand for consulting services?</td>
<td>International Agencies play a very important role in Kosovo. They support and initiate many project in almost all fields toward helping Kosovo development process.</td>
</tr>
<tr>
<td>Explain how recent free trade agreements did effect local market through encouraging demand for consulting services (need for quality and business processes improvements)?</td>
<td>They might just increase the need for local producers to plan ahead their business activities.</td>
</tr>
<tr>
<td>How Kosovo Economy in general is affecting your company?</td>
<td>Economic development of particular country is key to success of all companies operating in particular country. Therefore, we all</td>
</tr>
</tbody>
</table>
**Major factors affecting the growth of emerging consulting companies in Kosovo**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of 4 other consulting companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marketing Mix</td>
</tr>
<tr>
<td>depend on macroeconomic indicators.</td>
<td>majority of local companies. If economy is going up, they will invest in new projects while our services are required.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Marketing Mix</th>
<th>B2</th>
<th>ADV Mediahouse</th>
<th>Rrota</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Globalization</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Innovation</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Fast changing Markets</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>East Europe Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Communist Markets</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Privatization</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Business Processes</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Kosovo Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAM-BAS</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>International Agencies</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Free Trade Agreements</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Economy</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>1</td>
</tr>
</tbody>
</table>

All 4 companies used numbers from 1 to 10 (1 is less important and 10 is most important) to rate the importance of five factors influencing growth of consulting companies.
**Major factors affecting the growth of emerging consulting companies in Kosovo**

**Annex II**

**Survey of four foreign service/consulting companies**

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acenture</td>
</tr>
<tr>
<td>How Technology is effecting the market changes, new services and companies performance?</td>
<td>Technology as rapid changing phenomena is affecting every service firm including us and our nature of services we offer. It creates space for new jobs to deal with new technology.</td>
</tr>
<tr>
<td>What is the role of Globalization for your company?</td>
<td>Globalization is very important for projects important to be implemented abroad.</td>
</tr>
<tr>
<td>Role of Innovations?</td>
<td>Innovations can be considered as result of knowledge driven societies while main success of these societies is support and high investments on research and development</td>
</tr>
</tbody>
</table>
### Major factors affecting the growth of emerging consulting companies in Kosovo

<table>
<thead>
<tr>
<th>Factors</th>
<th>List of Companies and their view for these factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acenture</td>
</tr>
<tr>
<td></td>
<td>Atos Origin</td>
</tr>
<tr>
<td></td>
<td>Pohl Consulting</td>
</tr>
<tr>
<td></td>
<td>R3</td>
</tr>
<tr>
<td>What is the affect of Fast Changing Markets?</td>
<td>Fast changing markets in third world provides us space important to enter their market.</td>
</tr>
<tr>
<td></td>
<td>There are advantages and disadvantages from fast changing markets since no there are companies that benefit and others that fail to manage their past market and regular clients.</td>
</tr>
<tr>
<td></td>
<td>Fast changing market can increase the need for quality and perfect competition.</td>
</tr>
<tr>
<td></td>
<td>According to our experience there are positive and negative sides of fast changing markets. Until now we benefited from fast changing markets by entering in Kosovo and Albania only because their market faced radical changes and we found space for our services.</td>
</tr>
</tbody>
</table>
### Major factors affecting the growth of emerging consulting companies in Kosovo

<table>
<thead>
<tr>
<th></th>
<th>Acenture (London, UK)</th>
<th>Atos Origin (London, UK)</th>
<th>Pohl Consulting (Germany)</th>
<th>R3 (Skopje, Macedonia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Globalization</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Innovation</td>
<td>6</td>
<td>9</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Fast Changing markets</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>9</td>
</tr>
</tbody>
</table>

All 4 foreign companies used numbers from 1 to 10 (1 is less important and 10 is most important) to rate the importance of these four factors influencing growth of service/consulting companies.
Major factors affecting the growth of emerging consulting companies in Kosovo

Annex III

CAPSTONE PROJECT CONSULTANT

Mr. Faton Aliu, M.Sc

+377 44 120 943
faton.aliu@dce-group.com

Faton Aliu, currently working as Managing Director, trainer and consultant in the company DCE. Prior to that he worked for four years as director of information technology department at the American University of Kosovo. Faton is also the author of "Multimedia" TV program which appears now 6 years on public television of Kosovo, RTK. He has completed Master studies in Management Services at Rochester Institute of Technology in AUK.

Bachelor studies completed in 2005 at BSU in Business Administration in USA with a specialty running for Management Information Systems. In 2006, he was certified by the German Society for Quality and the European Organization for Quality as Quality Systems Manager, and in 2008 as Head Auditor by IRCA-International Register of Certificated Auditors.

Faton has several years experience in auditing and management of business processes Kosovo and international companies, and many projects implementing ISO standards. He also has published the book "The implementation of quality management system based on ISO 9001 (practical guide), which simultaneously is the first book in Kosovo for ISO 9001. Finally in June 2009 is certified as lead auditor for safety management system information according to ISO 27001:2005.
Major factors affecting the growth of emerging consulting companies in Kosovo

Annex IV

Starting a Business in Kosovo

Standardized company

Legal Form: Limited Liability Company (LLC)
City: Pristina

Registration Requirements Summary:

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Time to complete</th>
<th>Cost to complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Open a bank account and deposit the minimum charter capital.</td>
<td>1 day</td>
<td>0</td>
</tr>
<tr>
<td>2. Request and obtain the business certificate and the 'Business Information' document at the Kosovo Business Registration Agency (KBRA).</td>
<td>10 days</td>
<td>0</td>
</tr>
<tr>
<td>3. Pay business registration fee at a bank.</td>
<td>1 day</td>
<td>15 EUR</td>
</tr>
<tr>
<td>4. Make a company seal.</td>
<td>1 day</td>
<td>0</td>
</tr>
<tr>
<td>5. Request and obtain a municipality licence.</td>
<td>10 days</td>
<td>0</td>
</tr>
<tr>
<td>6. Municipality Technical Committee obtain a tax number from the tax authority at the Ministry of Economy and Finance.</td>
<td>1 day</td>
<td>0</td>
</tr>
<tr>
<td>7. Register the company for Value Added Tax (VAT) with the tax authority at the Ministry of Economy and Finance.</td>
<td>1 day</td>
<td>0</td>
</tr>
<tr>
<td>8. Register employees for the pension scheme with the tax authority at the Ministry of Economy and Finance.</td>
<td>7 days</td>
<td>0</td>
</tr>
</tbody>
</table>

* Takes place simultaneously with another procedure.

Registration Requirements Details

Procedure 1:

1. Open a bank account and deposit the minimum charter capital.

Time to complete: 1 day.

Cost to complete: 0 EUR.

Name of Agency:

Comment:

Within 10 days from the date of incorporation, the company needs to submit a certificate of proof of depositing the minimum capital to the Business Registrar at Annex 1. The following documents should be submitted to the bank:

1. Business Certificate
2. Business Information Document
3. Company seal
4. Resolution on the opening of the company's bank account.

Procedure 2:

1. Request and obtain the business certificate and the 'Business Information' document at the Kosovo Business Registration Agency (KBRA).

Time to complete: 10 days.

Cost to complete: 0 EUR.

Name of Agency:

Comment:

In order to complete the registration process, the following documents should be submitted to the registry:

1. Business registration form. This form can be downloaded from the website at www.kbra.gov. If the website does not function properly, another form can be used.
2. Statute of the company
3. The certificate or lease contract
4. Certified ID cards of all shareholders.
5. A certificate stating the conditions to establish a business in Kosovo.

There is no requirement to reserve the company name prior to registration. Business names can be applied directly to the registry.

To ensure compliance with all the laws of the business in the registration form.

Procedure 3:
Major factors affecting the growth of emerging consulting companies in Kosovo

- Pay business registration fee at a bank
  Time to complete: 4 days
  Cost to complete: EUR 25
  Name of agency: Domestik

Procedure 4.
- Make a company seal
  Time to complete: 3 days
  Cost to complete: EUR 25-30
  Name of agency: Domestik

The seal is not legally required. However, the majority of businesses use a seal and deal with a third party interaction with the authority. Cost is between 25 to 30 Euros.

Procedure 5.
- Request and obtain a Municipality Tax
  Time to complete: 3 days
  Cost to complete: no charge
  Name of agency: Domestik

The municipality license fee is paid annually and depends on the commercial activity and varies between 50 to 1,000.

Procedure.
- Request and obtain inspection from the Municipal Tax Office
  Time to complete: 6 days
  Cost to complete: no charge
  Name of agency: Domestik

Name of/Agency:

- After obtaining the Business Registration Certificate from the Kosovo Business Registration Agency, the party must make a request to the Municipal Tax Office in Prishtina to conduct the inspection and submit the necessary documents.

Procedure 7.
- Obtain a tax number from the tax authority at the Ministry of Economy and Finance
  Time to complete: 1 day
  Cost to complete: no charge
  Name of agency: Domestik

The requirement to obtain a tax number has been applicable since 1 January 2001.

Procedure 8.
- Register the company for Value Added Tax (VAT) with the tax authority at the Ministry of Economy and Finance
  Time to complete: 2 days
  Cost to complete: no charge
  Name of agency: Domestik

The Value Added Tax (VAT) application is required only for companies with a yearly turnover of more than 80,000 Euros. The VAT registration form can be downloaded from the website of the Kosovo Tax Administration at www.KEV.Kosovo.

Procedure 9.
- Register employees for the pension scheme with the tax authority at the Ministry of Economy and Finance
  Time to complete: 1 day
  Cost to complete: no charge
  Name of agency: Domestik

Business certificates, copies of identification cards, and a completed registration form are required to register workers for pension.

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**Major factors affecting the growth of emerging consulting companies in Kosovo**

**Annex V**

Relevant Institutions of Kosovo important for private companies and their contact information

<table>
<thead>
<tr>
<th>Nr</th>
<th>Name of the Institution</th>
<th>Phone Number</th>
<th>Web</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ministry of Trade and Industry</td>
<td>038-512 164</td>
<td><a href="http://www.mti-ks.org">www.mti-ks.org</a></td>
</tr>
<tr>
<td>2</td>
<td>Ministry of Economy</td>
<td>038-213 254</td>
<td><a href="http://www.mfe-rks.org">www.mfe-rks.org</a></td>
</tr>
<tr>
<td>3</td>
<td>Tax Authority</td>
<td>038-200 255 - 21</td>
<td><a href="http://www.atk-ks.org">www.atk-ks.org</a></td>
</tr>
<tr>
<td>4</td>
<td>Customs</td>
<td>038-540 350</td>
<td><a href="http://www.doganat-ks.org">www.doganat-ks.org</a></td>
</tr>
<tr>
<td>5</td>
<td>Municipality of Prishtina</td>
<td>038-230 900</td>
<td><a href="http://www.pristina-komuna.org">www.pristina-komuna.org</a></td>
</tr>
<tr>
<td>6</td>
<td>Post and Telecom of Kosovo</td>
<td>038-500 555</td>
<td><a href="http://www.ptkonline.com">www.ptkonline.com</a></td>
</tr>
<tr>
<td>7</td>
<td>Kosovo Energy Corporation</td>
<td>038-240 245-297</td>
<td><a href="http://www.kek-energy.com">www.kek-energy.com</a></td>
</tr>
<tr>
<td>8</td>
<td>Kosovo Government</td>
<td>038-200 30 610</td>
<td><a href="http://www.ks-gov.net">www.ks-gov.net</a></td>
</tr>
<tr>
<td>9</td>
<td>Ministry of Public Administration</td>
<td>038-200 30 020</td>
<td><a href="http://www.ks-gov.net/MAP/">www.ks-gov.net/MAP/</a></td>
</tr>
</tbody>
</table>
Major factors affecting the growth of emerging consulting companies in Kosovo

Annex VI

List of Consulting Services

I. Management

1. Business process reengineering based on key performance indicators
2. Conflict management
3. Corporate social responsibility
4. Enterprise resource planning (ERP)
5. Event management
6. Quality Systems (ISO, HACCP, etc)
7. Human resource management
8. Leadership skills and teambuilding

9. Logistics management

10. Mergers and acquisitions
11. Managing organizational change

12. Manufacturing resource planning (MRPII)
13. Material requirements planning (MRP)

14. Negotiation skills

15. Procurement management
16. Risk management
17. Scorecard and performance management
18. Service operations management
19. Supply chain management
20. Time management

II. Finance

21. Corporate financial reporting
22. Cost analysis

23. Financial decision making
24. Managerial accounting

III. Marketing

26. Distribution Resource Planning (DRP)
27. Handling customer complaint
28. IT tools for marketing
29. Loyalty management
30. Merchandising
31. Price optimization models
32. Product development and branding
33. Sales management

IV. IV. Information Technologies

34. CAD/CAM packages
35. Customer Relationship Management (CRM)
36. Modeling, optimization and simulation

V. V. Core Consulting Skills

37. Benchmarking
38. Code of ethics for consultants
39. Conflict resolution
40. Contract negotiations
41. Data collection and analysis
42. Express diagnosis of a business
43. Managing client relationships
44. Marketing consulting services

45. Project management

46. The management consulting process
Major factors affecting the growth of emerging consulting companies in Kosovo
Annex VII

Statistics of Worldwide Consulting Services

The Consulting Industry has grown at around 12% per year

Management consulting services

Information technology dominates the consulting market
Major factors affecting the growth of emerging consulting companies in Kosovo

Geographic market
North America is by far the largest management consulting market

Total world market size is estimate
Major factors affecting the growth of emerging consulting companies in Kosovo

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