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

Prepared and presented by:
Lekë Zogaj
leke.zogaj@gmail.com
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Agenda

- Problem introduction and background
- Factors affecting growth of consulting companies
- Results of interviews and surveys
- Consulting services and strategies
- Conclusion and Recommendations
Introduction

- This capstone project gives a general and specific background of consulting market in Kosovo and factors influencing it.

- Establishment of consulting companies and its market started after the emerging phase of post 1999 war.

- The project is focused on the major factors involved form the basis of the problem that are described on this project.
Kosovo Consulting Companies

- General Factors
- East Europe Factors
- Kosovo Factors
General Factors

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

Starting from the mid-1990s, the technological revolution and IT was the sector, which challenged the world economy and changed the 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.
Worldwide industry market share

Information technology dominates the consulting market

- Information Technology: 51%
- Strategy: 18%
- Operational Management: 21%
- Human Resources: 10%

Source: Kennedy Consulting Research & Advisory
General Factors

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.

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.

Global trade analysis led to two economic theories:
• Comparative advantage theory
• Absolute advantage theory
General Factors

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.
General Factors

Fast changing markets

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.

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
East Europe Factors

1) Post communist market
2) Privatization
3) Business Processes
East Europe Factors
Post communist market

All countries with previous communist political systems which included directed economy and centralized market faced a long and difficult period of transition.
East Europe Factors
Privatization

Privatization as necessary phenomena of post communist countries was dominant process during their transition.

Generally we have 3 methods of Privatization:

• SIP – Share issue Privatization
• ASP – Asset sale Privatization
• VP – Voucher Privatization
East Europe Factors Business Processes

Western experience on Quality Management are:

• TQM – Total Quality Management
• ISO – International Organization for Standardization
• Just in Time Management
• Lean Manufacturing
• Six Sigma
East Europe Factors
Business Processes

Source: www.iso.org
Kosovo Factors

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

“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.
“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”
Kosovo Factors
TAM-BAS funding

EU – 49%

Bilateral – 31%

Other – 20%

Source: TAM-BAS Report 2008
Kosovo Factors
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.

Development agencies of the most developed countries of the world take largest part of international aid including USAID, DFID, GTZ, IFC, PEP BSS, SIDA, Olof Palme, ACT etc. and international agencies like UNDP, UNCF, IOM, European Commission, European Bank for Reconstruction and Development etc.
Kosovo Factors
Recently established free trade agreements

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

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.
Kosovo Factors
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. The unemployment rates fluctuate from around 30% (FMN 2004) up to 40% (ESK, 2006).
GDP of Kosovo during the period 2001 – 2006, in millions of Euros

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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</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>
<td>2,667</td>
</tr>
<tr>
<td>Investments</td>
<td>661</td>
<td>603</td>
<td>572</td>
<td>594</td>
<td>600</td>
<td>618</td>
</tr>
<tr>
<td>Net Export</td>
<td>-901</td>
<td>-780</td>
<td>-753</td>
<td>-800</td>
<td>-806</td>
<td>-808</td>
</tr>
<tr>
<td>GDP</td>
<td>2,439</td>
<td>2,447</td>
<td>2,420</td>
<td>2,505</td>
<td>2,453</td>
<td>2,477</td>
</tr>
<tr>
<td>Budget Revenues</td>
<td>307</td>
<td>498</td>
<td>492</td>
<td>635</td>
<td>609</td>
<td>655</td>
</tr>
</tbody>
</table>

Source: IMF report 2007
Number of foreign enterprises that have invested in Kosovo

<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><strong>TOTAL</strong></td>
<td><strong>1588</strong></td>
<td></td>
</tr>
</tbody>
</table>

Importance of Factors according to interviewed local consulting companies

- Technology: 60
- Globalization: 50
- Innovation: 40
- Fast Changing Markets: 30
- TAM-BAS: 30
- International Agencies: 20
- Recently Established Free Trade Agreements: 20
- Economy: 20
- Post Communist Market: 20
- Privatization: 20
- Business Processes: 20

Scores range from 0 to 60.
Importance of Factors according to interviewed foreign consulting companies

- Technology
- Globalization
- Innovation
- Fast Changing Markets
Consulting services and strategy

In the consulting business, the intensity of interaction is best expressed by the level of experience of professionals. According to David Maiser we have three types of project work:

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

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

- Procedure projects, address well-recognized and familiar issues.
Conclusion and Recommendations

Consulting companies working in Kosovo should 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.
Recommendations

According to interviewed and surveyed local and foreign consulting companies we see that there is a need for special focus on these areas:

• Constant research of local and global economy toward anticipating future economic trends and market changes.

• Follow technological trends and their use for production of services.

• Constant improve business processes and watch world trends on quality and standardization.
Helpful courses

- **Context and Trends**
  interdisciplinary thinking, research techniques..

- **Breakthrough Thinking, Creativity & Innovation**
  problem solving, change management., decision making...

- **Human Capital Strategies**
  HR planning, strategies, policies...

- **Strategic Process of Service Firms**
  Org. structures, procedures, policies and growth strategies
I would like to thank Professor Brian Bowen, capstone coordinator, for his direction and continued advice throughout this project. I would also like to thank all professors at AUK/RIT who lectured through entire my master studies.

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Questions!
Comments!