

CREATING CONSULTING SERVICES IN MOLDOVA: CASE STUDY CAA/PROCONSULTING

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INTRODUCTION

Business environment is in permanent changes that influence enterprises to catch every opportunity in order to be competitive on the market. Very often enterprises don't have enough knowledge and experience to use those opportunities. In this case the consulting companies can help them to get more information and abilities to become more active in organizing their business, managing changes of business processes. Professionals appreciate a lot programs that develop multilateral managerial skills, as capacities to analyze commercial situation, financial figures, abilities to organize teamwork and effective communication, decision making skills and solution providing in a wide range of managerial activities corresponding to the company needs and constantly changing business environment.

But the consultancy services in Moldova also are still under developed. Until now it has been dominated by 3rd party (donor) financed projects aimed at economic development and social development. The commercial market for management consulting services is starting up slowly with services rendered by (international) consulting firms to the largest 150 companies in the country and small engagements to small and medium sized companies in relation with different problems such as elaboration of the business plan to obtain credit, how to set up a cost or financial management, how to manage marketing activities. To support our opinion that the implementation of changes in the companies will facilitate development of the consulting market we used study case approach. In order to argue our judgments we took the experience of a consulting company that started its activity under the donor projects.

CCA/Proconsulting has been quite successful in the past 7 years. Now the company is at the threshold of a new development phase and should prepare itself to participate in the anticipated changes in the need for professional services in the

coming years both in donor financed projects and in commercial engagements for the private enterprises.

The Managing Director is seeking advice how to anticipate the growth demand in the market for professional services and in particular he needs changes in the company strategy, the development of a commercial strategy and the translation of these new directions into internal organizational consequences such as requirements for streamlining the consulting process, the internal organizational structure and the staffing of key positions.

Before being able to make conclusions on how the business environment influenced the entrepreneurial behavior and adequately the consulting services, we had to become familiar with the ins and outs of the company and how the organization is operating in the market. Therefore a business review, including the analysis of the situation has been carried out. During the assessment we spent time in getting acquainted with the company's activities, results and achievements to date, met with all the people in the organization.

We also tried to get more familiar with the market for management consulting in Moldova by studying the available market information and data on the various competitors and met with representatives of various organizations active in professional services, business development and trade relations in Moldova. Thereafter we have worked with the Managing Directors and key people to discuss on how they see the changes in the strategy, business development, marketing and promotion and the internal organization of the consulting process and, in general, in the life of the consulting companies.

1. MARKET DEVELOPMENT AND MARKET POSITION

Moldavian consulting market still is in an early stage of development. Most consulting related services will for some time be dominated by donor financed projects. Areas of major interest are training on management, marketing, financial management, organizational development. Changes

in country and regional business environment and legislation, preparation for the implementation of the Free Trade Agreement with EU will drive the future needs for professional consulting services, in the beginning mostly provided by foreign international consulting firms in combination with local consulting partners.

Later on the process will be continued with local consulting companies that have gained experience in cooperating with foreign international firms. These local companies have gained experience by working together with international firms and have created a quality profile, which is essential in developing credibility with local industrial and non-industrial companies to become an important services provider.

Amongst around 150 consulting firms and NGO's are providing consulting related services in Moldova. Out of these 150 companies/firms around 15 are comparable with the type of portfolio the CCA/Proconsulting company has. Apart from four or five companies (Business Consulting Institute, Business Intelligent Services, Acsa, Agro Info) most of them are smaller, have a shorter track record and not such developed reputation. Big four audit international firms (Price Waterhouse Coopers, KPMG, Deloitte and Touche and Ernst and Young) are all bigger than the Moldovan consulting firms, but they, at the moment do any consulting work. This will rapidly change.

CCA/Proconsulting has a sound track record, a very good reputation with their beneficiaries, donors, banks and parties familiar with the company, particularly in rural development and agriculture, but also in implementing big development projects.

That reputation to a large extend is limited to the company's capabilities in facilitating obtaining loans and credits via the development of business plans and taking care of the related formalities in finalizing such procedures. It is clear now that this small portfolio basis will no longer provide for any guarantee for continuity for the company and thus a further analysis has to be made what kind of services, close to the firm's key competences can create better prospects for the future.

2. HUMAN RESOURCES

The status of HRM in the company is typical for a still relatively young owner managed business in a developing environment. Thus not much structure, little formalized systems and

structures, no job descriptions, no structural performance evaluation etc. and implementation of good ideas failing because of daily pressure of the business. Apart from one situation 2 years ago the labor force has been rather stable. Population currently consists of young (un-experienced) bright individuals who are eager to learn, but need guidance and direction. Staff positions in Finance, IT and Office management are well filled and the organization receives above average support.

The company is very weak in business development, marketing and sales and currently totally depends on the efforts made by the Managing Director. Not without success so far, but the environment is changing and this requires a quite different approach.

Training is envisaged by everyone, but is hardly ever taking place. As is the case with personal goal setting and defining objectives for people that go beyond their immediate tasks, which would direct them towards a contribution to the development of the organization as a whole. In the absence of any regular evaluation of the professionals' contribution by the Managing Director this is not felt to be a problem by the consultants, but it is for the Managing Director who would like to see the consultants to take much more responsibility and initiative.

Short communication lines are in place but the exchange of job related information is limited. Company wide information is seldom provided. Remuneration and motivational systems are considered to be very important to get and keep people involved and let them work hard and disciplined. However compensation systems are connected to individual output targets in projects and not to contribution of development of the company.

The terms of employment, particularly the variable part of compensation of an individual is therefore project related, which creates difficulties when the project is ended and no money is available to continue "motivational" payment.

3. ORGANIZATION AND CULTURE

The organization is formally split in two legal entities, but informally operates as one entity. And with reason as there has been quite some synergy to date. The organization structure is flat with ambitious young professionals and limited career opportunities. The familiar hierarchical distance between individuals in an organization formerly run in a communistic country (risk

avoidance, lack of initiative, lack of speaking up and taking risks) is still there, even within this young and ambitious group of people. The sense of being part of a (business) community is not very well developed, because the Managing Director as the leader in the organization has not consciously taken any actions to change the culture. Consequently people feel more committed to the work/project than to the company. Loyalty to the company and/or the shareholders is almost nonexistent.

4. OPERATIONS

Engagement and project management is rather individually determined. Basic registration and administration rules are in place and followed. Financial control of engagements with head of departments and regular reporting to top management is executed properly. Quality control exists but is not formalized in rules and procedures. Working paper files, client files and beneficiary files exist but are individual and not formalized in standard working paper files and in line with professional requirements. Engagement management is at the level one could expect from an organization in this stage of development. Moving on to the next stage requires upgrading of internal procedures, quality control and making processes transferable to newcomers.

Available office space does not allow for any further growth. Current use is already beyond maximum limits (need is there for meeting room, extra workplaces, interview rooms and training facilities).

5. FINANCIAL MANAGEMENT

Financial management is the responsibility of the Managing Director who is aware of all relevant details and is on the ball, concerning all financial matters. Appropriate automated accounting systems are in place. Reporting is up to date and on time. The systems seem adequate to cope with the different requirements for NGO projects and commercial business. Lucrative and creative solutions have been found and implemented to cope with legislative issues. In general the financial control over the company is rather sophisticated, considering the stage of the company's development and the local comparisons that can be made with similar organizations.

SWOT Analysis

Strengths:

- on top level sound network with influential people with donors, banks, government;
- good reputation, fine track record in deliverance of big projects;
- known for Financial Management expertise;
- developed internal organization, language skills.
- finances available for investments.

Weaknesses:

- on average limited experienced professionals in a narrow field of expertise;
- lack of business development marketing skills;
- limited sales capacity in specialized field (rural area, credit.);
- lack of setting priorities and direction and rigid follow up of execution (getting results).

Opportunities:

- emerging consulting market;
- large companies first;
- growing funds from EU, EBRD, bi-lateral for Institution Development, Management Training, and foreign investment projects;
- emerging consulting market with medium sized companies, particularly for practical Finance related services (accounting and bookkeeping);
- growing market for recruitment and selection (HRM) services;
- subcontracting and cooperation agreements with international consulting firms (language and culture).

Threats:

- inability of potential clients to pay for services;
- lack of interest with foreign companies to invest in Moldova;
- inability to acquire top level professionals with adequate commercial attitude and skills;
- failure in bringing workforce up to speed; knowledge, attitude, commercial and business orientation.

CONCLUSIONS AND RECOMMENDATIONS

The company has done surprisingly well taking into account the difficult business and legislative environment under which the organization had to be build up from scratch. With a good feeling for entrepreneurship the shareholders have in a balanced manner taken initiatives that have lead to a financially healthy organization that now will have to develop and invest in order to

participate in the gradually growing market of diversified consulting services.

Major fields of concern are the following:

- lack of clear direction (strategy, portfolio);
- business development capacity and capabilities;
- organizational development and culture;
- staffing key positions;
- office space/accommodation.

During the work we come up with a new and rather ambitious vision&mission for the company that has been basis for further developed recommendations: *Through our solutions we add value to our clients' businesses and help them grow their business and market share.*

In ten years the company tends to be the a leading consulting firm in Moldova offering a wide range of specialized services, some of them organized in separate business units, some of them in separate legal entities. Services and related solutions will be rendered to small (start-ups), medium sized and large companies.

The company sized, about 100 professionals, will be active on the not for profit and the commercial market. Not for profit will be covered by a small, but highly qualified and commercially successful NGO that will operate as the foremost fundraiser and project management entity in the Moldavian market for 3rd party financed projects. The commercial market will nationally and internationally be covered by a highly skilled consulting firm with a balanced workforce of young, older and seasoned professionals with an outstanding reputation in the market place. The consulting firm will operate as subcontractor for the NGO, but will also acquire (commercial, private and public) consulting projects independently, and might also operate under the flag of other NGO's and will solely provide services to organizations and companies and not to individuals.

Key to the success of the combined firms are and have been commitment to deliver top quality service, a proactive development and business attitude, an innovative climate and culture where people are challenged to continuously seek for new and surprising solutions for our clients' problems and develop themselves, a strong commercial business orientation and above all the attitude to enter into a true partnership with all our clients, small, medium sized and big.

A new organizational structure was proposed, which has led to numerous recommendations in the field of Human Resources Management, Organization and Culture, and the change management aspects relating to the implementation of a new organization, with new

activities, carried out in a different manner and requiring a complete different attitude from all people involved. Also it was proposed that CCA and Proconsulting legally should be separated but operationally closely together to maintain synergy.

The given conclusions resulted in the following portfolio recommendations:

CCA's (Business Advisory Center NGO) services portfolio concentrates on:

- Business Development in: Tourism, Agriculture/Trade, Public administration;
- Career Management e.g. in: Career Counseling, Training, Professional orientation;
- Tourism and Infrastructure.

Proconsulting will focus on the development and sale of professional services in the following domains:

- Investment Consulting, incl.: Business planning, Market research, Legal and Tax ,Partner Search, Credit/Loan brokerage;
- Financial Management, incl.: Financial analyses/Financial Planning, Cost reduction programs, ABC, Budgeting systems, Accounting and bookkeeping;
- Information Technology, incl.: Software development for financial analyses and planning, Standard packaged software sales;
- Human Resources Management in the longer term incl.: Recruitment and Selection, Search, Change Management, Reorganization and restructuring;
- Management Training in-company and open market: Management skills, financial management;

Based on the outcome of the assessment a business development plan has been recommended for the most urgent development areas, including necessary promotional actions, responsible jobholders and an indication of the required time input per identified action.

Larger and more diversified company now needs further formalization of functions and responsibilities in job descriptions and in compensation schemes and structure. Function structure: Junior Consultant; Consultant, Manager; Director, Partner.

Goals and objectives of senior professionals should partially be related to the contribution of the jobholder to the organization and should promote cooperation within the organization between units. Compensation should be linked to final results of the company and the contribution the own unit is making to that result. Compensation is build up from fixed basis salary, yearend bonuses and profit sharing.

Internal communication should be intensified (Flash news via the network, monthly company meetings, internal training courses, possibility to have lunch together, etc.)

Individual training plans should be developed and implemented. Individual goal setting, performance evaluation, coaching and counseling must be started up, two formal performance evaluation meetings per year, one with supervisor and one coaching/counseling session with Managing Director, well-structured and administered. Remuneration system has to be altered. The individual contribution should have a more direct relationship with a contribution to the development of the total company. Not only quantitative targets but also qualitative.

HRM is line management responsibility, final responsibility lies with managing director, possibly supported operationally by staff member. New way of goal setting and performance evaluation and counseling and compensation structure will be nothing less than a culture shock. Senior Management has to manage this revolution in change of attitude. Further growth of workforce in line with development of the changes in business, particularly in Accounting services, Investment Consulting and Financial Management. Establishment of business links with consulting firms in the west is crucial for the company's future.

Bibliography

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