Abstract

This paper explores management consulting in Serbia, which is analysed using the factors of its development. The most important drivers of the consulting market development in Central and South-Eastern Europe are the privatization and reorganization of state enterprises, the enlargement of the EU to the eastern region and the liberalization of national markets. The main goal of the research is to determine the most important factors in the development of management consulting in Serbia. Management consulting is in fact the result of managers’ need for integrated and complex business information. The basic idea of this paper was to investigate in the empirical way the influence of certain factors on the development of management consulting in Serbia. Empirical research was carried out by gathering relevant data on a sample of 150 consulting organizations in Serbia. The target group of the research is the management consultants who are included in the sample. The research by survey was conducted by telephone surveys and direct interviews. Factor analysis was used for singling out the factors that influence the development of management consulting in Serbia. Factor analysis has shown that the three most important factors in the development of management consulting in Serbia are: managerial capabilities and skills, project activities and transformation of enterprises and markets. The aim of this paper is to point out key factors in the development of management consulting in Serbia, inform economic stakeholders about the importance of management consulting and the ways how to use it.

Keywords: management consulting, development factors, projects, transformations, managerial capabilities.

Sažetak


Ključne reči: menadžment konsalting, faktori razvoja, projekti, transformacije, menadžerske sposobnosti.
Introduction

The analysis of the appropriate literature suggests that, through history, many organizations significantly improved their business performance, overcame the problems they encountered, and became stable business systems with the help of external experts [17]. Management Consulting is a professional assistance in identifying, diagnosing and solving problems related to various areas and aspects of business and management of enterprises. It is about supporting managers of companies to achieve their goals, solve business and management problems, identify and exploit new opportunities, increase their knowledge and use it in the suggested changes. Also, consulting services in relation to the establishing of enterprises, as well as training and education of managers and employees are included. Consultancy services may vary from case to case, depending on the goals which should be achieved, but the basic role is to increase the value and reputation of the enterprise, i.e. client, through the process of consulting. According to Ibatova [9] in the process of development and realization of human resources, it is necessary to take into account the harmonious individual development of each employee, his or her qualifications, flexibility, mobility, favourable social conditions, social activity and improvement of the whole way of life.

Srinivasan [22] pointed out that Management consulting is one of the earliest examples of outsourcing and it is often described as a global phenomenon because of numerous international consultancy firms involved in the national and transnational business [19]. The demand for consulting services is growing along with real needs, and it is tailored by: privatization, evaluation of enterprises, establishment of new small and medium enterprises as the premise of faster market economy development, new products, search for new markets, etc. The modern approach to non-financial support for small and medium-sized enterprises is based on the principle of building a private local market of services for development of businesses and this market meets the needs and financial strength of small enterprises in order to create a long-term sustainable, market-based solution. The role of local agencies for development is gradually shifting from providing certain services to helping entrepreneurs in connecting them with private providers of these services, improving offer, range and quality of services for development of business in a certain territory, and raising the awareness of entrepreneurs about their own needs and the importance of these services. Also, the analysing of the economic parameters of countries, during the EU accession phase, indicate that there were three main drivers at the same time: harmonising economic and social system with EU standards; economic development; maturing of the consultancy market, FEACO [27].

Literature overview

The current environment of globalization, rapid technological advances and economic turbulence have increased the challenges that managers face and, therefore, there is a need to find the right tools to meet those challenges [5]. Namely, technical progress does not circumvent any of the aspects of human activities [29]. It can be said with assurance that the business environment and conditions are constantly getting more complicated [25], and consequently the theory of doing business and management is changing rapidly, and it is expected that the changes will continue [18]. In such an environment, in order to survive, enterprises must be constantly changing and developing. Survival and development involve investing efforts in re-evaluation and reaffirmation of the competitive advantages of the enterprises and their positions on the market. In order to achieve this, large and worldwide well-known companies in the developed European market hire well-known consultancy firms as a way of support, allocating significant resources for this. Namely, the management consultancy market grew on average 6.6% per year while European GDP grew on average 2.1% per year in the period 2013-2018, as indicated by the research of the FEACO [28].

Serbia’s EU accession has imposed new rules in society and way of doing business. Such changes are a great prerequisite for the development of the consulting sector. Enterprises try to improve competitiveness by adopting of new products, technologies and services. It is pointed out that certain management practices and ways of
organization are not equally successful in different economic contexts, because of GDP, economic cycles, investments and ownership structure [2]. Therefore, the methods and tools of management consulting are interpreted as competitive advantages and as the main factor which contributes to strategic, tactical and operational efficiency [10] and the productivity of business processes [24], [31]. The need to learn about certain individual business processes initiates higher consulting involvement.

According to Djordjevic and Pecic [6] only those organizations which respond quickly to contemporary market trends and adapt to changes can remain competitive. Under such conditions it is necessary to establish a continuous education of managers as the basis of innovation [16]. However, the long-standing crisis of the domestic economy has led to a decrease in the accumulated capacity of the enterprises. Under such conditions, there is no substantial mass of resources needed for organizing the research process, nor willingness to accept the financial risks that these processes carry. The modest profitability of the company comes from the reduced investment in the activities of the development of research.

Consequently, the ability of the company to increase its own capital on the basis of a financial leverage, i.e. the difference between profit and interest rates, has been reduced. Because of that management consulting is considered as a variable that should take enterprises from an inefficient business zone in an effective and profitable business area. At the same time, the significance of the relationship between consulting and management in companies which operate according to modern principles is emphasized [32]. Dželetović et al. [7] think it could be said that the organization’s ability is to initiate and operate the activities and processes of ‘exploiting’ existing and create new knowledge among the key factors in creating the competitive advantage of organizations. In each organization human resources represent the driving force of the organization [23], and some studies prove that the human factor is most crucial in the management of business processes [33].

It is often assumed that management consulting represents an important source of external knowledge acquisition for enterprises [26]. The introduction of changes forces the employees of the organization to adopt new knowledge, gather more information, come to terms with new tasks, improve their skills, and often change their work habits, values and attitudes. This also includes changes in people - in management and staff, their capabilities, motivation, behaviour and work efficiency. Management consulting is an example of a professional service in which reputation plays a central role on the market between clients and labour [8].

However, all this cannot be achieved, at least not for the desired period, without the help of those who have already acquired large amounts of knowledge, gained experience, and who can successfully transfer to others. All this is possible because consultancy firms employ highly qualified individuals and emphasize creativity, innovation, autonomy, learning and development in relation to work [12]. Also, consultants can interview clients in order to measure customers’ satisfaction and identify problem points in the value chain. It is important to have a continuous feedback, as indicated by the research of the Center for the Study of Social Policy [4].

Management Consulting is a business model that is used for complex, one-time and supplementary business activities [21]. Namely, management consulting is one of the important factors for the efficient allocation of resources of the enterprises in Serbia and the improvement of business practice. As a model of learning and development of managerial skills and knowledge, it enables solving business problems and improving the business performance of enterprises in Serbia. New methods of making investment decisions require creating a link between economic, social and environmental resource allocation criteria. With the help of consulting which takes into account the situational approach in work, a balance can be achieved between: economic efficiency, socially responsible business and production standards. Consequently, the development of a successful business model is based on innovations [20] and the differentiation of the consultancy firm’s business offer, which leads to creating a sustainable competitive advantage [3].

Sustaining a creative consulting company, however, requires balancing the conflicting demands between short-term business development and long-term knowledge.
creation [14]. Consequently, a proactive approach in providing consulting services improves the efficiency and effectiveness of hiring of consultants [1]. In the domestic public consultancy services most often involve assistance in creating a business plan which is needed for applying for loans, or orientation training for potential entrepreneurs. Entrepreneurs, when starting and developing their own businesses, need help, first of all, in the form of non-financial support, so that their companies will grow and stay on the market. This can be seen in the consultancy services which provide information, consulting, mentoring, and training in various areas which are essential for doing business. Entrepreneurs who start their own business generally have little experience in managing an enterprise and doing businesses and do not have formal education in this field. Under such conditions, assistance and support in the initial period can significantly increase their chances of success.

Methodology of research

Empirical research was carried out by gathering relevant data on a sample of 150 consulting organizations in Serbia, and the criteria of factor analysis were met. Taking this into account it is possible to come to appropriate conclusions and generalizations. There we 126 involved in the data analysis which were correctly completed. The target group of research is management consultants who are included in the sample. Survey market research was conducted by telephone surveys and direct interviews. The questionnaire is designed in such way to provide sufficient data for the accomplishing the research task. There were also issues that exceed the set framework, and the answers are important for deeper understanding of this issue. Empirical research was carried out in the period between March and April in 2019. So-called SPSS (“Statistical Package for the Social Sciences”) was used for data processing and analysis. Factor analysis was used to point out to the factors that influence the development of management consulting in Serbia. Namely, factor analysis is a multivariate process that enables to determine a smaller number of basic variables which explain such interconnection by observing a large number of variables which are correlated. These basic / latent variables are known as factors [30]. Taking into consideration the state of factors which influence the development of management consulting in Serbia, as well as the experiences of countries that have gone through transition and countries in the region, the assumption about the most important factors of development has come up: The three most important factors in the development of management consulting in Serbia are: privatization, development of small and medium enterprises and EU projects.

Results and discussion

The survey covered a large number of features which show successful work of a consulting organization or consulting team. These features were used in the questionnaire in a way that it was expected from the respondents to evaluate the value of each feature. Variables are questions from the questionnaire. Each variable has a value from 1 (minimum value) up to 5 (maximum value): 1) Privatization of the enterprise, 2) Restructuring of the enterprise, 3) Market liberalization, 4) Consolidation 5) Foreign investments, 6) Information technology, 7) Network of research centres and universities, 8) Agency for development of small and medium-sized enterprises, 9) Serbian Chamber of Commerce, 10) Competition in the consulting market, 11) EU projects, 12) Managerial skills, 13) Education of managers, 14) Development research activities of enterprises 15) Structure of enterprises’ ownership, 16) Business activity of enterprises, 17) Number of employees in the enterprise, 18) Market share of enterprises, 19) Financing of consulting services.

Kaiser-Meyer and Olkin suggest a test measure that is named as MSA criterion - measure of sampling adequacy [13]. This test measure is calculated on the basis of the anti-image correlation matrix [30]. The MSA criterion shows the extent to which the observed variables belong to a common factor and thus serve as an indicator of how good is the correlation matrix for factoring. The values of the MSA criterion may vary between 0 and 1. Their value is higher if: a) a higher number of variables are observed; b) fewer factors; c) a higher number of participants; and g) greater correlation between the observed variables.
The following scale is proposed to evaluate the obtained MSA criterion (Table 1).

Table 1: Scale for the evaluation of levels MSA criterion

<table>
<thead>
<tr>
<th>MSA ≥ 0.9</th>
<th>marvelous</th>
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<tbody>
<tr>
<td>MSA ≥ 0.8</td>
<td>meritorious</td>
</tr>
<tr>
<td>MSA ≥ 0.7</td>
<td>middling</td>
</tr>
<tr>
<td>MSA ≥ 0.6</td>
<td>mediocre</td>
</tr>
<tr>
<td>MSA ≥ 0.5</td>
<td>miserable</td>
</tr>
<tr>
<td>MSA &lt; 0.5</td>
<td>unacceptable</td>
</tr>
</tbody>
</table>

Source: Kaiser, 1974;

Kaiser’s criterion yields a result of 0.740, which is a high value of the evaluation and it shows if the factor analysis can be applied (below 0.5 no factor). Bartlett’s test tests the hypothesis “The variables are unrelated”, and then shows the probability that the hypothesis is not rejected (Sig .000) (Table 2).

Table 2: Values of Keiser-Mayer-Olkin’s criterion and Bartlett’s test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>.740</th>
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<tbody>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>546.534</td>
</tr>
<tr>
<td>DF</td>
<td>136</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Author’s calculation

It can be noted that the average value is higher than 0.7, so the Kaiser’s criterion is sufficient for determining the factor, i.e. previous table. Also, in each case, the Scree-plot criterion can be used. Namely, the Scree-plot shows that there are six factors, as it has been determined by the method of specific values, i.e. by Kaiser’s criterion. This diagram shows the number of factors as the number of dots until it turns into the so-called “tail”, i.e. until the curve turns into almost the right line. There are six of these dots (from left to right). If you look at these dots, it can be see that there is a slightly higher drop to the seventh point, and then the line becomes almost completely straight. Consequently, it can be concluded that we extracted six factors. The starting point was the hypothesis: The three most important factors in the development of management consulting in Serbia are: privatization, support of the Agency for the Development of Small and Medium Enterprises and EU projects. The findings are following: Factor 1 describes 32.26%, factor 2 describes 14.35%, factor 3 describes 10.89%, factor 4 describes 7.3%, factor 5 describes 6.24% and factor 6 describes 6.01% of the issue which we are looking into. In total, these six factors describe and explain 77.05% of the issue in question.

We will accept the fact that variables which the factor is consisted of are in correlation with the factor. The coefficient of variables is higher than 0.6 (0.5 can also be considered).

- Factor 1 consists of: managerial skills, Network of research centers and universities, education of managers, structure of enterprises’ ownership, information technology, and development research activities of enterprises
- Factor 2 consists of: Agency for development of small and medium-sized enterprises, EU Projects.
- Factor 3 consists of: Restructuring of the enterprise, privatization of enterprises, market liberalization.
- Factor 4 consists of: Business activity of the enterprise, financing of consulting services.
- Factor 5: number of employees in the enterprise.
- Factor 6 consists of: competition in the consulting market, market share of the enterprises.

Variables are grouped into certain factors by their nature, and that is what factor analysis is used for. The first factor could be named: Managerial skills and capabilities. The second factor could be called: Project activities of enterprises. The third factor would be: Transformation of enterprises and markets. The fourth factor could be: Business-financial factor. The fifth factor is: Number of employees in an enterprise. The sixth factor is: Competition and marketing performances. The variables which certain factors are consisted of can be supplemented by lowering the criterion to 0.5, and then the presentation of each factor would be more detailed. Taking into consideration the results of empirical research, one can conclude the following: The three most important factors in the development of consulting services are: managerial skills and capabilities, project activities and transformation of enterprises and
The research led to a redefinition of the claim raised by the starting hypothesis, highlighting other factors because of the importance for the development of management consulting in Serbia.

The results of the research show that the development of management consulting in Serbia is determined by the managerial skills and abilities that are necessary for the transformation of domestic enterprises and the market, as well as the accomplishing project activities. The elimination of external restrictions and the return of Serbia to international economic trends has led to a significant increase in demand for new knowledge, experience and expertise, including those in the form of consulting services. In modern business, a great challenge for management is finding alternative ways to improve the process of decision-making [11]. There is specific interest for the programs of rehabilitation and restructuring of enterprises, but also for the formulation and implementation of the development strategy and networking with economic factors in the international market, introduction of information technology, improvement of performance management of enterprises’ basic functions, joint ventures, cooperation in terms of technology, etc. Introducing and using new management methods should contribute to expanding the awareness, skills and approach of employees, as well as to enable organizations to be more flexible and to permanently improve their competence, competitiveness and business success [15]. The introduction of market-based business in Serbia is a stimulus for consultants to expand the range of consulting services, because clients need to prepare themselves to rationally use internal and external professional and creative potentials.

**Conclusion**

The surveyed consultancy firms which operate in Serbia undoubtedly point out that the greatest influence on the development of consulting services in Serbia have the following factors: managerial skills and capabilities, project activities and transformation of enterprises and markets. This observation clearly indicates what are the issues consultancy firms and enterprises which use consulting should focus on. It also indicated that the state should focus on the above mentioned because all the participants in the process would benefit from the improvement in these areas: consultancy firms would get more jobs (and therefore more money, they would intensify its development); by using the services of consulting companies, enterprises would significantly accelerate their development and improve performance; the state would, if nothing else, get richer sources of financing the budget.

Consulting companies are increasingly aware of the crucial importance of learning and knowledge for their success and business. Their need to use knowledge is emphasized in the analyzed literature on management consultants and education management. When it comes to knowledge, the value of intellectual capital is emphasized. This approach highlights the economic value of human capital, knowledge and other types of unreachable resources for the enterprise. A part of the consulting knowledge can quickly become outdated and lose value. That is why it is necessary for a consultancy firm, as well as for the client, that the management knowledge is constantly being improved.

In modern business conditions, companies need to improve the ability to organize their internal communication, process and knowledge flows, all the way to continuous management support through education and diffusion of innovations. Knowledge sharing through management consulting has proven to be an effective method for using existing knowledge and facilitating its innovation.

**Acknowledgements**


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Katica Radosavljević was born on July 16, 1975 in Gothenburg, Sweden. Since 2000, she has been employed at the Faculty of Economics, University of Belgrade. She defended the doctoral thesis with the topic: The strategy of marketing channel development in agribusiness of the Republic of Serbia. Katica Radosavljević managed two projects related to the valuation of corporate capital. She also assisted on numerous projects.

Vesna Popović is PhD in economics and works as Scientific Adviser at the Institute of Agricultural Economics, Belgrade, Serbia. In master’s thesis, PhD dissertation, monographs, and articles published in scientific journals and presented at scientific meetings, she deals with issues related to international agricultural trade governance, sustainable agriculture and rural development, and land policy and planning. She is a member of the Serbian Association of Agricultural Economists and the Balkan Scientific Association of Agricultural Economists.

Branko Mihailović is Scientific Adviser at the Institute of Agricultural Economics in Belgrade, Serbia. In master’s work, doctoral dissertation, monographs and papers published in domestic and foreign professional journals and presented at scientific meetings of national and international importance, he deals with consulting, enterprise restructuring, transition and agrarian economics. Based on previous scientific research, the Ministry of Science and Technological Development of the Republic of Serbia assigned him a category of researchers A1.