

# Management Consulting As a Factor in Transfer of Good Practices for Managerial Know-How<sup>1</sup>

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## *Abstract*

*Transition process and Serbia's entering into the European Union is possible to hasten by adequate and timely consulting services, before all during the programs and methodologies creation for conducting the enterprises' restructuring processes. In such conditions, the consultative organizations help the enterprises in accomplishing their goals, solving problems in business and management, identifying and using new possibilities, increasing their knowledge and applying suggested changes in the practice. The consulting represents a specific activity of helping the companies' managers to solve the problems in business for which they have no enough expertness, knowledge and experiences. In modern market economies, and especially those in which aspire to build the market mechanisms, the consulting is a result of a need for adequate and timely information, as a key factor of business success. Necessity of overall transformation requires knowing the specific activities and interventions, which are a catalyst of building the efficient companies of market economy.*

**Keywords:** consulting, management, consulting organizations, know-how.

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## **Introduction**

The consulting represents a specific activity of helping the companies' managers to solve the problems in business for which they have no enough expertness, knowledge and experiences. In modern market economies, and especially those in which aspire to build the market mechanisms, the consulting is a result of a need for adequate and timely information, as a key factor of business success.

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Domestic companies have done business in non-market conditions and had not made professional and dynamic managers, who manage the changes successfully. Necessity of overall transformation requires knowing the specific activities and interventions, which are a catalyst of building the efficient companies of market economy (Mihailović, 2007, p. 14).

After the year 2000, the consulting in Serbia became very intensive, aggressive, poorly controlled and therefore very vulgar. In accordance to initiated economic reforms, the development of consultative services market is in direct dependence from the course of transition process and domestic enterprises restructuring. At the same time, elimination of external limits and returning Serbia into international economic courses had caused significant increase of demand for new knowledge, experiences and expertise, including those in the form of consultative services.

Special interest has been related to programs of enterprises' rehabilitation and restructuring, but also to conceptualization and implementation of development strategy and networking with economic active participants on international market, introduction of information technology, performance improvement for managing main functions of the enterprise, joint ventures, technological cooperation and similar.

The enterprise's privatization requires knowledge and creativity, which represents important consultative organizations' field of activity. Introduction of market oriented business in Serbia represents stimulus for consultants, in order to enlarge the assortment of consultative services, all the better that clients have to prepare to use rationally internal and external professional and creative potentials.

However, Serbia is not a member of international consultative associations, which can unfavourably effect further consulting development, as well as on lack of information in companies on consulting positive effects. Significant support to consulting sector development would realize through forming national association of consultants, considering that the international associations are focused on coordination of consultative work on national and regional level.

On advancement of consultative services quality and consultative market development surely effects international competitiveness. Multinational and national organizations are private, almost without exception, while the partners, i.e. the most prominent and the most qualified consultants, are carriers of major shares (Kubr, 1995, p. 6).

It is normal, considering that professional and personal interest of the consultant necessary leads to the following – on the consulting market are offered the services of high quality, according to internationally recognized standards. Simultaneously encourages the fact that, in Serbia, certain number of important consultative and engineering organizations have privatized, i.e. have transformed in holding companies, as well as there had been formed certain number of smaller qualitative organizations in private property for providing consultative, engineering and software services.

## 1. Consultants for a quality management system

The standards give the production a common language. In this way communication is easier, and marketing more successful. The standardization helps producers to insure a product which is required and can be sold, while helps buyers to get the quality they want. Big supermarkets associations introduce the quality standards, which the production has to fulfil. Those standards refer to bio-chemical characteristics, external look (mass, colour, diameter of fruit) and presence of harmful matters (nitrates and heavy metals, pesticides' residuals, phyto-hormones). It is about, primarily, EUREGAP 13 for agricultural production and HACCP in processing industry (Presna et al., 2006).

Those standards appeared as consumers reaction to a phenomenon of unsafe food during the livestock diseases epidemic (mad cow disease, foot-and-mouth disease), as well as of fear from introducing the genetically modified food. The EUREGAP is the standard which covers all main aspects of production, like managing land, crops growing and gathering. It also deals with pollution issues, labour treatment and environment protection.

It follows the production from sowing (analyzes origin of seeds and soil history), through growing (follows the use of herbicides, pesticides and fertilizers – quantity, type, quality, place and method of application), irrigation and gathering (hygiene level and a way of storing), to packing, transport and placing a product to a store shelves.

The standard HACCP represents a system which identifies, considers and controls risks, important for food safety. The risk includes biological, chemical or physical agents in food, with potential to cause unfavourable activity to human health. Needs for the HACCP are caused by the following factors: increasing number of polluters, increasing care of health due to hygienic food contamination, increasing risk of diseases caused by chemical problems in food production, new technologies and life styles and reducing threshold of the people, and also the world trade requires the international harmonization.

The HACCP provides numerous advantages. The most important are the following: provides a preventive system for food production, more effective and more efficient supervision by the government with less inspection, responsibility for food safety transfers to industry, helps food producers to be more competitive on the global market. A stimulus for higher organic production in Serbia is small and medium companies in the field of fruit processing. The HACCP standard (hazard analysis of control critical points in production) in Serbia has introduced 12 companies in the field of fruits and vegetables processing (Malina Produkt, Mondi Food, Sirogojno, Hibrid, Libertas, Flora, Vulić Vulić, Jevremovac ABD, Zadrugar), while the firm Libertas from Sabac, which deals, except processing, with growing fruits and vegetables, has got the first EUREGAP certificate in Serbia. Although, still high percentage of Serbian producers and processor of food, poorly or not at all, have been introduced to the food safety standards.

In accordance with the professional integrity criteria, the companies in agro-complex should consider the following moral principles, when choose a

consultant for the quality management system. The consultant should (Directives for selection of a consultant for the quality management system and its services use, 2005):

- To avoid or report any conflict of interests, which can have an impact to a business,
- To keep safety of information, got or taken from companies,
- To keep its independence from certification body/registration of the quality management system or accreditation bodies,
- To keep impartiality during the certification/registering body by the organization,
- To provide a real assessment of costs for provided consulting services,
- Not to make unnecessary dependence on its services,
- Not to offer services if he does not have necessary competence.

Taking into consideration that there is a great demand, in Serbia, for consulting services in the field of introduction and implementation of standards in production and quality management, there will consider necessary professional competence of the consulting organization for this type of consulting projects. The factors of its professional competence represent more developed and, to some extent, modified form of previously stated determinants of a consultant's competence.

When chooses a consultant for the quality management system, the organization should evaluate if the consultant has the competence which suits to a size and a content of the consulting services, he should provide. The competence has been defined in ISO 9000, as a demonstrated ability for application of knowledge and skills. As such, it comprises: personal characteristics, education, knowledge and skills, knowledge and skills specific for the quality management, knowledge and skills specific for the organization, work experience, keeping and improving the competence (Directives for selection of a consultant for the quality management system and its services use, 2005).

The personal characteristics contribute to a successful activity of the consultant for the quality management system. Generally, the consultant for the quality management system should have numerous personal characteristics, which will help him during his work in a company. The consultants for the quality management system should have adequate education, necessary for implementation of knowledge and skills in regard to the provided consulting services.

Besides, from the consultants for the quality management system are expected to understand and apply the relevant international standards (ISO 9000, Systems for quality management – Groundwork and dictionary; ISO 9001, Systems for the quality management – Requirements; ISO 9004, Systems for the quality management – Guideline for performances' improvement; ISO 19011, Guideline for checking the quality management system and/or a system for the environment management), as well as other relevant international standards. Also, the consultant must know other standards necessary for the consulting services.

The consultants for the quality management system should have a general knowledge on: a) standardization, systems for certification and accrediting on the

national and international level, b) processes and procedures for the national certification of products, systems and personnel. The consultants for the quality management system must know some appropriate principles, methodologies and procedures and to be capable to apply it.

The next list points out to such fields where the consultant's experience and ability can be useful: principles of quality management; tools and techniques for permanent improvement; adequate statistical techniques; methodologies and techniques for checking; principles of the quality economy; team work techniques; PDCA (Plan-Do-Check-Act) methodology; methodology of policy development; techniques of a process mapping; techniques for problems solving; techniques for tracking satisfaction of users/employees; brainstorming methods. Being introduced to the law requirements and other regulations, which refer to the organization activities and the consultant's workload, are important for the consulting in regard to the quality management system.

However, there cannot be expected from the consultants for the quality management system to have the experience in application of this knowledge before starting their services. The relevant knowledge in this field considers typical requirements from the law and other regulations for the organization's products (for example, from ISO 9001).

During the analysis of a consultant's offer, before he accepts it, a management of a company/client pays special attention to how it is correct, i.e. if it includes some unnecessary and unfavourable items:

- Consultant has suggested too expensive approach (e.g. broad data collection, using more samples than necessary, elaboration of oversized number of alternatives, supply of expensive patent systems or equipment – *hardware* etc.).
- Proposal of the project anticipates engagement of highly-professional and more expensive experts (more senior consultants) than necessary in that case,
- Consultants suggest their people for jobs the client can do by himself or with some training and directing (Kubr, 1995, p. 104.).

The consulting services, connected to ecology and the environment requirements, are relatively new, but there considers that in the future this segment of the consulting services market will have more significance. In support of this conclusion is a fact that this sector strengthens in many countries, which have joined the EU. What is sure is that those services are interdisciplinary. The consulting organizations, which basic activity is accounting, managerial and engineering consulting are present also in this market segment.

## **2. The role of management consulting in restructuring of enterprises**

The crisis increases the entropy, i.e. enterprise's disorganization. In consideration that the entropy is defined as ambiguity measure, as a consequence of uninformed system, there can be consequently concluded that the entropy

decreases in organization, as a system, with additional information. Therefore is necessary continual and adequate research, in order to provide always real information on problems in functioning, information on market, i.e. buyers and competitiveness. Such information provides to the enterprise that, through own action and business, decreases its own system entropy, or prevents its growth (Mihailovic et al, 2009, p. 133-139).

Domestic companies have to perform important changes due to emerge from economic crisis. There is a large number of individual changes and interventions which could be implemented in each company in order to upgrade its commercial results. In a situations where performances of companies could not be evaluated as satisfactory, changes are needed in the section of organization, composition of transactions, company assets and their financial structure, etc.

Reconstruction could be defined as activity which is implemented in a company with downturn performances, for company to survive, and reach turning point towards profitable business activities. Reconstruction in our environments has to include all the areas of company functioning, implying that it has to be realised as proprietary, market, organizational, business and financial transformation. Each dimension of company reconstruction is specific and requires professional expertise and experience.

*Proprietary reconstruction* represents privatization of domestic companies which results with transformation of social and public capital into capital stock. In this dimension of reconstruction, consultants has been engaged on activities before and after privatization. In activities before privatization process focus is on preparation of company for entering in a procedure of privatization in order to sell itself successfully. Activities that accompany period after privatization, are measures of protection of private companies as well as implementation of appropriate concepts for managing in a shareholders form of organization.

*Market reconstruction* represents redefining of market where company appears with a goal to improve trade and business activity. For successful market reconstruction it is necessary to have at disposal proper information about changes in environment, first of all Market, in order to reduce the risk and uncertainty. Numerous Serbian companies market research projects treat as big and unnecessary expense, whereas they consider themselves experts of demands of their customers, i.e. their markets. Nevertheless the majority of companies perceive the importance of market research and accede to scientific methods in implementing of this activity or involve specialized institutions (consultant firms, advertising agencies, institutes). Market research enables companies to solve problems about their business more efficiently. The role of consultants is to imply to alternative directions for exceeding existing problems, as well as the possibility for success of each suggested solutions. Although it should be pointed out that marketing managers became carriers of final marketing decisions, not consultants.

*Organizational reconstruction* represents change of organizational company model and concept of functioning. The role of consulting is to analyse organization of clients, development of intervention strategy, then forming the

reports, managing meetings, etc. Special teams of consultants are being engaged to accomplish diagnosis of company situation. Organizational reconstruction is interdisciplinary area. Consequently, agents of changes, leaders of organization and first of all consultants must have knowledge from different fields particularly from the human behavior domain. Interventions which are implemented, imply that consultants should enter into personal interactions in organization. Also it is necessary to implement control straightway after the changes. Afterwards controls are with less intensity and less effective, considering the fact that the process is stabilizing in new conditions and on the new levels.

*Business reconstruction* results as important changes in areas in which company operates. Consultants are focused on giving advises in following domains: abolishing of certain job position and opening of others; merging and affiliation of companies; making of business plans; consulting intervention in production area and technology. The goal of all intervention is increase of economic value of the company and improving its negotiating strength on the market. For successful business reconstruction it is necessary to analyse different ways of combining market and products as basic potentials for company growth. Along with that, market reconstruction is starting presumption for business reconstruction of company.

*Financial reconstruction* imply changes in a capital structure, which changes the relation between ownership and liability. Domestic companies have unsettled financial balance, unsuitable structure of assets resources and high indebtedness. Non-private companies most commonly practise alignment and debt restructure. As for private-companies, financial reconstruction is referred to stock operations. In nowadays practise, main subjects in this activities are issuing candidates, The Securities Commission, guarantee (or investment bank), authorized audit and different types of consultants.

Liberalization of domestic economy means not just the international competition, but also stricter business conditions. New terms of business competition imply understanding and implementation of regulations in the field of the environment protection, health care, safety, protection of producers and adequacy of a product. The managers in Serbia have no sufficient business experience in market conditions, so they need support in knowledge, skills and introduction to the organic production standards. Consulting appears to be a good form of this support.

Condition of our companies and insufficient managerial abilities and skills contribute to the consulting actuality role in understanding and accepting the standards referring the organic production. Accordingly, in this paper was pointed out to the significance of the consulting services in the organic production affirmation in Serbia and identification of its development limit. There was also analyzed the consulting contribution to the organic production development in context of compatibility with socially-responsible business and a concept of sustainable development in Serbia.

In Serbian companies has dominated the production orientation which has not accepted the market requirements. Domestic companies have lost a brand and the traditional markets. Coming out from the crisis requires a constitution of market-oriented companies, which implies a series of structural changes, directed to improvement of business efficiency and adjustment to the market requirements.

Development of companies in the transition conditions requires many expertises, abilities and skills in comparison with developed market economies, where there is great accumulated knowledge and experience. Modern production implies modern technologies. In that sense, aiming to fulfil the EU standards, it is necessary for the consultants to have new, highly-specialized knowledge.

Reconstruction of our companies is the consequence of late reaction and adjustment to changes. Though in developed market economies, some companies are also facing the process of reconstruction. The difference is in fact that their experience in market terms make them capable to simultaneously adjust themselves and practise modifications in doing business, organization, methods of financing etc. It could be expected that domestic companies, after reconstruction as the result of economic crisis, will enter the period of effective trading, and at that time will be qualified for readjusting to modern trends.

### **Conclusion**

Management consulting is a result of manager need for integrated and complex business information. To obtain the transfer of consultant knowledge and manager skills development, a certain conditions must be fulfilled. First of all, business integrity and consultant competence are the most important. Business integrity, i.e. consultant ethics contributes image and reputation and is important competitiveness factor on consultant services market.

The cooperation between consultants and managers, based on principle of ethics, contributes to development of manager skills. In spite of all, that implies that consultants and managers have no hidden intentions or interests, in other words, their common aim should be overcoming of business problems.

That demands business competence, which includes: competence of consultant company and consultant as a person, detailed knowledge of client's business branch, detailed knowledge of client's country and culture, presence of creativity and innovations. Managers should have wish for acquiring new skills and motive for new accomplishments. Comparing with work results of managers in successful companies, consultants can motivate manager-clients towards continued learning and improvement. Consultant's work is based on creating new solutions. That can be achieved in cooperation with managers, as active partners of their consultants.

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