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[CROATIA CONSULTANCY MARKET STUDY
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1. Introduction

EBRD's Business Advisory Services (BAS) contracted CEPOR – SMEs & Entrepreneurship Policy Centre for the preparation of *Croatia Consultancy Market Study*. Supporting the creation of this Study by BAS is aligned with BAS activities performed in Croatia since 2001, which have been focused on supporting the growth of small and medium sized enterprises and on developing sustainable markets for advisory services in Croatia. *Croatia Consultancy Market Study* is part of the project of transferring knowledge, experience, and best practice of BAS to HAMAG INVEST, the Croatian Agency for SMEs and Investments, after twelve years of activities in Croatia. The Study is intended to enable HAMAG INVEST to make further interventions in the process of development of SME consultancy market in Croatia.

CEPOR, as an independent policy centre, is focused on research and policy development activities in the SME sector. Through its research projects, policy recommendations and capacity building activities since its foundation in 2001, CEPOR is emphasizing the role of entrepreneurship and small and medium enterprises in the development of Croatian economy. Implementation of *Croatia Consultancy Market Study* is aligned with CEPOR's mission, while the Study enables SME sector to voice problems and attitudes towards consultancy service market – its quality, availability, and sophistication. Recommendations that are created as a part of this Study will be of crucial importance for development of entrepreneurship supporting environment in Croatia and for raising the level of sophistication and quality of supply of SME advisory service market. CEPOR's capacity for quality preparation of *Croatia Consultancy Market Study* is deeply rooted in CEPOR's research team experience and understanding of adequate methodology approach in SME sector policy research that is continuously challenged, developed and improved through CEPOR's implementation of GEM project in Croatia (since 2002), Annual SME report for Croatia (since 2011) and other policy projects.

2. Objectives of the Study

The purpose of the Croatia Consultancy Market Study (”the Study”) is to carry out a comprehensive assessment of the maturity of the local consultancy market and infrastructure of advisory services in Croatia. It enables gaining of in-depth understanding of the local advisory service infrastructure in Croatia and progress that has been made for prioritization of further interventions.

The Study comprised conducting of secondary (desk) research, administering survey to consultants and micro, small and medium sized enterprises and preparation of final report representing the results of the "Study", as well as conclusions and recommendations. The Study includes review of the following four dimensions:

1) MSME sector / demand for business advisory services
2) Supply and quality of business advisory services
3) Market consolidation
4) MSME support infrastructure.

The content of the Study is structured according to the research outcomes identified by the EBRD Business Advisory Services and HAMAG INVEST.

3. Executive summary

→ The **role of micro, small and medium enterprises in the Croatian economy** is extremely **significant**: with 96.906 business entities in 2012, MSMEs are the biggest employer in Croatia (67% of employment), they are significantly contributing to the gross domestic product (51%) and to exports (43%).

→ The **main characteristics** of the **MSME sector** in Croatia are: insufficiently intensive activity of start-up of new business ventures, small share of growing enterprises, strong administrative barriers to entrepreneurial activity, underdevelopment of the non-traditional financial market (business angels and venture capital funds), lack of education focused on development of entrepreneurial knowledge and skills, low level of innovativeness, significantly lower level in business venture start-up activity of women, comparing to men, substantial regional differences in business venture start-up activity, and poor financial performance of the sector in general, which raises the question about the level of its business efficiency and competitiveness. The **most important problems MSMEs** have faced in the last three years and will be facing in the next year are: **various legal issues, problems in financial management and problems in sales and marketing.**

→ The **government policies of support for entrepreneurial activity** and policies towards regulatory framework in 2012 are identified as **one of the weakest elements of business environment in Croatia**. Inclusion of Government in providing access to financing for MSMEs in Croatia is characterized by: (1) inability to evaluate the efficiency of financing programs because there is no detailed feedback on contribution of current crediting programs to employment, retention of jobs or start-up of new business ventures; (2) non-transparency of the effectiveness of financing programs intended for MSMEs that are implemented by individual ministries; (3) operational involvement of the Ministry of Entrepreneurship and Crafts in implementation of financing programs, which represents a distraction from the Ministry's primary role – focusing on policy and regulatory aspects of the small and medium enterprise sector.

→ The commercial and professional infrastructure for the development of MSMEs in Croatia is providing support to MSMEs by two types of organisations: **entrepreneurship supporting institutions** and professional **private consulting companies**.

→ The **network of entrepreneurship supporting institutions** encompasses 30 regional development agencies, 35 centres for entrepreneurship, 30 business incubators, 3 business parks, 9 technology parks, around 100 business zones whose activities are financially supported primarily by their founders (local or/and regional municipalities in majority of cases), EU funded projects and Ministry of Entrepreneurship and Crafts grants. The criteria for allocation of Ministry of Entrepreneurship and Crafts grants direct entrepreneurship support institutions towards implementation of the same programs which distracts them from their focus on identification and improvement of the capacity, variety and quality of their offer in the market of professional services for MSMEs' development.

→ **Consultancy services to MSMEs** are provided by 2.799 professional consultancy companies, where majority of them (59%) is located in Zagreb County, have 3 employees, and are in domestic ownership (89%). Areas of providing consulting services and areas to which the MSME consultants are the most oriented are primarily associated to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc., and with business planning, including preparation of investment projects, market research, marketing plans, searching for business partners and investors. Consultants in general have wide knowledge and covers range of fields, but there is insufficient number of consultants with specialized expertise. **In the last three years, 22% of MSMEs have hired a consultant,** when solving legal issues, problems related to business plan preparation, problems in financial management or management in general. The majority of MSMEs obtained **information about consultants** through **recommendation via word of mouth** (most commonly used form of promotion and sales of MSMEs consultants) and **did not receive support for consultancy services** (in the period between 2000 and 2014 there were several donor funded projects and initiatives aiming to raise the capacity of MSME consultants and facilitate the access of MSMEs to consultancy services, but only one third of MSME consultants are familiar with them). The most **important criterion** for choosing the consultant is **expertise and knowledge**, followed by understanding of the busines problem and experience. The least important criteria are origin of the company, geographic proximity and price. **MSMEs** in general perceive themselves as being **familiar with the offer of consultancy** services market in Croatia. In most cases, **non-users of consulting services** have not used services because they have managed to **solve their problems on their own.**

→ Being aware of the importance of **building their knowledge and skills**, consultants are open to use **different types of educational programmes**, since they are not able to capitalise earlier experiences into loyalty. Market scan showed that, regarding openess to future cooperation with consultants, MSME market is segmented into two major groups, 45% of unvailable (unintereseted) and 55% of available customers (furthermore divided into 3 sub-segments: 26% of **COMMITED** to using consultancy service within less than two years, 19% **OPEN** to using consultancy service within less than two years and 10% of **CONVERTIBLE** to consultant service usage since they are interested but not within period of 2 years' time from now). Although there is a room for consultant service, dispersion of MSMEs experienced in using consultants to all levels of availability can be detected. That is why **excellence and specialised expertize** together with **wider promotional activities** of consultants' services would help to resolve current unclear and undeveloped consultants' selection process and channels and help in building brand recogniton in MSME perception. It could also help to build barriers to industry to disable more „focused" competitors from other industries (IT, research agencies) and **protect potential clients from unloyal competition service**. Important role in creating trust and recognition of quality consultants could be on a side of **certifications programmes** and **professional consultancy associations.** The two most commonly identified **certification programmes** for management consultants (CMC – Certified Management Consultant and HAMAG INVEST network of consultants) are not available since 2012. However, most of the MSME consultants possess a certain type of certificate and / or licence. There are several important **national professional consultancy associations in Croatia**, that started, intensified or reactivated their activities in 2013 and/or 2014. Vast majority of MSME consultancy companies are familiar with consultant associations in Croatia, and every second consultancy company in Croatia has a membership in an consultancy association. Both, at this point, are not recognised as **proof of quality** meaning that they are not able to transfer the value on consultants if not recognised as value holders. Certificate should reposition itself from "just a label" to "label of trust". Until then, MSMEs who needs help will be converted from "considering" to "using" consultant services if consultants are willing to share a risk (free advice prior to cooperation, free pilot project, payment in relation to results…).

Based on the research results, the following **recommendations** are identified:

→ **HAMAG INVEST** should support the activity of professional consultancy associations aiming to help them in promoting consultancy services and profession, increasing the standards and requirements for providing of MSME consultancy services and raising the quality of the consultancy services offered. Inaugure certificates as a way of building trust in the quality of the services provided by consultants, but with strong focus on establishing certification procedures that will guarantee and represent consultancy services of high value and quality. Partially subside the education of the MSME consultants in niche business consultancy fields where gaps are identified and the market is not saturated: quality management systems, information systems and IT technologies, engineering studies, imporvement of accounting and controlling, energy saving and environment protection measurements, modern human resource management systems. Partially subside the education of the MSME consultants in general business consultancy fields (preparation of business and marketing plans and investment projects) in order to convert the saturated market segments of general business consultancy services from „available" that are currently offering those services to „excellence" in providing consultancy services in those fields. Facilitate presentations of MSMEs consultants' expertise (e.g. case studies, pilot projects) as a way of building the confidence bridge and raising the level of trust among MSMEs on consultants capacity to provide expertise and contribute to problem solution.

→ **Consultants** should focus on the key problems in business that members of the MSME sector recognise as significant for solving in the next period (in the next year) such as issues of legal nature, problems related to financial management, problems related to marketing and sales. Furtehrmore, to focus on those areas that have been identified through the study as the ones in which the demand for consulting services is not met (there is insufficient supply of consulting services in those areas, which are aimed at the MSME sector, in a commercially acceptable ratio of price and quality): energy saving and environmental protection measures; introduction and upgrading of computer information management systems, implementation, preparation and certification of quality management systems, systems for improvement of accounting and controlling, engineering studies, implementation of modern human resources management systems. Develop own formal sales and marketing strategies with the aim of higher quality approach to sales and marketing of services, and a more credible presentation of the importance of creation of the same approach in clients' businesses. Finally, organise free-of-charge half-day workshops for entrepreneurs on topic of issues whose solving they can help by providing consulting services and present successful examples from their own consulting practice in order to build credibility and entrepreneurs' trust in the capacity for providing help in solving problems. Explain to entrepreneurs the potential and the role of consultant in solving a specific problem and building a successful business, present own knowledge and expertise, understanding of the wider context of problems and challenges with which entrepreneurs are faced on daily basis, and make first direct contact with a prospective client. Develop a marketing strategy that involves other marketing channels in addition to word of mouth, which is an important, but insufficient channel for informing entrepreneurs about one's capacity. Use opportunities provided by social networks in development of modern business operations. Offer consulting services with the option to choose different modes of payment, which reflect consultant's willingness to participate in the risk of decision-making and implementation of solutions proposed by the consultant, and self-confidence in the ability to provide support in solving problems and developing entrepreneur's business. Some of the possible ways of payment which demonstrate such attitude of consultants are: providing free-of-charge advice at the beginning of the project, payment from the profits and/or savings from the implemented project in which the consultant participated, identification of various sources of financing of consulting services (including EU funds) as help to entrepreneur for (co)financing of consulting service, etc.

→ **Future cooperation of MSMEs with consultancy services providers** are encouraging openness of MSMEs to exploring the consultancy market offer, and choosing the consultancy companies that are ready to provide references that will enable evaluating both qualitative and quantitative effects of their previous consultancy projects. Furthermore, MSMEs are encouraged to identify more specialized consultancy services providers that are experts in their field of interest and that are also supportive to MSMEs in identification of different ways of financing their consultancy services – external funds (EU, state funds, private donor institutions), but also to demonstrate the willingness to share the risk of the decisions made based on their advice and be charged based on the level of profit or savings achieved. The MSMEs are also invited to be demanding and provide feedback (regardless the source of funding of consultancy service delivered) to consultants on the level of meeting of their expectations. The level of education and awareness of the MSMEs on the consultancy market potential will influence the level of the expectation and demanding for quality of MSME consultancy services providers and the level of quality of the offer of the consultancy market.

4. Methodology

4.1. Secondary research methodology description

Data collection framework for the secondary research is comprised of the overview of the MSME sector in Croatia, MSME business environment, supply of business advisory services, consultancy market consolidation and MSME support infrastructure.

The sources of secondary research are mainly the official web sites and publications of the relevant institutions, organizations and companies, and interviews with the representatives of the relevant institutions that were additionally conducted with the aim of receiving the most accurate and up-to-date information regarding the most important topics and issues.

The main state sources of information are: Croatian Chamber of Economy, FINA (Financial Agency), Ministry of Entrepreneurship and Crafts, Croatian Bureau of Statistics, HAMAG INVEST (Croatian Agency for SMEs and Investments), Croatian Bank for Reconstruction and Development, Business Innovation Croatian Agency (BICRO), Croatian Employers' Association, Croatian Chamber of Trades and Crafts and Croatian National Bank. In addition, the relevant sources of information on MSME business environment are reports from international research projects - Global Entrepreneurship Monitor (Global Entrepreneurship Research Association/CEPOR), Doing Business (World Bank), Global Competitiveness Report (World Economic Forum), Corruption Perception Index (Transparency International), and Business Environment and Enterprise Performance Survey (The World Bank Group).

The main challenges in collecting the required data were the lack of data available and the differences between the official data coming from various state sources, such as Croatian Bureau of Statistics and Financial Agency (FINA). These differences are particularly substantial in the Croatian consultancy market analyses. The divergence of data collected through secondary research was additionally verified through the results of primary research.

4.2. Primary research methodology description

Primary research methodology description includes QUESTIONNAIRE description and DATA COLLECTION APPROACH. Data collection for MSME segment is carried out by market research agency Prizma (http://www.prizmacpi.hr/). To ensure data consistency, the same methodology is used for both surveys (MSME Study & Consultant Study).

4.2.1. Questionnaire description

Questionnaires are approx. 22 minutes in length. Questionnaires include close-ended single response and multiple choice questions. Questionnaires are developed based on study objectives and findings from two in-depth interviews (one with enterprise and one with a consultant, not included in the final datasheets). The in-depth interview is chosen as a qualitative method of analysis, which proceeds as a confidential and secure conversation between an interviewer and a respondent. By means of a very open, unstructured **in-depth interview guide** (Annex 1 and 2), the interviewer ensures that the conversation encompasses the topics that are crucial to ask for the sake of the purpose and the issue of the survey in quantitative phase. That is why this approach enables deeper insight and better identification of all relevant aspects prior to questionnaires design.

Before launching the final quantitative survey, a pilot survey is carried out to test the suitability of the questions and other operational aspects of the survey. For pilot phase applied method is CATI - Computer Assisted Telephone Interviewing. The pilot survey consists of five completed interviews that are not included in the final datasheets.

4.2.2. Data collection approach

Research is conducted by CATI methodology by using integral and completely automated system for telephone interviewing that is supported and led by computer program. Respondents' answers are directly entered in the database, using computer interface. Special computer program takes care of the respondents' selection process, calling and leading interviewer through the questionnaire (useful if certain skips are included in the questionnaire). CATI method is highly recommended for performing interviews in B2B segment. It is more effective than other research modes while respondents are more likely to give answers by phone. Interviewing is conducted using combined calling of fixed (landline) and mobile numbers that are randomly dialled. Combined usage of fixed and mobile numbers enables interviewers better reaching of targeted population and improving the representativeness of the results. Random selection of the respondents includes mandatory scheduling of call back if target person was not in position to answer the call. Minimum of 3 calls towards numbers that could not be reached will be applied (different days within the week and different times throughout the day). Stated quotas will also be respected. Both surveys are done by CATI method, where data collection for MSME segment is fully carried out by market research agency Prizma and Consultant Study is carried out by trained CEPOR researchers, using Prizma know how related to technology support.

4.2.3. Sample description

Sampling approach: Stratified random sampling

Stratified sampling is a method of sampling from a population. When sub-populations vary considerably, it is useful to sample each subpopulation (stratum) independently. Stratification is the process of grouping members of the population into relatively homogeneous subgroups before sampling. The strata should be mutually exclusive: every element in the population must be assigned to only one stratum. The strata should also be collectively exhaustive: no population element can be excluded. Then random or systematic sampling is applied within each stratum. This often improves the representativeness of the sample by reducing sampling error. It can produce a weighted mean that has less variability than the arithmetic mean of a simple random sample of the population.

Strata are defined on geographic distribution of SME companies (and consulting companies). Total population is divided in five regions (Slavonia, Central Croatia, Zagreb region, Dalmatia and Primorje). Number of interviews in each region is defined according to number of targeted business entities in particular regions. Inside of each region (strata) is done random sample selection. Basis for random selection is database of all companies that submitted annual financial report in 2012 (for MSME Study) or list of consultancy firms identified through secondary research (for Consultant Study).
The same databases are used to check and improve with post hoc weighting representativeness. Representativeness is tested on companies share in following criteria:

- company size (number of employees, both for MSME Study & Consultant Study)
- industry (for MSME Study)
- share of individual consultants and consultancy firms (for Consultant Study).

Table 1: Basic sample descriptions – MSME Study and Consultant Study

	MSME Study	Consultant Study
Target group	- domestic micro, small- and medium sized enterprises; - survey participant is a person inside company who is taking part (or participating) in main business decisions	- domestic consultancy firms and individual consultants; - survey participant (within firms) is a person inside company who is taking (or participating) in main business decisions
Sample size	-in total 303 respondents from MSME sector (0-249 employees)	- in total 60 respondents from domestic consultancy firms and individual consultants
Sample source	- database of all companies that submitted annual financial report in 2012 (60.000 companies, Prizma source)	- list of 500 consultancy firms identified through secondary research

5. SECONDARY RESEARCH FINDINGS

Secondary research for the purpose of preparation of the Croatia Consultancy Market Study was conducted in the period February – April 2014, according to the following areas of research: research of the situation in the micro, small and medium enterprise sector (MSME) sector in Croatia, as the identified target market of demand for consultancy services on which this Study focuses (Chapter 5.1.); research of the offer and quality of consulting services, primarily aimed at the MSME sector (Chapter 5.2.); consolidation of the consulting services market (Chapter 5.3.); infrastructural support to the development of the MSME sector in Croatia (Chapter 5.4.); and the conclusions of the secondary research.

In Chapter 5.1., state of the MSME sector in Croatia is presented on the basis of data on the size of the sector – number of businesses, number of employees, share in total revenue and export activities, financial performance, available data on gender characteristics related to the MSME sector, and the geographic aspect of the sector. This chapter also analyses the main challenges with which MSME are faced in Croatia, based on the analysis of results of relevant international research studies.

Chapter 5.2., based on the conducted secondary research, analyses the offer of consulting services in Croatia, through a display of the size, structure and geographical representation of the market of consulting services. In addition, this chapter presents the sources of official statistical data on the market of consulting services, offer of education and training aimed at developing the capacity of consultants, and the importance and role of professional associations of consultants in Croatia.

Chapter 5.3. indicates the role of donors in the consolidation of the market, while Chapter 5.4. shows the infrastructural support to the development of the MSME sector in Croatia through the presentation of the institutional and legislative framework relevant for the MSME sector in Croatia, access to financial resources and government programmes for funding MSME in Croatia.

Concluding observations based on the conducted secondary research are presented at the end of Chapter 5.

5.1. Main findings:
demand /market potential for MSME advisory services in Croatia

The micro, small and medium enterprise sector (MSME) represents an important part of Croatian economy. In this chapter, the size and impact of the MSME sector in Croatia are identified through the analysis of the data on the share of the sector in GDP, employment and export activities. The geographic distribution of the MSME sector is presented, and regional aspect of its significance in Croatia is additionally evaluated through the results of GEM research on regional differences in entrepreneurial activity. The analysis of the gender aspect of the MSME sector in Croatia is analysed exclusively based on the GEM research data, since there are is no (other) official statistical data on women entrepreneurship in Croatia.

The business environment and main challenges for entrepreneurial activity in Croatia are identified through the research results of major international studies on the quality of business environment.

5.1.1. Overview of the MSME sector in Croatia

5.1.1.1. Size and impact of MSME sector

According to the SME Report for Croatia 2013[1] and data from Croatian Chamber of Economy, the number of MSME entities in Croatia in 2012 was 96,906. In 2012, comparing to 2011, the increase in the number of business entities was recorded but the structure of economy, with regard to enterprise size, experienced only minor changes – the share of MSMEs is 99.6%, and the share of large enterprises is 0.4%.

Total number of small enterprises in 2012 was 95,597 and of medium enterprises was 1,309. In addition, small enterprises have the biggest increase in number of entities (6.8%) in 2012, compared to 2011, followed by medium enterprises (1.3%), while the category of large enterprises recorded a decline of 3.1% (table 2).

Table 2: Enterprise structure regarding enterprise size in 2001, 2011 and 2012

	2001		2011		2012	
	Number of entities	%	Number of entities	%	Number of entities	%
Small and medium enterprise sector	56,416	99	96,831	99.5	96,906	99.6
Small enterprises	54,213		89,539		95,597	
Medium enterprises	2,203		1,292		1,309	
Large enterprises	571	1	359	0.5	348	0.4
Total	**56,987**	**100**	**91,190**	**100**	**97,254**	**100**

Source: „SME Report for Croatia – 2013“, CEPOR – SMEs & Entrepreneurship Policy Centre, Zagreb, 2013, p. 13.

[1] “SME Report for Croatia - 2013“, CEPOR – SMEs & Entrepreneurship Policy Centre, Zagreb, 2013.

According to the Ministry of Entrepreneurship and Crafts[2] and data from FINA, the share of micro enterprises in Croatian economy in 2011 was 92.2%, the share of small enterprises was 6.3%, of medium enterprises was 1.2%, and of large enterprises was 0.3%.

Apart from the number of business entities, MSMEs have a significant share in Croatian GDP (51%), which represents an increase of 0.8 percentage points when compared to 2011. Total revenue generated by exports of Croatian enterprises increased by 1.04% in relation to 2011. The largest growth has been achieved by the medium enterprises (growth of 2.1 percentage points in relation to 2011). In 2012, employment in small enterprises was 406.834, which is an increase of 5.3% compared to 2011; employment in medium enterprises was 149.787, a decrease of 6.2%; and 273.253 in large enterprises, a decrease of 4.8% (table 3).

Table 3: Enterprise size and GDP, employment and exports in 2011 and 2012

Economic criterion for sector evaluation	**Enterprise size**					
	Small		**Medium**		**Large**	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**
GDP (mil. HRK)	191.232	199.774	111.896	111.966	300.152	298.636
GDP (share)	*31.7%*	*32.7%*	*1.,5%*	*18.3%*	*49.8%*	*48.9%*
Employment	386.692	406.834	159.616	149.787	287.035	273.253
Employment (share)	*46.4%*	*49.0%*	*19.2%*	*18.04%*	*34.4%*	*32.9%*
Exports (000 HRK)	20.636.597	20.420.000	19.697.332	21.961.000	55.747.578	54.701.000
Exports (share)	*21.5%*	*21.0%*	*20.5%*	*22.6%*	*58.0%*	*56.3%*

Source: "SME Report for Croatia – 2013", CEPOR – SMEs & Entrepreneurship Policy Centre, Zagreb, 2013, p.14.

Asymmetry of changes in employment, depending on enterprise size, is visible through the observed period (years 2001, 2011 and 2012). The employment in the category of small enterprises is significantly increasing, while the employment in the medium and large enterprises is continuously decreasing (table 4).

[2]"Strategy for Development of Entrepreneurship in Croatia 2013-2020", Ministry of Entrepreneurship and Crafts, 2013, p.20.

Table 4: Employee structure regarding enterprise size in 2001, 2011 and 2012

Type of Enterprise	2001		2011		2012	
	Number of employees	%	Number of employees	%	Number of employees	%
Small	247.340	34.00	386.692	46.4	406.834	49.0
Medium	161.426	22.2	159.616	19.1	149.787	18.1
Large	318.467	43.8	287.035	34.5	273.253	32.9
Total	727.233	100	833.343	100	829.874	100

Source: Croatian Chamber of Economy, Centre for Entrepreneurship, Innovations and Technological Development, 2013

The employment in small and medium enterprise sector can also be observed by comparing the average number of employees in small and medium enterprises. In both enterprise categories the average number of employees is decreasing. The average number of employees in small enterprises in 2012 is 4.2, which is a decrease from 2008 when it was 5.1 (table 5). The average number of employees in medium enterprises in 2012 is 114.4, which is a decrease from 2008 when it was 121.8 (table 6).

Table 5: Employee structure in small enterprises in the period 2008-2012

Year	Number of small enterprises	Number of employees in small enterprises	Average – number of employees in small enterprises
2008	87.807	448.803	5,1
2010	95.004	415.320	4,4
2011	89.539	386.692	4,3
2012	95.597	406.834	4,2

Source: Croatian Chamber of Economy, Centre for Entrepreneurship, Innovations and Technological Development, 2013

Table 6: Employee structure in medium enterprises in the period 2008-2012

Year	Number of medium enterprises	Number of employees in medium enterprises	Average – number of employees in medium enterprises
2008	1.396	170.038	121,8
2010	1.379	157.147	114,0
2011	1.292	159.616	123,5
2012	1.309	149.787	114,4

Source: Croatian Chamber of Economy, Centre for Entrepreneurship, Innovations and Technological Development, 2013

The total number of newly registered enterprises in Croatia in 2012 is 7.980, an increase of 6.5% comparing to 2011 (table 7).

Table 7: Number of newly registered companies in 2011 and 2012

	2011	2012	Difference in the number of newly registered companies
Companies	7.099	7.980	+12,4%
Others	3.374	3.181	-5,7%
Total	10.473	11.161	+6,5%

Source: "Number and structure of business entities in 2012", Croatian Bureau of Statistics, 2013

The results of Global Entrepreneurship Monitor (GEM) - the international research project on entrepreneurship, in which Croatia has been involved since 2002, indicate a low level of activity in start-up business ventures measured by the TEA - Total Entrepreneurial Activity Index[3] (8,27 in 2012) compared to average of all countries participating in GEM research (13 which represents an average from 69 countries participating in GEM research in 2012; table 8).

Table 8: Entrepreneurial activity in Croatia, measured by the TEA index

	2002	2008	2011	2012
TEA index, Croatia	3,62	7,59	7,32	8,27
Average TEA, index	7,99	10,49	11,39	13

Source: GEM Croatia, CEPOR – SMEs & Entrepreneurship Policy Center, 2013

In addition to new business ventures, growing enterprises have significant role for any economy due to their employment potential. According to the GEM results for 2012, Croatia has a small number of growing enterprises (only around 3% measured by the criteria of innovativeness, share of exports in total revenue and intensity of new employment). In 2012, comparing to 2011, the number of MSMEs that have new products which are new to everyone has decreased to 9%, and the number of MSMEs that have products like everyone else has significantly increased to 70% (table 9).

Table 9: Growing enterprises in Croatia, according to the new product development criterion

Criterion for categorization of growing enterprises	2011	2012
Enterprises that have new products that are new to everyone (%)	12,63	9,0
Enterprises that have products that are new to some (%)	25,16	21,06
Enterprises that have products that are new to no one (%)	62,21	69,94

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2013

[3] TEA index represents the number of entrepreneurially active people (it combines the number of people that are trying to start-up an entrepreneurial venture and the number of owners or owners/managers of enterprises younger than 42 months) per 100 examinees that are 18-64 years old.

With regard to the financial performance, small and medium enterprises are exhibiting poorer performance than large enterprises, not only in absolute values, but also in relative values (table 10).

Table 10: Financial efficiency of enterprises in 2011 and 2012

Enterprises	2011		2012	
	Million HRK	**%**	**Million HRK**	**%**
Small				
Profit	12.745	*40.2*	*11.191*	*32.9*
Loss	13.454	*53.2*	*12.251*	*42.1*
Consolidated result	-709		-1.060	
Medium				
Profit	4.173	*13.1*	*4.382*	*12.9*
Loss	4.416	*17.4*	*5.241*	*18.0*
Consolidated result	-243		-859	
Large				
Profit	14.799	*46.7*	*18.480*	*54.3*
Loss	7.438	*29.4*	*11.620*	*39.9*
Consolidated result	7.361		6.860	
Total				
Profit k	31.717	*100*	*34.053*	*100*
Loss	25.308	*100*	*29.112*	*100*
Consolidated result *(Profit-Loss)*	6.409		4.941	

Source: Croatian Chamber of Economy, Centre for Entrepreneurship, Innovations and Technological Development, 2013; FINA, 2013

In 2012, small and medium enterprises continued to indicate negative business results and their net loss is significantly increasing. Increase of net loss in 2012 is the result of a 12.2% profit decrease generated by small enterprises, with a simultaneous decrease of loss by 9%. Increase of net loss of medium enterprises in 2012 is the result of increase of loss by 19%, with the same level of achieved profit.

In 2011, large enterprises have decreased their financial efficiency with an increase of profit by 25% and an increase of loss by 56%. When this data is connected to the number of employees in those companies, then it is obvious that, in 2012, 32.9% of employees in large enterprises created 6.860 billion HRK consolidated net profit, while 67.1% of employees in small and medium enterprises created consolidated net loss of 1.919 billion HRK. This raises many questions about the level of business efficiency and competitiveness of small and medium enterprises.

5.1.1.2. Gender aspect of entrepreneurial activity in Croatia

There is no official statistical data on the share of women entrepreneurs in Croatia. The only data on entrepreneurial activity of women is generated by GEM research, and is indicating poorer activity of women population (TEA in 2012 was 4,85, and in 2011 was 4,71) in business venture start-up activity compared to male population (TEA in 2012 was 11,77, and in 2011 was 10,01; table 11).

Table 11: Difference in business venture start-up activity by women and men in Croatia in 2011 and 2012

	2011		**2012**	
	Average of GEM countries	Croatia	Average of GEM countries	Croatia
TEA women	8,67	**4,71**	10,64	**4,85**
TEA men	10,01	**10,01**	15,39	**11,77**

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2013 (2012)

In 2012 GEM research indicates 2,43 times greater activity of male population in relation to female population in business venture start-up activities (TEA index for women is 4,85, and 11,77 for men), which is similar to GEM results in 2011, when activity of male population in that segment was 2,12 times greater than activity of female population (TEA index for women was 4,71, and 10,01 for men; table 12).

Table 12: Entrepreneurial activity by gender, 2011 and 2012

	2011		**2012**	
	Croatia	Average of GEM countries	Croatia	Average of GEM countries
TEA Men / TEA Women	**2,12**	1,70	**2,43**	1,70

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Centre, 2013 (2012)

Despite huge differences in entrepreneurial activity of women and men, the level of support for women entrepreneurs in Croatia is much lower and decreasing, compared to the average of countries involved in the GEM research (grade of support in Croatia was 2,68 in 2012, in relation to 2,71 in 2011; average in other GEM countries is 3,24 in 2012 and 3,2 in 2011; table 13).

Table 13: Perception of support available for women in business venture start-up activity in 2011 and 2012

	2011		2012	
	Average of GEM countries	Croatia	Average of GEM countries	Croatia
Support for women entrepreneurship	3,2	**2,71**	3,24	**2,68**

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Centre, 2013 (2012)

5.1.1.3. Geographic distribution of MSMEs in Croatia

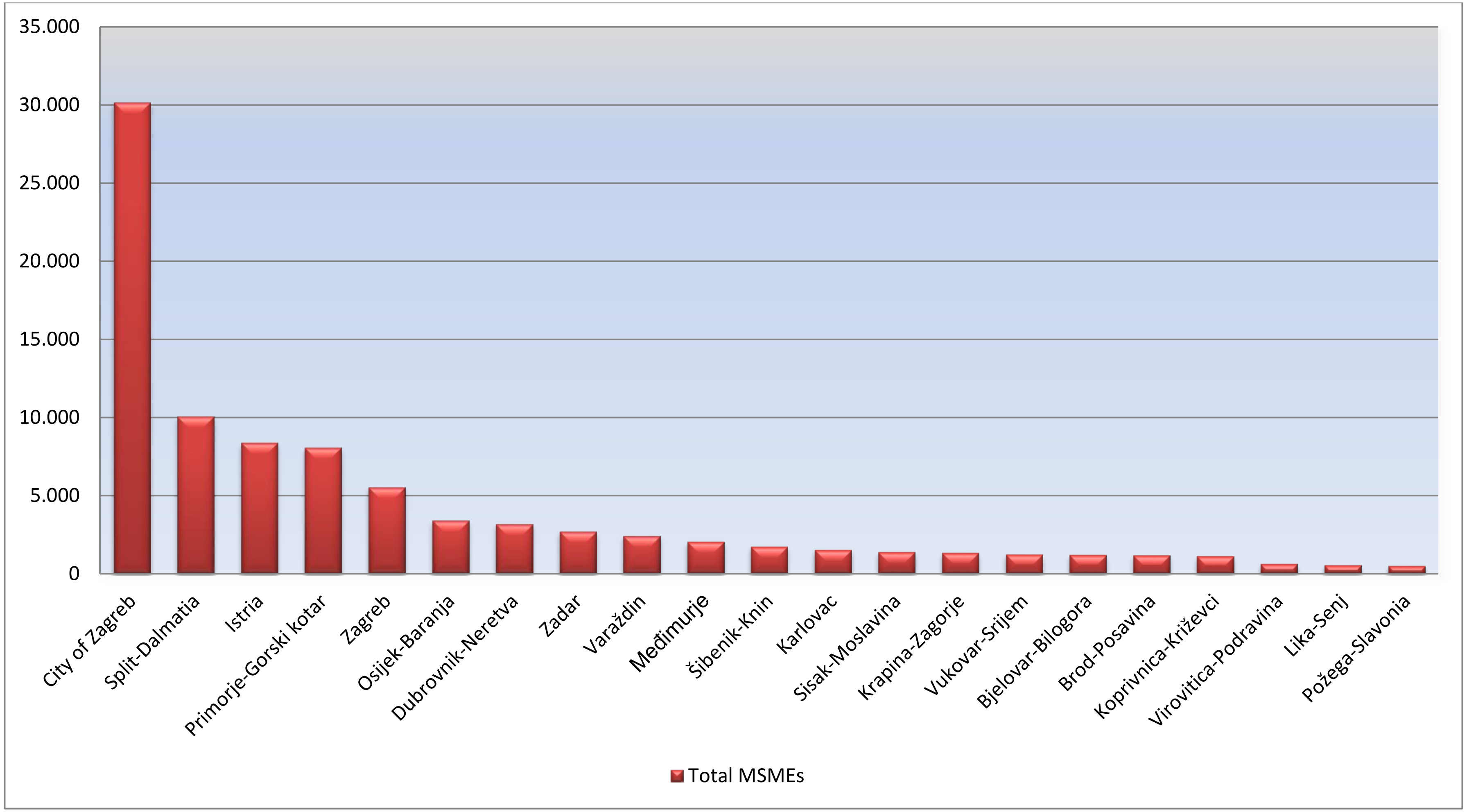
The largest number of MSMEs in Croatia are concentrated in the area of City of Zagreb (34.15%), followed by the area of Split-Dalmatia county (11.38%), Istria county (9.48%) and Primorje and Gorski Kotar county (9.14%). Table 14 and figure 1 show the geographic distribution of MSMEs in Croatia, by counties, and size of enterprises, according to data collected from FINA in 2012.

Table 14: Number of MSMEs by counties in 2012

County	Micro	Small	Medium	Total MSMEs
Bjelovar-Bilogora	1.006	155	30	1.191
Brod-Posavina	984	166	30	1.180
City of Zagreb	27.221	2.492	446	30.159
Karlovac	1.319	182	19	1.520
Koprivnica-Krizevci	922	170	19	1.111
Krapina-Zagorje	1.106	193	33	1.332
Medimurje	1.712	297	43	2.052
Osijek-Baranja	2.921	426	66	3.413
Pozega-Slavonia	427	67	14	508
Sisak-Moslavina	1.202	158	27	1.387
Varazdin	2.056	314	52	2.422
Virovitica-Podravina	518	95	14	627
Vukovar-Srijem	1.006	198	32	1.236
Zagreb	4.842	599	87	5.528
Dubrovnik-Neretva	2.868	257	42	3.167
Istria	7.831	476	67	8.374
Lika-Senj	462	67	8	537
Primorje-Gorski kotar	7.286	699	84	8.069
Sibenik-Knin	1.573	137	23	1.733
Split-Dalmatia	9.136	822	96	10.054
Zadar	2.421	253	36	2.710
Total	**78.819**	**8.223**	**1.268**	**88.310**
%	***44.6***	***4,7***	***0.7***	***50.0***

Source: FINA and the Croatian SME Observatory Report, 2013, p. 39

Figure 1: Number of MSMEs by counties, 2012



Source: FINA and the Croatian SME Observatory Report, 2013, p.39

GEM data about the TEA index for 2012 indicates the highest level of activity in start-up of business ventures in Dalmatia, followed by Istria, Primorje and Gorski kotar, and Zagreb and surroundings region (table 15). Istria region and Zagreb region represent the regions with traditionally higher level of entrepreneurial activity, compared to the rest of Croatia. The difference between the regions with the lowest level of activity in start-up of business ventures (Slavonia and Baranja and Lika and Banovina) and those with the highest is 3,63, what indicates significantly high differences in entrepreneurial activity across Croatia.

GEM data about the TEA index for 2012, compared to the year 2011, indicated an increase of activity in start-up of business ventures in all regions, except in a region of Lika and Banovina, which recorded a decrease of TEA index (intensity of starting business ventures is halved). Significant improvements are evident in Dalmatia, which records the increase of the TEA index by 48%. Furthermore, according to the GEM results (2012), in the region including Istria, Primorje and Gorski kotar TEA index has increased by 41% in the year 2012.

Table 15: Regional differences in business venture start-up activity, in 2011 and 2012

Year	**2011**		**2012**	
Region	**TEA**	**Rank**	**TEA**	**Rank**
Istria, Primorje and Gorski kotar	8,68	2	12,23	2
Zagreb and surroundings	9,14	1	9,15	3
Dalmatia	8,57	3	12,64	1
Northern Croatia	5,17	5	5,23	4
Lika and Banovina	7,16	4	3,48	6
Slavonia and Baranja	4,74	6	5,19	5

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2012

Although an increase in business venture start-up activity is also present in regions that are traditionally at the bottom of the ranking list, the increase in those regions is of lower intensity (by 9% in Slavonia, by 1% in Northern Croatia), while decrease of activity in Lika and Banovina have a higher intensity (51%), which further deepens the differences in development of regions.

5.1.2. MSME business environment

- ranking of MSME challenges through international research studies

The analysis of the quality of business environment in Croatia is conducted based on the results of the major international research in which Croatia is involved: World Bank – Doing Business, from 2004; Business Environment and Enterprise Performance Survey (BEEPS) – in 2005 and 2008; World Economic Forum – Global Competitiveness Report, from 2002; Global Entrepreneurship Research Association – Global Entrepreneurship Monitor, from 2002; and Transparency International – Corruption Perception Index, from 2004.

Ranking of MSMEs' main challenges: ease of Doing business

Doing Business Annual Report, published by the World Bank, indicates how easy or difficult is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations; as well as, it measures and tracks changes in regulations affecting 11 areas in the life cycle of a business – starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers. Quantitative indicators for the year 2013 on business regulations and protection of property rights in Doing Business report are compared across 189 economies/countries.

According to the Doing Business 2014, in 2013 Croatian rank is 89 (out of 189 countries involved in the Report) in the global ranking on the ease of doing business, which is an increase of 1 place when compared to the year 2012. The main challenges for doing business for SMEs in Croatia in 2013 were in the area of protecting investors (ranked 157, in 2012 was 156), dealing with construction permits (ranked 152, in 2012 was 155), registering property (ranked 106, in 2012 was 103), trading across borders (ranked 99, in 2012 was 104), resolving insolvency (ranked 98, in 2012 was 97) and starting a business (ranked 80, in 2012 was 79). Less challenging areas for SMEs in Croatia are in the area of getting electricity (ranked 60, in 2012 was 58), enforcing contracts (ranked 49, in 2012 was 48), getting credit (ranked 42, in 2012 was 40), and paying taxes (ranked 34, in 2012 was 43). The improvement, compared to the year 2012, is most evident in the area of paying taxes (change in rank is +9), trading across borders (change in rank is +5), and in the area of dealing with construction permits (change in rank is +3); while deterioration is most evident in the area of registering property (change in rank is -3), getting electricity (change in rank is -2), and getting credit (change in rank is -2). Furthermore, the rank related to starting a business has also deteriorated: in 2012 it was 79, and in 2013 is 80.

The main reason for positive ranking change in the area of paying taxes is due to the decrease of number of payments per year from 30 in 2012 to 19 in 2013; in the area of trading across borders is due to the decrease in time to export (20 days in 2012, 18 days in 2013) and time to import (16 days in 2012, 15 days in 2013); and in the area of dealing with construction permits it is due to the decrease of cost required.

On the other hand, the main reason for negative rank change in the area of getting electricity is due to the increase of costs required; and in the area of starting a business is due to the increase of costs, while the paid-in minimum capital has decreased (from 13.4% of income per capita in 2012 to 0% in 2013).

Ranking MSMEs' main challenges: BEEPS - The Business Environment and Enterprise Performance Survey

The Business Environment and Enterprise Performance Survey (BEEPS) is a survey, conducted by the World Bank Group, collecting firm-level data on broad range of issues about the business environment and performance of firms, including business-government regulations, firm financing, labour, infrastructure, informal payments, and other topics such as training and innovation. The total number of firms surveyed in Croatia in 2008 was 630, while in 2005 there were 148 firms participating in survey (manufacturing 35%, wholesale and retail trade 30%, hotels 7%, construction 15%, transport 11%, and other 2%).

Based on the research results, the most important problems measured by the mean score when doing business in Croatia were identified (table 16), where the most severe problem is ranked number 1, and the least is number 14.

Table 16: Ranking of problems when doing business in Croatia, 2005 and 2008.

Rank	2005.	2008.
1.	Courts	Tax rates
2.	Tax rates	Courts
3.	Corruption	Tax administration
4.	Access to finance	Skills and education of workers
5.	Business licensing and permits	Corruption
6.	Skills and education of workers	Access to finance
7.	Labour regulations	Electricity
8.	Customs and trade regulations	Labour regulations
9.	Crime, theft and disorder	Telecommunications
10.	Tax administration	Business licensing and permits
11.	Transport	Crime, theft and disorder
12.	Telecommunications	Access to land
13.	Electricity	Transport
14.	Access to land	Customs and trade regulations

Source: "BEEPS At-A-Glance 2008 Cross Country Report", the World Bank Group, 2010

The research results in both 2005 and 2008 indicate the consistency in key problems in business environment in Croatia: efficiency of courts and legal framework, tax regulations (rates and administration), corruption, access to finance. The results of BEEPS survey are highly correlated with the research results of other international research on business environment in Croatia.

Ranking MSMEs' main challenges: Global Competitiveness Report

Global Competitiveness Report 2013, prepared by the World Economic Forum, ranks Croatia on the 75^{th} place (among 148 countries included in the Report), which is the improvement of 6 places compared to 2012, when Croatia was ranked 81^{st}.

The Report identifies main problems affecting the competitiveness of Croatian economy as following: cost of agriculture policy, incentive effect on employment, the ability to attract talented people, the effect of incentives on investments, burden on government decisions, legal framework for foreign investment, the efficient legal framework for resolving disputes, retaining talented people, cooperation between employers and workers, the efficient legal framework in dealing with regulations, employee education, customers sophistication, participation in primary education, the protection of investors, cluster development, ability to innovate, and impact on the market.

Positive changes observed in 2013 which are directly linked to the Croatian accession in the EU are: the share of imports in GDP, barriers to trade, customs procedures complexity, intensity of competition, the availability of supply vendors, quality of suppliers offers and access to financial services; while the indirectly linked positive changes are: public funds corruption, bribery and corruption, the index of legal protection of investors, organized crime and the quality of accounting standards. The main positive changes observed in the business sector are: business sector investment in R&D, connection between wages and productivity, customer orientation, ethical corporate behaviour and efficiency of management boards.

Ranking MSMEs' main challenges: Transparency International – Corruption Perceptions Index

Transparency International survey measuring Corruption Perceptions Index, but also other international research studies identify corruption as one of the major problems in Croatian business environment. Corruption Perceptions Index indicates the level of perception of corruption in the public sector on a scale from 0 to 100[4] according to the views of experts on corruption in the public sector. Croatian Corruption Index in the year 2013 is 48, which is an advance of 2 points when compared to the previous year. Out of 177 countries involved in this research, Croatia is placed 57th, what is a move of five places when compared to the previous year when it was placed 62nd. Croatian Corruption Index is still below the EU average, where the average corruption index is 62.6 points. On the other hand, Croatian is above the world average of corruption index, which is 43 points.

Ranking MSMEs' main challenges: Global Entrepreneurship Monitor

Global Entrepreneurship Monitor (GEM) is the world's largest research of entrepreneurial activity with 70 countries involved in the research in 2013. GEM research monitors entrepreneurial activity at the individual level and entrepreneurial environment through several dimensions. Based on the results of GEM research in Croatia 2002 - 2011, it is possible to identify the main areas within entrepreneurial conditions where there is need for improvement of conditions for entrepreneurial activity (table 17). Apart from the access to physical infrastructure, and openness of the market (dynamics of change), all the other components have grades below 3 (with scores ranging from 1 to 5). All the components with grades below 3 acts by their quality as obstacles to entrepreneurial activity. In all the years, including 2011, the biggest obstacles to entrepreneurial activity are government policies towards regulatory framework, entrepreneurial education and transfer of results of research and development to the SME sector (these components have the lowest grades).

[4] The 0 on scale represents that the country is perceived as highly corrupt, and the 100 indicates country free of corruption.

Table 17: Average grade of entrepreneurial environment in Croatia and the average for GEM countries, 2011

Elements of entrepreneurial environment	Croatia	GEM average
Access to money	2.26	2.44
Government policies – priorities and supports	2.07	2.48
Government policies – speed and ease of functioning in regulatory framework	1.84	2.39
Government programs	2.36	2.57
Primary and secondary education	1.88	2.03
Tertiary education	2.73	2.81
Transfer of research and development	2.25	2.33
Protection of intellectual property	2.61	2.80
Commercial and professional infrastructure	2.84	3.02
Openness of the market – dynamics of change	3.32	3.02
Openness of the market – entry barriers	2.22	2.51
Access to physical infrastructure	3.65	3.73

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Centre, 2012

Entrepreneurial activity at the individual level is monitored through phases of entrepreneurial behaviour and through characteristics of entrepreneurial behaviour. With TEA - Total Entrepreneurial Activity index of 7,32 in 2011 and 8,27 in 2012, Croatia belongs to countries with a low level of activity in start-up business ventures, in relation to the average value of TEA index of all the countries involved in the GEM research (in 2011 average TEA index was 11,39 and in 2012 13).

The analysis of major international research results indicates existence of a high level of overlap and confirmation of the major characteristics of the business environment in Croatia, as following: administrative obstacles; inefficiency of the judiciary system, long ownership registration procedures, low focus on entrepreneurial education and underdevelopment of non-formal forms of financing of start-up of business ventures.

5.2. Main findings: supply of consultancy services in Croatia

The following chapter provides an overview of the secondary research results regarding the supply of business advisory services for MSMEs in Croatia.

5.2.1. Overview of the consultancy market in Croatia

According to GEM research results, the grade of perception of quality of professional infrastructure support for the MSME sector development in Croatia in 2012 is 2,78, which is slightly lower comparing to average grade of this infrastructure in GEM countries (3,02). The score 5 indicates the presence of consultancy, professional, legal and accounting services in the country, the ability of companies to afford them and the highest quality of services. In 2012, the grade of perception of quality of professional infrastructure support for the MSME sector development in Croatia has decreased compared to 2011 (2,78 in 2012, comparing to 2,84 in 2011). The range of the grades of the perception of commercial and professional infrastructure for MSME sector support among all countries participating in GEM survey in 2011 is between 2,2 (Korea SR) and 3,89 (Switzerland) and in 2012 between 2,41 (Korea SR) and 3,79 (Netherlands). The comparison of the grades between Croatia and the referenced EU and neighbouring countries, and average of GEM countries involved in 2011 and 2012 research is presented in table 18.

Table 18: Perception of commercial and professional infrastructure for MSME sector support in Croatia and the referenced countries in 2011 and 2012

Country	The grade on perception of commercial and professional infrastructure for MSME support	
	2011	**2012**
Average of GEM countries	*3,02*	*3,02*
Spain	2,58	3,05
Croatia	**2,84**	**2,78**
Greece	2,86	2,97
Poland	2,9	2,76
Bosnia and Herzegovina	2,9	2,84
Slovenia	2,94	2,91
Hungary	3,03	3,17
Finland	3,26	3,45
Ireland	3,28	3,21
Slovakia	3,29	2,91
Germany	3,3	3,34
Netherlands	3,57	3,79
Macedonia	-	3,52

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Centre, 2013 (2012)

Example of good practice:
Improving the support system for small and medium enterprises in Finland[5]

The support system for small and medium enterprises in Finland is very complex, and it takes place through some 30-odd organisations that provide 200 different services, around 50 of which are financing-related services. Besides, services to enterprises are also offered through several thousand projects within EU structural funds.

According to the GEM research, the grade of perception of commercial and professional infrastructure for the support of development of the small and medium enterprise sector in Finland in 2011 and 2012 is significantly more favourable in comparison to Croatia (in 2011 in Croatia it was graded with 2.84, and with 3.26 in Finland; in 2012 the grade of perception of commercial and professional infrastructure in Croatia was 2.78, while in Finland it was 3.45).

However, the analysis of the Finnish support system indicated a need to improve the system, in the direction of:

- *Simpler access to business services*
- *Increased availability of information about the services offered by various business support institutions*
- *Possibility of contacting experts in the whole of Finland*
- *Evaluation of the needs of the small and medium enterprise sector for services of business support institutions in Finland*
- *Uniformity in quality of services throughout the country.*

With the aim of improving services that business support institutions in Finland provide to business users, the Finnish Ministry of Trade and Industry appointed a Workgroup for improvement of the system of business support institutions, which has identified the following recommendations:

Recommendation 1: Development of a national web portal www.enterprisefinland.fi for providing services to business customers;

Recommendation 2: Creation of a national call-center that will provide the necessary information to end users in the shortest possible time, as well as provide the contact information of experts in specific fields;

Recommendation 3: Development of a regional network of professional services intended for start-up entrepreneurs and micro and small enterprises in order to identify client needs for services on the one hand, and identify potential providers of services on the other hand;

Recommendation 4: Operation of the Finnish Growth Development Service whose aim is to identify growing enterprises and provide them with appropriate support in development;

Recommendation 5: Development of services to support innovative projects through innovation centers, whose aim is to develop ideas based on research and develop products into business concepts. Innovation centers provide services through business incubators, technology centers and other organisations which are developing contacts between universities and the business community.

[5] "A Development Track Adds Finnish Business Services to World Lead", Ministry of Trade and Industry Finland – Working Group for Finnish Business Services, 2005.

5.2.1.1. Size of the consultancy market in Croatia

Croatia does not have a unified database of the business entities, and information regarding the market size of the business advisory services in Croatia. The major sources of information are **Croatian Bureau of Statistics, Financial Agency (FINA), Croatian Chamber of Commerce and Ministry of Entrepreneurship and Crafts (Crafts Register).** Although each business entity requires the registration with the Croatian Commercial Court, the information on the number of the registered entities is not available to public.

- *Croatian Bureau of Statistics*

According to the Croatian Bureau of Statistics, the total number of companies registered for business and management consultancy services (National Classification Number is M70.22) in 2014 is 4.865. The total number of registered business entities in January 2014 was 66.664, which indicates that the market share of consulting companies in Croatia, according to this source in 2014, is 7.3%.

- *Croatian Chamber of Economy*

According to the data from the Business Entity Register at the Croatian Chamber of Economy, the total number of companies registered for business and management consultancy services in 2014 is 4.697, out of which the total number of active companies is 4.019, and the total number of companies that have submitted annual financial report in 2012 is 2.711. According to the Register, the total number of registered companies in Croatia is 201.198, indicating that the market share of companies registered for the business and management consultancy services is 2.3%. The total number of active companies in Croatia is 143.146, indicating that the market share of active companies registered for the consultancy business and other management is 2.8%. The total number of companies that have submitted annual financial report in the year 2012 in Croatia is 98.021, indicating that the market share of companies for business and management consultancy services that have submitted their financial report is 2.8%.

- *Financial Agency (FINA)*

The total number of companies registered for the business and management consultancy services in 2012 in Croatia is 2.799, the total number of employees is 4.852, and total business income generated is 3.494.737.624 HRK.

- *Ministry of Entrepreneurship and Crafts - Crafts Register*

The total number of crafts registered for providing consulting services in 2014 is 1.415, while the total number of crafts to which consulting activity is prevailing activity is 359. The total number of crafts registered in the Crafts Register is 79.475, indicating that the market share of crafts performing consulting activities in Croatia in 2014 is 1.8%, while the market share of crafts to which consulting activity is prevailing activity is 0.4%.

Dynamics of consultancy market in Croatia could be observed through the **number of new consulting companies per year**. According to the data from the Business Entity Register (Croatian Chamber of Economy), the total number of newly established consulting companies in 2011 was 318, in 2012 it was 354, and in 2013 it was 538. Croatia does not have the official registered **number of individual**

consultants, because the law in Croatia does not require individual consultants to register for providing consultancy services.

5.2.1.2. Structure and geographic distribution of the consultancy market in Croatia

According to the Croatian Chamber of Commerce - Business Entity Register and FINA there are 51 international consulting companies performing their activities in Croatian market, including the world key players in consultancy market: Deloitte, Ernst & Young, KPMG, McKinsey & Company and PriceWaterhouseCoopers (table 19). Through secondary research it was established that large consulting companies in Croatia are primarily focused on performing audits and providing advisory services to large national enterprises, multinational corporations and to the public sector.

Table 19: The list of international consultancy companies in Croatia

No.	International consultancy companies	Total revenue generated in 2012 (mil. HRK)
1.	**KPMG Croatia d.o.o.**	**69,87**
2.	**PriceWaterhouseCoopers d.o.o.**	**49,70**
3.	**Ernst & Young d.o.o.**	**46,76**
4.	**Deloitte d.o.o.**	**42,08**
5.	Austrotherm Zagreb d.o.o.	34,27
6.	Quintiles Zagreb d.o.o.	32,93
7.	Adecco savjetovanja d.o.o.	25,78
8.	**McKinsey & Company, Inc. Croatia**	**24,38**
9.	Fidelitas Aurea d.o.o.	15,81
10.	Horwath Consulting Zagreb d.o.o.	13,35
11.	Comminus d.o.o.	11,29
12.	Roland Berger Strategy Consultants d.o.o.	10,86
13.	Leitner + Leitner Consulting d.o.o.	10,27
14.	Lucidus	9,68
15.	Lundbeck Croatia d.o.o.	9,06
16.	Lyoness Management GmbH	7,70
17.	Ascendant d.o.o.	6,76
18.	Confida Zagreb d.o.o.	6,41
19.	Capgemini Consulting Osterreich AG	6,40
20.	Euromedical d.o.o.	6,40
21.	Sense Consulting	5,85
22.	Hauska & Partner	5,77
23.	Ecovis Ubli d.o.o.	5,56
24.	IDS Scheer d.o.o.	5,50
25.	Innoveva d.o.o.	5,36
26.	Farmavita Regulanet d.o.o.	5,30
27.	Gentis d.o.o.	3,40
28.	SIERRA SPAIN	2,88

29.	EGIS INTERNATIONAL S.A.	1,99
30.	Delticom AG	0,70
31.	NYK SHIPMANAGEMENT PTE LTD.	0,50
32.	EIC-Newtork	0,26
33.	TUVADRIA d.o.o.	0,10
34.	Frimmel/Anetter Rechtsanwaltegeselschaft mhH	0,09
35.	URS Polska Sp. Z.o.o.	0,03
36.	Digitel Pristop Group GmbH	0,01
37.	INGENIERIA ESTUDIOS Y PROYECTOS, NIP S.A.	*
38.	MACK, A WYOMINH	*
39.	Kasolvenzia Inkassogesellschaft mbh	*
40.	KEEPBUZZ Limited	*
41.	D.I.F. Inkasso d.o.o.	*
42.	MEGAJOULE II, CONSULTORIA EM ENERGIAS RENOVAVEIS, S.A.	*
43.	A.T. Kearney	*
44.	ARISTON THERMO S.P.A.	*
45.	DOHLER GmbH	*
46.	Anglo Eastern (IOM) Limited	*
47.	Adria Management, Inc.	*
48.	RAMBOLL DANMARK A/S	*
49.	Schonherr Rechtsanwalte GmbH	*
50.	Lucri Facere	*
51.	TPA Horwath	*

Source: Croatian Chamber of Economy – Business Entity Register and FINA – Register of Annual Financial Statements, 2012.;
** Financial data is not available*

The directory of the biggest, both Croatian and international consultancy companies in Croatia, is prepared based on the data collected from Croatian Chamber of Economy - Register of Business Entities and FINA – Financial Agency - their total revenue generated in 2012 and 2011 (table 20).

Table 20: Directory of 65 biggest Croatian and international consulting companies according to the total revenue generated in 2012

No.	Company, city	Total revenue generated in 2012. (mil. HRK)	Total revenue generated in 2011. (mil. HRK)	Address	Phone / E-mail	Contact person
1	INVESTCO d.o.o., Zagreb (k)	370,80	71,45	Ruđer Josip Bošković 3	01/4820711 / investco@investco.hr	Blažev Miroslav, director
2	KPMG CROATIA d.o.o., Zagreb (k/r)	69,87	63,42	Ivana Lučića 2	01/5390000 / info@kmpg.hr	Kamal Ismet Izhak, CEO
3	PRICEWATERHOUSECOOPERS d.o.o., Zagreb (k/r)	49,70	53,72	Ljudevita Posavskog 31	01/4600838 / tanya.rukavica@hr.pwc.com	Rukavina Tatjana, CEO
4	ERNST&YOUNG d.o.o., Zagreb (k/r)	46,76	51,88	Radnička cesta 50	01/2480560 / silvija.kricka@hr.ey.com	Đurković Slaven, director
5	DELOITTE d.o.o., Zagreb (k/r)	42,08	46,53	Radnička cesta 80	01/2351900 / bvrtacnik@deloittece.com	Vrtačnik Braniislav, Board Member
6	DELOITTE SAVJETODAVNE USLUGE d.o.o., Zagreb (k)	41,39	46,13	Radnička cesta 80/VI	01/2351900 / vmilosevic@deloittece.com	Milošević Vladimir, director
7	AUSTROTHERM ZAGREB d.o.o., Zagreb (k)	34,27	42,32	Antuna Šoljana 14	01/3794389 / info@austotherm.hr	
8	EMPORION USLUGE d.o.o., Zagreb (k)	34,21	40,46	Heinzelova 62/a	01/6387737 / info@emporion.hr	Prosenjak Sebastijan, director
9	QUINTILES ZAGREB d.o.o., Zagreb (k)	32,93	39,91	Radnička cesta 80 17	01/2353200 / zeljka.segrc@quintiles.com	Filakovsky Jan, director
10	ŠTED NOVA d.o.o., Zagreb (k)	32,04	38,68	Slavonska avenija 3	01/6306600	
11	RUDAN DOO, Žminj (k)	28,17	34,35	9.rujan 1/H	052/814400 / rudan@rudan.com	Rudan Graciano, director
12	ADECCO SAVJETOVANJA d.o.o., Zagreb (k)	25,78	31,48	Fra Grge TUškana 37	01/4002170 / info@adecco.hr	Misailidis Christos, director
13	MCKINSEY&COMPANY, INC., CROATIA, Zagreb (k)	24,38	30,22	Ulica grada Vukovara 269A	01/4891424 / petra_novak@mckinsey.com	Škrinjar Kruno, Branch office representative
14	URED ZA PODRŠKU d.o.o., Zagreb (k)	23,33	30,08	Buzinski prilaz 10	01/6690765 / vlado.condic@msan.hr	Matić Stipo, director
15	RRIF PLUS d.o.o., Zagreb (k/r)	21,81	29,69	Vlaška 68	01/4551725 / rrif@rrif.hr	Buzadžić Miroslav,

						director
16	INTERKAPITAL d.d., Zagreb (k)	18,43	29,68	Masarykova 1	01/4825890 / deniel.nevidal@intercapital.hr	Nevidal Daniel, CEO
17	FIDELITAS AUREA d.o.o., Zagreb (k)	15,81	29,29	Preradovićeva 10		Fell Dalibor, director
18	HORWATH CONSULTING ZAGREB d.o.o., Zagreb (k)	13,35	26,83	Ulica Grada Vukovara 269a/14	01/4877200 / officezagreb@horwathhtl.com	Čižmar Sanja, director
19	EMPORION d.o.o., Zagreb (k)	12,79	25,40	Heinzelova 62a	01/6387700 / info@emporion.hr	Šoštarić Vibor, director
20	CONCEPTIO RAZVOJ d.o.o., Zagreb (k)	11,64	24,52	Strossmayerov trg 5	01/4635923 / office@conceptio.eu.com	Milas Zdeslav, director
21	COFACE HRVATSKA d.o.o., Zagreb (k)	11,46	22,54	Avenija Dubrovnik 46	01/469700 / office@coface.hr	Barbić Tonći, director
22	VOX ISTRA DOO, Buje (k)	11,45	19,58	Trg Josipa Broza Tita 9	052/773063	Battista Benito, official representative
23	COMMINUS d.o.o., Zagreb (k)	11,29	19,03	Buzinski prilaz 10	01/6111802 / info@comminus.hr	Radošević Krešimir, director
24	MEDIKOL GRUPA d.o.o., Zagreb (k)	11,21	17,99	Mandlova bb	01/4594700	
25	CCS ULAGANJA d.o.o., Zagreb (k)	11,02	17,85	Vlaška 67	01/4862700 / info@ccs.hr	Đorđević Predrag, director
26	ROLAND BERGER STRATEGY CONSULTANTS d.o.o., Zagreb (k)	10,86	16,87	Trg Bana Jelačića 5	01/4804801 / office@hr.rolandberger.com	Falb Roland, director
27	INŽENJERSKI BIRO d.d., Zagreb (k)	10,71	13,34	Heinzelova 4/a	01/4600888 / ingbiro@ingbiro.hr	Mlinarević Mladen, director
28	GOLDBACH PUBLIKA, Zagreb (k)	10,54	13,02	Radnička cesta 47/III	01/2304600 / info.hr@goldbachaudience.hr	Eder Christian, CEO
29	LEITNER + LEITNER CONSULTING d.o.o., Zagreb (k)	10,27	12,87	Radnička cesta 47	01/4647917 / office@leitnerleitner.hr	Kuffer Reinhold, director
30	MENTIS d.o.o., Zagreb (k)	10,18	12,86	Heinzelova 60	01/3013209	Novak Igor, director
31	LUCIDUS d.d., Zagreb (k)	9,68	12,81	Trpinjska 9		Ljubičić Vinko, CEO

32	LUNDBECK CROATIA d.o.o., Zagreb (k)	9,06	12,00	Rapska 46/b	01/3649210 / Croatia@lundbeck.com	Bali Babli Valerija, director
33	KANASTA D. O. O., Krk (k)	8,58	11,07	Braće Linardić 8	051/220094 / canasta@ri.t-com.hr	Kasal Stanislav, CEO
34	CCS d.o.o., Zagreb (k)	8,57	10,74	Vlaška 67	01/4862700 / info@ccs.hr	Đorđević Predrag, director
35	PAKTOR d.o.o., Split (k)	8,18	9,48	Hrvojeva 12	021/341371	Slišković Davor, Board Member
36	CAFE REKLAM d.o.o., Zagreb (k)	8,16	9,42	Ilica 11		Szarvas Lasylo, director
37	ASCENDANT d.o.o., Zagreb (k)	6,76	9,26	Ulica farkaša Vukotinovića 4	01/4921430 / ascendant@ascendant.hr	Oniunas Jurgis V., director
38	CONFIDA ZAGREB d.o.o., Zagreb (k)	6,41	9,03	Slovenska ulica 24	01/4606900 / office@confida.hr	Malleg Ernst, director
39	CAPGEMINI CONSULTING OSTERREICH AB, Zagreb (k)	6,40	9,03	Ilica 1/A	01/6412300	Jularić Ivan, Branch office representative
40	EUROMEDICAL d.o.o., Zagreb (k)	6,22	8,61	Sveti Duh 64		Mordechai Erel, director
41	REDEA d.o.o., Čakovec (k)	6,07	7,96	Bana Josipa Jelačića 22	040/395560 / redea@redea.hr	Polanec Marinović Sandra, director
42	ASERVO d.o.o., Split (k)	6,02	7,66	Rovinjska 4	021/480465 / aservo@email.t-com.hr	Ercegović Boris, founder
43	TAJNIK d.o.o., Zagreb (k)	5,86	7,38	Križanićeva 1		Spill Stephen Brian, CEO
44	ECOVIS UBLI d.o.o., Zagreb (k)	5,56	7,18	Jurčićeva 9	01/5508321 / office@ubli.hr	Niemann Branka, director
45	SENSE CONSULTING d.o.o., Zagreb (k)	5,85	4,07	Frane Petrića 4	01/4813314 / sense@senseconsulting.eu	Vedran Antoljak, director
46	IDS SCHEER d.o.o., Split (k)	5,50	6,70	Gundulićeva 26A	021/480600 / info-hr@ids-scheer.com	Babik Vedran, Board Member
47	INFOKORP d.o.o., Zagreb (k/r)	5,37	6,53	Savska 64	01/2221200 / infokorp@infokorp.hr	Fistrić Sučević Nataša, director
48	INNOVEVA d.o.o., Zagreb (k)	5,36	6,47	Siget 19	01/6524010 / mail@innoveva.com	Grimbichler Kurt, director

49	FERRY d.o.o., Zagreb (k)	5,34	6,39	Pavlenski put 7a	01/3817007 / office@ferry.hr	Čipčić Dajana, procurator
50	KPMG SAVJETOVANJE d.o.o., Zagreb (k/r)	5,31	6,34	Ivana Lučića 2/a		Izhak Kamal Ismet, CEO
51	FARMAVITA REGULANET d.o.o., Samobor (k)	5,30	6,29	Okićka desni odvojak 2	01/3360785 / info@farmavitar.com	Regenhold Jurgen Thomas, director
52	AQUIS d.o.o., Zagreb (k)	4,69	6,29	Sv.Mateja 90a	01/6329830 / aquis@aquis.hr	Komerečki Davor, director
53	D ULAGANJA d.o.o., Zagreb (k)	4,69	5,82	Heinzelova 62/a	01/2359251	
54	PER ASPERA d.o.o., Zagreb (k)	4,68	5,82	Ilica 1a	01/4693040	Hebibović Anis, director
55	QUAESTUS PARTNERI d.o.o., Zagreb (k)	4,48	5,74	Ilica 1a	01/4693040 / quaestus@quaestus.hr	Hebibović Anis, director
56	C. B. M. d.o.o., Osijek (k)	4,16	5,59	Istočno predgrađe bb	031/209688	
57	INTEGRA d.o.o., Varaždin (k)	3,85	5,08	Trg kralja Tomislava 4	042/301600	Ivošević Rajko, director
58	HEP ESCO d.o.o., Zagreb (k)	3,58	4,95	Ulica grada Vukovara 37	01/6322302 / gordana.lucic@hep.hr	Lučić Gordana, director
59	GENTIS d.o.o., Zagreb (k)	3,40	4,94	Slankamenska 14	01/3816638 / gentis@gentis.hr	Ferrara de Mirković Dubravka Maria, director
60	QUANTUM d.o.o., Zagreb (k)	2,97	4,91	Vlaška 16/a	01/3436300 / info@quantum.hr	Dujmović Tomislav-Zvonimir, director
61	PROMO.FIL d.o.o., Zagreb (k)	2,40	4,82	Ulica grada Vukovara 269D	01/ 5571066 / info@promo-fil.com	
62	ITS PARTNER d.o.o., Zagreb (k)	1,05	4,77	Prisavlje 2	01/444420 / info@itsm.hr	Nissen Ivana, director
63	C. P. I. EXPERTUS d.o.o. (bivše SVIBANJSKO DRVO), Zagreb (k)	0,95	4,65	Donje Svetice 46b	01/3667333	
64	MIRIFICUS d.o.o., Zagreb (k)	0,80	4,53	Hrvojeva 3		Carević Vedrana, director
65	OG ADRIATIC d.o.o., Zagreb (k)	0,47	4,51	Pantovčak 42 I	01/4872155	Umićević Jasminko, director

Source: CEPOR – SMEs & Entrepreneurship Policy Centre based on data collected from Croatian Chamber of Economy – Business Entity Register and FINA – Register of Annual Financial Statements, 2014.;

**(k) = consulting company*
**(k/r) = consulting and auditing company*

Table 21 presents the number of consultancy companies in Croatia, per counties; as well as the number of employees and total business income generated in 2012, according to FINA data. The greatest number of companies providing consultancy services are registered in the area of City of Zagreb (58.70%), followed by Istria county (7%), Primorje and Gorski Kotar county (6.7%), and Split-Dalmatia county (6.4%).

Table 21: Companies registered for business and management consultancy services in Croatia in 2012, by county

County	Total number of companies registered for the consultancy business and other management	Number of employees	Total business income generated (HRK)
Bjelovar-Bilogora County	17	34	4.004.595
Brod-Posavina County	21	44	12.315.302
Dubrovnik-Neretva County	58	158	58.370.351
City of Zagreb	1.662	3.077	2.766.112.842
Istria County	189	177	119.867.139
Karlovac County	23	47	18.164.886
Koprivnica-Krizevci County	18	57	46.385.618
Krapina-Zagorje County	22	25	16.400.695
Lika-Senj County	2	3	449.086
Medimurje County	36	81	22.613.603
Osijek-Baranja County	71	231	128.959.709
Pozega-Slavonia County	8	47	5.858.253
Primorje-Gorski Kotar County	173	230	77.285.397
Sisak-Moslavina County	18	28	3.289.321
Split-Dalmatia County	193	259	78.514.758
Sibenik-Knin County	24	20	6.535.619
Varazdin County	80	102	32.919.708
Virovitica-Podravina County	3	3	467.925
Vukovar-Syrmia County	14	20	13.479.974
Zadar County	61	67	17.814.599
Zagreb County	106	142	64.928.244

Source: FINA, 2014

Based on the Croatian Bureau of Statistics data from 2014, the number of business and management consultancy services providers differs from the number generated from FINA register (table 22).

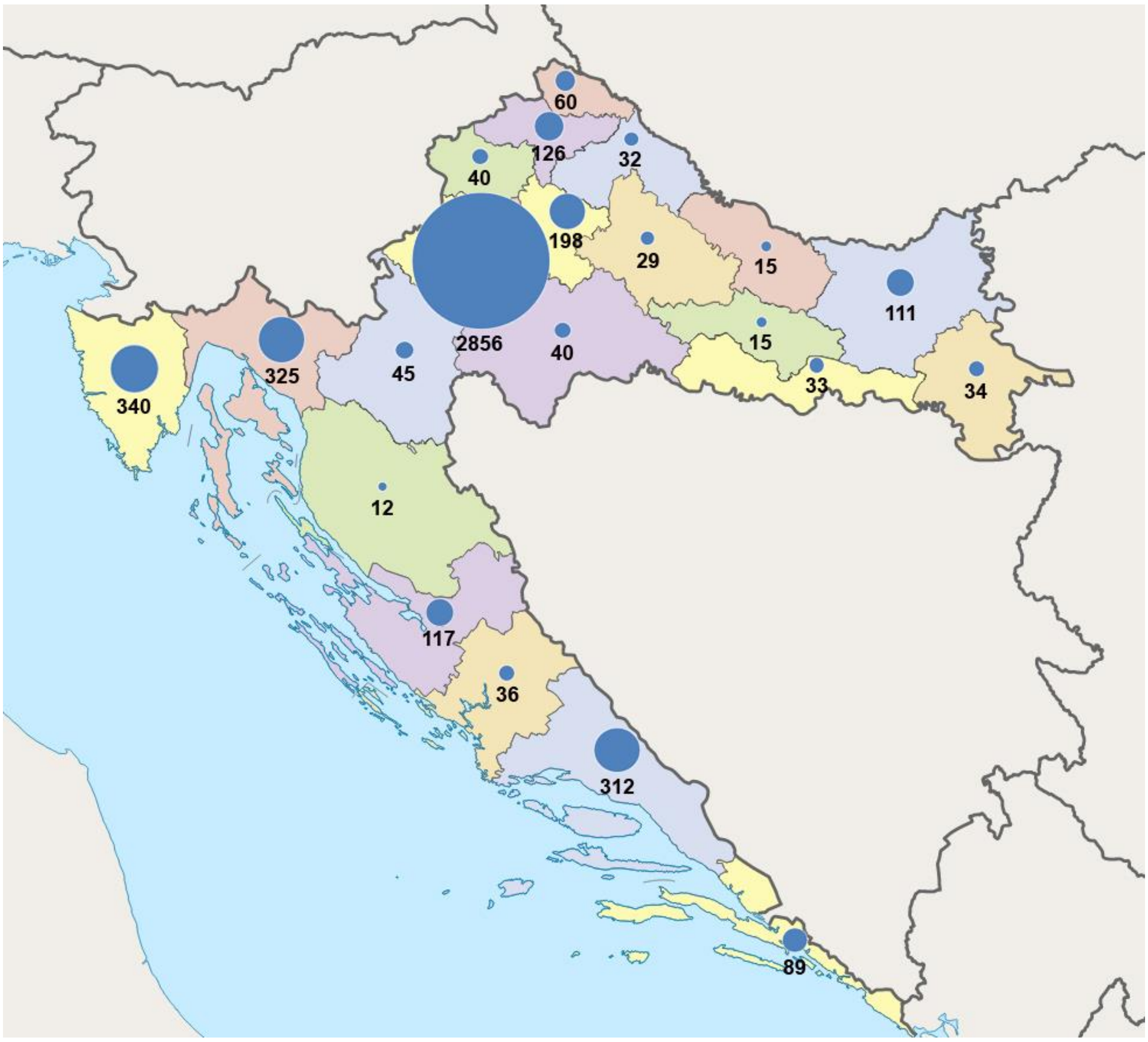
Table 22: Companies registered for business and management consultancy services in Croatia in 2014, by county

County	Total number of companies registered for the consultancy business and other management
Bjelovar-Bilogora County	29
Brod-Posavina County	33
Dubrovnik-Neretva County	89
City of Zagreb	2.856
Istria County	340
Karlovac County	45
Koprivnica-Krizevci County	32
Krapina-Zagorje County	40
Lika-Senj County	12
Medimurje County	60
Osijek-Baranja County	111
Pozega-Slavonia County	15
Primorje-Gorski Kotar County	325
Sisak-Moslavina County	40
Split-Dalmatia County	312
Sibenik-Knin County	36
Varazdin County	126
Virovitica-Podravina County	15
Vukovar-Syrmia County	34
Zadar County	117
Zagreb County	198

Source: Croatian Bureau of Statistics, 2014

The figure 2 shows the geographical distribution of consultancy services providers in Croatia, based on Croatian Bureau of Statistics data.

Figure 2: The map of business and management consultancy companies in Croatia, by counties



Source: CEPOR – SMEs & Entrepreneurship Policy Centre, based on data collected from Croatian Bureau of Statistics, 2014.

Table 23 shows the number and share of MSMEs by counties, as well as the number and share of consulting companies by counties, which enables identification of the number of MSMEs per consulting company in individual counties. 34% of MSMEs and 59% of consulting companies are concentrated in the City of Zagreb.

Table 23: The comparison of the number and percentage of MSMEs and consultancy companies by counties

County	Total number of MSME in 2012	% in total number of MSME	Total number of consulting companies in 2012	% in total number of consulting companies	Number of MSMEs per one consulting company
Bjelovar-Bilogora	1.191	1%	17	1%	70,1
Brod-Posavina	1.180	1%	21	1%	56,2
Dubrovnik-Neretva	3.167	4%	58	2%	54,6
City of Zagreb	30.159	34%	1.662	59%	18,1
Karlovac	1.520	2%	23	1%	66,1
Koprivnica-Krizevci	1.111	1%	18	1%	61,7
Krapina-Zagorje	1.332	2%	22	1%	60,5
Medimurje	2.052	2%	36	1%	57,0
Osijek-Baranja	3.413	4%	71	3%	48,1
Pozega-Slavonia	508	1%	8	0%	63,5
Sisak-Moslavina	1.387	2%	18	1%	77,1
Varazdin	2.422	3%	80	3%	30,3
Virovitica-Podravina	627	1%	3	0%	209,0
Vukovar-Syrmia	1.236	1%	14	1%	88,3
Zagreb	5.528	6%	106	4%	52,2
Istria	8.374	9%	189	7%	44,3
Lika-Senj	537	1%	2	0%	268,5
Primorje-Gorski Kotar	8.069	9%	173	6%	46,6
Sibenik-Knin	1.733	2%	24	1%	72,2
Split-Dalmatia	10.054	11%	193	7%	52,1
Zadar	2.710	3%	61	2%	44,4
Total	**88.310**	**100%**	**2.799**	**100%**	**31,6**

Source: CEPOR analysis based on the secondary research findings (FINA data, 2012)

Gender-related aspect of the consultancy market in Croatia

There is no official gender-related statistical data on company ownership in Croatia. Based on the data available through the Croatian Chamber of Commerce – Register of Business Entities, the analysis of the gender representation among the 65 biggest consultancy companies in Croatia was conducted, with following results: the total number of women involved in decision making processes within the company is 12 (18.46%), the total number of man is 48 (73.85%), while the information for 5 companies (7.69%) is not available.

5.2.1.3. The role of entrepreneurship supporting institutions in providing advisory services to MSMEs

Access to information and advisory services for micro, small and medium enterprises in Croatia is additionally provided through the network of the entrepreneurship support institutions[6] (30 regional development agencies, 35 centers for entrepreneurship, 30 business incubators, 3 business parks, 9 technology parks, around 100 business zones). The activity of majority of entrepreneurship support institutions is subsidized by their founders – local or regional municipalities, EU projects and grants provided by Ministry of Entrepreneurship and Crafts.

In 2013, the Ministry of Entrepreneurship and Crafts has, through the Entrepreneurial Impulse[7], provided 62 grants to business support institutions in the total amount of 26.809.017 HRK. The greatest number of grants was provided to regional agencies and entrepreneurial centres (29) with the total amount of 3.194.693 HRK. However, the biggest amount was provided to technology parks and business incubators – 22 grants with total amount of 13.647.076 HRK, while the total number of grants awarded to entrepreneurial zones was 11, with the total amount of 9.967.248 HRK.

In the year 2012, the Ministry of Entrepreneurship and Crafts has, through the Entrepreneurial Impulse, provided 58 grants to business support institutions in the total amount of 4.603.000 HRK.

These data do not provide the ability for segregation of the financial support the entrepreneurship support institutions received for providing consultancy services to MSMEs. However, by their mission statements, all entrepreneurship supporting institutions are providing a kind of consultancy services to MSMEs, but the criteria for allocation of Ministry of Entrepreneurship and Crafts grant scheme direct business support institutions towards implementation of the same programs and encourage them to compete with each other, instead to cooperate[8]. **Clearer profiling in accordance with the institution's mission and focus on improvement of quality of services and target market (MSMEs) needs would enable entrepreneurship support institutions to build healthy foundations for mutual cooperation and influence on increasing the capacity, variety and quality of offer in the market of professional services for micro, small and medium enterprises development.**

[6] Virtual map of business support institutions in Croatia is located at www.cepor.hr
[7] "Entrepreneurial Impulse 2012 – Fostering entrepreneurial infrastructure", Ministry of Entrepreneurship and Crafts, 2013
[8] Lauc, B.: "Market of services for the promotion of entrepreneurship in Croatia" (master's thesis), J.J. Strossmayer University in Osijek, Faculty of Economics in Osijek, Graduate Program in Entrepreneurship, Osijek, 2004, p. 53.

In order to improve access to information and advisory services, and better formulate Government's support, it is necessary to make a detailed analysis of the effects of implemented programs and the needs of the MSMEs. In doing so, it is useful to take into account the recommendations and best practices of countries that have made significant efforts to improve systems of support for the small and medium enterprise sector, e.g. Finland.

The detailed description of the network of entrepreneurship supporting institutions in Croatia and range of activities those institutions perform is provided in the chapter 5.4.1. of the Study.

5.2.2. Official statistics on business consultancy market in Croatia

Starting up a company in Croatia requires registration with the Commercial Court, Central Bureau of Statistics, Tax Administration, Croatian Pension Insurance Institute and Croatian Institute for Health Insurance. One of the registration processes requires submission to the Central Bureau of Statistics in order to carry out classification in accordance with the National Classification of Business Activities (Nacionalna Klasifikacija Djelatnosti, NKD). According to the NKD, the Central Bureau of Statistics as well as other institutions, such as FINA, Croatian Chamber of Commerce, governmental agencies and others can monitor statistical information regarding this sector. The NKD number for the consultancy business and other management is M70.22.

The non-payable data about local and international consultancy companies (company name, county, address, phone, email, and contact person) is available through the Croatian Chamber of Commerce – Register of Business Entities. FINA provides open access to Annual Financial Statements with the registration number, company name and address. For all other data regarding the companies, FINA as well as the Croatian Bureau of Statistics, charge an additional fee.

Following is the overview of the availability, transparency and accessibility of the statistical data on the consultancy market services providers in Croatia, through official and other sources of information. Classification is based on data source.

- *Central Bureau of Statistics*

Data available through the Central Bureau of Statistics which is publicly available: number of registered legal entities, number of active entities, structure of business entities by activity and according to NKD 2007, trade companies according to the NKD 2007 and by legal organisational forms and activity, structure of business entities by counties, enterprises and co-operatives according to legal institutional forms.

Non-publicly available and payable data are the specific data regarding the company: company name, county, municipalities, registration number, address, NKD number. The cost of this data is approximately 1.000,00 HRK.

- *Financial Agency – FINA*

Data available through the FINA which is payable:
(1) Analysis of the financial results of entrepreneurs operations by country, county, city (such as macroeconomic trends in the economy, financial performance of entrepreneurs, financial results of operational performance by sector/by size/by type of ownership). The cost of this publication is 313,00 HRK;
(2) Aggregated data by order (basic results of business entities by activities and assets, liabilities and equity of entrepreneurs by activity, based on financial results and sources of funding by type of ownership, basic financial results by counties or by size of the entity). The cost of one table with the aggregated data is 107,00 HRK per table;
(3) Info.biz data (address and financial information about the firm for at least 5 years; rank of the most successful businesses on the selected criteria; aggregated data and indicators on business entrepreneurs by selected criteria such as counties, municipalities, cities, activity, size; aggregate data on the payment of salaries and benefits related to the employment; aggregate data from statistical reports; aggregate data on insolvent businesses). The cost of this data is from 489,00 HRK to 1.205,00 HRK.

Non-payable and publicly available data:
(1) Basic information about the illiquidity and insolvency of business entities;
(2) Annual Financial Statements of companies (RGFI public announcement). RGFI provides an access to the annual financial statements and other documents that are entrepreneurs, according to the Article 20 of the Labour Law, obligated to deliver to FINA. Access to these documents is available free of charge for everyone, starting from the year 2008. The annual financial statements for small business owners are published in abbreviated form, for medium-size and large enterprises in full form, for taxpayers the audit report with attachments is published. The data is available within a specific year by registration number or by other criteria (name, area name, county, municipalities, and city).

- *Ministry of Entrepreneurship and Crafts - Crafts Register*

Data available through the Ministry of Entrepreneurship and Crafts - Crafts Register is: the total number of registered crafts for consulting activity in Croatia, craft name, craft type, craft status, address, registration year, activity, contact, craft owner details.

- *Croatian Chamber of Commerce - Business Entity Register*

Data available through the Croatian Chamber of Commerce (Business Entity Register) is: company identification number, company name, county, address, phone, email, and contact person. Additional data regarding one specific company is: web site, director name, year of establishment, main activity, number of employees, enterprise size and legal form;

- *Other information sources on consultancy market*

Other sources of information on consultancy market in Croatia are:
- Previously conducted two studies (partially) covering the aspect of consultancy market in Croatia: (1) Economics Institute in Zagreb prepared the study on SME environment including SME consultancy market for Ministry for Economy, Labor and Entrepreneurship at the beginning of 2000s; (2) USAID in Croatia financed the study on SME consultancy market. However, the results

of these studies are not publicly available and therefore could not be accessed and used in preparation of this Study;

- Croatian Association of Management Consultants that is periodically conducting research in the field of consulting services, and that information is available only to the members of the Association;
- Magazine Liderpress has, in 2013, collected information on 100 most influential consultancy companies and 100 most influential individual consultants in Croatia. The overview was published in the printed edition of the Lider Magazine in February 2013.

5.2.3. Professionalism of the consultancy market in Croatia

5.2.3.1. Training and educational programmes specialized in management consulting

Development of the capacity of MSMEs' consultants through EU project CABBS – Capacity Building for Business Service Professionals

In 2011, Ministry of Economy, Labour and Entrepreneurship implemented the training program[9] for MSME consultants within EU funded project CABBS. The objective of the educational programme was to build the capacity of business consultants by improving their skills and knowledge for providing counselling services to SMEs, especially in the field of quality assurance, marketing and product development. The educational programme was implemented through three components[10]: (1) Marketing and product development, Marketing program in seven steps; (2) Quality issues, Innovative application of quality, TQM, Processes, Performance, Progress; (3) Managing your own consulting business – From price to consulting based on the expertise. Through 10 workshops, the project educated 125 consultants.

Until the end of 2012, Croatian Association of Management Consultants, with its qualified trainers, was providing a range of one and two-day training programmes for consultants (members of the

[9] CABBS educational programmes, Association of Accountants and Financial Experts, 2012.

[10] The first educational programme was covering the following topics: Marketing as process (understanding the role of marketing in SMEs, marketing process and the role of consultant, marketing audit, product revision, competition, sources of information on market), Marketing objectives and strategies (shortcuts in marketing audit, marketing goals, marketing strategy, targeting, positioning, branding), Marketing mix (review of marketing mix, product, development of new products, price, place, promotion, digital marketing and marketing plans). The second educational programme was covering the following topics: Quality vs. Customer (role identification, thinking about quality, focusing on customers, critical tree quality, house of quality), Performance management (performance management, the balanced scorecard as a tool for pursuing goals), Business process modelling (process and systematic approach, business processes and models, connection between inputs and outputs of the process), TQM and Continuous improvement (main features, practices and tools for TQM, open innovation and the power of networks). The third educational programme was covering the following topics: Demand and securing new business (defining the universe of potential customers, targeting and marketing in the private sector/donor agencies/sub-contracting with international consulting firms, writing winning proposals), Delivery and Leverage (planning and preparation, employing the right people, supervision and management, quality assurance, optimization of results for future business), Set of basic consulting skills based on expertise (listening, critical thinking, testing, moderation and simplification), Price and payment (successful negotiation, overcoming resistance, reluctance and scepticism, marking market.

Association) in the field of general management consulting and certain specific segments of the business management. The Association was providing these programmes together with partners – USAID and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH).

Educational seminars and workshops provided until the end of 2012 were covering the subjects of: Operating management for SMEs, Strategic planning for SMEs, Packaging and labelling in the food industry, Financing of SMEs, Cost accounting (cost management), Market segmentation and positioning for SMEs, EU funds, Public Relations, Taxes – How to manage tax liabilities, Protection and charging of receivables in business, Legal aspects of employee-employer relationship, Basic legal settings, Market research, International standards, Managerial Accounting. The Association' intention is to start to provide the same kind of education again from the May 2014, when the status of the Association will again become active.

In addition, from 2006-2009, the Association was organizing *"The Essentials of Consulting Processes and Advanced Consulting Skills – International CMC Certification Training".* The training was organized as a highly interactive workshop enabling participants to know how to evaluate their municipality's location's strengths, weaknesses, opportunities, and threats as well as to understand how to target industries and geographic sources of investment that are most suited to their location's attributes. The detailed and comprehensive approach was discussed during the training, in order to show the way of developing a successful consulting strategy and practice. The intention of this training seminar is to set the stage for the management consulting expertise, practice and promotion by providing an overview of the nature, cause, effects, and benefits of CMC certification by ICMCI standards.

From April 2008 until March 2009, the Association was preparing and delivering training programme for management consultants "Consulting excellence". The training programme was aiming on delivery of the basics of consulting business, and improving of the professionalism of consulting practitioners. It was structured to mirror the process in organizing a consulting assignment and logically lays out the steps to approach and deal with clients. Participants learned how to access their strengths against market opportunities, develop sales strategies, conduct company assessments and manage relationship.

Altius savjetovanje and Experta Business Academy are providing one year education programme (200 study hours) on tax consultants (specialists). Participants are acquiring the knowledge of the Croatian tax system and are becoming familiar with all laws related to the taxes, such as company law, and accounting. Part of the programme is focused on the specialization in the area of International Financial Reporting Standards and Croatian Financial Reporting Standards, financial, cost, management and forensic accounting. In addition, participants are also familiarized with the procedures of tax planning, inspection, and with the implementation of the administrative procedure and revision. The rate of the programme is 24.000,00 HRK and it is payable in 10 instalments.

There are no consultancy specific programmes focused specifically on development of SME consultancy skills at the university level in Croatia. However, the Faculty of Economics in Osijek – Graduate Programme in Entrepreneurship is delivering a course titled "Counselling for SMEs". The course was developed by Professor Timothy Baye from Wisconsin, USA, and is currently delivered by Anamarija Delic, PhD, Assistant Professor at the International Centre for Entrepreneurial Studies at the J.J. Strossmayer University of Osijek. The objective of the course is to deliver theoretical concepts and practical experience to the students in the field of SME consulting. The final exam includes gaining practical knowledge and skills in providing consultancy services to local SMEs and preparation of an SME consultancy report. The course is being delivered since 2000, and has been attended by more than 300 students.

Faculty of Economics Zagreb signed the contract with Ernst & Young international consulting company aimed on academic and business cooperation in the field of student education. This contract is allowing student to take an internship at E&Y and have "business mentors".

5.2.3.2. Availability of certification programmes for management consultants

Certified Management Consultant (CMC)

Croatian Association of Management Consultants was, until the end of 2012, providing Certified Management Consultant (CMC) training and certification. The Association was delivering a set of training modules to consultants, defining the criteria for certification of consultants according to ICMCI standards, selecting CMC qualified consultants, preparing 12 day training modules, evaluating modules, and organizing and executing CMC certification process for consultants fitting to the application criteria, evaluating applications, conducting case study preparation and conducting final conversation for successful candidates. The Association' intention is to start with training, certification and re-certification programmes from May 2014. The first re-certification programme will be implemented in May 2014 in Albania, and will be carried out by the Croatian Association of Management Consultants, the only consultants' association with regional focus.

HAMAG INVEST network of certified consultants

HAMAG INVEST was, until the year 2012, providing education, exams and certificates for individual consultants in order to become a registered HAMAG INVEST consultant and become a member of the HAMAG INVEST Network of Consultants. Consultants willing to gain certification and become registered consultant by HAMAG INVEST were required to pass the formal requirements (working experience with SMEs, adequate level of education, at least two years of working experience in consulting businesses, and have to provide the description of at least two project on which they have been working) and education program which was comprised of two educational cycles. First education cycle was intended for all participants and was based on providing education on general knowledge of entrepreneurship, EU funds, marketing and communication skills, production processes, organization and management, and funding; while the second cycle was related to the field of specialization.

5.2.3.3. Professional consultancy associations – nature and existence

Based on secondary data research, several professional consultancy associations were identified with different focus and level of intensity of activities. Table 24 presents the list of professional consultancy associations in Croatia, followed by more detailed information about each association.

Table 24: List of professional associations

Professional association for management consultants	Phone / contact person	E-mail	Address
Croatian Association of Management Consultants	+385 1 3030522 +385 91 3030600 Nikola Niksic	ups@ups-amc.org	Petrovaradinska 1a, Zagreb
Croatian Association of Local and Regional consultants	+385 1 3792805 +385 92 1083293 Ljiljana Pejic	ured@hukon.hr ljiljana.pejic@hukon.hr	Selska 3, Zagreb
Association of Consultants for Rural Development	+385 40 391054 +385 99 3103424 Kristijan Mavrek	kristijan.mavrek@kajaconsulting.hr	
Association of Management Consultants within the Croatian Chamber of Economy	+385 1 4606824 Mirjana Samadzic Novoselac	jravlic@hgk.hr	Nova cesta 3-7, Zagreb
Group of Consultants for the Economy – Croatian Chamber of Economy Rijeka	+385 51 209 145 Miranda Bralic	mbralic@hgk.hr	Bulevar oslobođenja 23, Rijeka

- *Croatian Association of Management Consultants (www.ups-amc.org)*

Croatian Association of Management Consultants is voluntary and independent association of individuals and companies – consulting professionals. Its primary aim is to manage and promote professionalism in the delivery of management and business consulting services by qualified practitioners. The CAMC is also defining professional standards for Croatian management consultants, providing training against these standards and administering certifications in accordance with international principles and practices.

As from May 2005 CAMC became an associate member, and today is a full member of the International Council of Management Consulting Institutes (ICMCI), a full member of the European Federation of Management Consultancies Associations (FEACO) and a member of EFQM (European Federation for Business Excellency). After one-year of reorganization, that initiated at the end of 2012, CAMC counts around 30 individual or corporate members. The Association intention is to continue its activities in the field of consultancy education and training, as well as certification and re-certification programmes, as of May 2014.

- *Croatian Association of Local and Regional Government Consultants (www.hukon.hr)*

Croatian Association of local and regional consultants is non-profit organization with the primary goal of promotion of the common interests of members and representatives of local government and development consultancy services in the areas relevant to local government. The Association is promoting consulting industry through professional development of its members and through the establishment of the cooperation with local governments, as well as with other associations sharing similar interests, and other partners. The Association has 45 members.

- *Association of Consultants for Rural Development*

The Association was initiated in June 2013 by Kaja consulting Ltd., with an objective to promote sustainable rural development, lobbying by relevant institutions related to rural development sector, providing information for stakeholders in the sector, the application of consultancy best practice and to promote and develop awareness of the value of consultancy knowledge and skills. The Association is aimed on encouraging collaboration with local and international consultants, organizing training consultants through seminars, conferences and workshops, publishing magazines and newsletters from their activities and disseminate effective models of consultancy services. The Association has 25 members. The requirement for becoming a member of the Association is to have at least one prepared and submitted EU project.

- *Association of Management Consultants within the Croatian Chamber of Economy* (http://www.hgk.hr/category/zajednice/zajednica-poslovnih-savjetnika)

The Association was established in April 2013. The main aim of the Association is the representation, alignment and protection of common economic interests of providers of business consulting services, and the improvement of operations and business environment of all the members. The main tasks of the Association are: active promotion of the importance of pre-accession and post-accession funds available to Croatia, presentation or representation of attitudes to the line ministries and other relevant institutions, launching initiatives regarding new laws and regulations, formulating attitudes and opinions regarding the proposal amendments to existing regulations, improving the quality of services related to the business consulting, organization of conferences and promotion of services in the country and abroad. In 2014, the Association has more than 130 consultants mostly engaged in the preparation of the EU-funded projects.

- *Group of Consultants for the Economy – Croatian Chamber of Economy Rijeka* (https://www.hgk.hr/zk/rijeka/grupacija-konzultanata-za-gospodarstvo)

The Group is part of the Croatian Chamber of Economy Rijeka system covering the area of consulting services in Primorje – Gorski Kotar County. The main task of consultants in the Group is to work with entrepreneurs and business people in order to solve daily problems in practice. The group is concerned about the interests of users of consultancy services and is promoting the interests of protecting the reputation of the consulting service.

Group activities are divided into 35 areas of counselling, such as: analysis and review of operations, design, ecology, finance, IT, innovation, training, export-import, controlling, human resources, logistics, management and control, marketing, monitoring and management of energy, trade and company establishment, patent and proprietary rights, etc. The Group counts for more than 30 consultants.

Niche centres with access to experts

Access to management consultant experts is available through the above mentioned professional associations. Besides them, experts can be accessed by contacting several institutions that provided the platform and support for performing the MSME focused consultancy services: Croatian Chamber of Economy, HAMAG INVEST and EBRD BAS.

Additionally, Consultancy Group at the UNESCO Chair in Entrepreneurship - J.J. Strossmayer University of Osijek, represents a niche centre hosted by the Faculty of Economics in Osijek, focused on providing consultancy services to SMEs. The Consultancy Group was initiated with an objective to establish linkages between enterprises and academic and educational institutions and provide consultancy services to SMEs. The consultants have wide practical experience as well as knowledge gained as graduate students at the Graduate Programme in Entrepreneurship at the J.J. Strossmayer University of Osijek. The fields of expertise are: due diligence, appraising the growth potential, company restructuring, cost-benefit analysis and business plan preparation (www.ices.hr).

5.2.3.4. Media involved in promoting business and consulting activities

According to the Croatian Chamber of Economy Business Entity Database, the total number of registered newspapers in Croatia which have submitted their Financial Reports in 2012 is 115, and the total number of registered internet portals that have submitted Financial Report in 2012 is 118. Among them, there are 26 media that can be considered as the most relevant media on business and consulting in Croatia. The selection of the media presented in the table 25 was made based on the secondary research results and detailed analysis of the information presented on the official websites.

Table 25: Important media on MSMEs and consultancy related topics in Croatia

Croatian press	
Banka magazine	Lider press
24sata	Narodne novine
Glas Istre	Novi list
Glas Slavonije	Slobodna Dalmacija
Globus	Poslovni tjednik
Jutarnji list	Privredni vjesnik
Računovodstvo i financije	
Internet portals	
Dnevnik.hr	Limun.hr
Briefing – specialized for consulting	Index.hr
Business.hr	Poduzetnički Portal
Croatiabiz	Poduzetna.hr
Fondovi.hr	Ja Trgovac
T-portal	Poslovni forum
Večernji.hr	

Sources: Croatian Chamber of Economy Business Entity Database, 2014 and CEPOR secondary research of media official websites, accessed March 2014

Forums or events for consultants – Primus award

Business magazine Poslovni savjetnik, together with Croatian Association of Management Consultants organized Primus award – an award-giving event that started in 2009. The awards were given in two categories – the best management consultant and the best management consulting company in the Republic of Croatia. In 2012, the last year in which the award was given, the best management consultant was Boris Golob, and the best management consulting company was Qualitas. Primus award event is intended to be continued in 2014, while Croatian Association of Management Consultants plans to continue performing its activities, and also organizing this award-giving event.

5.3. Main findings: market consolidation / the role of donors

Within the period 2000-2014, the main donors providing support for SMEs access to consultancy services in Croatia are EU funds – through Ministry of Economy, Labour and Entrepreneurship or / and Ministry of Entrepreneurship and Crafts, HAMAG INVEST and EBRD BAS Service (table 26). The main objective for providing support is to raise and improve the quality and availability of consultancy services to SMEs, to prepare consultants and SMEs for the use of EU funds, and eventually to enhance the competitiveness of Croatian SMEs.

Table 26: Overview of state and donor supporting initiatives for SME consultancy services, 2000-2014

Donor	**Type of subsidy**	**Total amount of subsidies**	**Number of subsidies**	**Amount of subsidy by type of project**
Ministry of Economy, Labour and Entrepreneurship - **Croatian Network of Consultants for Small Businesses**	State subsidy	No information	No information	No information
HAMAG INVEST – **Network of Consultants**	State subsidy	266.666 EUR per year	100 consulting services for SMEs per year	Average co-financing: 1.333 EUR
Ministry of Entrepreneurship and Crafts - **Capacity Building of Business Service Professionals (CABBS)**	EU / State subsidy	1.344.900 EUR	Educated 125 consultants/specialists	No information.

Ministry of Entrepreneurship and Crafts - **Promotion and provision of advisory services to SMEs – SMEPASS**	EU / State subsidy	Total project budget is 5.766.640 EUR - 2.788.240 EUR for the first phase and 2.978.400 EUR for the second phase	200 SMEs selected in the first phase of the project; 150 SMEs selected in the second phase of the project.	No information.
EBRD Business Advisory Services (BAS)	Donor subsidy	3.253.200 EUR	A total of 547 subsidies provided within 10 thematic projects	Average BAS subsidy: 5.947 EUR
HAMAG INVEST and EBRD BAS Service - **Energy Efficiency**	Donor subsidy	181.210 EUR	25 projects	Average amount of subsidy: 7.248,40 EUR

- *Croatian Network of Consultants for Small Businesses (Hrvatska mreža konzultanata za malo gospodarstvo) – Ministry of Economy, Labour and Entrepreneurship*

In 1999, the Ministry of Economy, Labour and Entrepreneurship has, together with the Croatian Guarantee Agency (Hrvatska garancijska agencija), established the Croatian Network of Consultants for Small Businesses. The aim of the Network was to commit the consultants to provide highly professional consulting services according to the established rules of employment, price list and professional code of ethics. Consulting services were provided in the area of creation, growth and development of business ventures and of small business entrepreneurs. In 1999, the Network had 260 members covering the entire Croatia.

In 1999 the Network has created the official Guide[11] for the use of services of Croatian Network of Consultants for Small Businesses. The Guide was intended for entrepreneurs who are starting new entrepreneurial venture as well as for entrepreneurs at the stage of business growth and development willing to improve their business by using of professional help. The Guide comprises the information such as: the guide on how to choose a consultant; the basic list of the Network members by counties, with contact details and description of services; auxiliary list of the Network members by consulting activities and types of services; guidelines of procedures of members, including the professional code of conduct and the prices of the consulting services, etc. The Croatian Network of Consultants for Small Business was active until 2003.

[11] Original reference: „Vodič za korištenje usluga Hrvatske mreže konzultanata za malo gospodarstvo“, Ministarstvo gospodarstva Republike Hrvatske, Hrvatska garancijska agencija, Hrvatski zavod za zapošljavanje, Croateh d.o.o. – koordinator HMK-a, Zagreb, 1999.

- *Network of Consultants (Mreža konzultanata)- HAMAG INVEST*

In 2004, Croatian Agency for SMEs and Investments initiated the project "Network of Consultants". The main aim of the Network was to raise the quality and accessibility of counselling services for SMEs, as well as to enable balanced regional representation of consultants and facilitate access to consultancy services for entrepreneurs. The project budget was 2 million HRK per year. The project encompassed two measures - providing certificates to consultants and co-financing consultant services to SMEs.

HAMAG INVEST has been providing education and certificates for consultants selected to become a registered HAMAG INVEST consultant and part of the Network of Consultants. The requirements for consultants who wanted to become registered and certified HAMAG INVEST consultant were formal requirements (working experience with SMEs, adequate level of education, at least two years of working experience in consulting businesses, provision of the description of at least two project on which they have been working) as well as the attendance of the education program. The education comprised of two educational cycles – first education cycle was intended for all participants and based on providing education on general knowledge of entrepreneurship environment, finance, marketing and communication skills, production processes, organization and management; while the second cycle related to the field of specialization. The education lasted for 5 days and was organized by the HAMAG INVEST. The certificate was valid for 2 years, with the possibility of further re-certification. The requirements for the re-certification were: providing of minimum 30 days of consulting services per year with minimum 2 clients who were interviewed regarding the consultant service quality; and attendance of at least one education workshop/programme per consultant per year. Last certification/recertification by HAMAG INVEST was conducted in 2012.

HAMAG INVEST was co-financing the costs of consultancy services for SMEs. Concrete cooperation with SMEs consisted of helping them to find the consultant through the Network, and of co-financing up to 50% of the amount paid for the consulting services. The maximum annual amount co-financed for the start-ups was 17.500,00 HRK and for the established companies was 15.000,00 HRK. With the annual amount of 2 million HRK, HAMAG INVEST co-financed on average 100 consulting services for SMEs per year, with an average co-financing amount of 10.000,00 HRK. In the beginning of the project, the most commonly provided consulting services were in the area of preparation of business plans (almost 90% of all co-financing projects), followed by the services related to acquiring ISO and HACCP certificates.

The partnering institutions in implementation of this project were mainly entrepreneurship supporting institutions, such as regional development agencies, centres for entrepreneurship and business incubators on the local level.

- *Capacity Building of Business Service Professionals (CABBS), EU funded project implemented by Ministry of Economy, Labor and Entrepreneurship in 2011*

The overall objective of the CABBS project was to increase the competitiveness of SMEs by providing high quality business support services, to improve the quality and availability of support services to SMEs and to prepare consultants and SMEs for the use of EU Structural Funds. The first component of the project aimed on building of the capacity of business consultants by improving their skills and knowledge for providing counselling services to SMEs, especially in the field of quality assurance, marketing and product development. Additionally, the project objective was to develop the foundations for an integrated national network and database. Through 10 workshops, the project educated 125 consultants in providing support to entrepreneurs in the area of quality assurance, marketing and product development. The project budget was 1.344.900 EUR.

The component 1 of the project aimed to build the capacity of business consultants by improving their skills and capacities in relation to providing counselling and support to SMEs, especially in quality assurance, marketing and product development as well as developing the foundations for an integrated national network and database. Through 10 workshops, the project educated 125 consultants/specialists in providing support to entrepreneurs in the area of quality assurance, marketing and product development.

Consulting services to SMEs were also provided by business support institutions, such as regional development agencies, business incubators, business centres, technology parks and associations. The project also prepared those business support institutions for the further use of the Structural Funds.

- *Promotion and provision of advisory services to Small and Medium Enterprises – SMEPASS, Ministry of Entrepreneurship and Crafts, initiated in 2011*

The main aim of the project was to enhance the competitiveness of Croatian SMEs by providing high quality support of business advices. SMEPASS is focused on providing advisory services in marketing (sales and marketing audit, market analysis, practical marketing plans, branding, e-commerce and websites, international sales promotion and marketing services), product development and quality management (quality audit, basic quality control management, compliance with EU regulations, development of management systems, preparation of continuous improvement oriented systems, total quality management) in order to enhance the competitiveness of small and medium enterprises. Total project budget is 5.766.640 EUR (2.788.240 EUR for the first phase and 2.978.400 EUR for the second phase of the project implementation).

The first phase of the project[12] was implemented within the period November 2010 - July 2012. The first phase of the project was followed by the national promotional campaign “Learn to be successful”, which included a series of seminars in regional headquarters, inviting small and medium enterprises to apply for free business advisory services through SMEPASS Project. The total number of SMEs that have applied for the use of free advisory services in this phase of the project was 350, out of which 200 were selected (57% micro enterprises, 29% with headquarters in lagging regions, while the majority of selected enterprises was from the City of Zagreb - 46%, 30% of enterprises are women-owned, and 58% of them are engaged in the manufacturing or processing). Out of 200 projects/SMEs, 67% were receiving support in (export) marketing and 33% in quality management (of which 1/3 received certificate shortly after the completion of the project). The matchmaking for those companies was done by the project team, who had the base of the consultants and their specialization as well as the problem identified by the entrepreneur.

[12] “Learn how to be successful – SMEPASS project”, Ministry of Entrepreneurship and Crafts, 2012

The second phase of the project started in July 2013, and is, with the existing activities, providing support to SMEs in the area of the preparation of project documentation for the Structural Funds. A cycle of work under this activity was completed in February 2014, and 17 eligible enterprises (out of 200 that have applied) were selected to receive assistance in the review and/or preparation of a Feasibility Study addressing the proposed project including a Cost/benefit Analysis, in the preparation/revision/update of technical elements and technical documents that form part of the project proposal, in the preparation of related tender documentations/tender specifications/bills of quantities along with documents for secondary procurement, and in the preparation of the application documentation. It is anticipated that the total number of SMEs in the second phase of the project, which will be selected for the use of free business advisory services, is 150. Until the end of the May 2014, the project is calling SMEs to express their interest in participating in the project.

After the first phase of the project, the project team conducted 200 interviews with the project beneficiaries. The interviews indicated that: 2/3 of all SMEs that have used consulting services were using them for the first time, 2/3 of SMEs will implement the given advice, almost 90% of SMEs are thinking of using advisory services in the future, and 37% of SMEs are willing to pay for the consulting services.

The observations of the 60 consultants involved in the project are: SMEs are underutilizing business advisory services, SMEs are reluctant to give information about their business, there is no habit of using other people's experiences, business advisory services are not enough profiled and standardized, consultants often don't receive information about open customer satisfaction. The main consultants' recommendations are: to work on network of consultants and on exchange of information and knowledge, to establish a database of consultants, and/or groups on social network in order to facilitate communication and exchange of experiences, to make a newsletter that will inform consultants of further programmes, to appoint Ministry of Entrepreneurship and Crafts or Croatian Chamber of Economy as central point which will organize regular meetings for consultants, and to organize promotional campaigns about the benefits of using consulting services.

The overall satisfaction with services received is very good (on the scale from 0 to 55, SMEs rates are mostly from 30-44), with the opinion that the consultants provided really have experience and knowledge in the area from which SMEs needed advisory services.

- *EBRD Business Advisory Services (BAS) - provision of consulting services to MSMEs, since 1999*

EBRD BAS assists enterprises to define their business needs and to identify services provided by professional consultants to assist them to improve their performance. BAS provides a flexible grant from 25% to 90% of the total net cost of a project up to a maximum of 10.000,00 EUR. In addition, BAS is recognising gender equality as an increasingly important component of the transition process, and over 15% of BAS projects have been specifically targeted at supporting women owned and women managed enterprises to address their specific needs. The total amount of BAS subsidy is 3.253.200 EUR (for 10 different types of projects), and the total number of projects co-financed those projects is 547, with an average BAS subsidy of 5.947 EUR (table 27). During the 2011 - 2013 period, clients of the EBRD BAS team have achieved the following results: increased turnover by 7% on average (51% of companies), significant growth of employment (a total of 342 new jobs), and securing access to external sources of funding needed for company growth (30% of companies).

Table 27: EBRD BAS Subsidy

Type of project	Number of projects	Share in the total number of projects	Total BAS subsidy (EUR)	Average BAS subsidy (EUR)
Accounting and Financial Reporting	2	0.4%	23,400	11,700
Energy/Resource Efficiency	47	8.6%	332,397	7,072
Engineering Solutions	32	5.9%	226,413	7,075
Environmental Management	62	11.3%	357,518	5,766
Information Communication Technology	124	22.7%	879,205	7,090
Marketing	55	10.1%	282,795	5,142
Operations	3	0.5%	19,456	6,485
Organisation	8	1.5%	51,320	6,415
Quality Management	127	23.2%	586,597	4,619
Strategy	87	15.9%	494,099.52	5,679
Total	**547**	**100.0%**	**3,253,200**	**5,947**

Source: EBRD BAS office Zagreb, 2014

BAS is supporting provision of advisory services in the areas such as: market analysis and planning (market research, survey, strategy development, branding, promotional material, web site design, merchandising, e-commerce), development planning (business and strategic planning, expansion/diversification planning, cost analysis, financial management), feasibility studies, partner search (supplier, investor, customer search, procurement management), reorganisation/restructuring (organizational development, HR management, sales/distribution system, logistics management), etc.

Enterprise eligibility criteria for this project include: women identified as having feasible business ideas and/or women start-ups; enterprises with majority women ownership; women managed enterprises, up to 500 employees; majority privately and locally owned; credible and respectable management; area(s) of activity excluding banking, military products or services, gambling and tobacco; potential for growth with genuine need for business advice; ability to pay 10% - 75% of the total project cost.

The qualification of consultants is evaluated by the BAS team and accreditation granted for specific advisory service types and sectors of competence. The consultant involved must have the experience, capacity, resources and expertise to undertake the planned assignment successfully.

- *"Promoting Energy Efficiency"- joint project implementation by HAMAG INVEST and EBRD BAS*

At the beginning of 2013, HAMAG INVEST has started, together with the EBRD BAS Service, with the implementation of a one-year pilot project entitled "Promoting Energy Efficiency". This project aimed on strengthening the competitiveness of small businesses and to encourage entrepreneurs' awareness about the energy savings that can be achieved by using renewable energy sources and environmental protection. The main activities of the project were: joint implementation of the 25 advisory projects, one joint implementation of training programs for local consultant in the field of energy efficiency, renewable energy and environmental protection, exploring EBRD BAS methodology, processes and procedures, implementation of two training programs for HAMAG INVEST employees and transfer of EBRD BAS consultant and client base to HAMAG INVEST. Through this project, HAMAG INVEST was co-financing SMEs' use of consultancy services by providing grants of maximum 70.000,00 HRK or up to 75% of total expenses of the consulting services. HAMAG INVEST has granted 25 projects with the total amount of 1.359.088,00 HRK.

- *County of Zagreb – co-financing of consulting services for preparation of the projects for EU funds (IPA, IPARD, IEE and other), 2013*

The users of the grant are SMEs, crafts and cooperatives. Grants were awarded to cover part of the consulting services costs for preparation of the EU projects. Co-financing provided by the County of Zagreb per project could not exceed 50% of total costs, and may be of maximum 25.000,00 HRK. Eligible co-financed costs are the costs of consulting services (EU project application preparation) for the projects that have already been submitted or will be submitted to the EU funds and will be implemented in the County of Zagreb. One applicant was able to apply for funding for two projects maximum.

Evaluation of the impact of the state grant interventions is not available.

5.4. Main findings: MSME support infrastructure in Croatia

5.4.1. Overview of MSME stakeholder institutional architecture

The main actors in formulation, adoption and implementation of the policy framework for activity of MSME sector, with different intensity of influence, are:

- **Ministry of Entrepreneurship and Crafts** is responsible for the creation of policies aimed at the development of MSMEs and creation of a favourable environment for entrepreneurship;
- **Croatian Bank for Reconstruction and Development** – HBOR is the development and export bank of the Republic of Croatia whose main task is to stimulate the economy through providing loans, insuring exports from political and commercial risks, issuing guarantees and business consulting. HBOR headquarter is in Zagreb, and regional offices are in the regions of Dalmatia Istria, Lika, Primorje and Gorski kotar, and Slavonia and Baranja;
- **Croatian Agency for SMEs and Investment** – HAMAG INVEST is a state agency whose mission is to develop Croatian economy, create a favourable entrepreneurial environment and stimulate the development of entrepreneurship. HAMAG INVEST implements government programs, approves guarantees to small and medium enterprises for returning bank loans, develops a network of consultants for small businesses, and works on attracting new investment projects;
- **Business Innovation Croatian Agency,** BICRO is a business-innovation agency of the Republic of Croatia, which acts as the central institution for the development and improvement of innovation and technology systems. The mission of this agency is to connect the economy with science;
- **Croatian Employers' Association** is a voluntary, non-profit and independent organisation of employers that protects and promotes the rights of its members. Associations' activities are in the fields of labour-social legislation, industrial relations, protection of private property, promotion of development and regulation of market conditions, strengthening competitiveness and favourable entrepreneurial climate. Organization headquarter is in Zagreb, and regional offices are in Osijek, Rijeka and Split;
- **Croatian Chamber of Economy** is a non-profit, non-governmental association of all active legal entities (membership in CCE is mandatory), which consists of 98% of small enterprises, 1.5% medium and 0.42% large enterprises. CCE is organised in 20 county chambers and 17 centers and sectors;
- **Croatian Chamber of Trades and Crafts** is an independent professional and business organisation of craftsmen founded to promote, harmonize and represent the common interests of craftsmanship. Membership in CCTC is obligatory, and it operates through 20 district chambers, 116 craftsmen associations and 18 sections and guilds;
- **European Bank for Reconstruction and Development** – EBRD is the organisation that is, through the BAS – Business Advisory Service, providing information and advisory assistance to small and medium enterprises. The information and assistance provided is focused on SMEs' growth achievement, enhancement of export potential and new employment opportunities;
- **SMEs and Entrepreneurship Policy Center** – CEPOR is a think tank and only institution in Croatia whose aim is to influence the public-political environment by emphasizing the role of entrepreneurship, and small and medium enterprises in the development of Croatian economy.

CEPOR is focused on creating stimulating institutional and regulatory framework for entrepreneurial activity.

Additional institutions focused on supporting MSME development in Croatia are:

- **Centers for Entrepreneurship** which constitute part of entrepreneurial infrastructure, within which advisory and educational services are provided: information about possibilities of enterprise start-up and incentive measures, advice on the conduct of business, help in preparation of business plans, networking of small and medium enterprises, etc. Centers for entrepreneurship organise seminars and other forms of additional education for entrepreneurs and cooperate with local and regional administration on implementation of development programs. Centers operate as parts of county/city administration, as independent enterprises or as associations i.e., nongovernmental organisations, and are financed from local budgets, donations of international organisations, European Union projects, Ministry of Entrepreneurship and Crafts aids and own sources of financing. Currently, there are 35 centers for entrepreneurship in Croatia;
- **Business incubators** gather entrepreneurs that are just starting their business or are in the growth and development stage and do not have their own premises. Incubators allow entrepreneurs to use business premises under very favourable conditions (without charge or with reduced rent) for a limited period (approximately 3 years). In addition to business premises, business infrastructure, intellectual and business services are at their disposal during the incubation period, after which they become independent and surrender the premises to another enterprise. The goal of business incubators is primarily generation of new small enterprises, increasing the number of enterprises that survive in the market, reducing the probability of failure of start-up enterprises, provision of business, technical, educational and other services to incubator's clients and small and medium enterprises. Incubators are also financed from local budgets, donations of international organisations, European Union projects, Ministry of Economy, Labour and Entrepreneurship funds, and sales of their services. There are about 30 incubators in Croatia;
- **Business and technology parks**
  Business parks represent areas which gather business entities that primarily perform tertiary activities, which differentiates them from industrial parks (production activities) or technology parks (research and technology development activities). Business parks in Croatia are: Business Park Bjelovar, Business Park Karlovac and Business Park Zagreb.
  Technology parks connect experts and entrepreneurs who want to achieve their business goals based on new technologies. Technology parks place emphasis on development and scientific-research activities. They are established primarily in the vicinity of higher education institutions and research centers, i.e. important economic-technological systems, and their aim is to attract both top experts and young talents. There are 9 technology parks in Croatia.
- **Entrepreneurial zones** promote development of small and medium enterprises by providing benefits to entrepreneurs in construction of business premises on land that is fully equipped with infrastructure. The objective of development of entrepreneurial zones at the level of local and regional administration is to encourage balanced development and increase of employment. There are about 100 entrepreneurial zones in Croatia.

- **Development agencies** goal is the promotion of development of small and medium enterprises by providing financial support, education, developing entrepreneurial infrastructure, informing and advising entrepreneurs, providing services to potential foreign investors and implementing different interregional and international projects that are directed towards creation of favourable business climate. There are about 30 development agencies in Croatia, some of which are regional agencies.
- **European Enterprise Network (EEN)** goal is to ensure support and advisory services to entrepreneurs in Europe and to enable exploitation of opportunities provided by the EU and the single European market. Croatia became a member of EEN in 2010. EEN services are created for small and medium enterprises, but they are also available to business institutions, research centers and European universities.

5.4.2. MSME strategy and policy

Current national and regional policies and programs that regulate and stimulate MSME sector in Croatia are:

- Strategy for Entrepreneurship Development in the Republic of Croatia 2013-2020, from 2013; aimed on strengthening the entrepreneurial potential and support of development of entrepreneurial culture;
- Strategy for Regional Development of the Republic of Croatia 2011-2013, from May 2010, which determines the development goals aimed at socio-economic development of the Republic of Croatia and reduces regional development disparities;
- Strategy for Development of Women Entrepreneurship in the Republic of Croatia 2010-2013, from 2010, aimed at changing the value system, behaviour and the environment on which strengthening of entrepreneurial activity of women depends;
- National Strategy for Entrepreneurial Learning 2010-2014, from 2010, with the aim of raising public awareness regarding entrepreneurship, developing the positive attitude towards lifelong learning for entrepreneurship, introducing learning and training for entrepreneurship as a key competence in all types and levels of formal, non-formal and informal education and learning programmes;
- Cluster Development Strategy in the Republic of Croatia 2011-2020, from 2011, with the aim of strengthening the competitiveness of the Croatian economy through clusters;
- Program of measures for simplification of business of small business entities, from 2010, with the aim of protecting the market from unfair competition and imports of goods of unknown origin, as well as fighting against the grey economy and improvement of e-commerce;
- Strategic plan for the period 2012-2014, from 2012, with the aim of consolidation of competitiveness of Croatian economy, crafts, small and medium enterprises through more efficient use of EU funds, as well as consolidation of small economy through the development activities of HAMAG INVEST;
- Program for entrepreneurship and crafts promotion – Entrepreneurial impulse 2014, with the goal of improving business results with a focus on business innovation and internationalization, easier

access to financing, promoting entrepreneurship, improving entrepreneurial skills and entrepreneurial regulatory environment through elimination of administrative barriers.

5.4.3. Government incentive for MSME programs

Government of the Republic of Croatia implements numerous measures – indirectly through promotion of investment and directly through loan programs, purpose of which is to promote development of the MSME sector.

Non-refundable funds of Ministry of Entrepreneurship and Crafts - Government's measures implemented in 2012 are part of the SME Promotion Programme 2008-2012. Annual operational plans for promotion of small and medium entrepreneurship are implementation acts of the SME Promotion Programme 2008-2012. Based on the SME Promotion Operational Plan for 2012, the Ministry of Entrepreneurship and Crafts approved aids in the amount of 165.595.421 HRK, which is 16.7% less compared to 2011, when the total amount of aids approved to entrepreneurship and crafts was 198.848.066 HRK, and 34,7% less compared to 2010, when the total amount of aids approved to entrepreneurship and crafts was 253.564.217 HRK. In 2012, a total of 2.437 aids were approved.

In 2013 Ministry of Entrepreneurship and Crafts approved aids in the amount of 139.086.199 HRK through 1.815 assigned supports. The average amount of aids in 2013 was 76.630 HRK, which is an increase of 12% when compared to the year 2012, and an increase of 108% compared to 2011.

The Ministry of Entrepreneurship and Crafts adopted the Plan for Promotion of Entrepreneurship and Crafts for 2014 – Entrepreneurial Impulse, with which allocation of 1,26 billion HRK in grants is planned in 2014, of which 413,8 million HRK will be allocated to projects for improvement of competitiveness of MSME sector.

Credit lines for local small enterprise development of Ministry of Entrepreneurship and Crafts – offering two credits lines:

(1) Local projects for small enterprise development, which is a credit line for stimulating investments through loans of 200.000 – 5.000.000 HRK. Loans are aimed to purchase, construction, arrangement or expansion of business facilities, purchase of equipment, and business modernization. Through this credit line the Ministry of Entrepreneurship and Crafts awarded aids in the total amount of 218.844.465 HRK, which is a decrease of 17% (43.461.297 HRK) compared to 2011.

(2) Local development projects – microcrediting, which is a credit line for purchase, construction, arrangement or expansion of business facilities, purchase of equipment and working capital. The loan amount varies between 35.000,00 and 200.000,00 HRK, with a repayment period up to 5 years and subsidized interest rate between 6% and 9%. Through this credit line 41 aids have been awarded in the total amount of 7.509.534 HRK in 2012, which is an increase of 61% (2.833.563 HRK) to the year 2011.

Croatian Bank for Reconstruction and Development (HBOR) - providing subsidized credit lines with the aim of starting entrepreneurial activity, strengthening competitive capability of craftsmen and small and medium entrepreneurs, balancing regional development and creating new jobs. Loan programs are implemented directly and/or through commercial banks, and the loan terms depend on purpose, type and area of investment.

In addition, one of the main goals of HBOR in 2012 was to increase the availability of credit lines for small and medium enterprises with favourable interest rates, and thus affect their competitiveness and liquidity, and encourage start-up and development of entrepreneurial activity. During 2012, small and medium enterprises had at their disposal 24 loan programs that were implemented by HBOR, either directly or through commercial banks. In 2012, 1.352 loans in the amount of 4.575.633.000 HRK have been granted for financing small and medium enterprises, which is an increase of 27% compared to 2011. The highest growth of loans granted to small and medium enterprises was achieved through programmes for start-up and development of entrepreneurship and programme for financing agriculture and balanced development. In 2011 the average amount of loans granted by HBOR was 2.712.227 HRK, while in 2012 it was 3.384.344, which is an increase of 25%.

Croatian Agency for SMEs and Investment (HAMAG INVEST) – providing guarantee programs which are aligned with credit lines of the commercial banks and the HBOR guarantees for leasing and performance bonds. Depending on the program, the maximum amount of guarantee issued by HAMAG INVEST in 2012 was up to 80% of the loan principal, and the maximum amount of a loan guaranteed for was 15.000.000 HRK. In 2012 HAMAG INVEST approved 243 guarantees, which is an increase of 148% compared to the year 2011. The total amount of approved guarantees in 2012 was 315.000.000 HRK, which is an increase of 104% compared to 2011 and the investment amount increased for 87% compared to 2011.

Business Innovation Croatian Agency (BICRO) - programmes for encouraging investments in research and development are: POC – capital for projects that are at the level of ideas, prototypes and intellectual property protection, RAZUM - capital for the development of ideas to products, IRCRO – programme which encourages SMEs to cooperation with research institutions, EUREKA - programme for financing market-oriented projects in various technological fields, and EUROSTARS – programme with purpose of providing funding for market-oriented research and development with the active participation of specifically research and development performing small and medium-sized enterprises. In 2012, BICRO financed 47 projects with amount of 19.738.519,10 HRK. An average amount of support was 419.968,49 HRK.

5.4.4. Analysis of the business model of incentive programmes

In 2012 GEM research in Croatia has identified lack of consistent government policies related to issues of MSMEs as one of the greatest obstacles to the development of the MSME sector (table 28).

Table 28: Evaluation of government policies in 2011 and 2012

	2011		**2012**	
	Average	Croatia	Average	Croatia
Policies of support for entrepreneurial activity	2,48	2,07	**2,60**	**1,96**
Policies towards regulatory framework	2,38	1,84	**2,43**	**1,74**

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2013 (2012)

Low grades of policies of support for entrepreneurial activity (1,96), as well as of policies towards regulatory framework (1,74), and even the decrease in relation to the previous year, show that too little and too slowly is done in the field of development of consistent policies focused on the small and medium enterprise sector.

Programs and policies relevant for the MSME sector in Croatia must be aligned with the **Small Business Act of Europe**[13] from 2008, with which European Union provided the guidelines for appreciation of the central role of MSME sector in the economy of European Union. Croatia can monitor deviations from expectations defined by the Small Business Act for Europe through two evaluations: SBA Fact Sheet and SME Policy Index:

SBA Fact Sheet 2012[14] **for Croatia -** *annual EU report that analyses changes in trends in the environment and regulatory framework at the national level for the small and medium enterprise sector* shows that Croatia, despite the significant progress that has been achieved in the last 5 years, is still significantly behind the EU member states in the quality of entrepreneurial environment. Croatia is catching up with the EU only in two areas: **Responsive administration** and **Access to financial resources**. In relation to the previous report, progress has been made in the area of **Skills and innovation**, **Internationalisation** and **Access to financial resources**. The most room for improvement exists in the field of perception of entrepreneurship in society. A better image of entrepreneurs in Croatian society opens up space for increasing the number of citizens who are willing to assume risk and start a business venture.

SME Policy Index monitors implementation of the Small Business Act for Europe through 108 indicators which provide a framework for evaluation of national policies for small and medium enterprises, and are based on the principles of the Small Business Act. Preliminary report for 8 countries of South-eastern Europe (Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Serbia and Croatia and Turkey) was published in October 2012, and it relates to evaluation of changes in policies during the period 2009-2011. In this group of countries, Croatia, together with Serbia and Turkey, is considered the leader in changes of policies related to the small and medium enterprise sector. However, the report also identifies areas that demand significant changes, such as further improvement of regulatory framework for small and medium enterprises, improvement of business environment, simplification of bankruptcy proceedings, stronger support to development of venture capital funds and other non-traditional sources of financing of small and medium enterprises, and support to the development of innovative and knowledge-based businesses.

[13] http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm, *March 15, 2014*
[14] Areas of analysis of the SBA Fact Sheet reports are: Entrepreneurship, Second chance, Think Small First, Responsive Administration, State aid and Public procurement, Access to finance, Single market, Skills and innovation, Environment and Internationalisation.

5.4.5. Overview of regulatory framework (laws) for MSME

The acts which constitute the regulatory framework for the small and medium enterprise sector in Croatia are:

- Entrepreneurship Infrastructure Improvement Act (Official Gazette, NN 93/13, 114/13)
- Small Business Development Promotion Act (Official Gazette, NN 29/02, 63/07, 53/12, 56/13)
- Act on State Aid (Official Gazette, NN 72/13)
- Companies Act (Official Gazette, NN 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 152/11, 111/12, 144/12, 68/13)
- Ownership and Other Proprietary Rights Act (Official Gazette, NN 91/96, 68/98, 137/99, 22/00, 73/00, 129/00, 114/01, 79/06, 141/06, 146/08, 38/09, 153/09, 143/12)
- Act on Investment Promotion and Development of Investment Climate (Official Gazette, NN 111/12, 28/13)
- Foreign Exchange Act (Official Gazette, NN 96/03, 140/05, 132/06, 150/08, 92/09, 133/09, 153/09, 145/10, 76/13)
- National Payment System Act (Official Gazette, NN 133/09, 136/12)
- Concessions Act (Official Gazette, NN 143/12)
- Capital Market Act (Official Gazette, NN 88/08, 146/08, 74/09, 54/13)
- Crafts Act (Official Gazette, NN 73/93, 90/96, 102/98, 64/01, 71/01, 49/03, 68/07, 79/07, 40/10)
- Trade Act (Official Gazette, NN 87/08, 96/08, 116/08, 76/09, 114/11, 68/13)
- Court Register Act (Official Gazette, NN 1/95, 57/96, 1/98, 30/99, 45/99, 54/05, 40/07, 91/10, 90/11)
- Act on Services (Official Gazette, NN 80/11)
- Act on Public Private Partnerships (Official Gazette, NN 78/12)
- Accounting Act (Official Gazette, NN 109/07, 54/13)
- Audit Act (Official Gazette, NN 146/05, 139/08, 144/12)
- Competition Act (Official Gazette, NN 79/09, 80/13)
- Public Procurement Act (Official Gazette, NN 90/11, 83/13)
- Environmental Protection Act (Official Gazette, NN 80/13)
- Physical Planning and Building Act (Official Gazette, NN 76/07, 38/09, 55/11, 90/11, 50/12, 55/12, 80/13)
- Labour Act (Official Gazette, NN 149/09, 61/11, 82/12, 73/13)
- Consumer Protection Act (Official Gazette, NN 79/07, 125/07, 79/09, 89/09, 133/09, 78/12, 56/13)
- Bankruptcy Act (Official Gazette, NN 44/96, 29/99, 129/00, 123/03, 82/06, 116/10, 25/12, 133/12)
- Enforcement Act (Official Gazette, NN 112/12, 25/13)
- Tax system legislation consists of the following acts:
- General Tax Act (Official Gazette, NN 147/08, 18/11, 78/12, 136/12, 73/13)
- Contributions Act (Official Gazette, NN 84/08, 152/08, 94/09, 18/11, 22/12, 144/12)
- Profit Tax Act (Official Gazette, NN 177/04, 90/05, 57/06, 146/08, 80/10, 22/12)
- Income Tax Act (Official Gazette, NN 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 43/13, 120/13, 125/13)
- Value Added Tax Act (Official Gazette, NN 73/13, 99/13)
- Real Estate Transfer Tax Act (Official Gazette, NN 69/97, 26/00, 127/00, 153/02, 22/11)
- Excise Duties Act (Official Gazette, NN 22/13, 32/13, 81/13)
- The principal acts of the customs system are:

- Customs Act (Official Gazette, NN 78/99, 94/99, 117/99, 73/00, 92/01, 47/03, 140/05, 138/06, 60/08, 45/09, 56/10)
- Customs Tariff Act (Official Gazette, NN 61/00, 117/00, 119/00, 146/08)

5.4.6. Access to finance programmes for MSME

The main sources of financial support to the development of small and medium enterprise in Croatia are: banking sector, credit unions, venture capital funds, informal forms of financing (business angels) and government incentive programs and subsidized credit lines.

MSMEs are more significantly focused on traditional sources of financing (bank loans). A lower focus on non-traditional sources of financing (venture capital funds and business angels) is connected with the limited supply of such sources in the Croatian financial market, but also with insufficient knowledge of such financial products. Perception of the availability of non-traditional sources of financing in 2011 and 2012 is below the average of countries involved in the GEM research, while the perception in 2012 is deteriorating (2,12 in 2012 compared to 2,26 in 2011; table 29).

Table 29: Perception of availability of non-traditional sources of financing in 2011 and 2012

	Grade 5 indicates:	**2011**		**2012**	
		Average	Croatia	Average	Croatia
Financial support	There are enough equity funds, debt financing, government subsidies, private investors, venture capital funds; availability of initial public offering (IPO)	2,44	**2,26**	2,48	**2,12**

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2013 (2012)

- **Banks**

The market of banking loans and services intended for SMEs is highly developed in Croatia. Almost all banks offer loans to SMEs in a wide range of products and services: loans for tourism services, for young people, for women, for new technologies, for Croatian war veterans, for export, for investments, for working capital, for start-ups, etc. Based on the review and analysis of the offer of financial products intended for SMEs, the following financing terms have been identified:

<u>Long-term loans</u>
Amount: up to 5 million HRK (depending on creditworthiness and purpose)
Duration: up to 15 years
Interest: consensual
Insurance: 1:1 – 1:1.5; promissory notes, debentures, deposits

<u>Short-term loans</u>
Amount: from 10,000 HRK to 150,000 HRK, depending on client's creditworthiness
Duration: up to 12 months
Interest: consensual
Insurance: deposit, pledge of commission disbursements, pledge of securities, promissory notes, debentures

According to the Croatian National Bank's Annual Report, the banking sector has disbursed 283.899,0 million HRK in 2012, out of which 107.990,4 million HRK, or 38% of the total amount, was disbursed to companies. In contrast to 2011, when total disbursement of the banking sector was 291.716,9 million HRK, and disbursement to companies was 122.942,8 million HRK (42,2%), in 2012 a decrease of 12,1% of banking loans disbursed to companies was recorded.

- **Microfinance and credit unions**

Microfinancing entails lending and provision of basic financial services with very flexible terms and conditions which allow clients to overcome the lack of traditional forms of guarantee (such as property and guarantors), as well as education and mentoring.

Providers of microcredit services in Croatia are credit unions, which, in accordance with the Credit Unions Act have replaced savings and loan cooperatives as a new organizational form. According to the Croatian National Bank's Annual Report, 26 credit unions operated in 2012, with 602 million HRK in assets, which is increase of 32,9 million HRK (5.8%) compared to 2011.

According to the data from the Croatian Association of Credit Unions, Association's members have disbursed 9,837 loans with total amount of 292.885.204 HRK in 2012, which represents an increase of 8% in relation to 2011, when 4.868 loans with total value of 156.253.936 HRK were disbursed. In 2011, credit unions have disbursed a larger number of loans in relation to 2010 (20%). Average loan amount disbursed by credit unions in Croatia was 20.403 HRK in 2010, 32.098 HRK in 2011, and 89.744 in 2012, which confirms credit unions' orientation and significant role in financing the development of micro enterprises.

Survey about the state of microfinance in Croatia, carried out by CEPOR[15] in 2010, indicated the following problems: lack of guarantees for loans (60%); inadequate offer of banking products and services (53%); demanding loan documentation (46%); too high interest rate (34%); lack of information among users regarding financial products (26%).

- **Venture capital funds**

Economic co-operation funds (ECF), Croatian version of venture capital funds, which represent a public-private partnership between the Government of the Republic of Croatia and the private sector comprised of large institutional investors such as pension funds, banks, insurance companies and large Croatian companies were established in 2011. On the one hand, the project aims to encourage the development of venture capital funds in Croatia, and to stimulate the Croatian economy by providing access to an additional source of long-term capital on the other.

[15] Organized by the Croatian bank for Reconstruction and Development – HBOR and SMEs and Entrepreneurship Policy Center – CEPOR, the Microfinance Workshop was held in 2010. During the workshop, a survey was conducted among participants, the aim of which was to gather opinions regarding current use and possibilities of microfinancing in Croatia. 85% of 300 workshop participants participated in the survey, of which 22% were bank representatives, 13% civil servants, 7% members of the academic community and students, 4% experts on economic development, 28% representatives of entrepreneurial support institutions and 26% other participants.

Through this project 2 billion HRK has been made available to Croatian companies until the year 2016, through the following funds:

• Alternative Private Equity ECF (600 million HRK)
• Honestas ECF (155 million HRK)
• Nexus ECF (380 million HRK)
• Quaestus Private Equity Kapital II (525 million HRK)
• Prosperus ECF (340 million HRK)

By the Decision of the Government of the Republic of Croatia, Croatian Bank for Reconstruction and Development is appointed as qualified investor for participation in the activities of ECF. ECF investment areas are companies which have headquarters and perform their activities in the Republic of Croatia. Estimated duration of the investment is 10 years, with the possibility of two years prolongation. Government of the Republic of Croatia can pay the maximum amount of 300 million HRK in one ECF.

According to data from the Croatian Bank for Reconstruction and Development, total amount approved by Ministry of Entrepreneurship and Crafts to be invested in business (companies) through ECF's in 2012 was 234.34 million HRK, out of which 117.34 million HRK was from Croatian Bank for Reconstruction and Development funds. Funds are invested in companies that operate in information technology sector, and in companies from financial, wood, textile and chemical sectors.

- **Business angels**

CRANE (CRoatian Angel NEtwork) – Croatian Association of Business Angels is a non- profit association, which connects entrepreneurs that need capital for their business ventures (mostly start-ups) and business angels – successful entrepreneurs and corporation leaders who want to magnify their earned money with investments in projects in their starting stage, since September 2008. From 2008 to 2011 CRANE had financed just a few projects, while for 2012 no data are available, indicating poor development of this type of financing of business ventures in Croatia. In 2011, according to the CRANE association, business angels in Croatia invested 2,634,100 HRK in 5 projects, which represents an increase of the total invested funds by 1,502,600 HRK in relation to 2010.

As the major obstacle to expansion of activities of business angels in Croatia, the CRANE association states underdeveloped market of capital funds that would invest in successful start-up projects in the phase of entering foreign markets, lack of quality projects in the market, and low level of education of entrepreneurs, as confirmed by numerous international studies.

5.4.7. Number of regular forums or events for MSMEs in the country

There are several forums organized by different institutions (state, private, educational, media...) focused on MSME sector issues, such as:

- Annual National Conference on Economy and Entrepreneurship, organized by Ministry of Entrepreneurship and Crafts
- Annual International Conference on Family Business, organized by LIDER media d.o.o.
- Annual International Conference on Entrepreneurship, organized by Business incubator BIOS
- Annual International Conference on Entrepreneurial Learning, organized by University College Nikola Zrinski
- Annual Conference on Cooperative Entrepreneurship, organized by Ministry of Entrepreneurship and Crafts
- Family Business Forum, organized by CEPOR – SMEs & Entrepreneurship Policy Centre
- World Economic Forum - The Global Competitiveness Report annual presentation, organized by National Competitiveness Council.

5.5. Conclusion of secondary research findings

- **MSME sector in Croatia – the demand side of the MSME consultancy services market**

The role of MSME sector in the Croatian economy is extremely significant: micro, small and medium enterprises are the biggest employer in Croatia (67.4% of employment), they significantly contribute to the gross domestic product (51%) and to exports (43.1%). The number of MSME entities in Croatia in 2012 was 96.906. In 2012, comparing to 2011, the increase in the number of business entities was recorded but the structure of economy, with regard to enterprise size, experienced only minor changes – the share of MSMEs is 99,6%, and the share of large enterprises is 0,4%. In 2012, employment in small enterprises was 406.834, which is an increase of 5.3% compared to 2011; employment in medium enterprises was 149,787, a decrease of 6.2%; and 273,253 in large enterprises, a decrease of 4.8%.

The **employment in the category of small enterprises is significantly increasing** (5.3%), while the employment in the medium and large enterprises is continuously decreasing (decrease of 6.2% in medium and 4.8% in large companies in 2012, comparing to 2011). The average number of employees in small enterprises in 2012 is 4,2, which is a decrease from 2008 when it was 5,1. The average number of employees in medium enterprises in 2012 is 114,4, which is a decrease from 2008 when it was 121,8.

The results of GEM research indicate 36% **lower activity in start-up business ventures in Croatia**, comparing to average of countries participating in the research. According to the same research, **Croatia has a small number of growing enterprises** - the percentage of MSMEs that have new products which are new to everyone is 9% and decreasing, while the number of MSMEs that have products like everyone else is 70% and increasing.

MSMEs are exhibiting poorer financial performance than large enterprises, not only in absolute values, but also in relative values. In 2012, 32.9% of employees in large enterprises created 6.860 billion HRK consolidated net profit, while 67.1% of employees in small and medium enterprises created consolidated net loss of 1.919 billion HRK. This raises many **questions about the level of business efficiency and competitiveness of MSMEs**.

There is no official statistical data on the share of women entrepreneurs in Croatia. GEM research results indicate poorer activity of women compared to male population – in 2012 there was **2,43 times greater activity of male population in relation to female population** in business venture start-up activities (TEA index for women is 4,85, and 11,77 for men). Despite huge differences in entrepreneurial activity of women and men, the **level of support for women entrepreneurs in Croatia is much lower and decreasing**, compared to the average of countries involved in the GEM research.

Istria region and Zagreb region represent the regions with traditionally higher level of entrepreneurial activity, compared to the rest of Croatia. The difference between the regions with the lowest level of activity in start-up of business ventures (Slavonia and Baranja and Lika and Banovina), and those with the highest is 3,63 what indicates **significantly high differences in entrepreneurial activity across Croatia.** Regional differences in entrepreneurial activity in Croatia are still very clear and consistent with differences in unemployment and GDP per capita, which indicates the difficulties (a lack and/or inadequacy of government measures and policies) in reducing the gap in development of regions in Croatia.

Regulatory environment in Croatia cannot be rated as favourable for the development of MSMEs. International reports identify the same obstacles from year to year, pointing out complexity of regulatory procedures as the main obstacle in start-up and implementation of business activities, which results in obstacles for entrepreneurs and expensive state infrastructure. The identified obstacles reflect negatively also in the level of corrupt behaviour, which has remained virtually unchanged over the past several years. There is no evaluation of the effects of regulatory framework on the environment in which small and medium enterprises operate.

- **Supply of consultancy services in Croatia**

According to GEM research, the grade of perception of quality of professional infrastructure support for the SME sector development in Croatia in 2012 is 2,78, which means that by its characteristics, **the professional infrastructure in Croatia is acting** rather **as an obstacle**, then as a supporting factor for entrepreneurial development.

Croatia does not have a unified database of the business entities, and information regarding the market size of the consultancy services in Croatia. The major sources of information are Croatian Bureau of Statistics, Financial Agency (FINA), Croatian Chamber of Economy and Ministry of Entrepreneurship and Crafts (Crafts Register). According to FINA - **the total number of companies registered for** the business and management **consultancy services in 2012 in Croatia is 2.799, the total number of employees is 4.852, and total business income generated is 3.494.737.624 HRK.** According to the data from the Business Entity Register (Croatian Chamber of Economy), **the total**

number of newly established consulting companies in 2011 was 318, in 2012 it was 354, and in **2013 it was 538**. The greatest number of companies providing consultancy services are in the area of City of Zagreb (59%), followed by Istria county (7%), Primorje and Gorski Kotar county (6.7%), and Split-Dalmatia county (6.4%). In addition, the total number of international consulting companies performing their activities in Croatian market is 51, including the world key players in consultancy market: Deloitte, Ernst & Young, KPMG, McKinsey & Company and PriceWaterhouseCoopers, whose activities in Croatia are focused on performing audits and providing advisory services to large national enterprises, multinational corporations and the public sector.

Implementation of **general education programmes for business advisors** represented a part of activities of the Croatian Association of Management Consultants until 2012, when this Association put its activities on hold. Narrow specialisation in the field of tax advisory services is offered by Altius Consulting in association with Experta Business Academy. There are no specialised training programmes aimed at increasing consultants' capacity at university level, except for an individual course Counselling for Small and Medium Enterprises at the Graduate Study Entrepreneurship, at the Faculty of Economics in Osijek.

There are currently are **no active consultant certification programmes in Croatia**. CMS – Certified Management Consultant certification programme, organized by the Croatian Association of Management Consultants, was active until 2012. They plan to reactivate in May 2014, with emphasis of broader regional activity. Since the end of 2012, HAMAG INVEST's consultant network, which consists of 95 consultants, also put activities related to development of this network, as well as activities related to education and certification on hold.

Based on the secondary data research, **several professional consultancy associations were identified**, with different focus and level of intensity of activities: Croatian Association of Management Consultants, Croatian Association of Local and Regional Government Consultants, Association of Consultants for Rural Development, Association of Management Consultants within the Croatian Chamber of Economy, and Group of Consultants for the Economy within Croatian Chamber of Economy in Rijeka. **Besides** those **professional associations, HAMAG INVEST and EBRD BAS provided a platform for coordination of consultancy services in Croatia**.

Access to information and advisory services for MSMEs in Croatia is additionally enabled through a network of business support institutions (regional development agencies, centers for entrepreneurship, business incubators, and business zones), but without detailed analysis and evaluation of the effects of implemented programs. The criteria for allocation of grants direct business support institutions towards implementation of the same programs and encourage competition, rather than cooperation among them.

- **Market consolidation / the role of donors**

Within the period 2000-2014, the main donors providing support for SMEs access to consultancy services in Croatia are the Ministry of Entrepreneurship and Crafts (Ministry of Economy, Labour and Entrepreneurship), HAMAG INVEST and EBRD BAS. Furthermore, the main types of projects that were supported during that period are: Croatian Network of Consultants for Small Businesses (Ministry of

Economy, Labour and Entrepreneurship), Network of Consultants (HAMAG INVEST), CABS - Capacity Building of Business Services Professionals and SMEPASS - Promotion and Provision of Advisory Services to Small and Medium Enterprises (Ministry of Entrepreneurship and Crafts), and projects related to specific business and operational activities, such as accounting and financial reporting, energy/resource efficiency, information communication technology, etc. (EBRD Business Advisory Services). The main objective for providing support is to raise and improve the quality and availability of consultancy services to SMEs, to prepare consultants and SMEs for the use of EU funds, and eventually to enhance the competitiveness of Croatian SMEs. *Evaluation of the impact of past and existing national grant type interventions for business advisory services is not available.*

- **MSME support infrastructure**

The main actors in formulation, adoption and implementation of the policy framework for activity of MSME sector, with different intensity of influence are: Ministry of Entrepreneurship and Crafts, Croatian Bank for Reconstruction and Development, Croatian Agency for SMEs and Investment, Business Innovation Croatian Agency, Croatian Employers' Association, Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts, European Bank for Reconstruction and Development – Business Advisory Services and CEPOR – SMEs and Entrepreneurship Policy Centre. Additional institutions focused on supporting MSME development in Croatia are: centres for entrepreneurship, business incubators, business and technology parks, entrepreneurial zones, development agencies and EEN – European Enterprise Network.

Croatian Government implements numerous measures – indirectly through promotion of investment and directly through loan programs, purpose of which is to promote development of the MSME sector. Low grades of policies of support for entrepreneurial activity (1,96), as well as of policies towards regulatory framework (1,74) in 2012, and even the decrease in relation to the previous year, indicate **lack of consistency of government policies** related to MSME sector.

Small and medium enterprises' access to financing is limited with regard to the type of money required for different phases of entrepreneurial venture development. The financial market is dominated by bank loans, while there is a **lack of financial sources for financing the riskier phases of entrepreneurial venture** (such as start-up phase and rapid growth phase). Venture capital funds and business angels are still not recognized in Croatia as an important source of financing of small and medium enterprises. Perception of the availability of non-traditional sources of financing in 2011 and 2012 is below the average of countries involved in the GEM research, and decreasing.

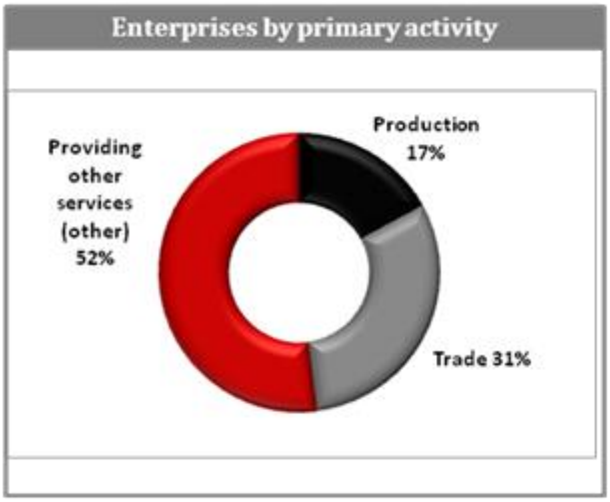
Inclusion of Government in providing access to financing for small and medium enterprises in Croatia is characterized by: (1) inability to evaluate the efficiency of financing programs because there is no detailed feedback on contribution of current crediting programs to employment, retention of jobs or start-up of new business ventures; (2) no transparency of the effectiveness of financing programs intended for small and medium enterprises that are implemented by individual ministries; (3) operational involvement of the Ministry of Entrepreneurship and Crafts in implementation of financing programs, which represents a distraction from the Ministry's primary role – focusing on policy and regulatory aspects of the small and medium enterprise sector.

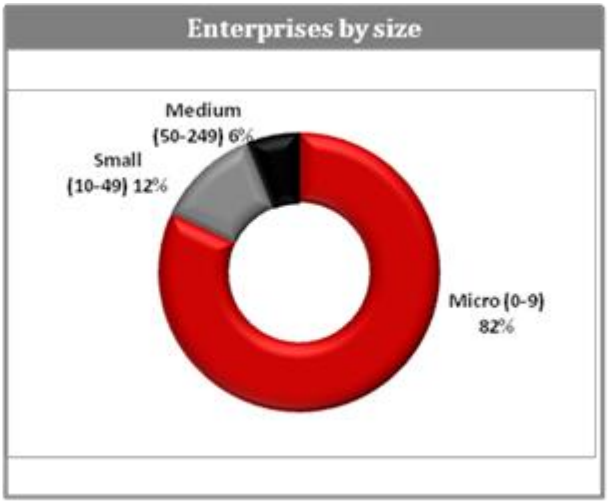
6. PRIMARY RESEARCH FINDINGS

6.1. Main findings: demand for MSME consultancy services in Croatia

The research was conducted in collaboration with a market research agency, PRIZMA, using the telephone interview method (CATI). A total of 6.510 medium and small enterprises were contacted, 5% of which were selected for the sample. The final sample consisted of 303 enterprises. Respondent could be a person involved in the process of making business decisions. Questionnaire in duration of 30 minutes contained of open and closed type question, socio-demographic profile of the respondent and profile of the enterprise.

Figure 3: Enterprises by activity and size

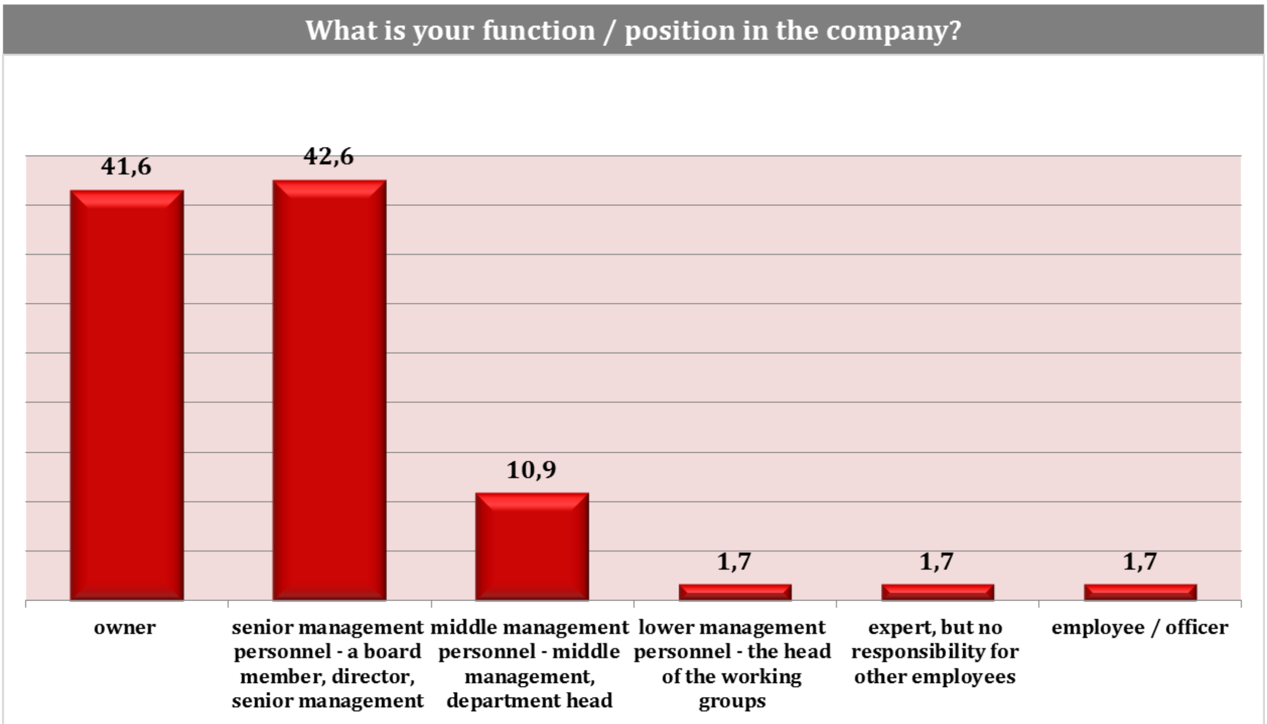




Source: Prizma, CATI, April 2014

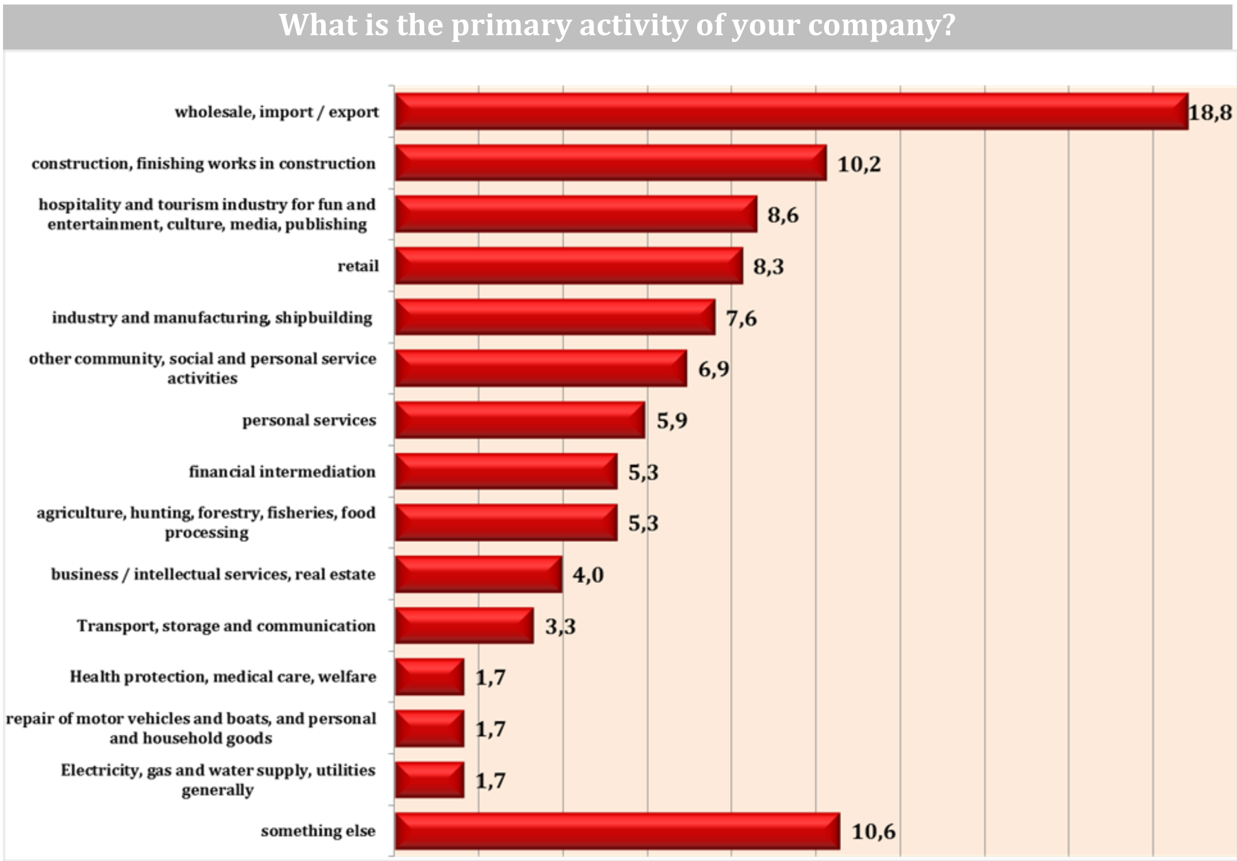
According to MSME primary activity, the majority of enterprises involved in the research originated from the trade sector (31%), followed by the production sector (17%), while the remaining 52% of enterprises fall into the providing other services (other) category. According to the size, enterprises that have participated in the research are micro enterprises (0-9 employees, 82%), followed by the small enterprises (12%), and medium enterprises (6%).

Figure 4: Respondent classification according to their function in the company



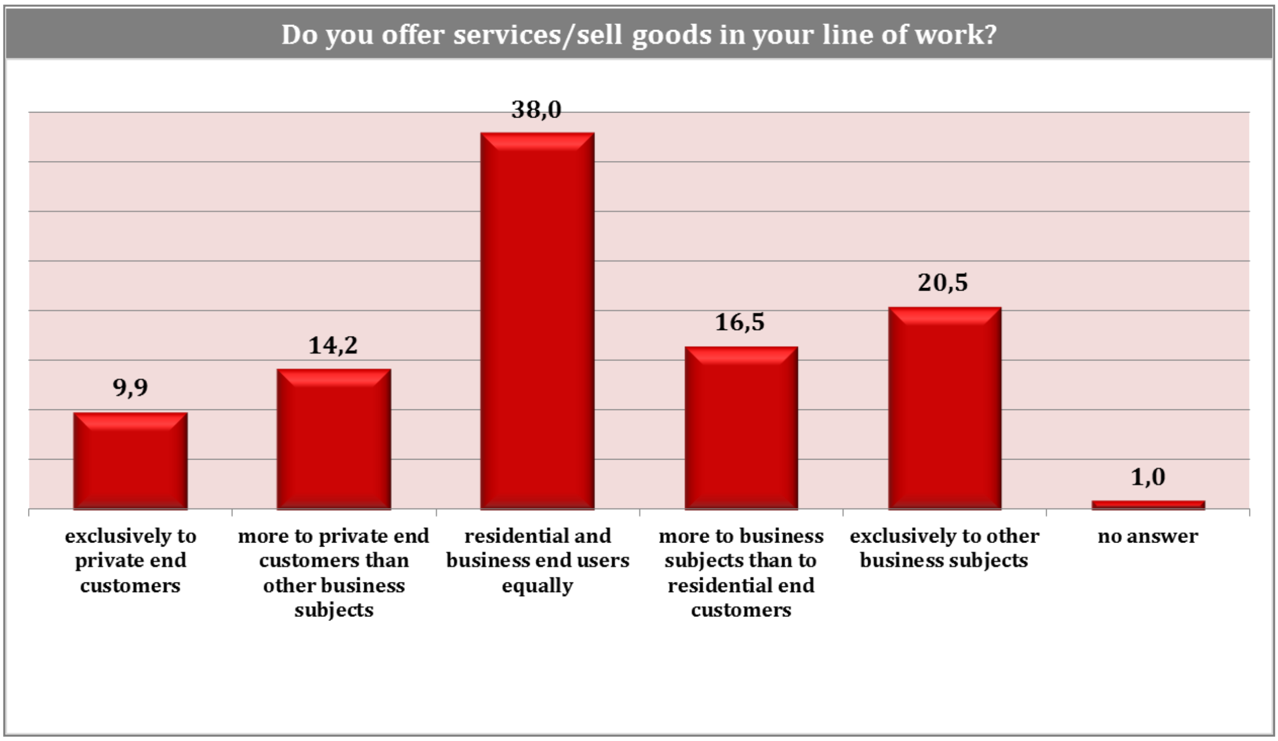
According to the function in the company, 41.6% of the respondents are company owners, 42.6% are in the upper management position, and 10.9% in middle management. A smaller portion of the respondents are in lower positions, such as in lower management (1.7%), specialists (1.7%) and workers and/or associates (1.7%).

Figure 5: Company classification according to primary service



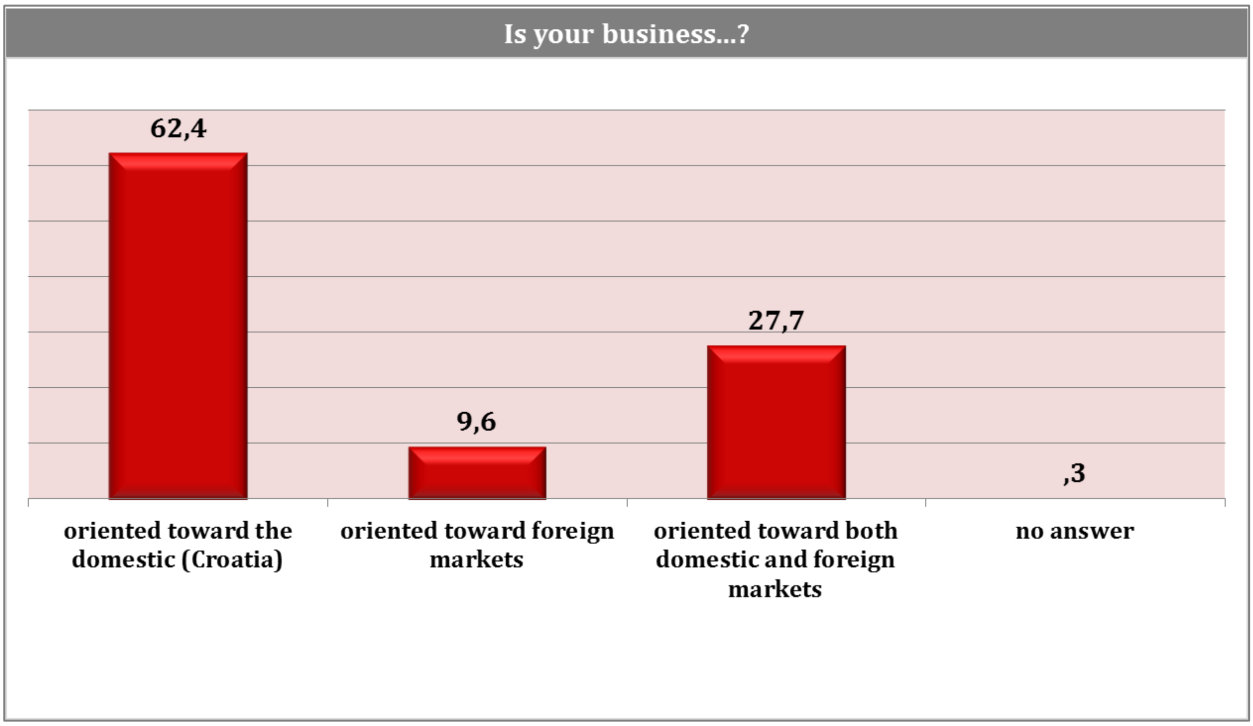
According to the primary service, 18.8% of companies are part of the wholesale industry, 10.2% are in construction sector, 8.6% in hospitality and tourism, 8.3% in retail, 7.6% in industry and manufacturing, 6.9% in other social and personal hospitality services, 5.9% in personal social services, 5.3% in financial mediation, 5.3% in agriculture, hunting, forestry and fishing, 4% in business and intellectual services, 3.3% in traffic and storage, 1.7% in health care, medical care and welfare, 1.7% in motor vehicle and vessel maintenance, and 1.7% in electricity, gas, water and energy in general.

Figure 6: Company classification according to secondary service



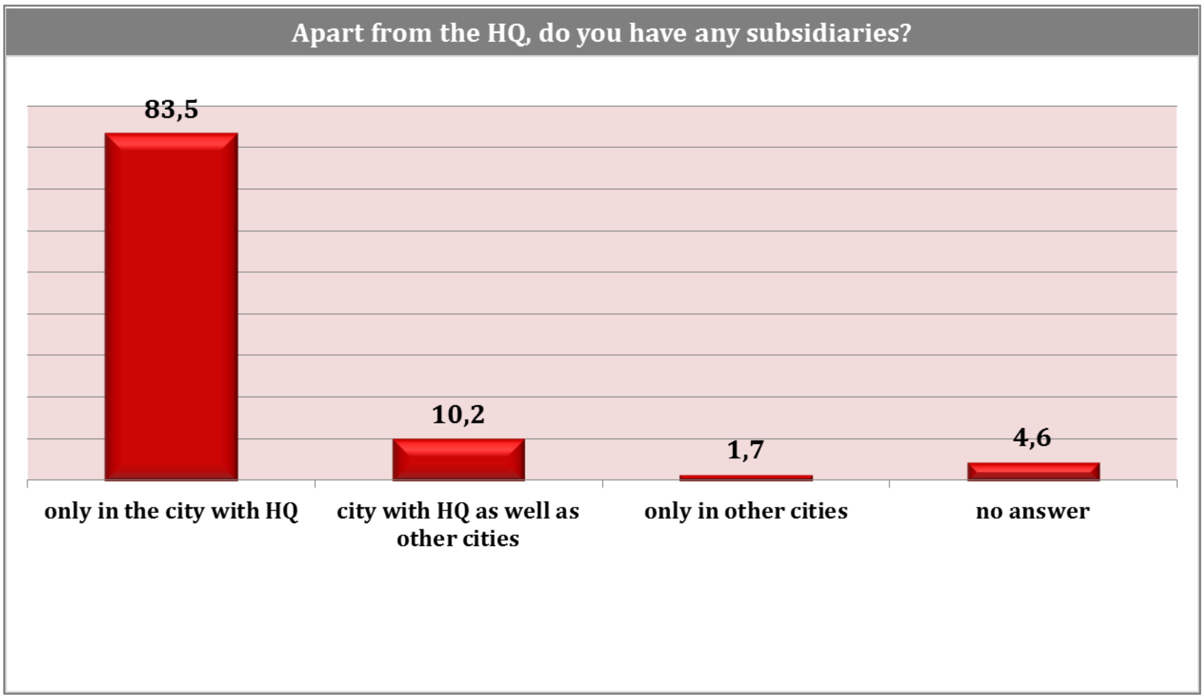
38% of companies included in the research equally provide services to private and business subjects, 20.5% provide services exclusively to other business subjects, 16.5% are more oriented on other business subjects than on private subjects, 14.2% are more privately oriented, and 9.9% are exclusively oriented toward private subjects.

Figure 7: Company classification according to market orientation



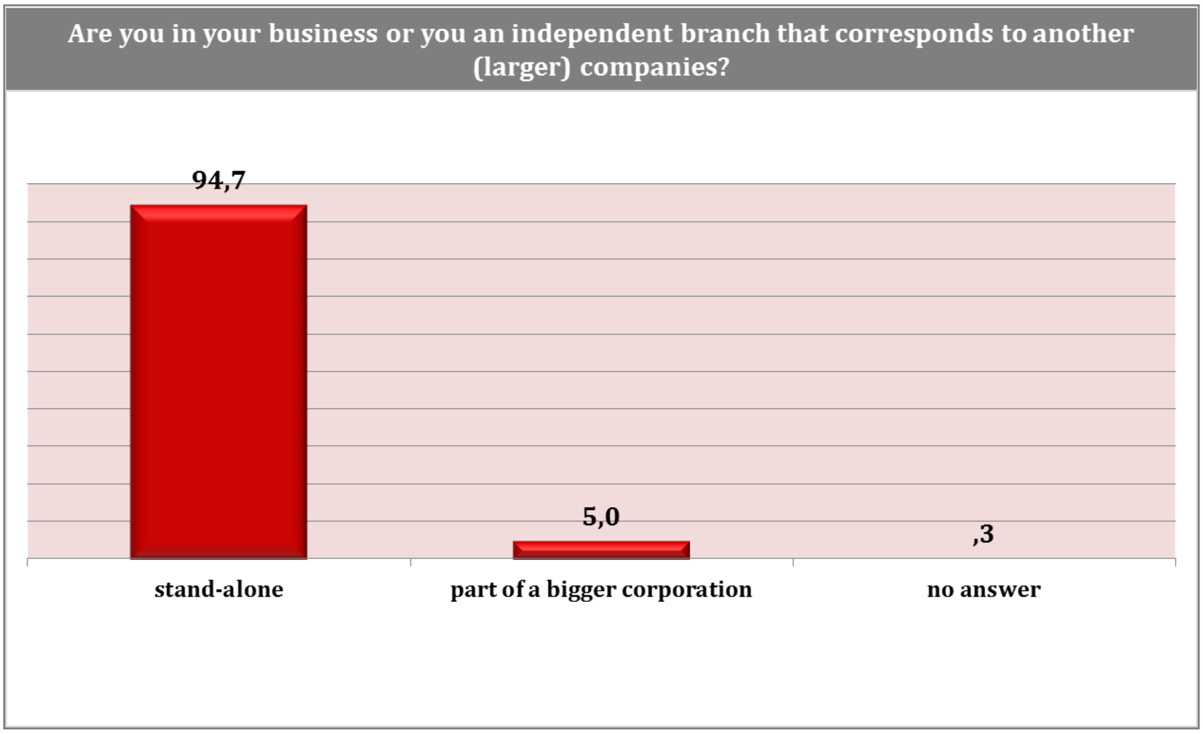
More than a half of the subjects (62.4%) included in the research are oriented toward the domestic (Croatian) market, less than a third (27.7%) are oriented toward both domestic and foreign markets, and 9.6% are exclusively oriented toward foreign markets.

Figure 8: Company classification according to office situation



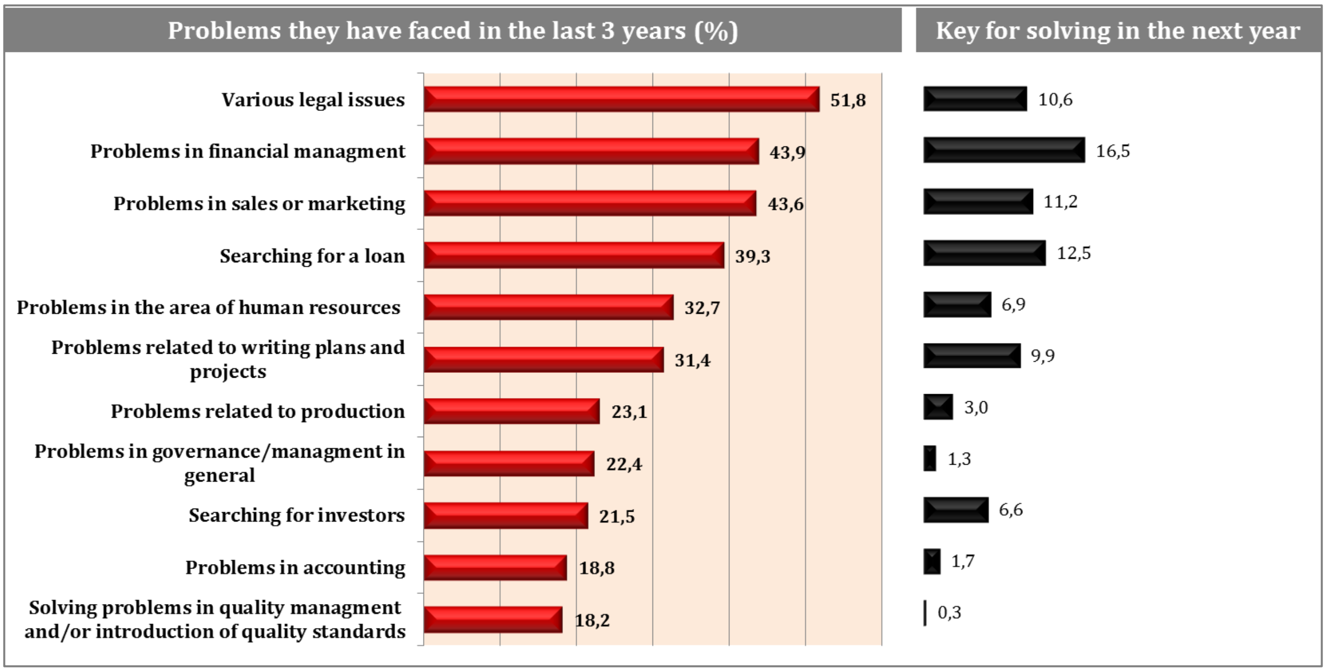
83.5% of companies have their office solely in the city where their headquarters are, 10.2% have offices in both headquarter city and other cities, while 1.7% only have office in other cities.

Figure 9: Company classification according to ownership structure



A great number of the companies included in the research (94.7%) are independent in their business, whereas only 5% are part of a larger, umbrella company.

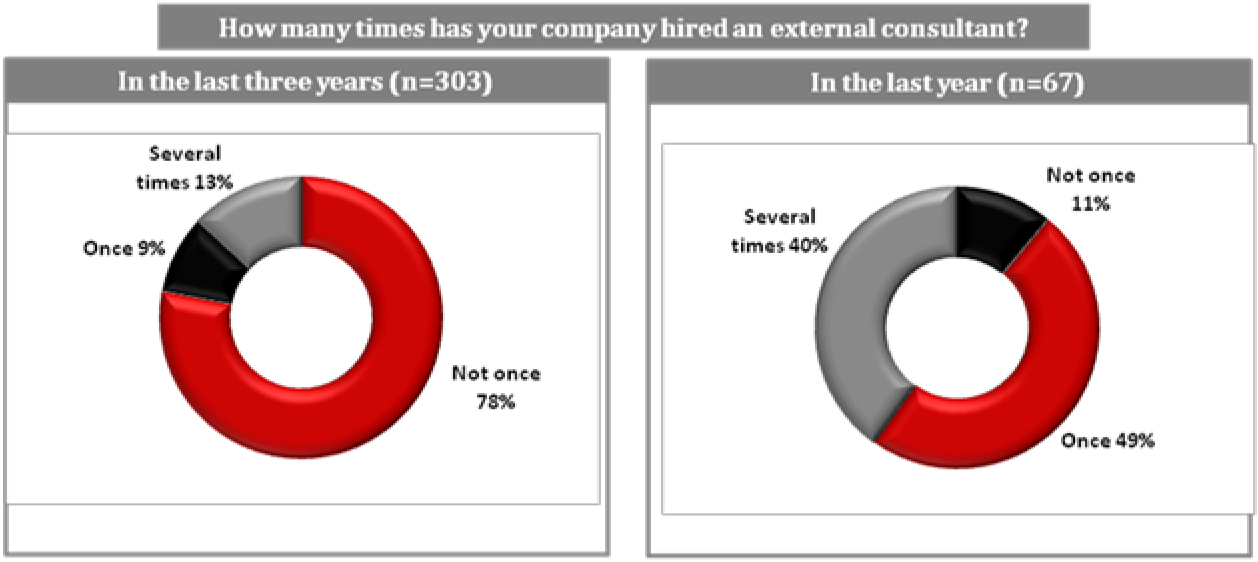
Figure 10: Companies' problems



Source: Prizma, CATI, April 2014

The biggest problems enterprises are facing are various legal issues (51% of enterprises), followed by the problems in financial management (43.9%), and problems in sales or marketing (43.6%). The key problems companies have to solve in the next year are problems related to the financial management, searching for loans, and problems in sales or marketing. In addition, 8% of companies stated that they have no problems to solve. Other problems (12%) for companies are related to the building permits, concessions solvency, collection of complicated tenders, finding business opportunities, business expansion, and state bureaucracy.

Figure 11: Segmentation according to experience with consultants



Source: Prizma, CATI, April 2014

78% of enterprises have not once hired a consultant in the last three years, 9% of enterprises have hired consultant only once, while 13% have hired consultants several times. Focusing on enterprises that have hired consultants once and more times, the results are indicating that 40% of them have hired consultants several times in the last year, 49% have hired consultants only once in the last year, while 11% have not used consultant services in the last year.

Figure 12: Problem areas that were handled by consultants

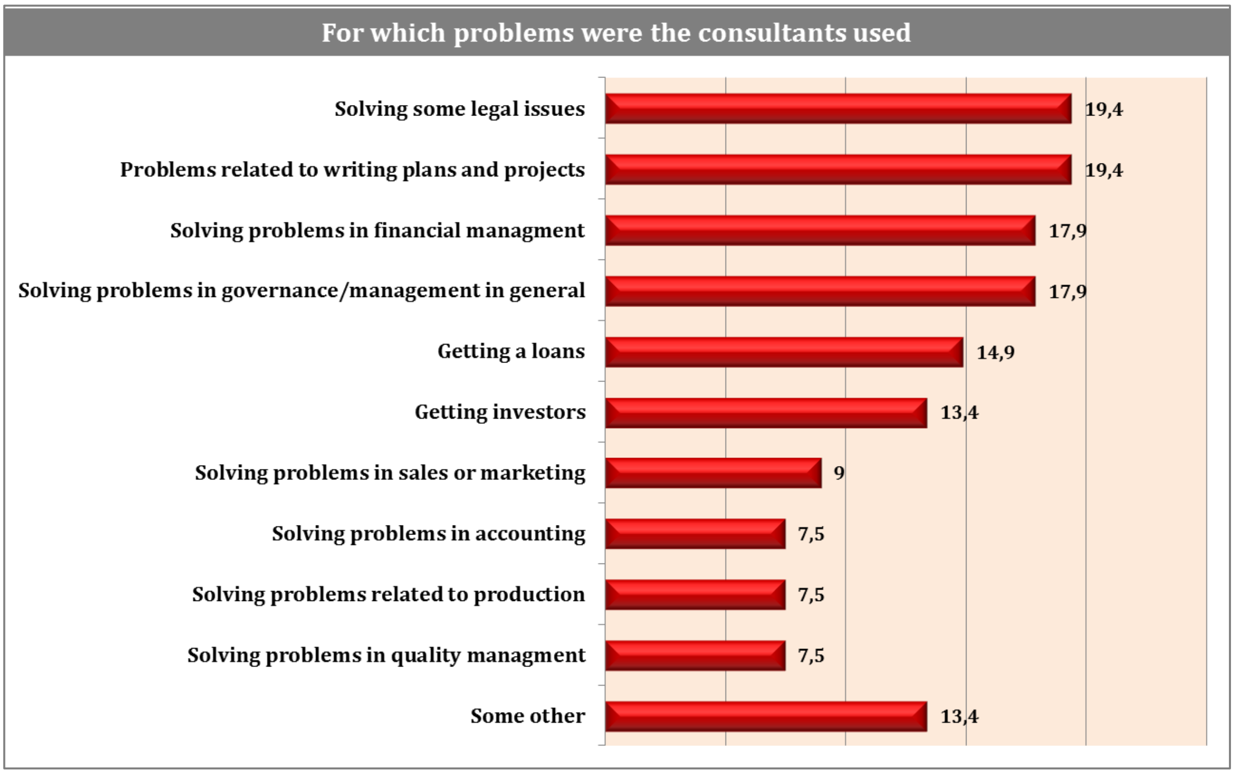
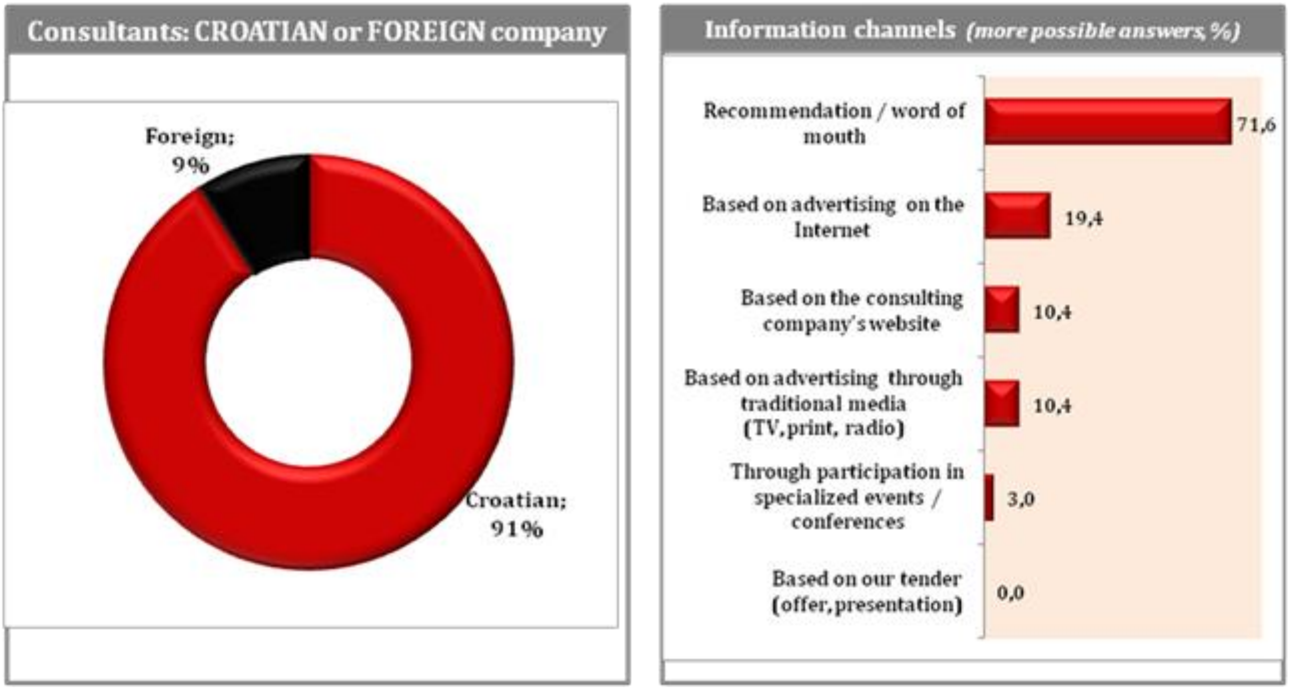


Figure 12 is indicating the problem areas for which enterprises were hiring consultants. The largest number of enterprises used consultants for solving various legal issues and for problems related to writing plans and projects (19.4%). Enterprises that have used consultants for some other issues, have mainly used them for writing plans for Entrepreneurial Impulse, subsidies and tenders.

Figure 13: Origin and information channels



Source: Prizma, CATI, April 2014

The majority of enterprises that have used consultants have used services of Croatian consultants (91%), while 9% have used foreign consultants. In majority of cases, enterprises have obtained information about consultants through recommendations/word of mouth (71.6%), while the second source of information was the internet (19.4%), and the websites of consulting companies served as the third method of gathering information (10.4%).

Figure 13a: Financial support for consultant services

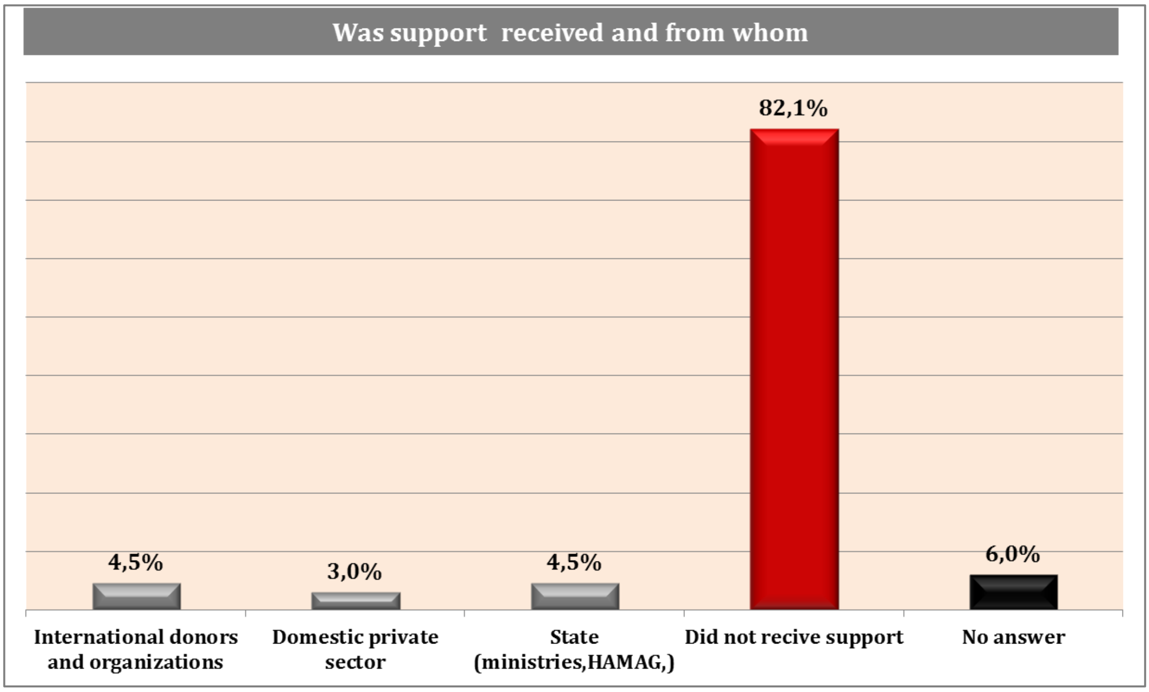
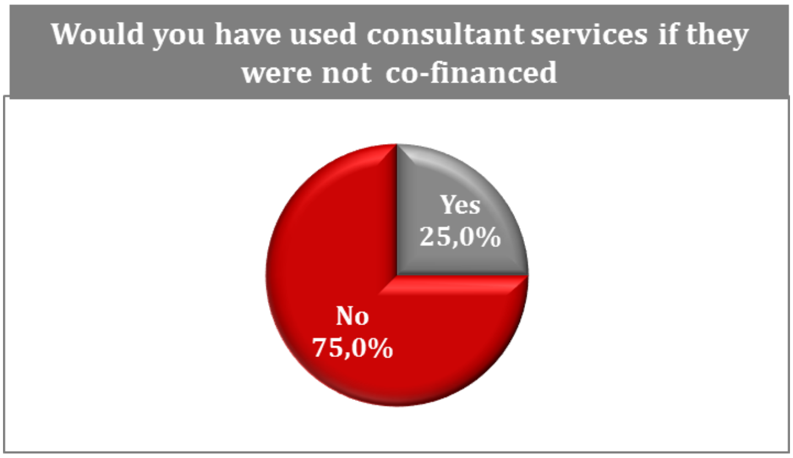
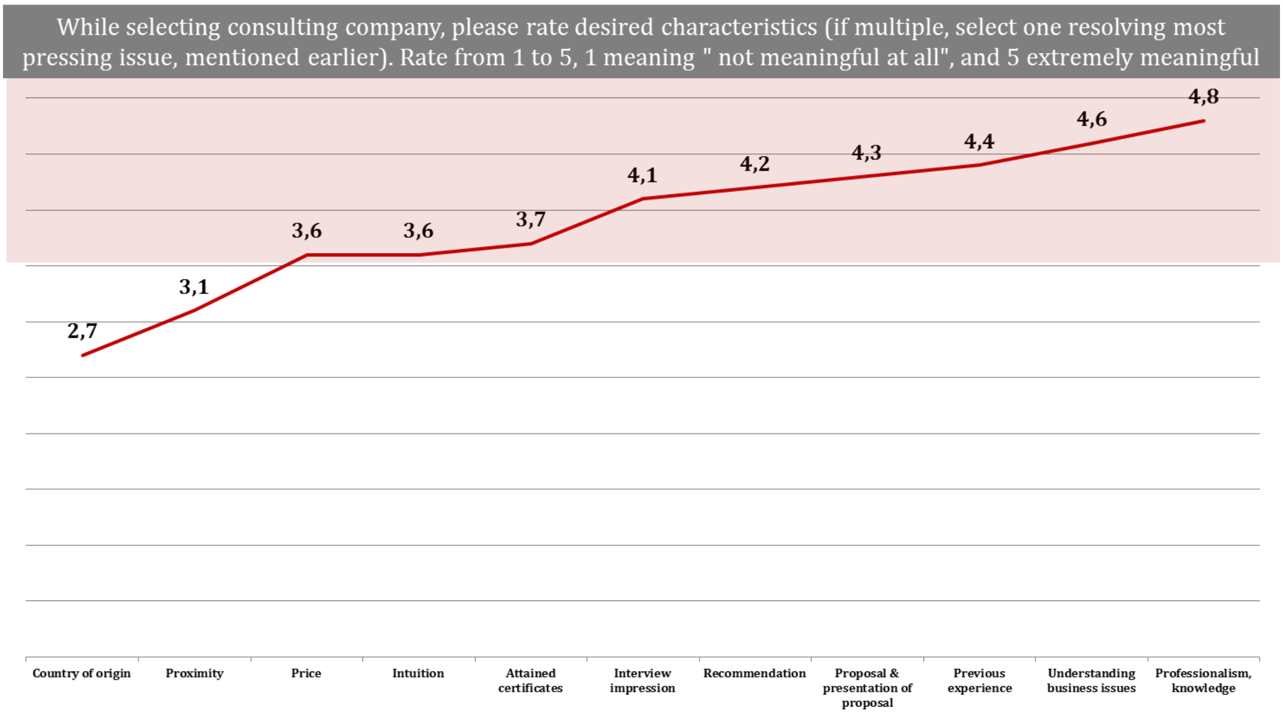


Figure 13b: Financial support for consultant services



82.1% of enterprises have never received support for the purpose of hiring consulting service, while 12% have received support for the use of consulting services (from international donors, domestic private sector, the state...). If the consulting services have not been co-financed, 75% of enterprises which were using services before would not have used them again.

Figure 14: Importance of criteria when selecting consultants (mean values)



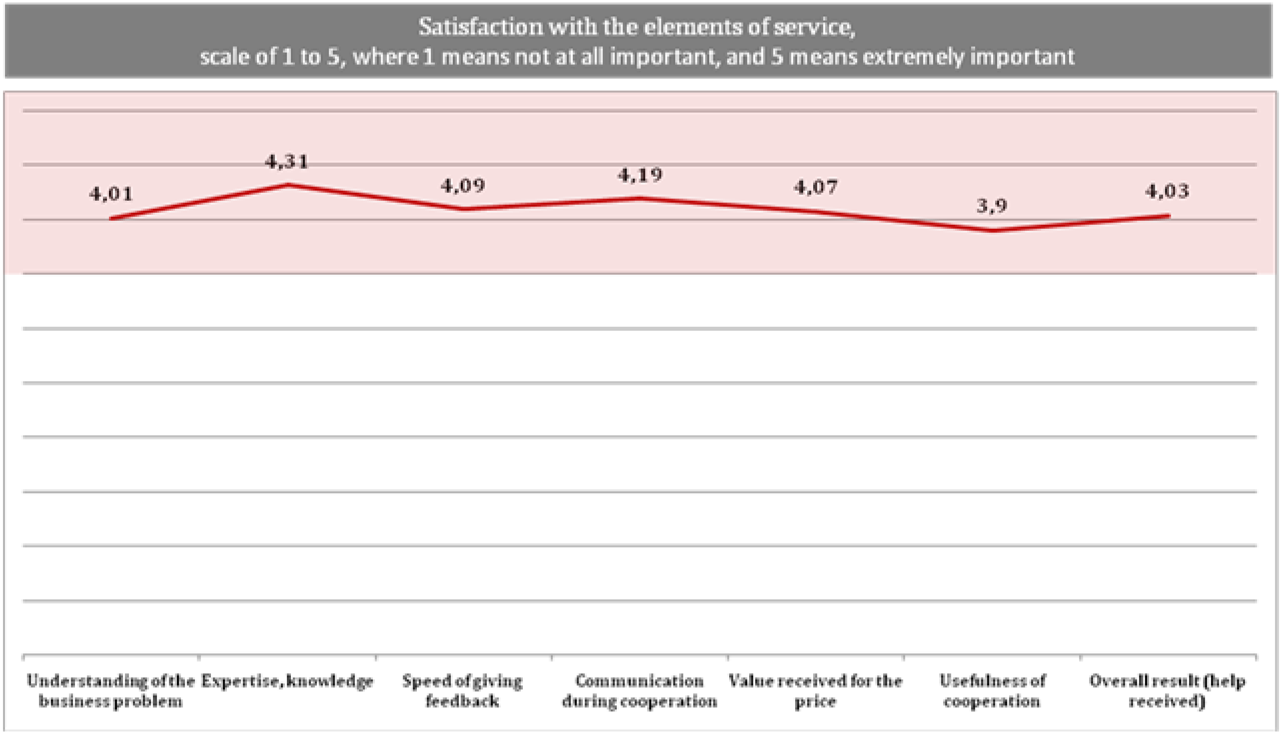
Source: Prizma, CATI, April 2014

The most important criterion when choosing consultant is expertise and knowledge (M=4.8), followed by understanding business problem (M=4.6), and the experience (M=4.4). The least important criteria are the origin of the company (M=2.7), geographic proximity (M=3.1) and price (M=3.6).

Enterprises indicating that certificate is important when choosing a consultant are usually identifying the following certificates: certificate authorised by the chamber, standardised certificate, expert, ISO, HACCP.

In addition, other criteria important when choosing consultant are the quick response to inquiry, knowledge of the matter, previous familiarization with the price, clear determination of the price at the beginning, and the politeness.

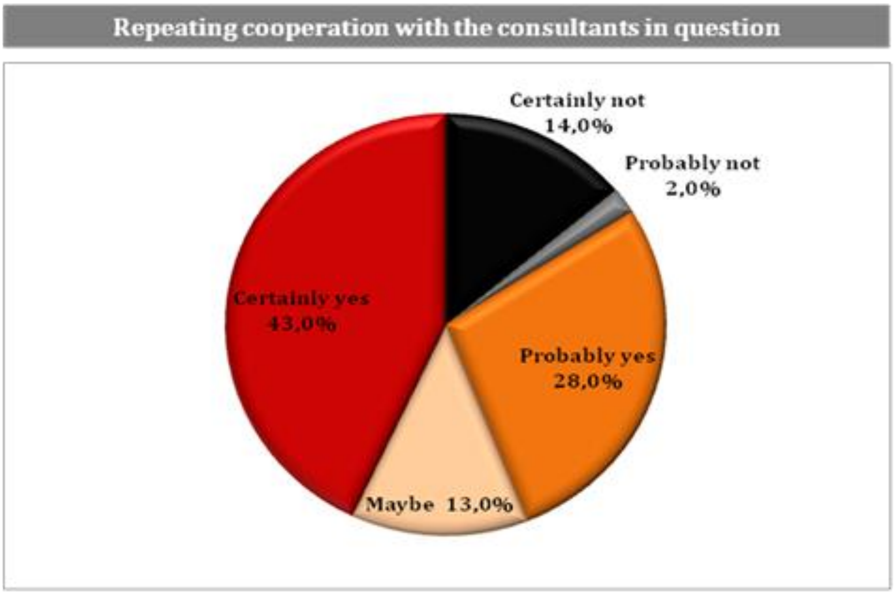
Figure 15: Satisfaction with elements of the service (mean values)



Source: Prizma, CATI, April 2014

Enterprises/users of consulting services are the most satisfied with consultants' expertise and knowledge (M=4.31), while they are the least satisfied with usefulness of cooperation (M=3.9).

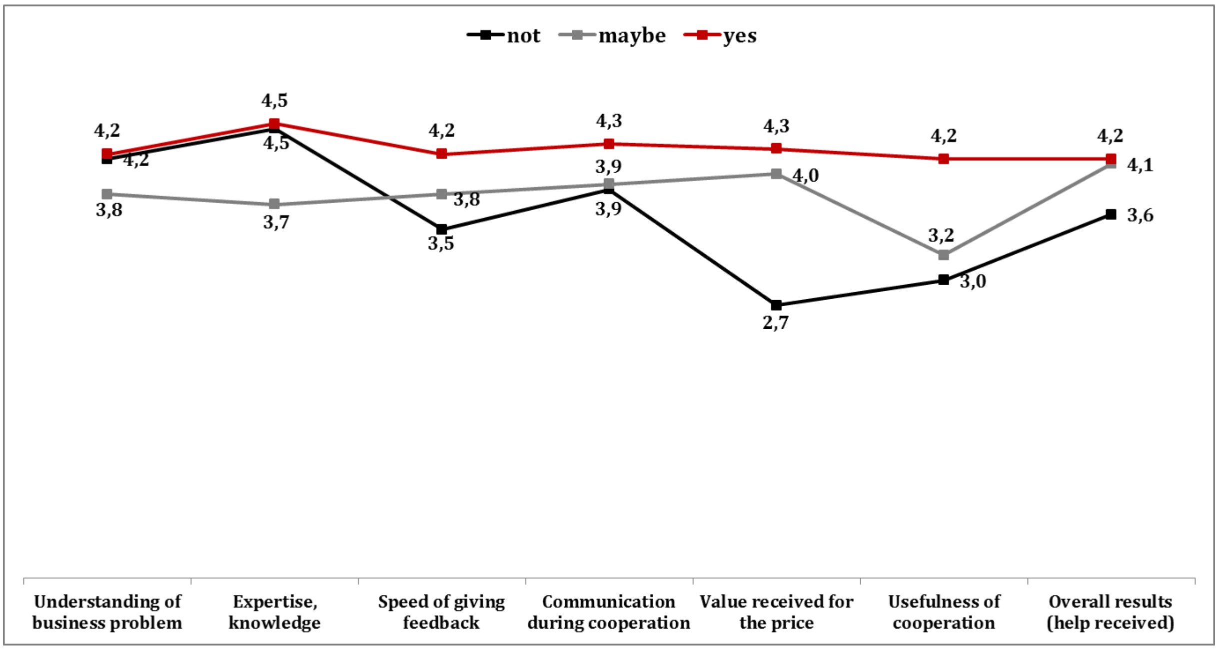
Figure 16: Potential for repeated cooperation



Source: Prizma, CATI, April 2014

Majority of users of consulting services would repeat their cooperation with the consultants (certainly yes 43%, probably yes 28%), while 14% of them would not repeat cooperation with consultants.

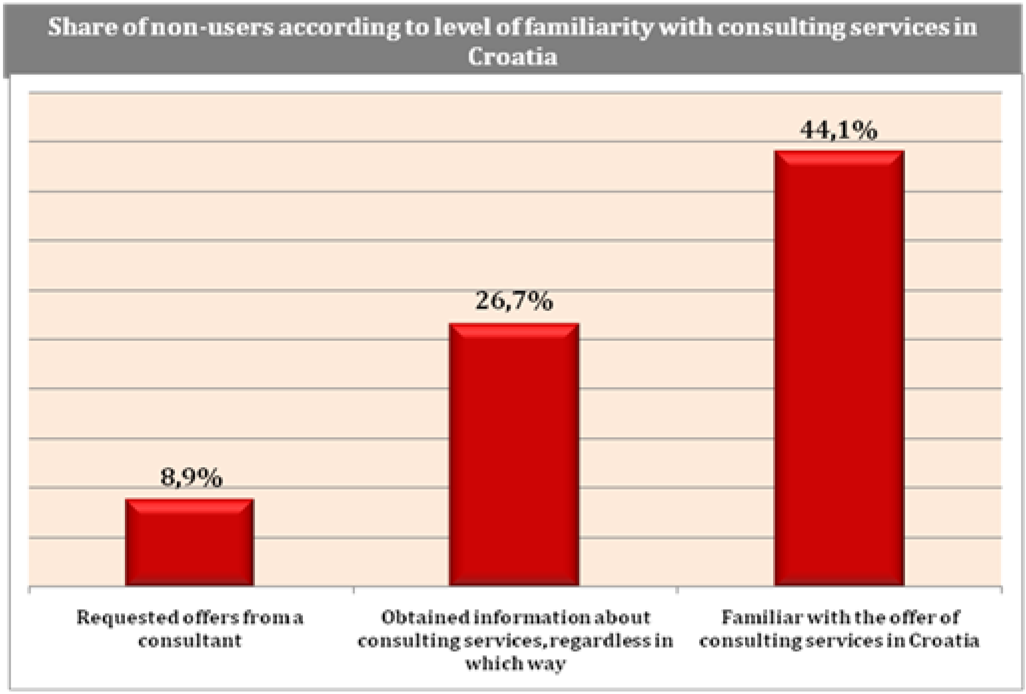
Figure 17: Rate of satisfaction according to potential



Understanding the business problem, expertise and knowledge, and the speed of giving feedback are the best rated satisfactions according to the enterprises stating that certainly and probably would use services of consultants. The least rated satisfaction is value received for the price, usefulness of cooperation and overall results.

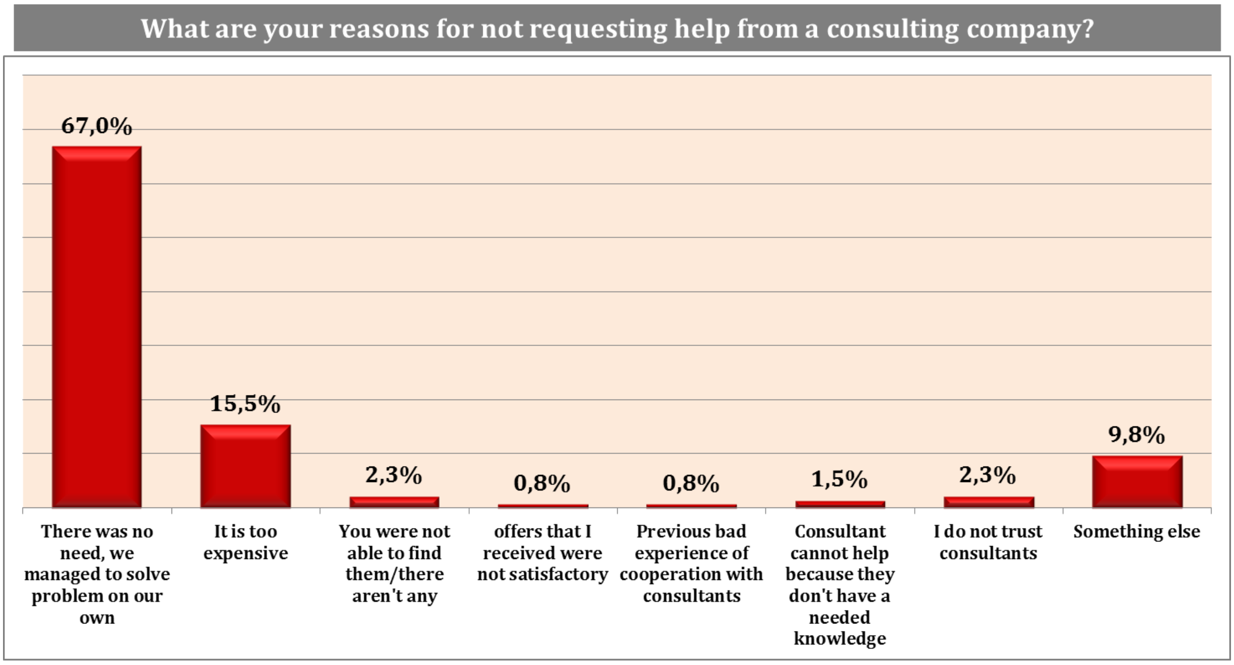
In the majority of cases, non-users of consulting services are informed and familiar with the offer of consulting services in Croatia (70.8%), while 8.9% have requested offers from consultants.

Figure 18: Share of non-users according to level of familiarity with consulting services in Croatia



Source: Prizma, CATI, April 2014

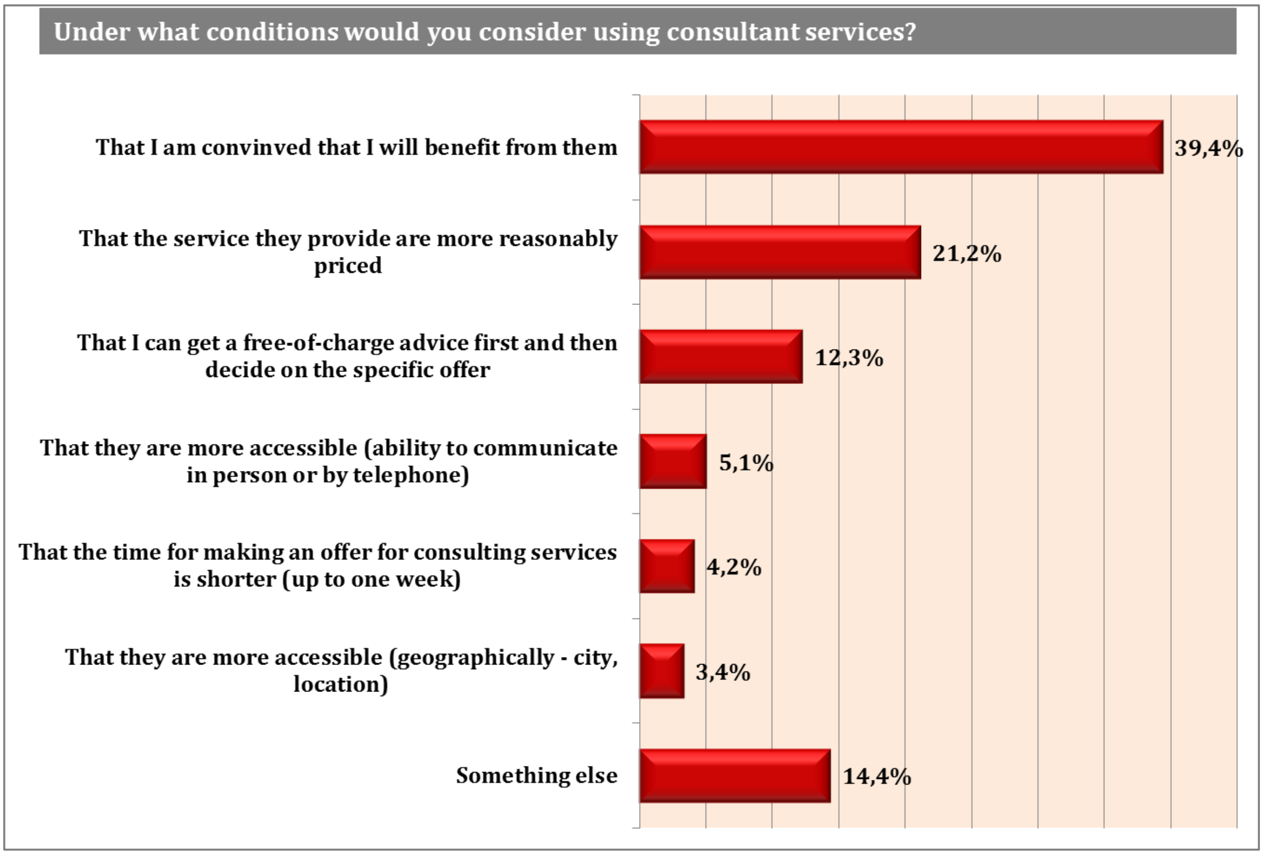
Figure 19: Reasons for non-use



In most cases, non-users of consulting services have not used services because they managed to solve their problems on their own, so that there was no need for consulting services (67%), while the other reason for not using consulting services is the high cost of the service (15.5%).

The main reasons for the lack of the trust between enterprises and consultants are: riskiness, enterprises have not heard much positive about consultants, consultants talk much and charge dearly, consultants have no connection with the real situation and have no intention of investing their own money.

Figure 20: Possible motive for use

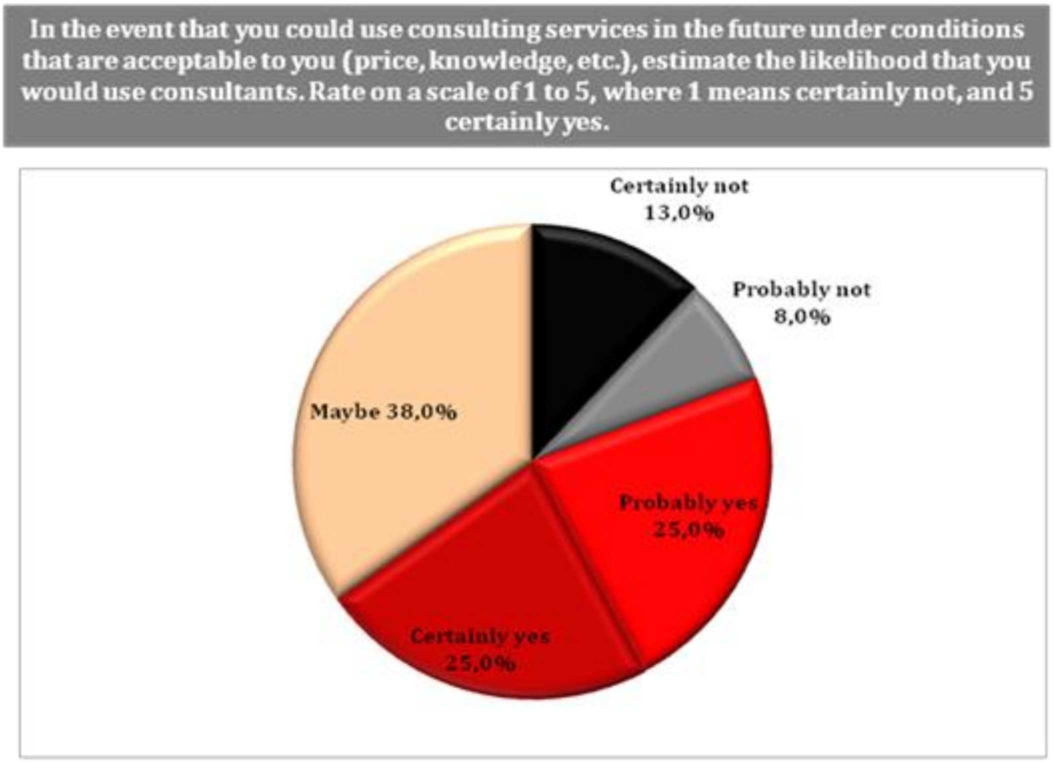


Source: Prizma, CATI, April 2014

The largest number of non-users of consulting services stated that they will use consulting services if they will be convinced that they will benefit from the them (39.4%), if the service provided is more reasonable pricing (21.2%), and if they can firstly receive a free advice and then, based on that experience, they will think about the cooperation (12,3%).

Other reasons crucial for enterprises use of consultant services are: commission system, connection of consultants with the results of tenders, expanded business guarantee of solving problems, and increased volume of work.

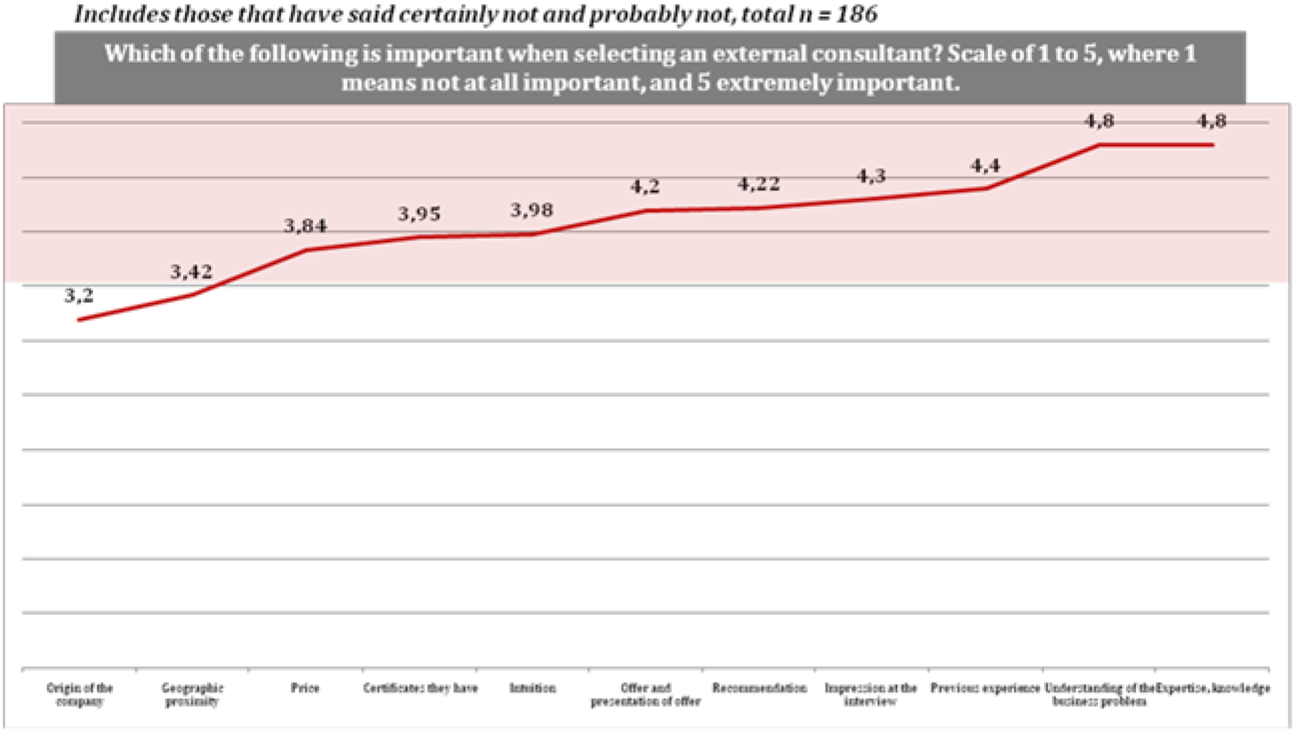
Figure 21: Principled potential



Source: Prizma, CATI, April 2014

If all the conditions stated by non-users of services are satisfied, 50% of them would agree in principle to start using consulting services, while 13% would not do so, even if all the required conditions were met.

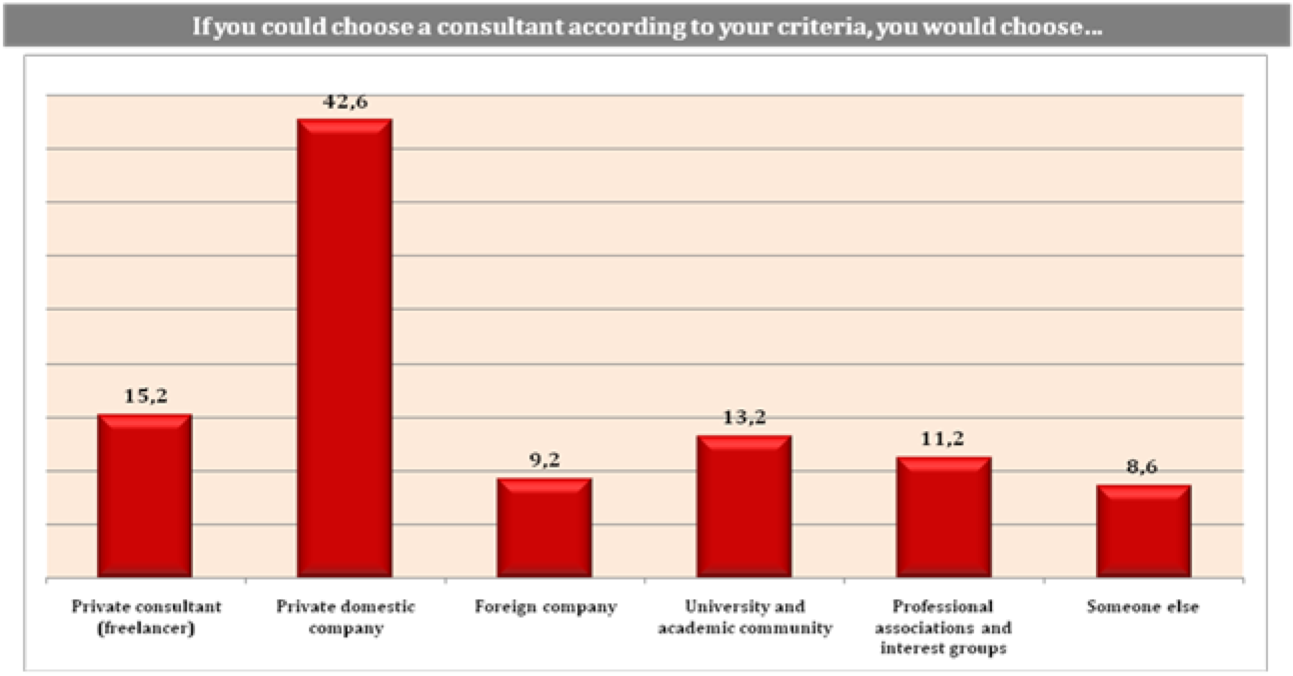
Figure 22: Selection criteria



Source: Prizma, CATI, April 2014

The most important criteria for selection of consultants for non-users, which have indicated that they will use consulting services under changed conditions, is: expertise and knowledge (4.8), the understanding of the business process (4.8) and previous experience (4.4); while the least important criterion for selection is the origin of the company (3.2).

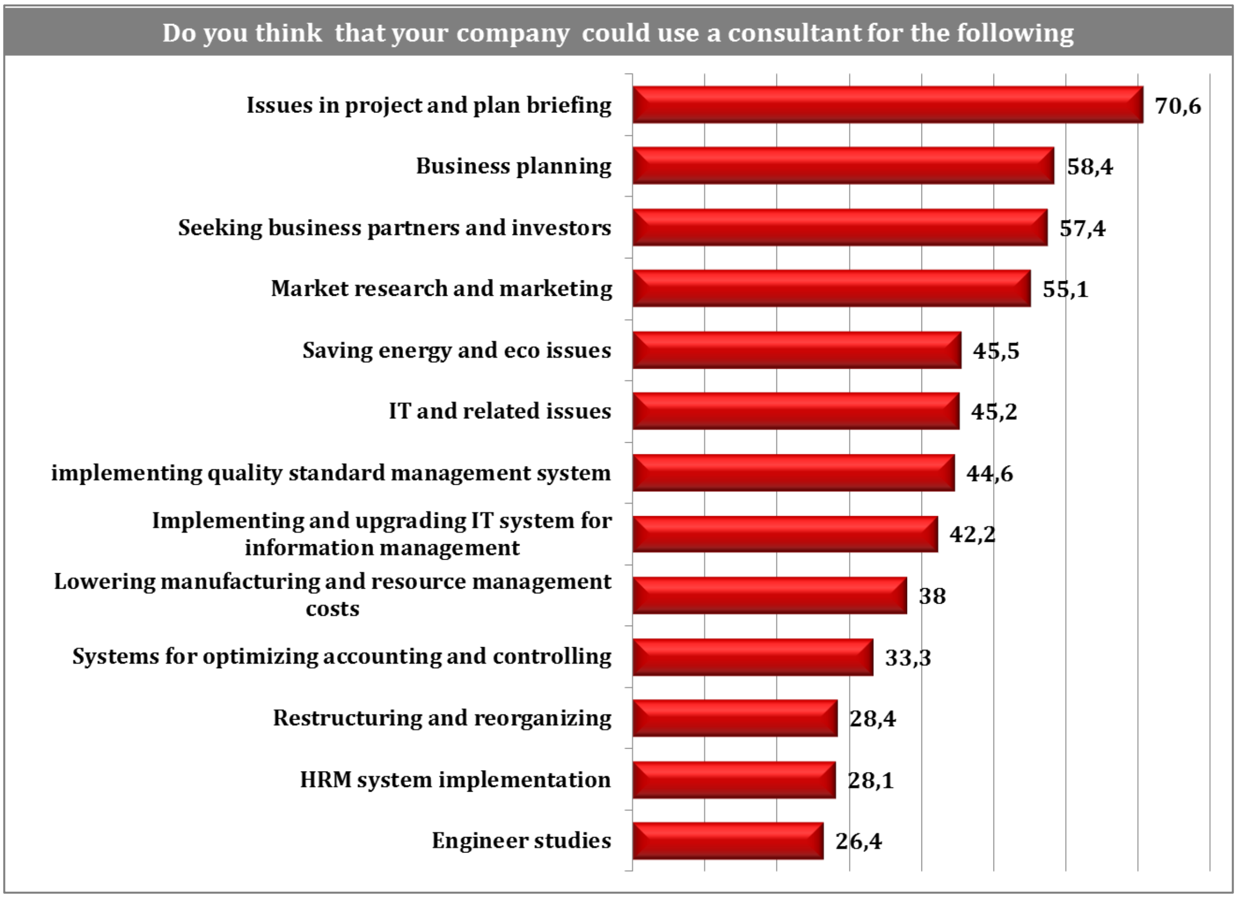
Figure 23: Preferred form



Source: Prizma, CATI, April 2014

Figure 23 shows that the enterprises will mostly select a domestic company (42.6%) and private consultant (15.2%), while 13.2% would use services of the university and academic community.

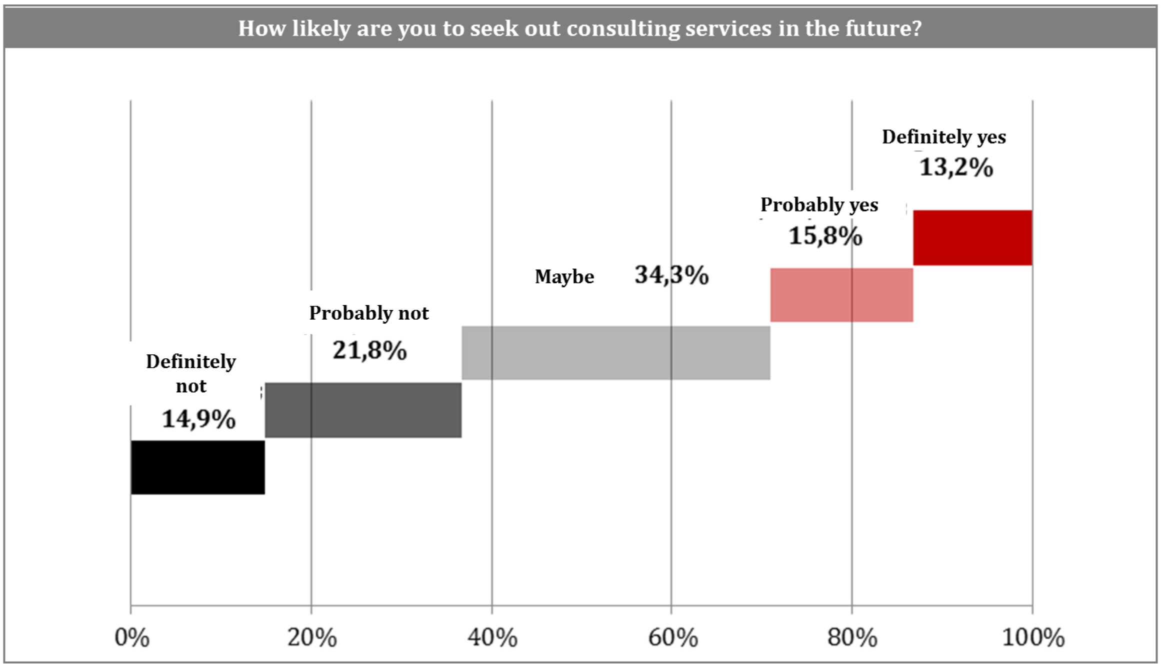
Figure 24: Potential areas of cooperation



Source: Prizma, CATI, April 2014

The largest number of enterprises would use consultants in order to solve problems related to writing plans and projects, business planning, and when seeking for business partners and investors, while the smallest number of enterprises would use consultants in order to solve problems related to engineering.

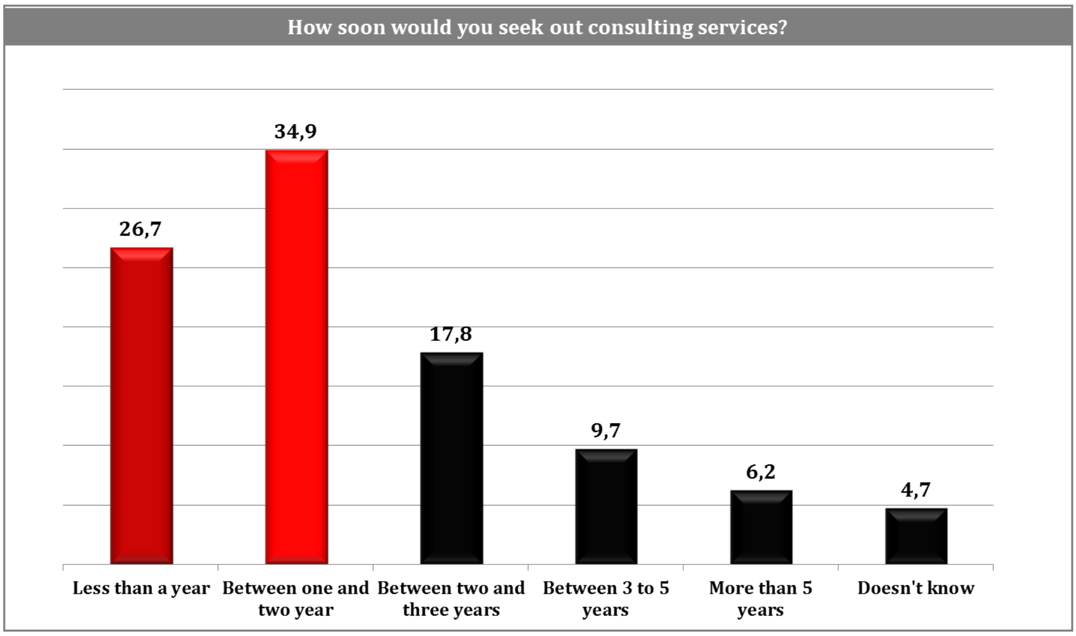
Figure 25: Total potential



Source: Prizma, CATI, April 2014

The probability of use of services of consultants by enterprises in the future is 29%. In addition, 34.3% will maybe use consulting services, while 14.9% would certainly not use consulting services.

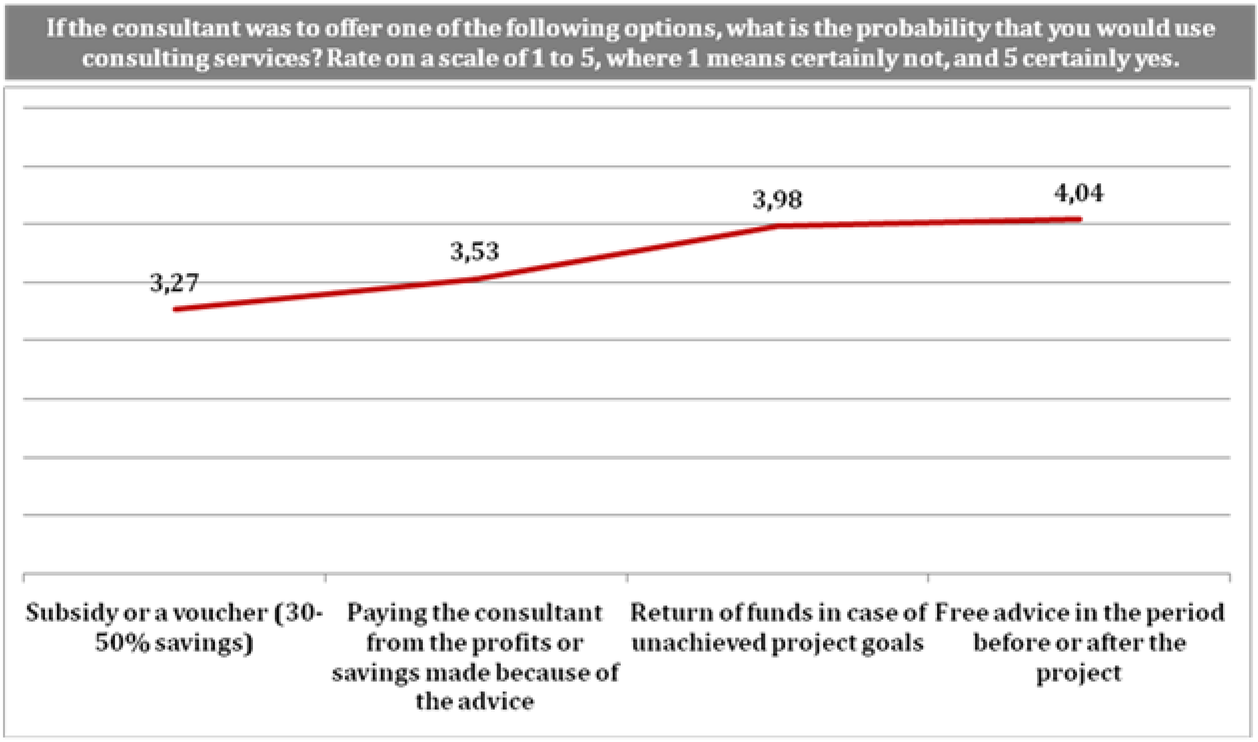
Figure 26: Expected period of action



Source: Prizma, CATI, April 2014

Enterprises that have said that they would use consulting services in the future stated that they would use services within a one year period (26.7%), while 34.9% will use services within one to two years.

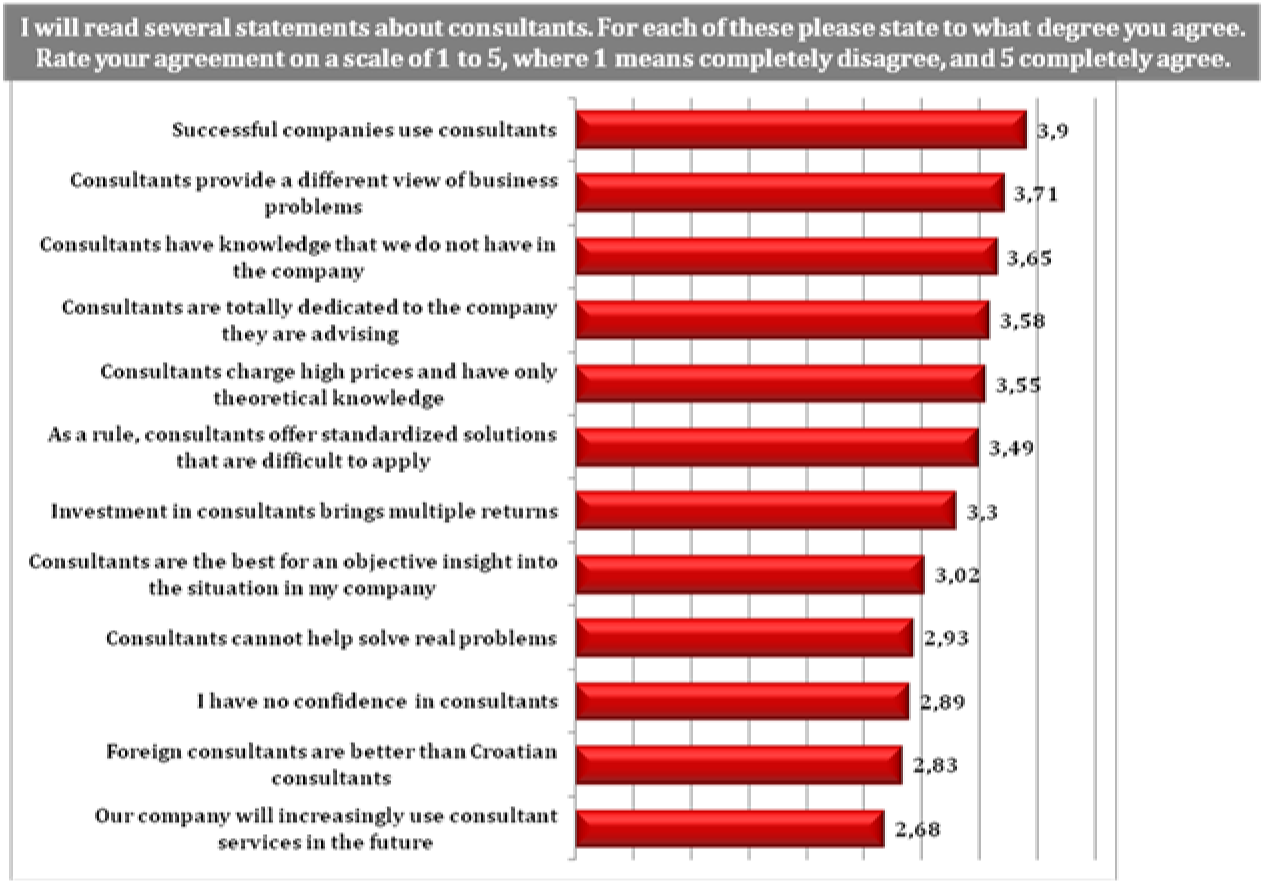
Figure 27: Additional motive



Source: Prizma, CATI, April 2014

Additional motives for the use of consulting services are: the ability of receiving free advice in the period before or after the project (M=4.04), the ability of return of funds in case of unachieved goals (M=3.98), and the ability of paying consultants from profits or savings made because of the advice (M=3.53). The least motivating item is subsidy or a voucher (M=3.27).

Figure 28: Display of agreement with statements about consultants: image



Source: Prizma, CATI, April 2014

Through the observation of the average grades of agreement with statements about consultants, it can be conclude that a perception developed within the MSME population is: successful companies use services of consultants (M=3.9), consultants provide a different view of business problems (M=3.71), consultants have knowledge that is not present in the company (M=3.65), consultants are totally dedicated to the company they are advising (M=3.58), and that consultants charge high prices, although they have only theoretical knowledge (M=3.55).

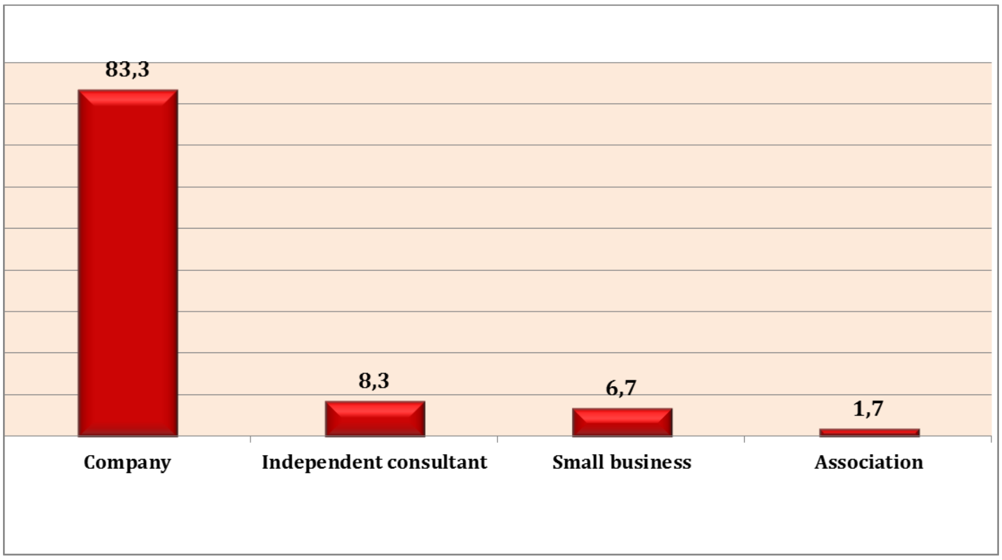
Furthermore, although the majority of attitudes are positive, a smaller proportion of MSME population still believe that consultants cannot help them to solve real problems (M=2.93) and that foreign consultants are better than Croatian consultants (M=2.83).

6.2 Main Findings: Supply of MSME Consultancy Services in Croatia

Research regarding the consultancy services was conducted on a sample of 60 consultants (n=60), and all of them (100%) were involved in the process of making business decisions.

Description of basic indicators of participants in the research

Figure 29: Providing consulting services



As shown in figure 29, 83.3% of respondents provide consulting services as a company, 8.3% as independent consultants, 6,7% as crafts, and 1.7% as an association.

Table 30: General information about companies

	Mean	Median	Mode	Min	Max
Number of employees in company	6,54	3,00	1	0	80
Company income in 2013 (in Kn)	1.074.443	300.000	850.000	60	18.000.000

Table 30 shows basic information about the companies participating in the research - 6,5 employees per company, but median is 3 employers; with the income generated in 2013 slightly over 1 million HRK.

Figure 30: Ownership structure of companies

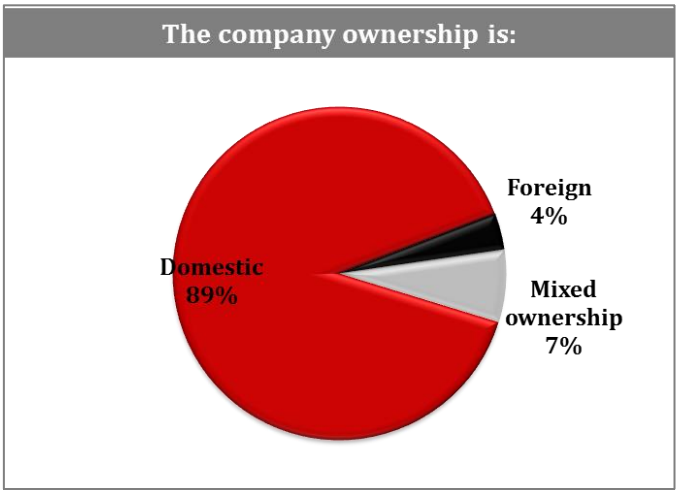
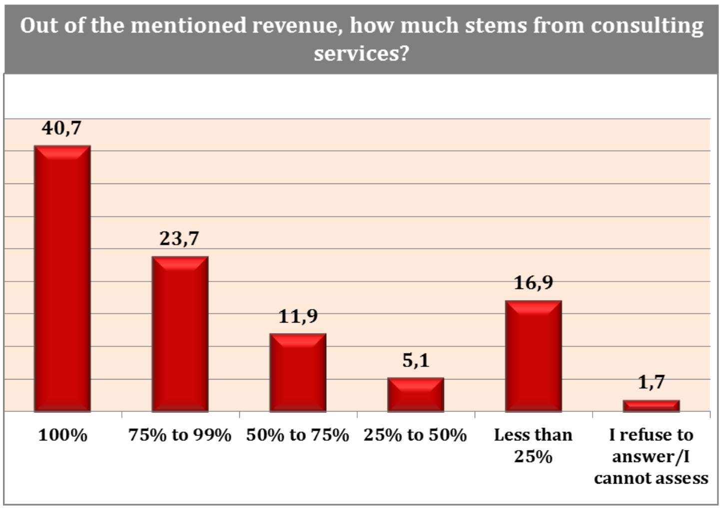


Figure 30 shows ownership structure of companies according to their origin - 89% of companies are in domestic ownership, 7% in mixed ownership, and 4% in foreign ownership.

Figure 31: Share of income from consulting services



As indicated in Table 30, average income of companies in 2013 was slightly over 1 million HRK. Figure 31 indicates that 40.7% of companies generate 100% of their income on the basis of consulting services, 23.7% generate from 75% to 99% of their income on the basis of providing consulting services, 11.9% generate from 25% to 50% of the income on the basis of providing consulting services, 16.9% are generating less than 25% of income, while 1.7% of respondents gave no answer.

Figure 32: Size of client companies according to the number of employees' criterion

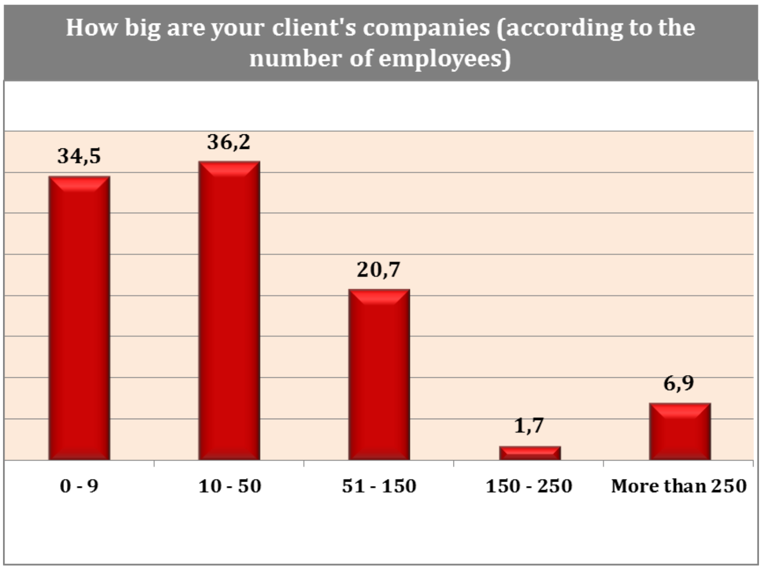


Figure 33: Largest client company according to the number of employee's criterion

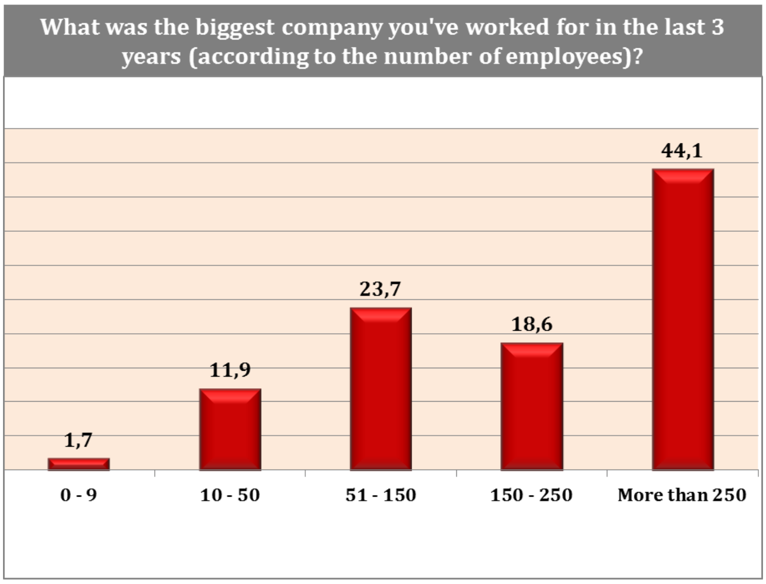
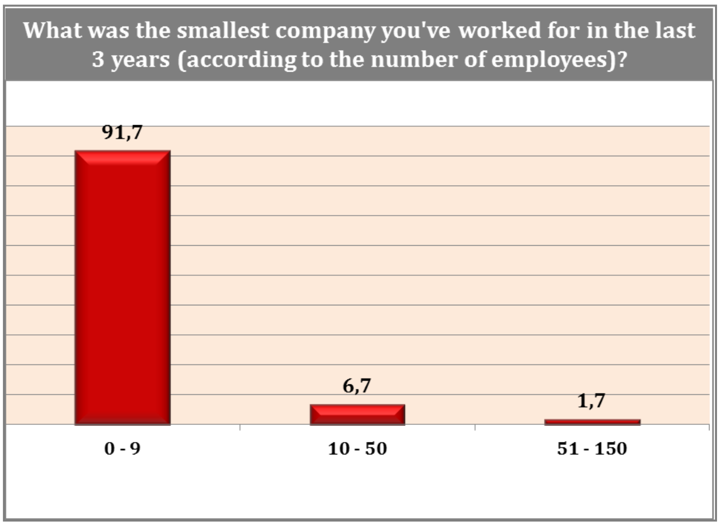


Figure 34: Smallest client company according to the number of employee's criterion



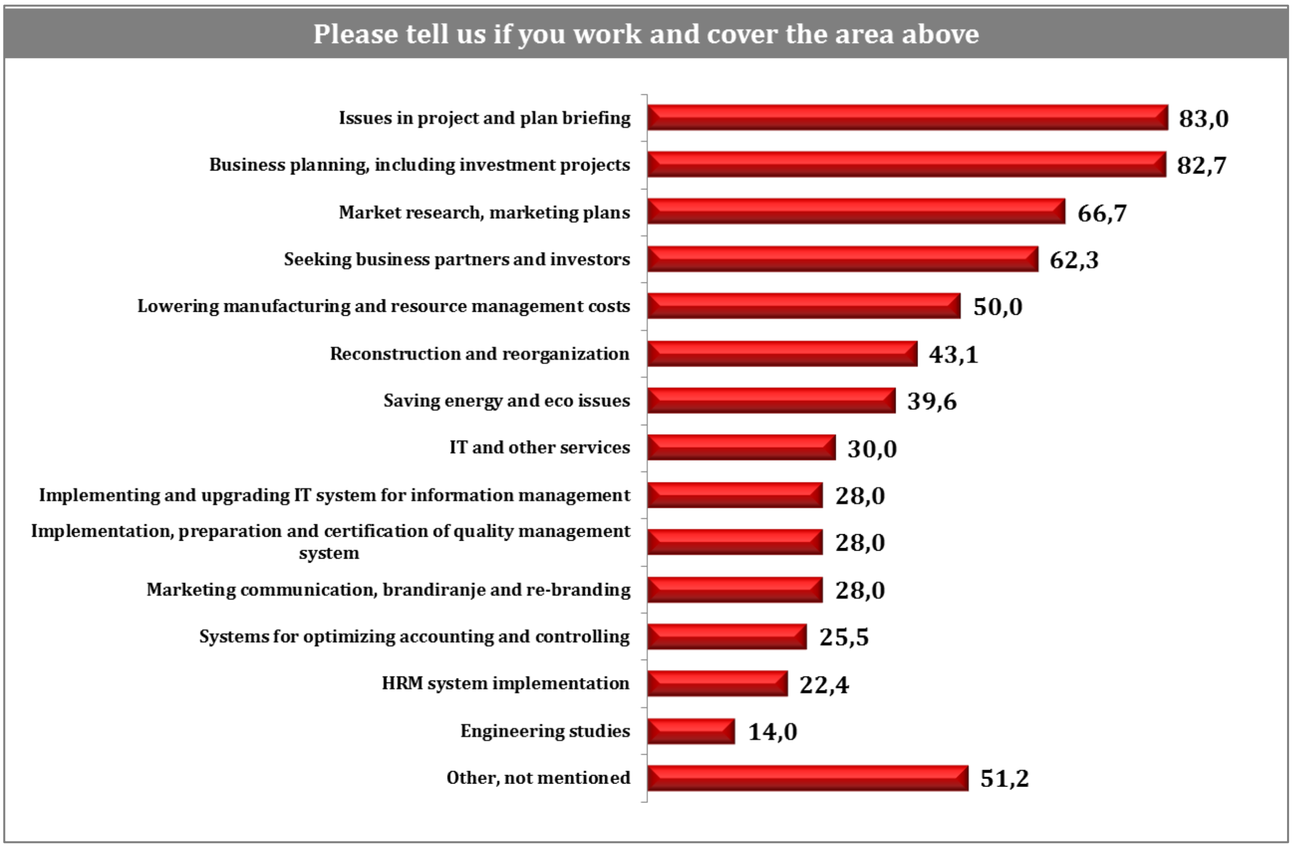
Figures 32, 33 and 34 show that the average size of company that consultant worked for, according to the number of employees, is the company with 10 to 50 employees (36.2%) and with 0 to 9 employees (34.5%). Less represented are the companies with 51 – 150 employees (20.7%), and companies with more than 250 employees (6.9%), while the least represented are the companies with 150-250 employees (1.7%). The largest company consultants have worked for have more than 250 employees (44.1%), and the smallest company has up to 9 employees (91.7%).

Table 31: Number of projects annually and during the last year

	Mean	Median	Mode
Number of projects on annual level	36,05	15,00	20
Number of projects in 2013	36,29	15,00	15

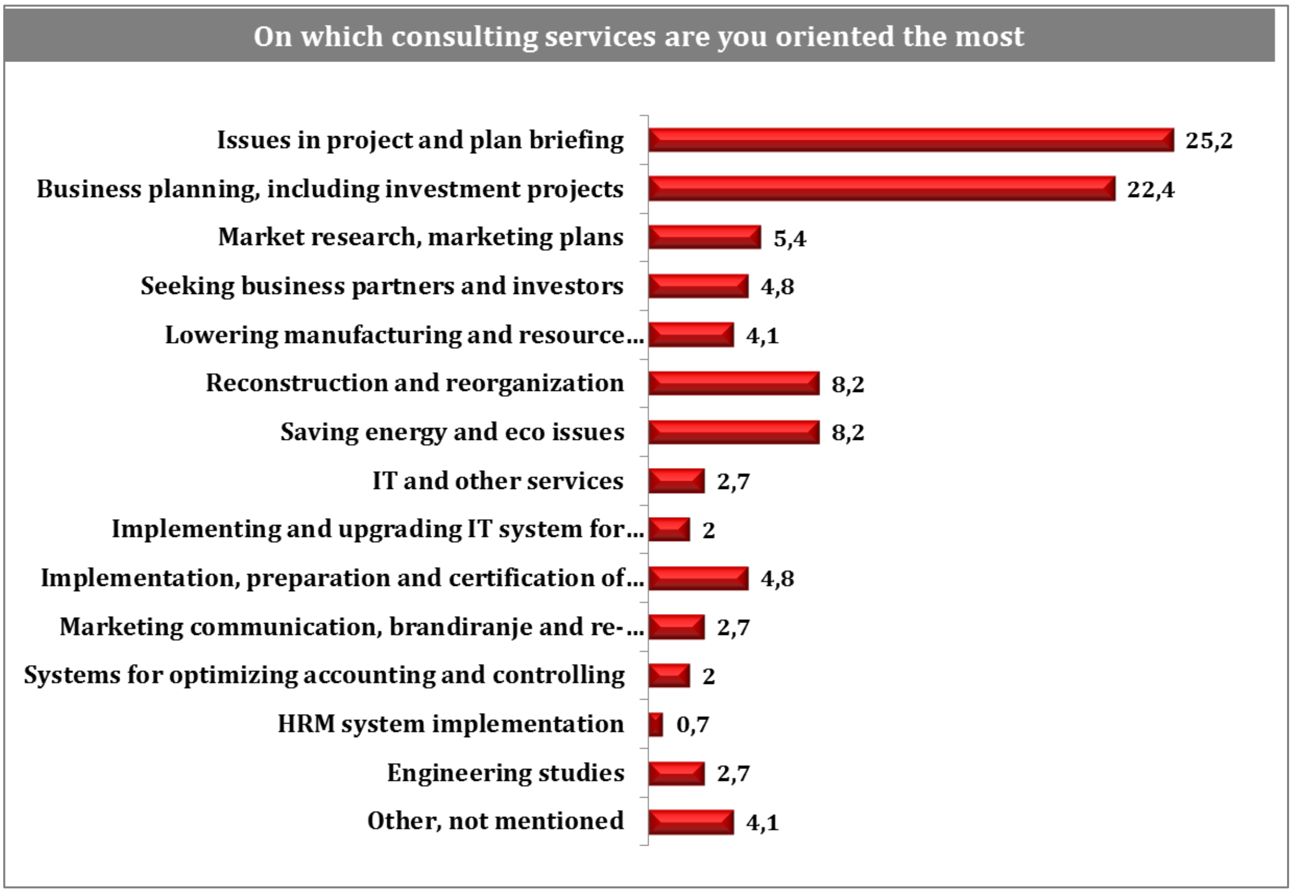
Consultants have 36,05 projects on an annual leave, and on median they have 15 projects. In 2013, the mean number of projects was 36,29 and the median was 15.

Figure 35: Areas of providing consulting services



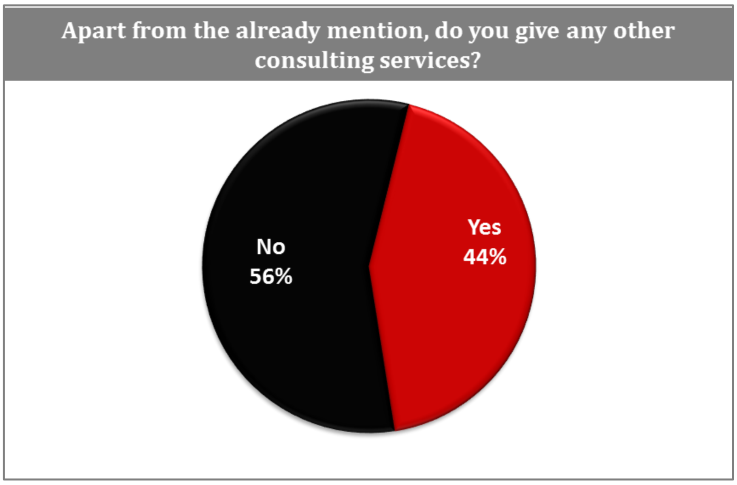
Areas of providing consulting services are primarily associated to the problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc. (83%), business planning, including preparation of investment projects (82.7%), market research, marketing plans (66.7%), seeking for business partners and investors (62.3%), other forms of consulting (51.2%), reducing production costs and resource management (50%). To a smaller extent, consulting services are related to restructuring and reorganization (43.1%), energy saving and environmental protection measures (39.6%), information systems and other information technologies (30%), introduction and upgrading of computer information management systems (28%), implementation, preparation and certification of quality management systems (28%), market communication, branding and re-branding (28%), systems for improvement of accounting and controlling (25.5%), implementation of modern human resources management systems (22.4%), and engineering studies (14%).

Figure 36: Areas of providing consulting services to which they are oriented the most



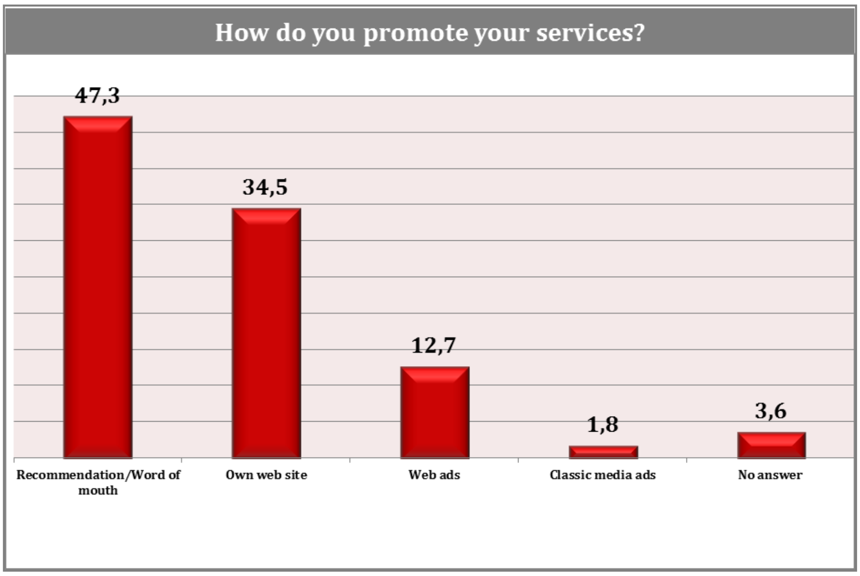
Furthermore, areas of providing consulting services to which they are oriented the most do not differ significantly from the areas of services that they provide, as shown in the figure 36.

Figure 37: Additional consulting services



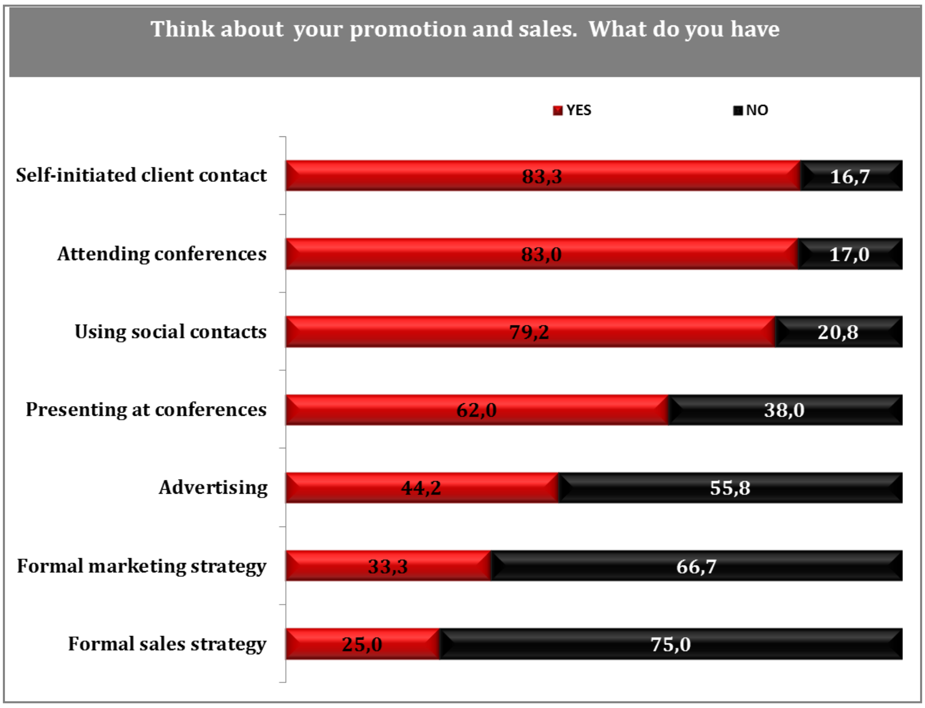
In addition to the aforementioned, 7.44% of surveyed consultants provide additional services such as various education (16,7%), project management (12,5%), legal solutions consulting (8,3%), designing the franchise business model (8,3%), financial counselling (8,3%), tax consultant, technical assistance on projects, business expansion to other markets, advising the public sector, building design, graphic design services and event-management (all 4,2%)

Figure 38: Methods of promoting own services



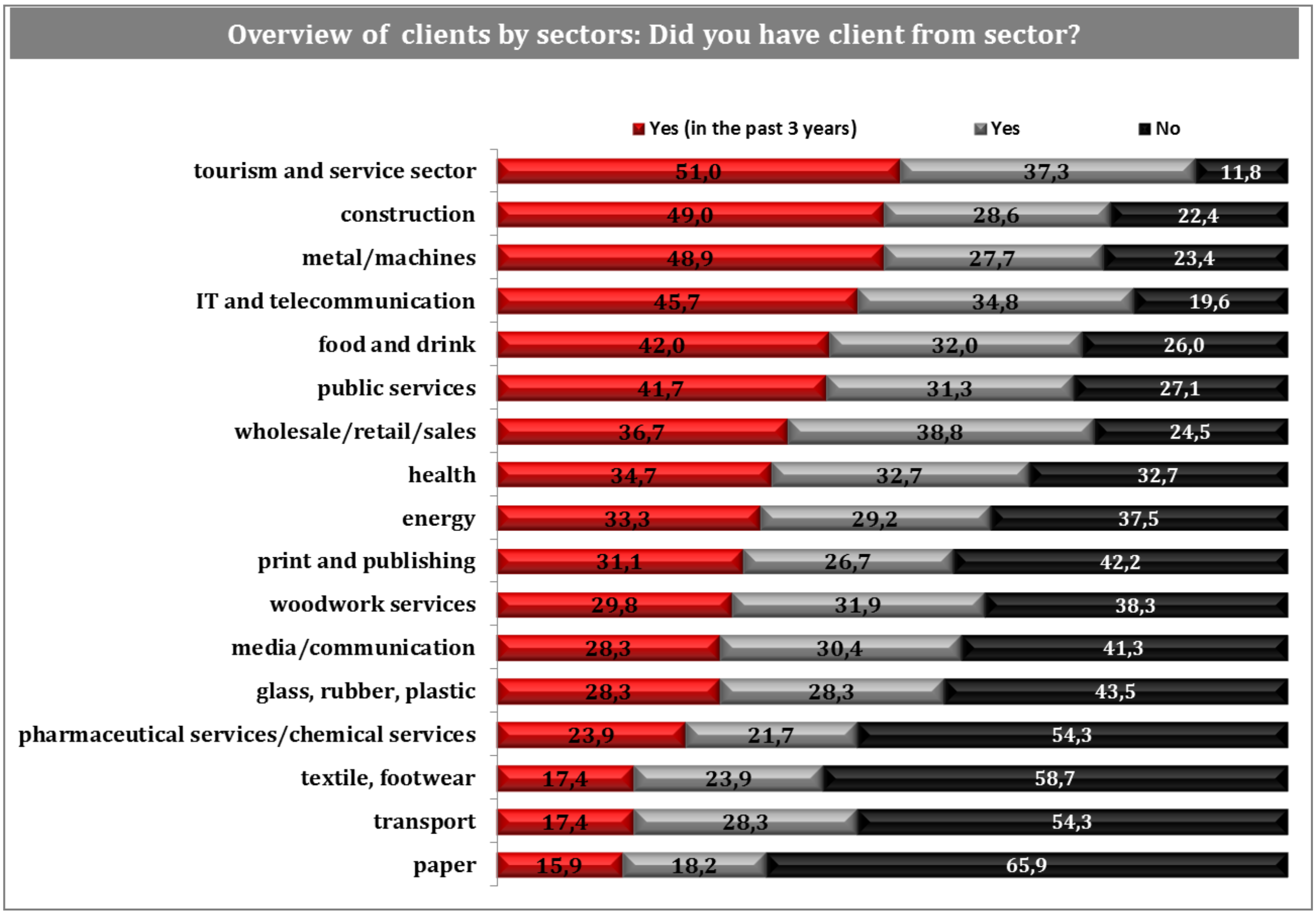
The most represented form of promotion and sales of services is recommendation - word of mouth (47.3%), advertising through their own website (34.5%), advertising through the Internet (12.7%), and advertising through traditional media (1.8). However, 3.6% respondents declined to give an answer.

Figure 39: Involvement in promotion and sales



In addition to the traditional methods of advertising listed in figure 39, most of the respondents are contacting potential clients on their own initiative (83.3%), by visiting gatherings (83%), using social contacts (79.2%), and by presenting their services at various events (62%). Slightly fewer number of interviewed consultants are making additional investments in advertising (44.2%), developing formal marketing strategy (33.3%), while the smallest number of respondents is developing formal sales strategy (25%).

Figure 40: Overview of clients by sectors



According to the results presented in the figure 40, in the last three years the largest number of clients using consulting services is from the hospitality industry and tourism (51%), construction (49%), metals/machinery sector (48.9%), IT and telecommunications (45.7%), food and beverage (42%), public administration (41.7%), trade (36.7%), energy (33.3%), and print and publishing (31.1%).

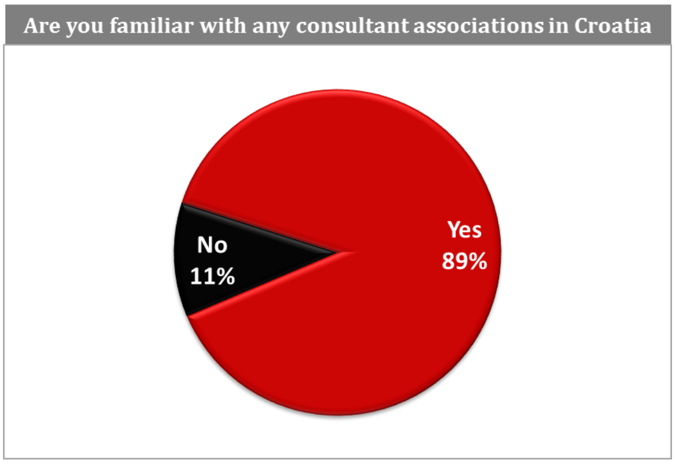
A smaller volume of clients is coming from the wood processing industry (29.8%), media (28.3%), industries related to glass, rubber and plastics (28.3%), chemical industry (23.9%), textile industry (17.4%), transport (17.4%), and paper industry (15.9%).

Figure 41: Possession of certificates and licences

69% of surveyed consultants have specific certificates and licences and 31% of consultants do not have any certificates or licences.

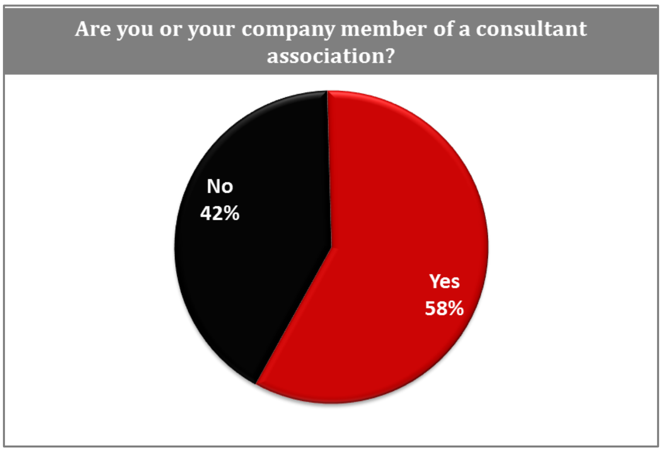
Those who have declared that they have certificates and licences, stated that they possess the following: HAMAG INVEST Certified Consultant (28.6%), various ISO certifications (22.9%), certification in the field of public procurement (8.6%), Lead auditor (8.6%), Chartered Tax Adviser (5.7%) and other certificates (25.7%).

Figure 42: Familiarity with consultant associations in the Republic of Croatia



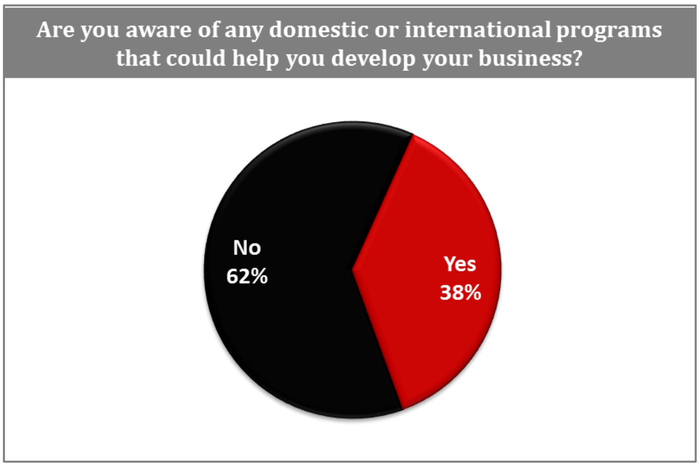
89% of respondents are familiar with consultant associations in Croatia, such as Association of Consultants within the Croatian Chamber of Economy (37.8%), Croatian Association of Management Consultants (13.5%), HAMAG INVEST consultants (8.1%), Croatian Association of Consultants (5.4%) , CROMA – Croatian Managers' and Entrepreneurs' Association (5.4%) and others (29.7%).

Figure 43: Company as member of consultant associations



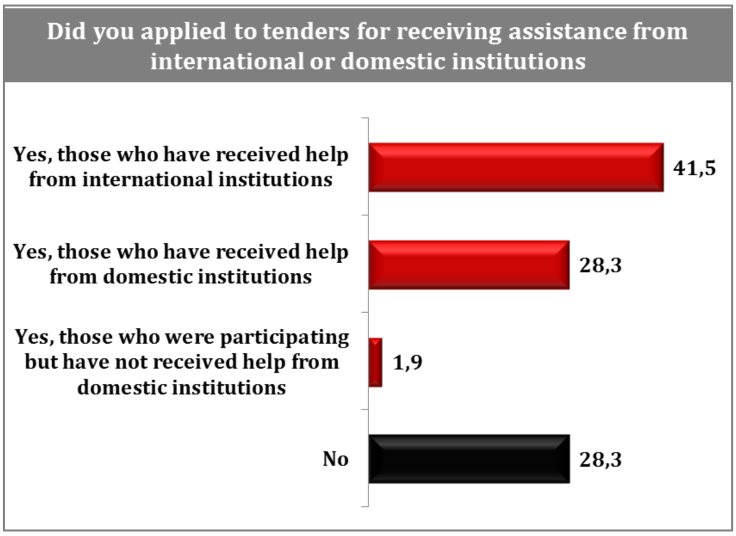
In addition, 58% have a membership in an consultant association, such as Association of Consultants within the Croatian Chamber of Economy (62%), HAMAG INVEST Network of consultants (6.9%), and Croatian Association of Management Consultants (3.4%).

Figure 44: Familiarity with a domestic or international program that can help in the development of business



As shown in the figure 44, only 38% of interviewed consultants are familiar with a domestic or international program that can help them in the development of business, such as Coursera, EBRD BAS, Ministry of Entrepreneurship and Crafts, HAMAG INVEST, or SMEPASS project.

Figure 45: Participation in projects applied to tenders for receiving assistance from international or domestic institutions



41.5% of consultants have experience in the participation in projects applied for receiving assistance from international institutions, 28.3% have experience in the participation in projects applied for receiving assistance from domestic institutions, while 1.9% have experience of participating, but not receiving assistance from domestic institutions. However, 28.3% of consultants don't have any experience.

Respondents who have experience in the participation in projects applied for receiving assistance stated that they have experience with the following institutions: Ministry of Entrepreneurship and Crafts (37,5%), EBRD (21,9%), EU funds in general (18,8%), and other (21,9%).

Figure 46: Perception of importance of criteria when selecting an external consultant (%)

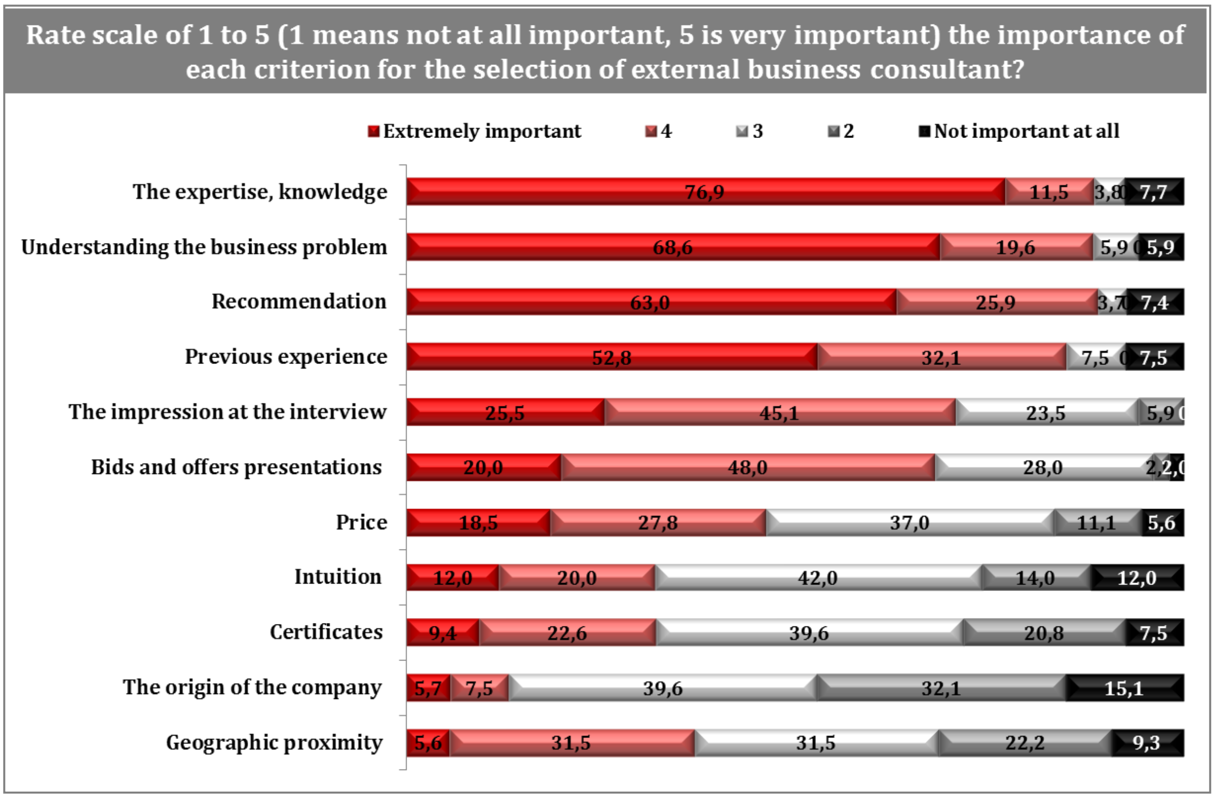
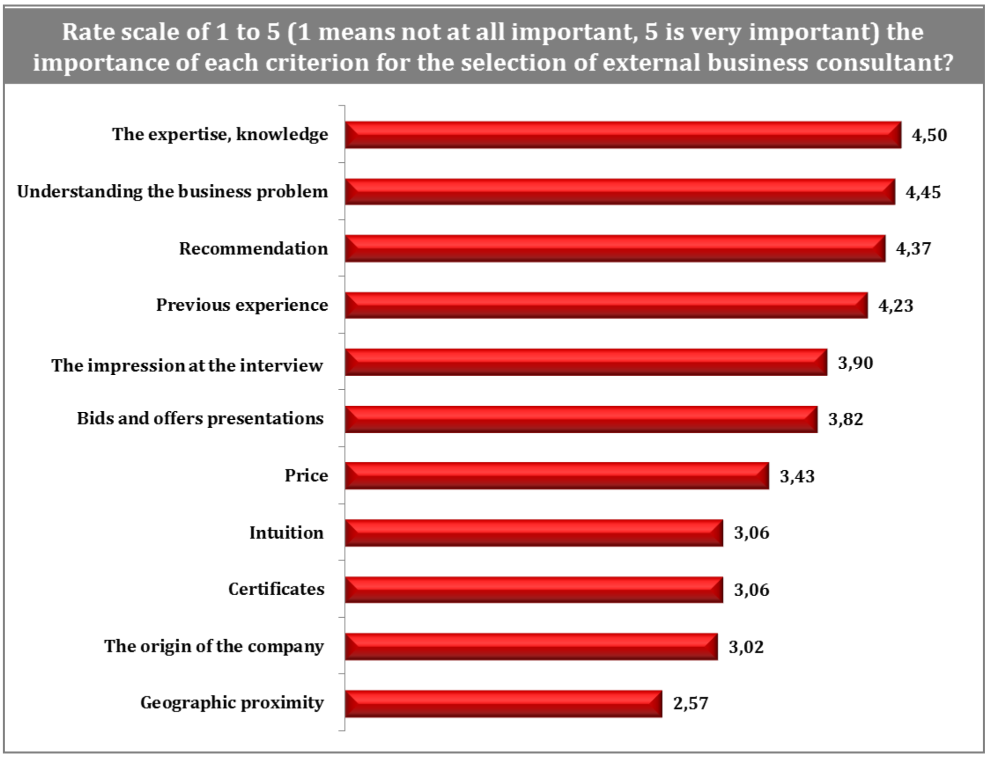


Figure 47: Perception of importance of criteria when selecting an external consultant (mean values)



Figures 46 and 47 show that the expertise and knowledge (76.9%, M=4.50), understanding of the business problem (68.6%, M=4.45), recommendation (63%, M=4.37) and previous experience (52.8%, M=4.23) are the most important criteria when selecting and external consultant. In addition, important, but to a significantly lesser degree, are impression at the interview (25.5%, M=3.90), offer and presentation of offer (20%, M=3.82), price (18,5%, M=3,43), intuition (12%, M=3.06), certificates (9.4%, M=3.06), origin of the company (5.7%, M=3.02) and geographic proximity (5.6%, M=2.57).

Figure 48: General opinion of the business public (%)

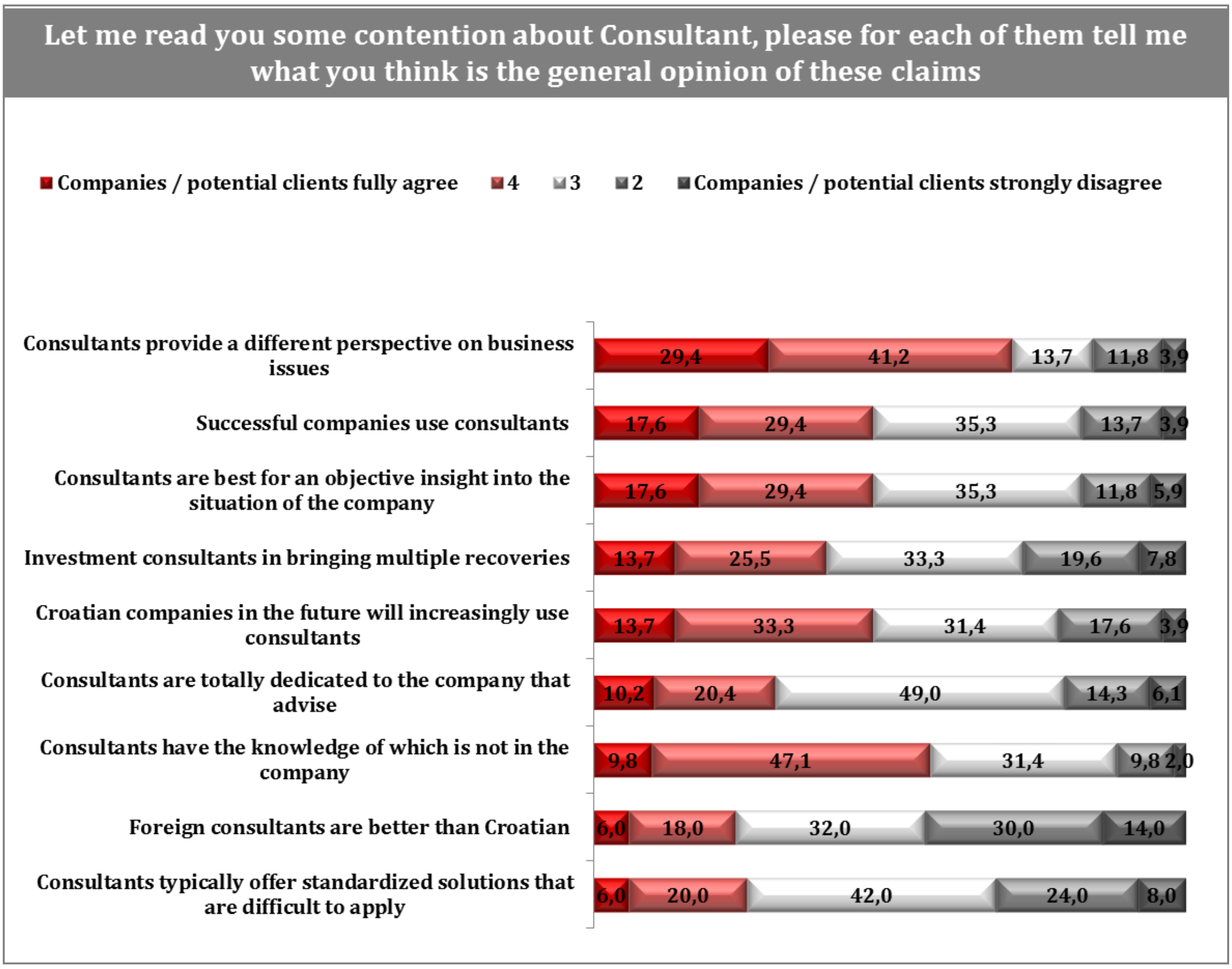
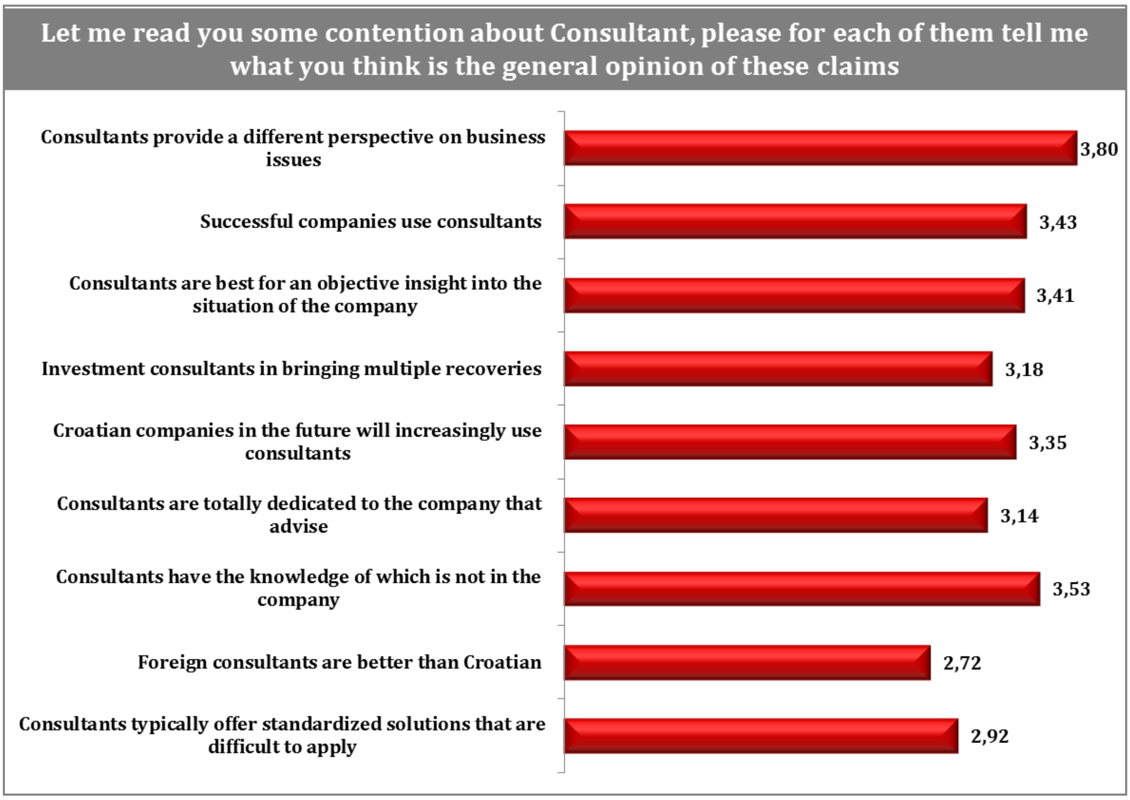
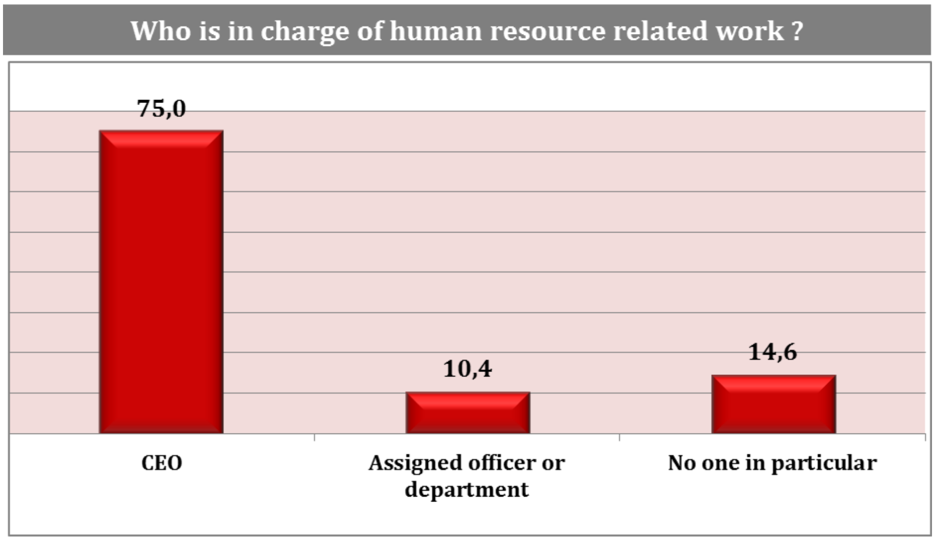


Figure 49: General opinion of the business public (mean values)



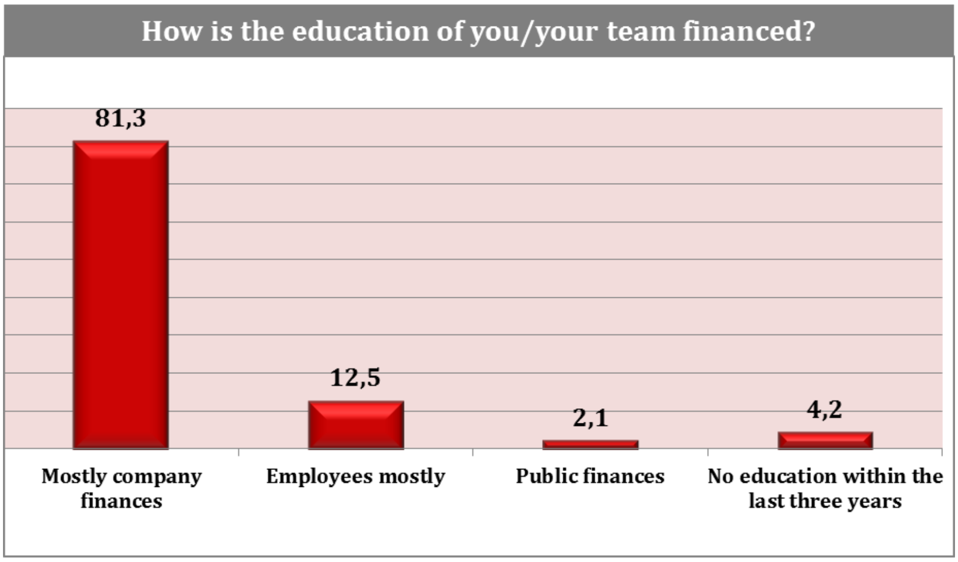
General opinion of the consultants regarding the consulting services is that consultants provide a different view of business problems (29.4%, M=3.80), that successful companies use consultants (17.6%, M=3.43), and that consultants are the best for an objective insight into the situation in company (17.6%, M=3.41).

Figure 50: Person in charge of educational-HR issues in the team



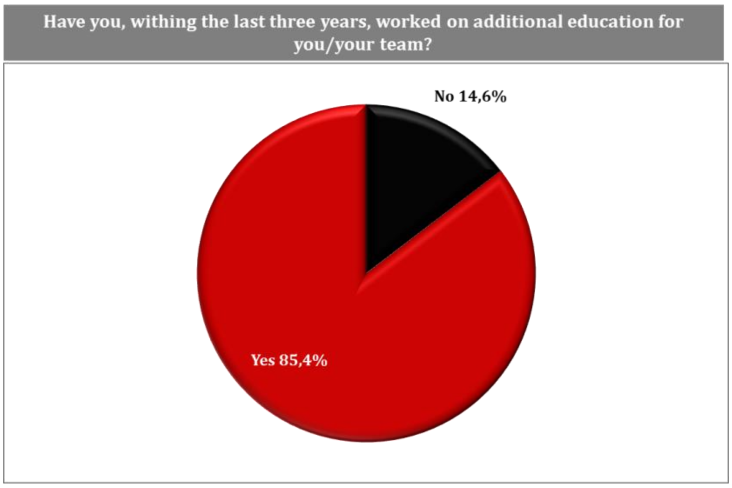
Regarding the education, in 75% of the cases the person in charge of educational-HR issues in the team is the company director, while in 14.6% company does not have that person, and in 10.4% companies have a designated person to handle the above.

Figure 51: Methods of financing education and training



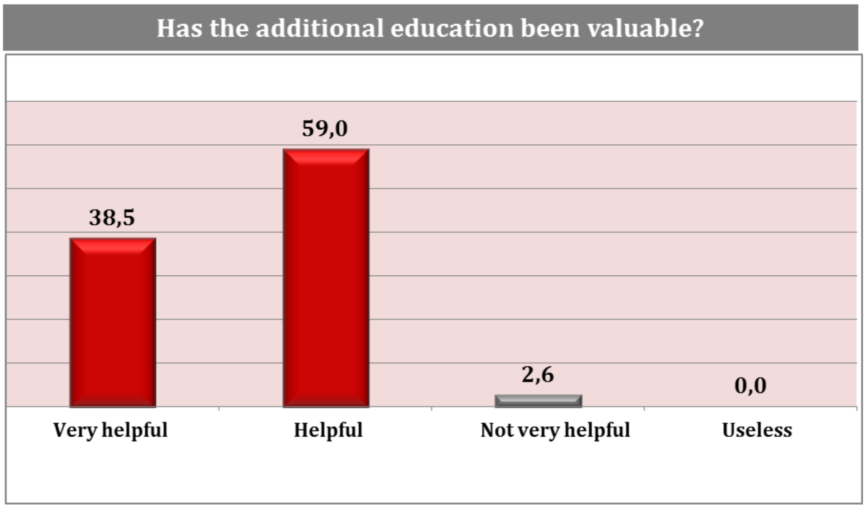
81.3% of education and training is financed by the company, 12.5% of education and training have been paid by employees themselves, while 2.1% of public funds have been used in order to afford the education. In addition, 4.2% of consultants stated that they did not use training or education in the last three years.

Figure 52: Using education for self and/or team improvement in the last 3 years



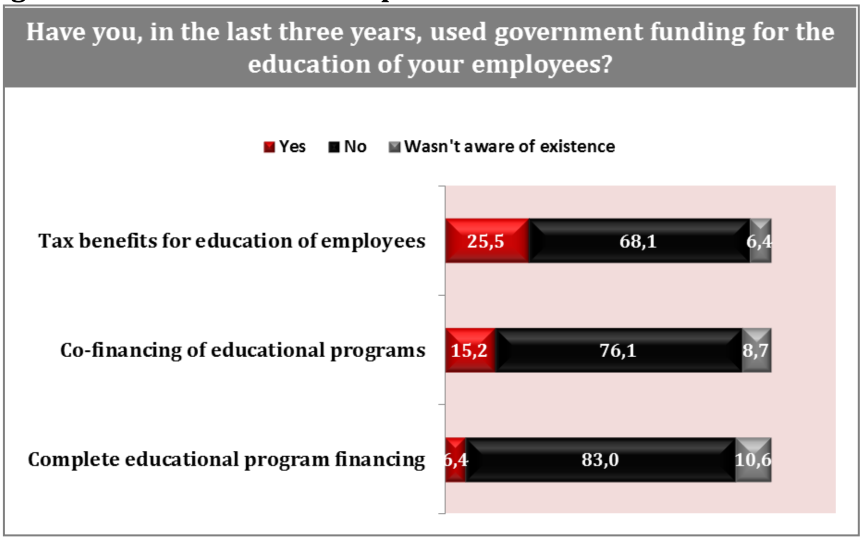
In the last 3 years, 85.4% of respondents have used education and training as a means to improve their knowledge or their teams. Education included conferences in general (22%), seminars for certain ISO standards (11.1%), seminars in the field of public procurement (11.1%), project management (8.3%) and other (41%). 14.6% of the respondents did not attend any education or training.

Figure 53: Attitude toward education usefulness



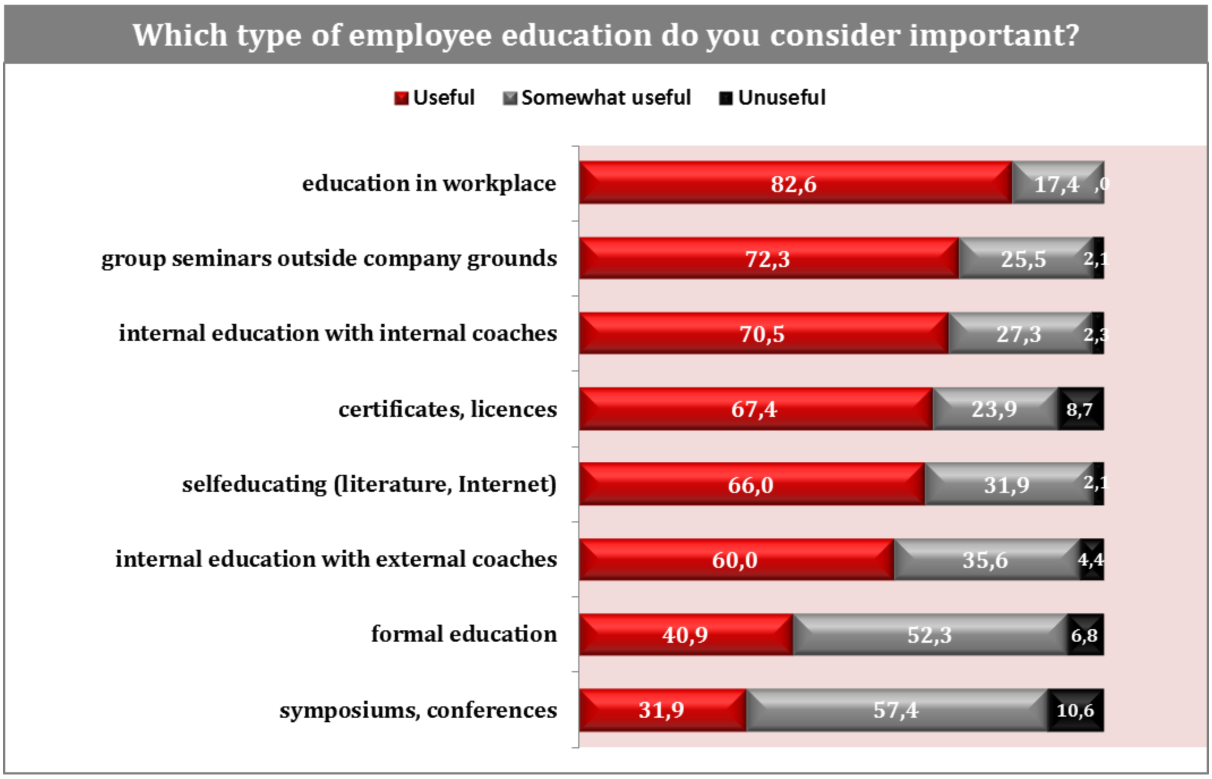
Out of all respondents who have attended some education, 59% believe the education was useful, while 38.5% considered education very useful. Only 2.6% believe that education was not significant, while a negligible number considers education useless.

Figure 54: **Use of government aids for development**



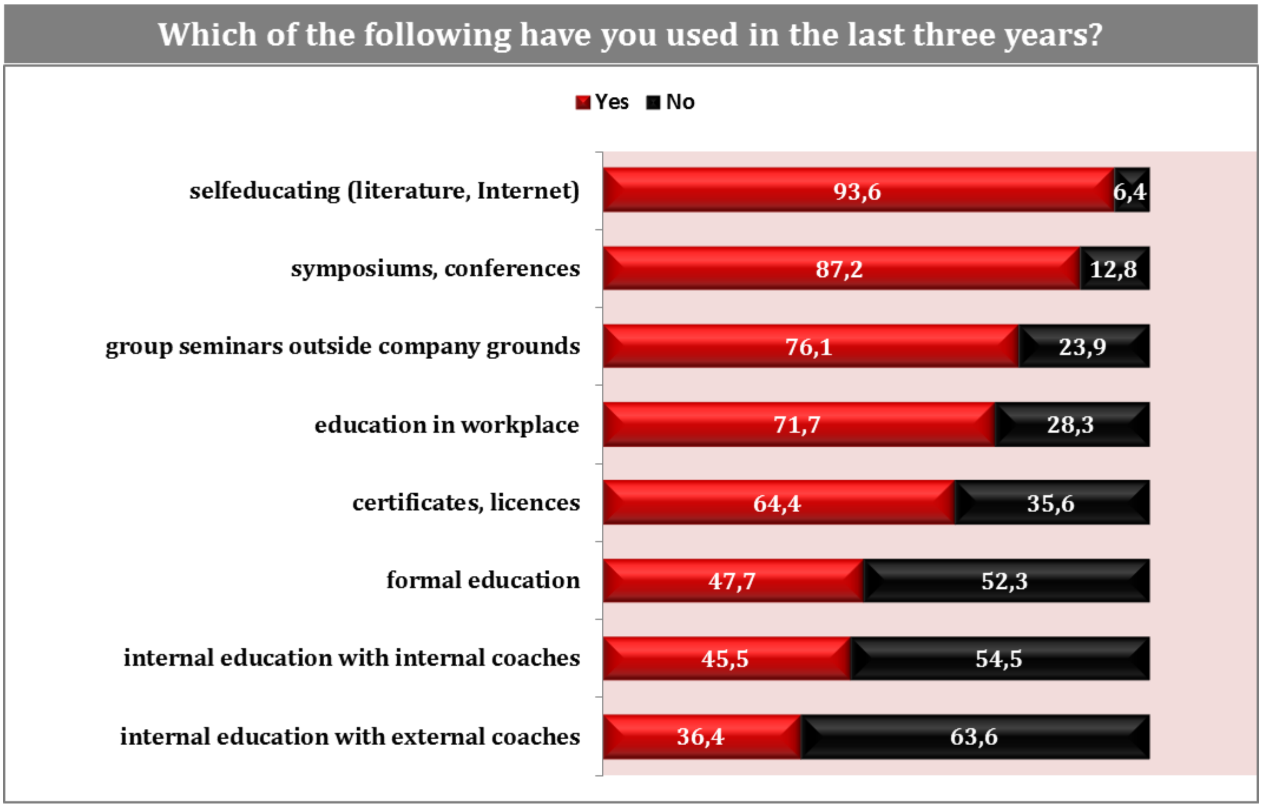
A smaller number of respondents used government aids for their development - only 25.5% of them used tax deductions for adult education, while 6.4% were not aware that the above is existing. 15.2% of respondents used the education co-funding programs, while 8.7% were not aware that the above is existing. Complete financing of educational programmes has been used by only 6.4% of respondents.

Figure 55: Useful form of employee development for business environment



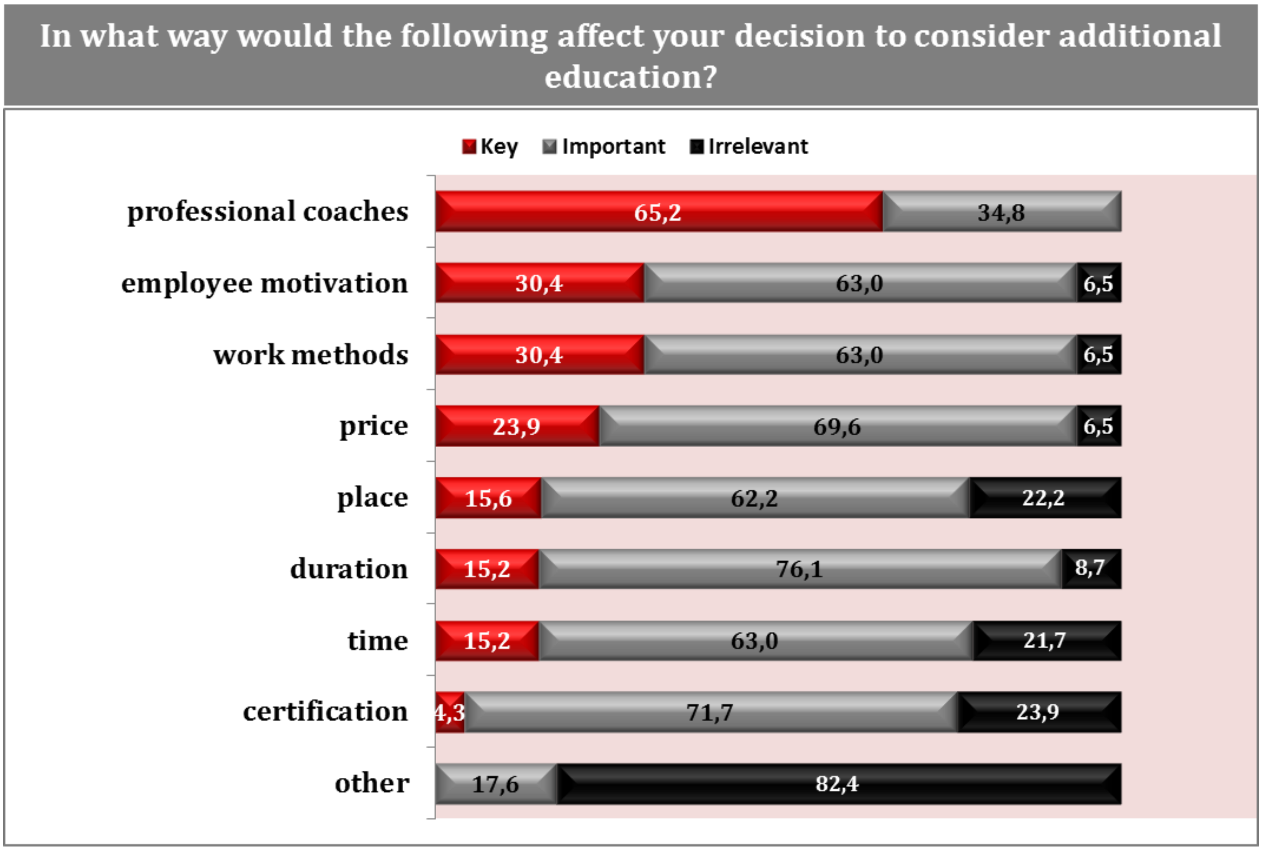
The best type of education useful for the development of business environment is the education in the workplace (82.6%), training and seminars held outside of the home (72.3%), training at the company with internal coaches (70.5%), education for certification (67.4%), self-education (66%), and training held at the company with external coaches (60%). Less significant types of education are formal education (40.9%) and conferences and symposiums (31.9%).

Figure 56: Forms of education used in the last three years



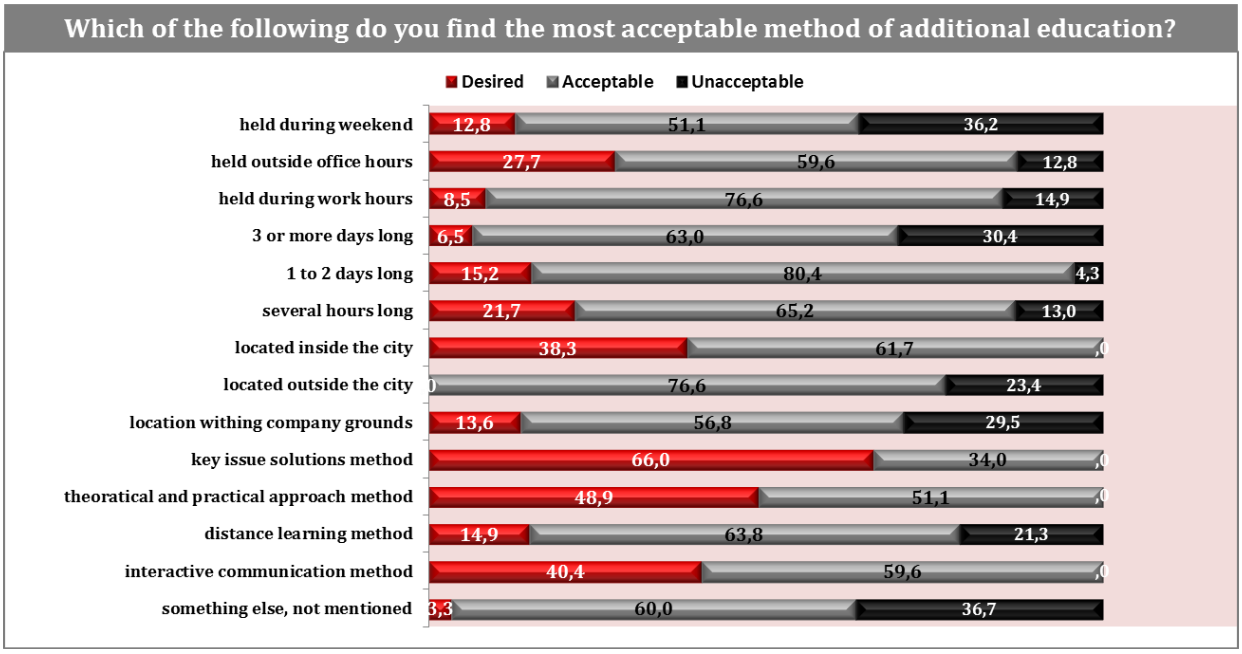
Mostly used forms of education in the last three years were self-education (93.6%), conferences and symposiums (87.2%), various seminars held outside home (76.1%), education in the workplace (71.7%), and education for certification (64.4%). Less used forms of education were formal education (47.7%), trainings at the company with internal coaches (45.5%) and training held at the company with external coaches (36.4%).

Figure 57: Influence of certain factors on the decision on development program selection



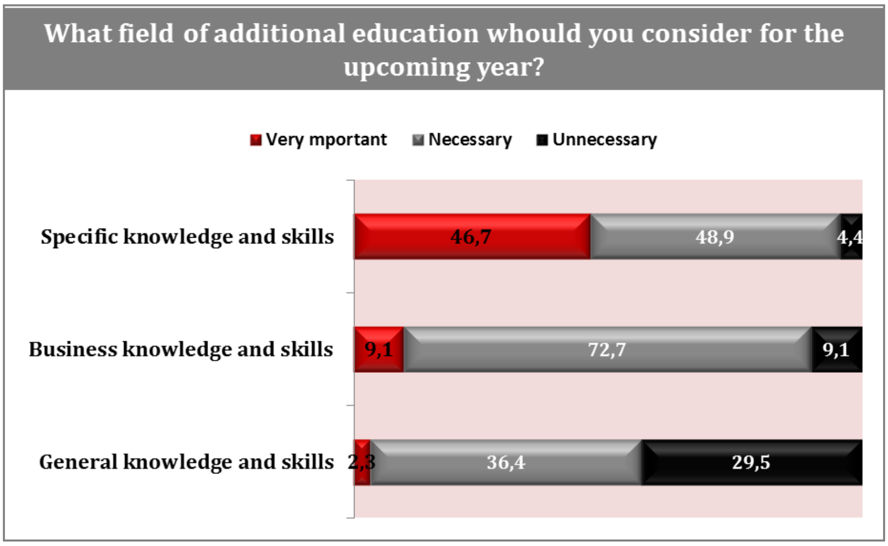
The most influencing factors when considering additional education are: coaches expertise (65.2%), duration (76.1%), certification (71.7%), price (69.6%), time, methods and motivation of employees (63%) and place (62.2%).

Figure 58: Most appropriate form of education and employee training



Most appropriate form of education and employee training is: duration of the training must be between 1 to 2 days, must be held during working hours and outside the workplace.

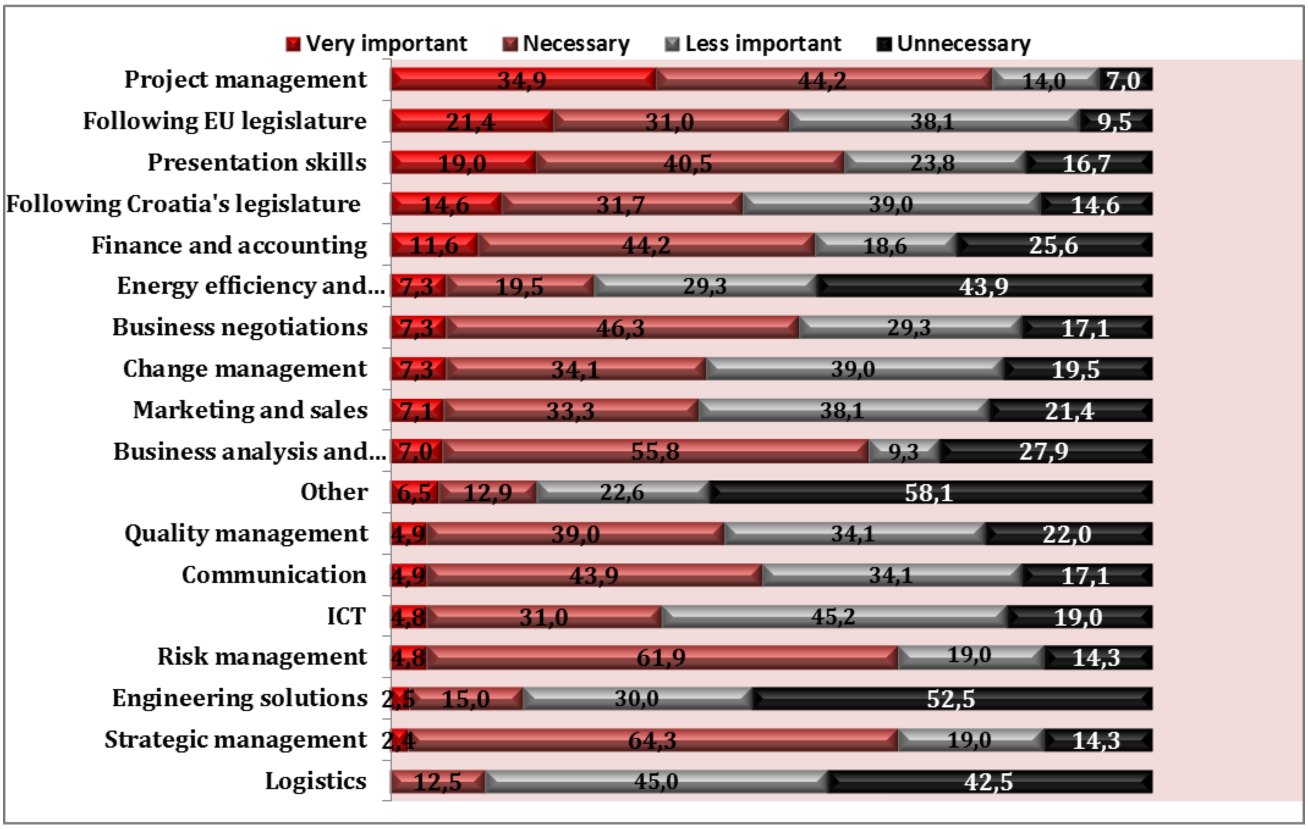
Figure 59: Desired field of education in the upcoming year



Less than half of the respondents considered that it is necessary to educate further in specialized fields (46.7%), while 48.9% considered it desirable. 4.4% considered this form of education unnecessary. Business knowledge and acumen would be a desired field of training for 72.7% of the respondents, 9.1% consider this education necessary, while 9.1% believe it is unnecessary. Furthermore, general knowledge and expertise is desired by 36.4%, 2.3% consider it necessary, while 29.5% consider it unnecessary.

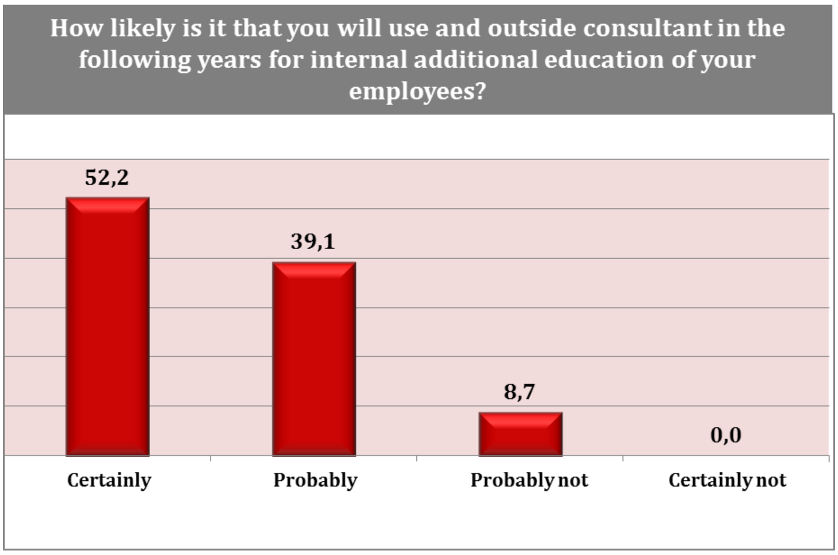
Figure 60: Particular areas of education in the upcoming year

SPECIFICALLY, what field related education would you benefit from by conducting additional knowledge courses?



The desired areas in education in the upcoming year are: project management (79.1%), strategic management (66.7%), risk management (66.7%), business analysis and controlling (62.8%), presentation skills (59.5%), finances and accounting (55.8%), business negotiation (53.7%), and EU regulations (52.4%). Less desired areas of education are: communications (48.8%), Croatia's regulations (46.3%), quality management (43.9%), change management (41.5%), marketing and sales education (40.5%), ICT education (35.7%), and the least important areas are: energy efficiency and area management (26.8%), engineer solutions (17.5%) and logistics and procurement education (12.5%).

Figure 61: Likelihood of using services of external suppliers for education



In addition, 52.2% of the respondents will definitely use services of external suppliers for education and 39.1% will probably use it, which is making the great potential pool of users for external suppliers for education very (91,3%).

At the end, enclosed is the list of consultancy companies that are, during the primary research, identified as the most important competitors for the respondents. The companies are listed in alphabetical order.

Table 32: Consulting companies indentified as the most important competitors

No.	*Name of the consultancy company*
1.	A.K.I., Ltd. (www.aki-biro.hr)
2.	AZRA – Agency for the Development of Varazdin county (www.azra.hr)
3.	BALA, Ltd. (www.bala.hr)
4.	Centre for Entrepreneurship Osijek (www.poduzetnistvo.org/centar)
5.	CONSULTOR , Ltd. (www.consultor-ri.hr)
6.	DAN – Development Agency North (www.dan.hr)
7.	DEKAFORM , Ltd., Consulting for Management (www.dekaform.hr)
8.	DELOITTE & TOUCHE, Ltd. (http://www.deloitte.com/view/hr_HR/hr/index.htm)
9.	DLS, Ltd. (www.dls.hr)
10.	EKO – KVALITETA , Ltd. (www.ekokvaliteta.hr)
11.	ENERKON, Ltd. (www.enerkon.hr)
12.	Entrepreneurship network – Center for Promotion and Development of Entrepreneurship (www.zpm.hr)
13.	Ernst & Young Croatia, Ltd. (www.ey.com/HR/en)
14.	EU Projects info – portal about EU funds (www.eu-projekti.info)
15.	Eurokonzalting, Ltd. (www.eurokonzalting.com)
16.	IDA – Istrian Development Agency (www.ida.hr)
17.	Impuls, Ltd. (www.impulscentar.com)

18.	iQ Institute for Quality and Human Resource Development (www.iq-institut.hr)
19.	Kaja Consulting, Ltd. (www.kajaconsulting.hr)
20.	Kontroling Kognosko, Ltd. (www.kognosko.hr)
21.	KPMG Croatia, Ltd. (www.kpmg.com/hr/en/pages/default.aspx)
22.	MAŠINOPROJEKT – Bureau of mechanical engineering and energy, Ltd. (www.masinoprojekt.hr)
23.	MICRO grupa, Ltd. (www.microgrupa.com)
24.	Miholjac Business Center – Development agency for entrepreneurial and business consultancy (www.mpc-miholjac.hr)
25.	Mirakul, Ltd. (www.mirakul.hr)
26.	PETRA – Petrinja Development Agency (www.petrinjska-razvojna-agencija.hr)
27.	PJR Consulting, Ltd. (www.pjr.hr)
28.	PORIN - Regional Development Agency (www.porin.hr)
29.	Poslovno savjetovanje MEMS , Ltd. (www.ps-mems.hr)
30.	PricewaterhouseCoopers, Ltd. (www.pwc.hr)
31.	Razbor, Ltd. (www.razbor.hr)
32.	REDEA – Regional Development Agency Medimurje (www.redea.hr)
33.	Regional agencies in general
34.	Regional Development Agency of Bjelovar-Bilogora county (www.rerabbz.hr)
35.	Regional Development Agency of Slavonia and Baranja (www.slavonija.hr)
36.	Roland Berger Strategy Consultants Croatia (www.rolandberger.hr)
37.	Sarturis Consulting (www.sarturis-consulting.hr)
38.	Sense Consulting, Ltd. (www.senseconsulting.eu)
39.	SIMORA – Regional Agency of Sisak-Moslavina county (www.simora.hr)
40.	ZIH – Institute for IT Croatia (www.zih.hr)

6.3. Consultancy Market Segmentation

Based on the primary research results, segmentation of the consultancy market is conducted as a guideline for strategic and tactical decision-making, especially in marketing and sales planning for approaching MSME clients market.

6.3.1. Segmentation of MSME – clients for consultancy services in Croatia

The approach to business market segmentation is conceptually similar to the approach for consumer market, but in operationalization, segmenting industrial markets is different and more challenging because of greater complexity in business decision making process. The goal for every industrial market segmentation scheme is to identify the most significant differences among current and potential customers that will influence their purchase decisions or buying behaviour, while keeping the scheme as simple as possible. This will allow the industrial marketer to differentiate their prices, programs, or solutions for maximum competitive advantage and to be plan their capacity accordingly. Various segmentation principles and models can be used.

In this case, segmentation which divides MSMEs to various categories by the intensity of openness to the using consultant service within next period was carried out. It is segmentation based on "planned behaviour" and can be used for conversion model. After several approaches, two variables were used in detecting segments, first one measuring stated interest, and other one testing it with planned reaction period:

- BAS13a. What is the probability that in the future you will seek help from a consultant? Please rate on a scale of 1 to 5, where 1 means certainly not, and 5 certainly yes.
- BAS13b. When do you think that will happen?

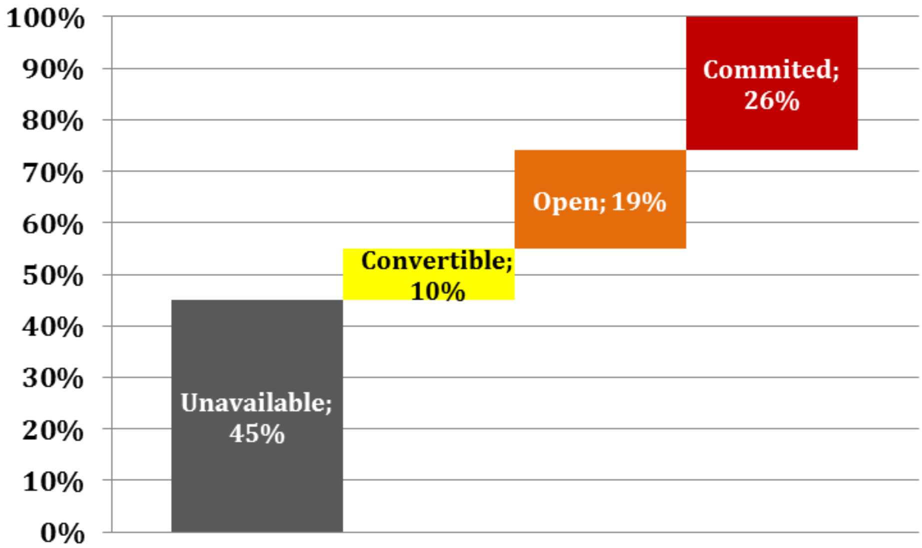
Crosstab resulted with groups (Table 32) among which statistically significant difference were found (p<0, 05).

Table 33: Crosstab as a segmentation bases

		When do you think that will happen?							
		In less than a year	Within one to two years	More than two, less than three years	Between 3 to 5 years	In more than 5 years	Don't know	Never	Total
What is the probability that in the future you will seek help from a consultant?	1 Certainly not	0%	0%	0%	0%	0%	0%	15%	15%
	2 Not	2%	6%	5%	4%	3%	2%	0%	22%
	3 Not sure	5%	14%	9%	3%	1%	2%	0%	34%
	4 Yes	6%	7%	1%	1%	0%	0%	0%	16%
	5 Certainly yes	10%	3%	0%	0%	0%	0%	0%	13%
Total		23%	30%	15%	8%	5%	4%	15%	100%

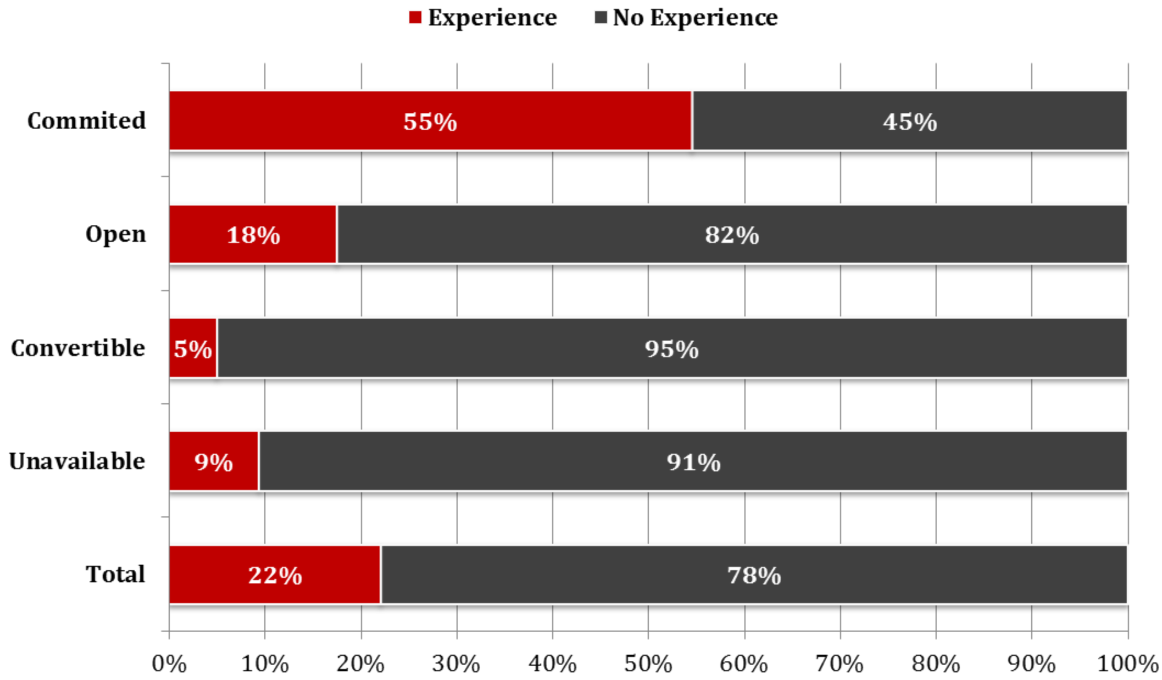
Groups were furthermore combined into 4 segments (figure 62): **COMMITED** to using consultancy service within less than two years, **OPEN** to using consultancy service within less than two years, **CONVERTIBLE** to consultant service usage since they are interested but not within period of 2 years' time and **UNAVAILABLE** to consultants since either not interested or (if interested) it is minimum for 3 years from now.

Figure 62: MSME segmentation according to openness to consulting services in relation to time period



In order to prioritise segments, and target them accordingly, focusing first on potential of COMMITED segment, then OPEN segment and finally CONVERTIBLE segment, it is important to profile them, identifying possible similarities and differences. First important dimension is experience with the consultancy service.

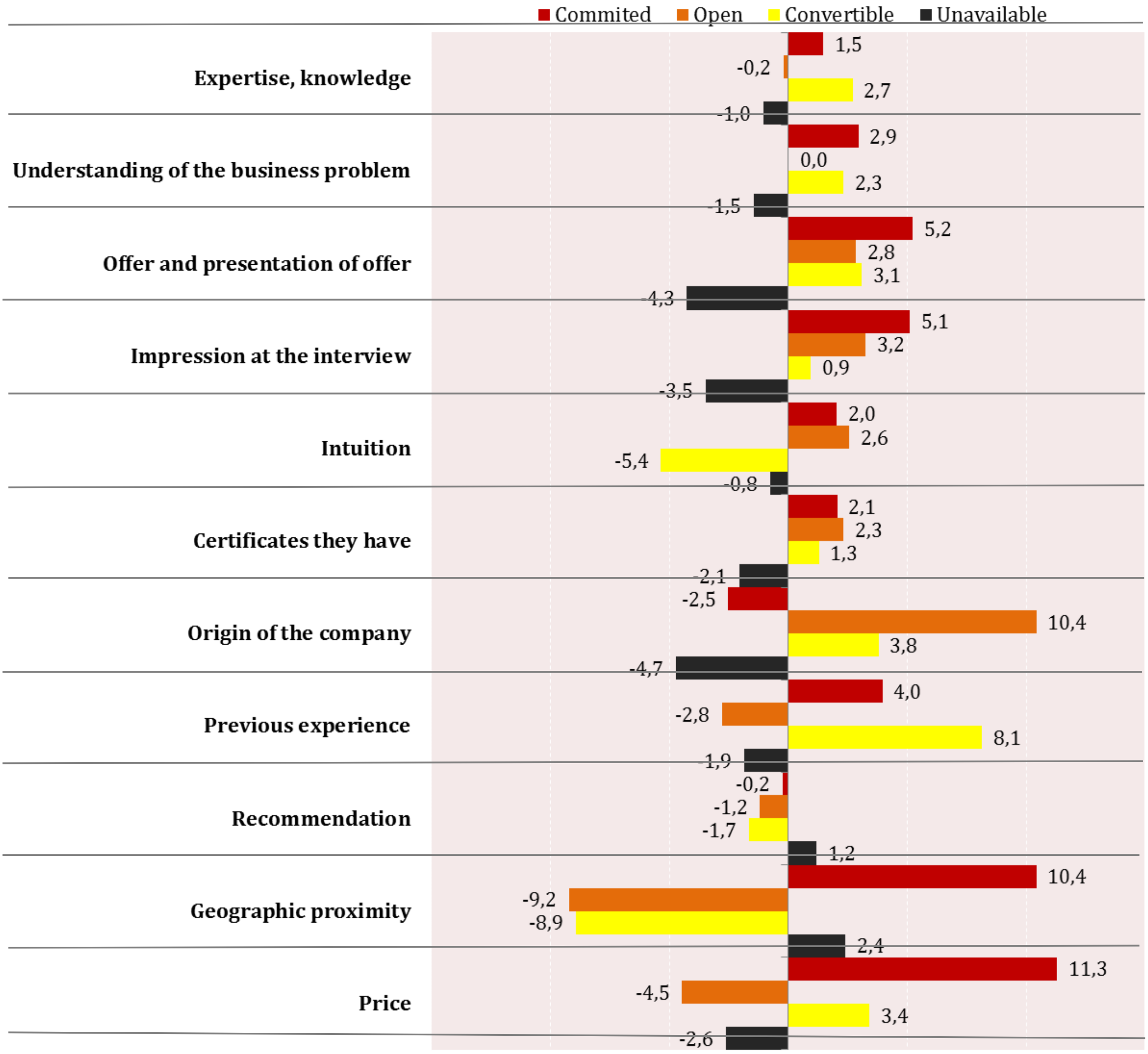
Figure 63: Segments regarding earlier experience with consultancy service



There is significant difference regarding earlier experience with consultancy service, where COMMITED segment is the most familiar with service, although almost half of them will be using consultant services for the first time. Not even 20% of OPEN enterprises are experienced with consultants, and CONVERTIBLE are almost fully inexperienced. That means that a great proportion of all segments will make a final decision based on Word of Mouth and recommendation, not personal experience.

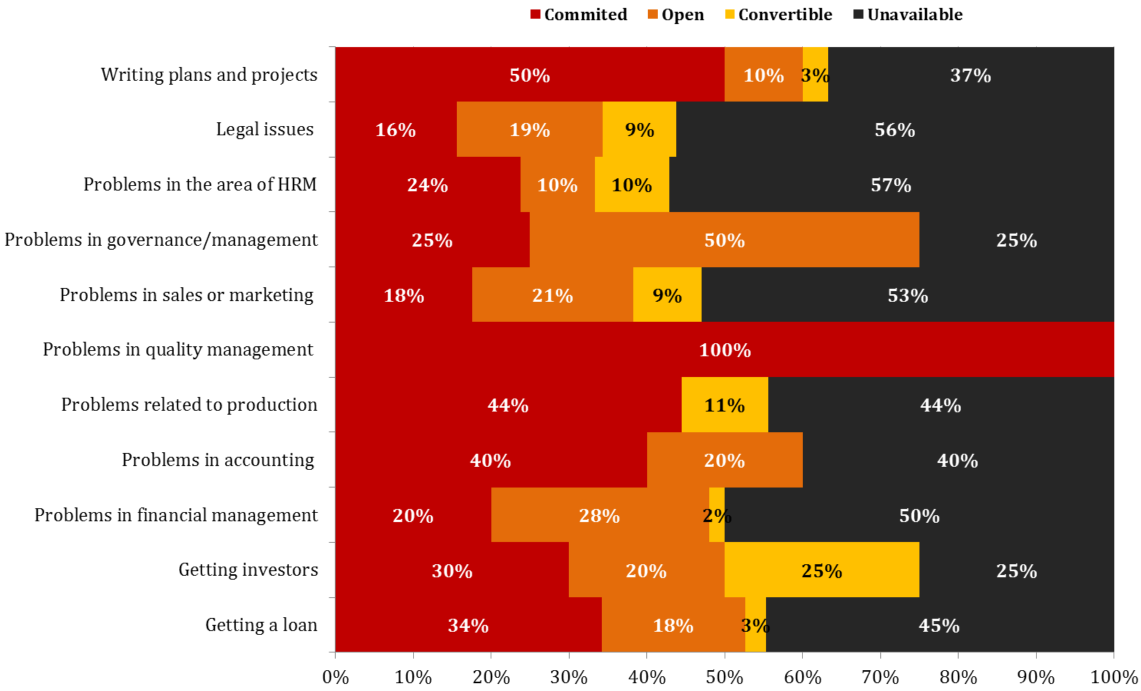
It is very important to understand differences (if any) between segments when thinking about segment customised strategy. Average grades of criteria importance when selecting an external consultant were transformed from scale of 1 to 5 to affinity indexes, where average grade of all MSME's were used as a basis for index composure per every criteria.

Figure 64: Affinity indexes of criteria importance when selecting an external consultant per segment



Importance of criteria differs through segments: more than average, COMMITED segment if oriented toward price, geographic location, impression, offer and previous experience. OPEN on the other hand are more than averages focused on origin of the company, not driven by location or even price. Location is not important to CONVERTIBLE segment as well, they rely on previous experience (those who had one) and less than average ready to decide over an intuition.

Figure 65: Solving which of the below stated problems in the next one year period is the most important in order for your company to be more competitive per segments



From „problem“ perspective, COMMITED ones are the focused on quality management, and makes a great proportion of those interested in writing plans and projects, but also interested in production issues. OPEN segment are contributing to general problems in management, and CONVERTIBLE are trying to find investors. UNAVAILABLE have a lot of issues but as already said, they are not willing to get help from consultants.

Other observed variables did not result in statically significant differences between segments.

6.3.2. Segmentation of MSME Consultants in Croatia

Study design predicted segmentation of consultants per areas which were:

1. Reducing production costs and resource management
2. Energy saving and environmental protection measures
3. Introduction and upgrading of computer information management systems
4. Systems for improvement of accounting and controlling
5. Implementation, preparation and certification of quality management systems
6. Searching for business partners and investors
7. Engineering studies
8. Restructurings and reorganization
9. Information systems and other information technologies
10. Implementation of modern human resources management systems
11. Business planning, including preparation of investment projects
12. Market research, marketing plans
13. Market communication, branding and re-branding
14. Problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.

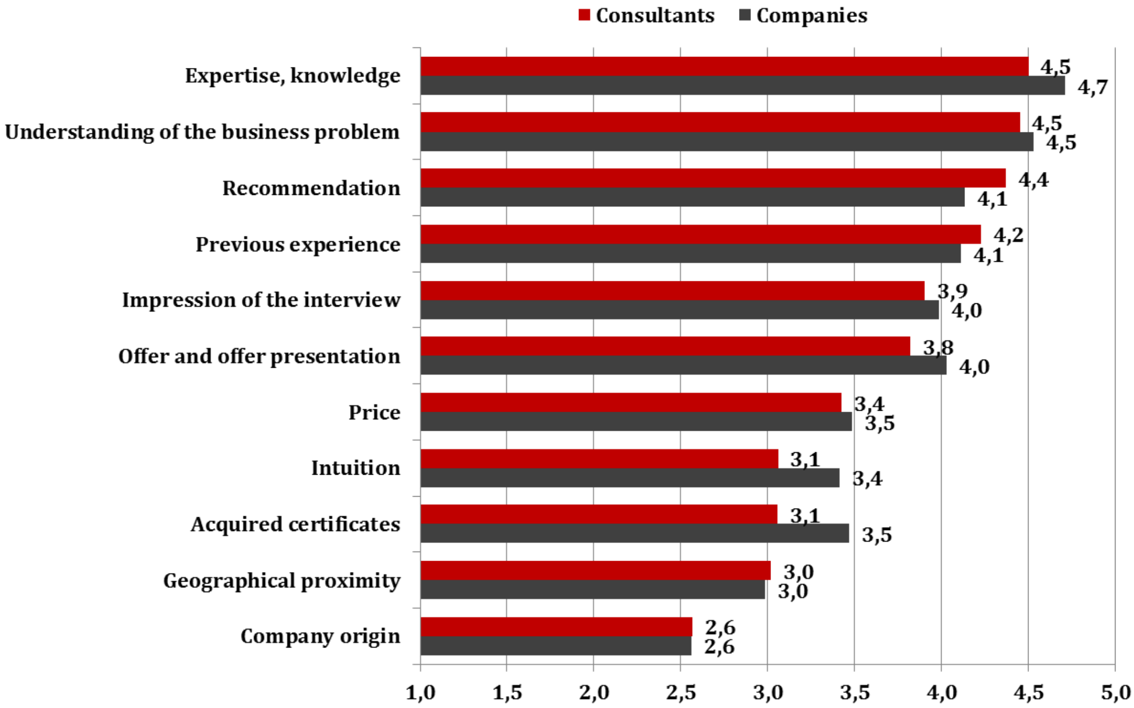
Segments resulted in unbalances sample sizes of chosen areas, so quantitative analysis was disabled. Despite the attempt to segment the consultancy market on several criteria, but most importantly on the areas in which the consultants provide their activities, the high level of homogeneity of the consultancy market is identified, with too small share of highly specialized consultants in the sample, that disabled further segmentation profiling.

6.3.3. Mirroring Perspectives

When trying to mediate between providers of consultant service and potential users, it is very important to detect do they understand each other, are there any misunderstanding regarding perception.

First comparison was made regarding perception on importance of different criterion for the selection of the external business consultant.

Figure 66: Rating of the importance of each criterion for the selection of the external business consultant, business prospects and consultants

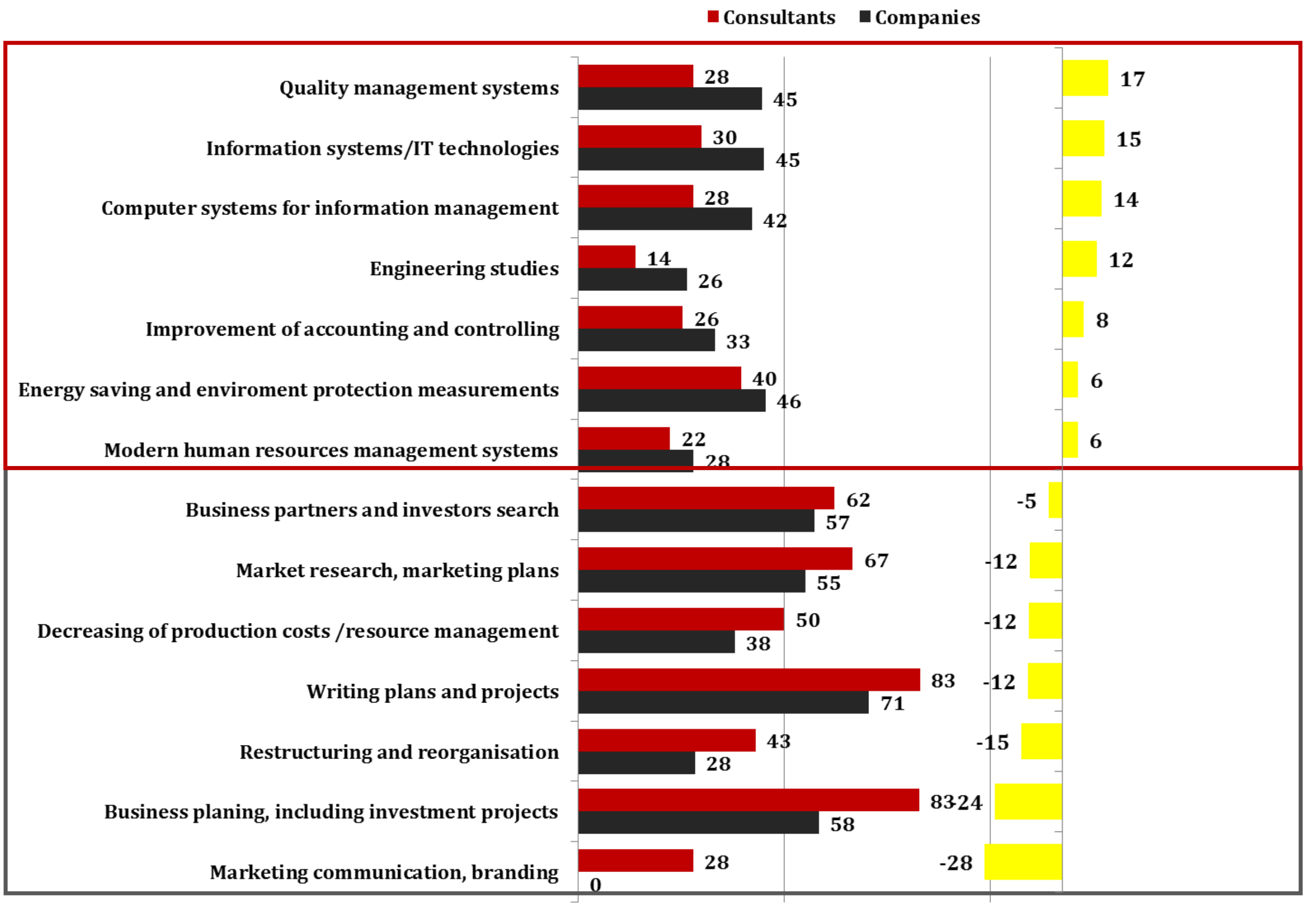


Data shows that expertise and knowledge, understanding of the business problem and recommendation are the most important criteria for selection of external business consultant and – what is even more important, consultants are aware of MSME criteria. It should be mentioned that although being the first one for both population, expertise and knowledge are somewhat higher rated by enterprises.

Geographical proximity and company origin are rated as the least important criteria. Still, biggest gaps can be found in relation to CERTIFICATES where MSMEs are giving higher rating than consultant, just as is the case with intuition. Recommendation, important from every perspective, is somewhat higher rated by consultants.

Other interesting issue is related to potential **skill gaps**. As mentioned earlier, when comparing **potential areas of cooperation** from MSME perspective and **areas of providing consulting service** perspective on lacking skills is changing.

Figure 67: Gap analysis of potential areas for cooperation from MSME perspective and areas of providing consultancy services



This mirrored perspective changes conclusion regarding market needs – it is obvious that where is higher market needs, consultants offer is even highest, meaning that market is rather saturated, and consultants are covering broad range of services, which is why perception of expertise can be questionable. This is area that should not be neglected, since MSME need support in those business areas, but the services provided by the consulting experts must be of highest quality. On the other hand, some issue that are not on the top of the overall issues level that MSME sees as a potential for cooperation are not saturated yet, which means that some of the consulting companies offering those service can position – brand itself and become recognisable in the niche market of special expertise.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1. Synthesis of primary and secondary research results

MSME sector - demand side of the MSME consultancy services market in Croatia

The role of micro, small and medium enterprises in the Croatian economy is extremely significant: with 96.906 business entities in 2012, MSMEs are the biggest employer in Croatia (67.04% of employment), they significantly contribute to the gross domestic product (51%) and to exports (43.06%). International researches[16] point out the main characteristics of the MSME sector in Croatia, which are: insufficiently intensive activity in start-up of new business ventures (36% below the average of countries involved in GEM – Global Entrepreneurship Monitor research in 2012), small share of growing enterprises (3%, according to the same research), strong administrative barriers to entrepreneurial activity, underdevelopment of the financial market and lack of education focused on development of entrepreneurial knowledge and skills. Furthermore, GEM research results indicate low level of innovativeness[17] of Croatian MSMEs, significantly lower level in business venture start-up activity of women, comparing to men (2,43 times in 2012), and substantial regional differences in business venture start-up activity (in Zagreb and Istria the level of business start-up activity is 3,63 times higher than in Lika and Banovina region). One third of all MSMEs in Croatia (34%) registered their activities in Zagreb County. Analysis of the data on financial performance of the MSME sector, comparing to large companies indicate poorer financial results[18] which raises the question about the level of business efficiency and competitiveness of micro, small and medium enterprises in Croatia.

According to primary research results in this Study, MSMEs perceive that the most important problems they have faced in the last 3 years are various legal issues (51.8%), problems in financial management (43.9%) and problems in sales and marketing (43.6%). Key problems for solving in the next year according to MSMEs are problems in financial management, searching for a loan, problems in marketing and sales and legal issues.

The demand side of the MSME consultancy market could be divided in two group of enterprises – those that have and those that have not used consultancy services.

MSMEs – users of consultancy services

According to primary research results, 22% of MSMEs have hired a consultant in the last three years. The problems that were handled by consultants are: solving legal issues, problems related to business plan preparation, solving problems in financial management or management in general. The majority of MSMEs obtained information about consultants through recommendation via word of mouth (71.6%). Majority of MSMEs (82.1%) did not receive support for consultancy services. The most important criterion for choosing the consultant is expertise and knowledge, followed by

[16] Global Entrepreneurship Monitor, Doing Business, Global Competitiveness Report, Corruption Perceptions Index, The Business Environment and Enterprise Performance Survey

[17] Research results in 2012 indicate that only 9% of enterprises have new products that are new to everyone, and 70% of enterprises have products that are new to on one in the market.

[18] In 2012, 32.9% employees in large enterprises created 6.860 billion HRK consolidated net profit, while 67.1% of employees in MSMEs created consolidated net loss of 1.919 billion HRK.

understanding of the business problem and experience. The least important criteria are origin of the company, geographic proximity and price.

MSMEs – non-users of consultancy services
In the majority of cases, MSMEs that have not used consulting services are informed and familiar with the offer of consulting services in Croatia (70.8%), while 8.9% have requested offers from consultants. In most cases, non-users of consulting services have not used services because they have managed to solve their problems on their own, so that there was no need for consulting services (67%), while the other reason for non-use of services is the high cost of the service (15.5%). The largest number of non-users of services state conviction that they would benefit from the service as the condition under which they would consider using consulting services (39.4%), more reasonable pricing is stated by 21.2%, while 12.3% of them would first ask for a free advice and then think about cooperation. For MSMEs that have not used consultants that would agree to cooperation under changed conditions, the most important criterion for selection of the consultant would be expertise and knowledge (4.8), followed by understanding of the business process (4.8) and previous experience (4.4). The least important criterion for selection is the origin of the company (3.2).

MSMEs in general perceive themselves as being familiar with the offer of consultancy services market in Croatia. They perceive that successful companies use consultancy services, and that consultants provide a different view of business problems, have knowledge that is not present in the company, that they are totally dedicated to the company they are advising, and that they charge high prices, although they have only theoretical knowledge.

Based on the primary research results, the four categories of MSMEs were identified, based on the intensity of openness to the using of consultant services within next two-years period: COMMITED, OPEN, CONVERTIBLE and UNAVAILABLE to consultants market segment. The ANAVAILABLE market segment represent 55% of the market, while the rest is AVAILABLE market with different level of accessability and conversion to next stage potential. Primary research results indicate that out of total MSMEs that had experience with hiring consultant, just 55% of them are commited to use them in the near future, while 22% of those that have experience with consultants are closed to further cooperation.

Supply and quality of MSME consultancy services

The commercial and professional infrastructure for the development of MSMEs in Croatia represents rather the obstacle than the incentive for entrepreneurial activity in Croatia[19]. The support is provided by two types of organisations: entrepreneurship supporting institutions and professional private consulting companies.

[19] The level of support through commercial and professional infrastructure for the development of MSMEs is graded lower (2.78) than average (3.02) of the countries participating in GEM research in 2012.

The network of entrepreneurship supporting institutions encompasses 30 regional development agencies, 35 centres for entrepreneurship, 30 business incubators, 3 business parks, 9 technology parks, around 100 business zones whose activities are financially supported primarily by their founders (local or/and regional municipalities in majority of cases), EU funded projects and Ministry of Entrepreneurship and Crafts grants. The criteria for allocation of Ministry of Entrepreneurship and Crafts grants direct entrepreneurship support institutions towards implementation of the same programs (e.g. start-up trainings). Clearer profiling in accordance with the institution's mission and focus on improvement of quality of services and satisfying target market (MSMEs) needs would enable entrepreneurship support institutions to influence on increasing the capacity, variety and quality of offer in the market of professional services for MSMEs' development.

During primary research, MSME consultants identified the most important competitors in their industry. The list of key players includes 39 organizations, where 59% of them are professional consultancy companies and 41% of them are entrepreneurship supporting institutions.

Besides entrepreneurship supporting institutions, consultancy services to MSMEs are also provided by professional consultancy companies. According to FINA –the total number of consultancy companies[20] is Croatia in 2012 is 2.799, employing 4.852 people and generating 3.494.737.624 HRK of total business income. The majority of consultancy companies in Croatia are located in Zagreb County (59%).

The primary research results indicate that most common number of employees in MSME market focused consultancy companies in Croatia is 3, average company income in 2013 around 1.074.443 HRK, with 89% of companies that are in domestic ownership, 7% in mixed ownership, and 4% foreign ownership.

Areas of providing consulting services and areas to which the MSME consultants are the most oriented are primarily associated to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc. (83%), and with business planning, including preparation of investment projects (82.7%), market research, marketing plans (66.7%), searching for business partners and investors (62.3%).

In the last three years, the largest number of clients is coming from the hospitality industry and tourism (51%), somewhat less from construction (49%), followed by the metals/machinery sector (48.9%), IT and telecommunications (45.7%), food and beverage (42%) and public administration (41.7%).

The quality of the consultancy services delivered could be evaluated through the willingness of MSMEs to repeat the cooperation. Majority of users of consulting services would repeat cooperation with the consultants in question (certainly yes 43%, probably yes 28%), while 14% certainly would not repeat cooperation with consultants.

The most commonly used form of promotion and sales of MSMEs consultants is recommendation, that is, word of mouth (47.3%), slightly less advertising through own website (34.5%), and to a lesser

[20] Individual consultants are not included, since Croatia does not have the official registered number of individual consultants.

degree advertising through the Internet (12.7%) and advertising through traditional media (1.8). Only 33.3% of the MSME consultancy companies have developed their formal marketing strategy, and 25% of them have developed formal sales strategy (25%) which indicates the inconsistency in the application of the business tools suggested to the clients in their own business operations.

MSME consultants perceive expertise and knowledge (76,9%), understanding of the business problem (68,6%), recommendation (63%) and previous experience (52,8%) as the most important criteria for MSMEs when selecting an external consultant[21].

The two most commonly identified certification programmes for management consultants (CMC – Certified Management Consultant and HAMAG INVEST network of consultants) are not available since 2012.

However, most of the MSME consultants possess a certain type of certificate and / or licence. Primary research results indicate that possession of specific certificates and licences is present in 69% of the MSME consulting companies, while the rest of them do not have any certificates or licences.

MSME consultancy focused training and educational programmes are rather limited in their offer. The recent program for the development of MSME consultants' capacity was delivered in 2011, within EU funded project CABBS – Capacity Building of Business Service Professionals, implemented by the former Ministry of Economy, Labour and Entrepreneurship. During the project 125 consultants were educated free-of-charge on marketing, product development and quality assurance for MSME clients.

MSME consultants are aware of the importance of building their knowledge and skills, consider it useful, and are open to use different types of educational programmes. Based on the primary research results, in the last 3 years, 85.4% of MSME consultants have used education and training as a means to improve themselves or their teams. Education included development in the general and specific business themes, such as: communication and sales training, public procurement training, investment study training, attending seminars for certain ISO standards, workshops for EU projects and various certified courses, such as ACCA, CIP, CABBS. Majority of MSME consultants that have attended education (59%) believe the education was useful while 38.5% consider them very useful. Only 2.6% believe them not to be that significant, while a negligible number considers them useless. Mostly used forms of education in the last three years were self-education (93.6%), attending conferences and symposiums (87.2%), various seminars held outside company grounds (76.1%) and education in the workplace (71.7). The desired areas in education in the upcoming year for MSME consultants are the following: project management (79.1%), strategic management (66.7%), risk management (66.7%), business analysis and controlling (62.8%), presentation skills (59.5%), finances and accounting (55.8%), business negotiation (53.7%), following EU regulations (52.4%).

[21] Important to a significantly lesser degree are impression at the interview (25.5%), offer and presentation of offer (20%), price (18,5%), intuition (12%), certificates (9.4%), origin of the company (5.7%) and geographic proximity (5.6%).

Market consolidation

There are several important national professional consultancy associations in Croatia that started, intensified or reactivated their activities in 2013 and/or 2014: Association of Management Consultants within Chamber of Economy, Croatian Association of Management Consultants, Croatian Association of Local and Regional Consultants and Association of Consultants for Rural Development. Besides those associations, based on their activities in subsidizing consultancy services for MSMEs, HAMAG INVEST and EBRD BAS also provided the platform and support for development of MSME focused consultancy services in Croatia.

According to the primary research results, 89% of MSME consultancy companies are familiar with consultant associations in Croatia, and 58% have a membership in a consultancy association.

In the period between 2000 and 2014 there were several donor (state, private, EU, etc.) funded projects and initiatives aiming to raise the capacity of MSME consultants and facilitate the access of MSMEs to consultancy services: Croatian Network of Consultants for Small Business (Ministry of Economy, Labour and Entrepreneurship, 1999-2003); Network of Consultants (HAMAG INVEST, 2004-2012); CABBS – Capacity Building of Business Service Professionals (Ministry of Economy, Labour and Entrepreneurship / Ministry of Entrepreneurship and Crafts, 2011-2012); SMEPASS – Promotion and Provision of Advisory Services to Small and Medium Enterprises (Ministry of Entrepreneurship and Crafts, 2011 -); EBRD Business Advisory Services programme (1999 -) and Promoting Energy Efficiency (EBRD BAS and HAMAG INVEST, 2013-2014). Evaluation of the impact of past and existing grant interventions in MSMEs access to consultancy market services in not available, except for EBRD BAS support scheme[22].

Primary research results indicate that only 38% of MSME consultants are familiar with a domestic or international program that can help in the development of business, such as *EBRD BAS, MINPO, HAMAG INVEST, SMEPASS.* Only 41.5% of consultants have experience with participation in projects applied to tenders for receiving assistance from international institutions, and 28.3% from domestic institutions, while 1.9% has experience of participating, but not receiving assistance from domestic institutions. According to the research results, 28.3% of consultants don't have any such experience.

MSME sector support infrastructure

MSMEs' access to financing in Croatia is limited with regard to the type of money required for different phases of entrepreneurial venture development. The financial market is dominated by bank loans, while there is a lack of financial sources for financing the riskier phases of entrepreneurial venture (such as start-up phase and rapid growth phase). Venture capital funds and business angels are still not recognized in Croatia as an important source of financing of small and medium enterprises.

[22] During the 2011 - 2013 period, clients of the EBRD BAS team have achieved the following results: increased turnover by 7% on average (51% of companies), significant growth of employment (a total of 342 new jobs), and securing access to external sources of funding needed for company growth (30% of companies).

Inclusion of Government in providing access to financing for MSMEs in Croatia is characterized by:

(1) inability to evaluate the efficiency of financing programs because there is no detailed feedback on contribution of current crediting programs to employment, retention of jobs or start-up of new business ventures;

(2) non-transparency of the effectiveness of financing programs intended for small and medium enterprises that are implemented by individual ministries;

(3) operational involvement of the Ministry of Entrepreneurship and Crafts in implementation of financing programs, which represents a distraction from the Ministry's primary role – focusing on policy and regulatory aspects of the small and medium enterprise sector. The government policies of support for entrepreneurial activity and policies towards regulatory framework in 2012 are identified as one of the weakest elements of business environment[23] in Croatia.

7.2. SWOT Analysis of the MSME Consultancy Market

Based on the primary and secondary research findings, the SWOT analysis of the MSME consultancy market is conducted.

Since **SWOT analysis** is a structured planning method used to evaluate the strengths, weaknesses, opportunities, and threats of a product, place, industry or person, SWOT in this study is related to CONSULTANCY MARKET, analyzing both market perspectives – supply and demand, having in mind that subject of the study is Consultancy market for MSME's, meaning that internal dimension (strengths, weaknesses) will be primary related to consultants, and external dimension (opportunities, threats) will be primary related to MSME's. It has to be taken into consideration that from that perspective, MSMEs weakness can be seen as consultant opportunities.

[23] The grade of government policies of support for entrepreneurial activity in 2012 is 1.96 (on the scale from 1-5, where average of the countries participating in GEM research is 2.6), and the grade on the policies towards regulatory framework is 1.74, comparing to 2,43 which is GEM average in 2012.

Table 34: SWOT analysis of Consultancy market for MSME's in Croatia

STRENGHTS	WEAKNESSES
Wide knowledge and fields of consultancy services delivered; Available segment of MSME clients (55%); Awareness of consultants' of their position in MSMEs' perception; Openness of consultants to further education and training; Value-driven approach on both MSMEs and consultants; Conversion potential from aware to available market segment	Insufficient number of consultants with specialized expertise; Low coverage of specific problem areas identified by MSMEs; Post-usage declining of MSME clients base; (biggest segment – unavailable) Uncapitalised loyalty (dispersion of MSMEs experienced in using consultants to all levels of availability); Unclear and undeveloped consultants' selection process and channels; Insufficient promotional activities of consultants' services; Limited brand recognition in MSME perception
OPPORTUNITIES	**THREATS**
MSMEs informed on consultancy market offer; Openness of the MSMEs for cooperation; HAMAG INVEST willingness to improve access of MSMEs to consultancy services; Current Croatian business environment challenges; EU market challenges; EU funds as a source of funding; Support services for MSME development provided by entrepreneurship supporting institutions at favourable rates	Low entry barriers to the industry; Poor MSMEs' experiences with *so-called* consultants; Inability to develop opportunities for obtaining trust; More focused competitors from other industries (IT, research agencies); Unloyal competition for professional consultants coming from entrepreneurship supporting institutions

7.3. Recommendations

7.3.1. Recommendations for HAMAG INVEST to prioritize interventions and guide activities, particularly in relations to capacity and Market Development Activities (MDAs) for consultants

Recommendation 1: Supporting the activity of professional consultancy associations aiming to help them in promoting consultancy services and profession, increasing the standards and requirements for providing of MSME consultancy services and raising the quality of the consultancy services offered.

By implementation of this recommendation the following issues are going to be addressed:

- increasing the entry barriers to the industry, while professional associations develop set of requirements for membership in the association;
- supporting the development of the MSME consultant selection process and channels, through supporting the development of new and additional criteria – membership in professional association;
- assisting in promotion of the consultancy profession among target market;
- supporting the creation of consultancy companies brand recognition (among professional association leaders) in MSME perception;
- supporting professional associations in raising the level and expectations from MSME consultancy professionals and reducing the number of poor MSMEs' experiences with *so-called* consultants.

Recommendation 2: Inaugurating certificates as a way of building trust in the quality of the services provided by consultants, but with strong focus on establishing certification procedures that will guarantee and represent consultancy services of high value and quality. Transforming the brand from label to value.

By implementing of this recommendation, the following issues are addressed:

- creating of additional argument and confidence bridge for MSMEs that are „aware“ of the consultancy providers offer to „available“ for using of the consultancy services,
- supporting the development of the MSME consultant selection process and channels, through development of additional criteria – certificate possession;
- supporting the creation of consultancy companies' brand recognition (among those that are certified) in MSME perception;
- increasing the entry barriers to the industry, through development of set of criteria for certified consultants
- -developing of brands in consultancy industry as a proof of quality and difference among high quality and *so-called* consultants.

Recommendation 3: Partially subsidizing the education of the MSME consultants in niche business consultancy fields where gaps are identified and the market is not saturated: quality management systems, information systems and IT technologies, engineering studies, improvement of accounting and controlling, energy saving and environment protection measurements, modern human resource management systems.

By implementing of this recommendation, the following issues are addressed:

- -raising the number of consultants with specialized expertise,
- helping the consultants the raise the capacity for providing consultancy services in niche market segments;
- converting of the MSMEs clients " with identified needs in niche consultancy market segments from „*aware of consultancy services*“ to „*available for using of consultancy services*.

Recommendation 4: Partially subsidizing the education of the MSME consultants in general business consultancy fields (preparation of business and marketing plans and investment projects) in order to convert the saturated market segments of general business consultancy services from „available“ that are currently offering those services to „excellence“ in providing consultancy services in those fields.

By implementing of this recommendation, the following issues are addressed:

- raising the capacity of MSME consultants to provide highest quality consultancy service;
- decrease the rate of post-usage declining of MSME client base and uncapitalised loyalty, based on the low quality of consultancy services delivered,
- -supporting the identification and capacity building of highly recognized MSME consultants among MSMEs,
- EU as a source of funding, as a trigger for raising the need for MSME consultancy services,
- increasing the entry barriers to the consultancy industry by raising the quality of consultancy services provided by present consulting companies;
- poor MSMEs' experiences with so-called consultants that will be diminished by raising the quality of consultancy services provided by present consulting companies.

Recommendation 5: Facilitate presentations of MSMEs consultants' expertise (e.g. case studies, pilot projects) as a way of building the confidence bridge and raising the level of trust among MSMEs on consultants capacity to provide expertise and contribute to problem solution.

By implementing of this recommendation, the following issues are addressed:

- promoting consultancy experts among available segment of MSME clients (55%),
- -promoting value and the benefits of consultancy services among MSMEs,
- promoting MSME consultancy services among MSME client segment that is aware on the presence of consultancy services and converting them to consultancy services available market segment;
- contribution to the development of the selection processes and channels of promotion of consultants among MSMEs,
- raising MSME consultancy providers' brand recognition among MSMEs,
- informing MSMEs on consultancy market offer and building on the evident openness for cooperation,
- helping to MSMEs to respond to current Croatian and EU business environment challenges by using of professional consultancy services,

- helping consultants to develop opportunities for obtaining trust among MSME potential clients through presentation of their best practice and case studies.

7.3.2. Recommendations for consultants on business opportunities and strategy for growth, particularly in the context of the recent EU accession and possibility to access structural funds

Recommendation 1: Focus on the key problems in business that members of the MSME sector recognise as significant for solving in the next period (in the next year):

- Issues of legal nature
- Problems related to financial management
- Problems related to marketing and sales;

Recommendation 2: Focus on those areas that have been identified through the study as the ones in which the demand for consulting services is not met (there is insufficient supply of consulting services in those areas, which are aimed at the MSME sector, in a commercially acceptable ratio of price and quality):

- Energy saving and environmental protection measures
- Introduction and upgrading of computer information management systems
- Implementation, preparation and certification of quality management systems
- Systems for improvement of accounting and controlling
- Engineering studies
- Implementation of modern human resources management systems;

Recommendation 3: Develop own formal sales and marketing strategies with the aim of higher quality approach to sales and marketing of services, and a more credible presentation of the importance of creation of the same approach in clients' businesses;

Recommendation 4: Organise free-of-charge half-day workshops for entrepreneurs on topic of issues whose solving they can help by providing consulting services and present successful examples from their own consulting practice in order to build credibility and entrepreneurs' trust in the capacity for providing help in solving problems. Explain to entrepreneurs the potential and the role of consultant in solving a specific problem and building a successful business, present own knowledge and expertise, understanding of the wider context of problems and challenges with which entrepreneurs are faced on daily basis, and make first direct contact with a prospective client;

Recommendation 5: Develop a marketing strategy that involves other marketing channels in addition to word of mouth, which is an important, but insufficient channel for informing entrepreneurs about one's capacity. Use opportunities provided by social networks in development of modern business operations;

Recommendation 6: Offer consulting services with the option to choose different modes of payment, which reflect consultant's willingness to participate in the risk of decision-making and implementation of solutions proposed by the consultant, and self-confidence in the ability to provide support in solving problems and developing entrepreneur's business. Some of the possible ways of payment which demonstrate such attitude of consultants are: providing free-of-charge advice at the beginning of the project, payment from the profits and/or savings from the implemented project in which the consultant participated, identification of various sources of financing of consulting services (including EU funds) as help to entrepreneur for (co)financing of consulting service, etc.;

Recommendation 7: Become actively involved in the activities of associations of consultants and contribute to building credibility and promoting professional code of the consulting profession;

Recommendation 8: Continuously educate and develop own expertise in the general understanding of the way of thinking and acting of micro, small and medium entrepreneurs;

Recommendation 9: Identify the area of own immediate expertises – based on own experience and knowledge and the market potential, and build a unique and competitive offer for the client (USP – unique selling proposition).

7.3.3. Recommendations for local MSMEs on segmentation and general information on consultancy market, and its key players and possibilities of assistance

General recommendations for future cooperation of MSMEs with consultancy services providers are encouraging openness of MSMEs to exploring the consultancy market offer, and choosing the consultancy companies that are ready to provide references that will enable evaluating both qualitative and quantitative effects of their previous consultancy projects. Furthermore, MSMEs are encouraged to identify more specialized consultancy services providers that are experts in their field of interest and that are also supportive to MSMEs in identification of different ways of financing their consultancy services – external funds (EU, state funds, private donor institutions), but also to demonstrate the willingness to share the risk of the decisions made based on their advice and be charged based on the level of profit or savings achieved. The MSMEs are also invited to be demanding and provide feedback (regardless the source of funding of consultancy service delivered) to consultants on the level of meeting of their expectations.

The level of education and awareness of the MSMEs on the consultancy market potential will influence the level of the expectation and demanding for quality of MSME consultancy services providers and the level of quality of the offer of the consultancy market.

ANNEX 1:

In-depth interview guide for MSME

(English)

Good day,

Thank you for taking the time to participate in this interview, which will deal with the ***situation, potentials and problems your company is facing.*** *This interview is a part of the study conducted by CEPOR, on behalf of the EBRD. Please note that this interview is being recorded exclusively for research purposes and drawing of overall conclusions. All your personal data will be protected, and it will not be possible to connect any individual person with the research findings in any part of the study report.*

1. To begin, when I say the world CONSULTANT, which associations first come to your mind....any other...why?
2. What are the problems you face in business...and in the last three years...
3. How are you solving them...
4. Are you looking for assistance...how...from whom....
5. What do you know about consultants, domestic - foreign...what do you think about them...do you have experience...someone from your environment...
6. Describe that experience...
7. How did you choose the consultant or how would you choose a consultant...using which criteria...which other criteria...why...
8. Price? Payment? Value? Sources of payment...which are the possible sources...how are you obtaining information about that...
9. How do you envision the ideal consultant...what is their origin, do they have certificates, what are their areas of expertise, how do they work, how you communicate, how you pay them...
10. Your plans for the future...

THANK YOU.

ANNEX 2:

In-depth interview guide for Consultants

(English)

Good day,

Thank you for taking the time to participate in this interview, which will deal with the ***situation, potentials and problems you are facing as a consultant.*** *This interview is a part of the study conducted by CEPOR, on behalf of the EBRD. Please note that this interview is being recorded exclusively for research purposes and drawing of overall conclusions. All your personal data will be protected, and it will not be possible to connect any individual person with the research findings in any part of the study report.*

1. To begin, can you please describe your business...(when did you start, how did you decide to pursue this line of business, required knowledge, skills, competencies)
2. What can you tell me about your clients (profiles, needs)
3. In which segment are you the best...?
4. And in which segment do you perform the poorest...?
5. In which areas do you want to specialize…why...?
6. How do you find your clients...why in that particular manner...how do you measure effectiveness...are you satisfied with your presence...why...?
7. How do you deal with competitors, how do you identify them, who are they...why them in particular...?
8. What are your biggest accomplishments in the last three years...why?
9. What would you say your biggest failures are, where did you fall short...why...?
10. What worries you the most....which part of the job is the most difficult...?
11. How do you look for help, where, from whom...why....?
12. What can you tell me about prices and collection of payment...which models work and which don't...why...which third parties could get involved...how...what do you think about that...do you have experience...?
13. How do you educate yourself, pursue personal development...do you have time for it...how do you finance your education...what type of education...?
14. What are your plans...?
15. What is the scenario until 2015 that you fear...?
16. What is the best scenario for you until 2015 that you hope for...?

THANK YOU.

ANNEX 3:

QUESTIONNAIRE
MSME STUDY

SCREEN CATI

Please participate in the study conducted by EBRD – European Bank for Reconstruction and Development. The aim of the study is to examine entrepreneurs' attitudes about the market of consulting services in Croatia.
The survey is anonymous, and the findings will be used to improve the quality of the supply of consulting services for small and medium-sized enterprises. Duration of the survey is 15 minutes.

! INTRODUCTION according to CATI procedure! Searching for TARGETED respondent, CALL BACK procedure

SCR0 Are you the person that is involved in making business decisions in your company? (SR)
1. Yes
2. No → FINISH

SCR1 Is the business entity you work at registered as a ...? (INTERVIEWERS: Read the answers!) (SR)
1. Craft → FINISH
2. Company
3. Freelancer → FINISH

SCR2 Is your company involved in: (READ)**:**
1. Production
2. Trade
3. Providing counselling services → FINISH
4. Providing other services

SCR3 How many permanent employees does your company have? (SR)
1. 0 to 249 employees, write the exact number of employees: __ (OPEN END, numeric)
2. 250 employees or more → FINISH

SCR5 What was the income of your company in 2013 in HRK? (SR)
______ HRK (OPEN END, numeric)

SCR6 WRITE is that amount in HRK, thousand HRK, or million HRK? (SR)
1. HRK
2. Thousands of HRK
3. Millions of HRK

Basic questionnaire

BAS0 Now I will list **several types of problems/challenges** faced by many companies in the Republic of Croatia. For each of them please **state how often did you have those problems in the last three years**. **Answer using a scale of never, once and several times. (Read text in the brackets as explanation only if it is needed.)**

1. Searching for a loan
2. Searching for investors
3. Problems in financial management
4. Problems in accounting
5. Problems related to production (such as insufficient or outdated equipment, inadequate production capacity, etc.)
6. Solving problems in quality management and/or introduction of quality standards (e.g. compliance with standards, environmental impact)
7. Problems in sales or marketing
8. Problems in governance/management in general (in the area of strategy development, organizational structure, administration)
9. Problems in the area of human resources (e.g. lack of quality and trained employees)
10. Various legal issues (knowledge of legal aspects and regulations)
11. Problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.

BAS1 Solving which of the below stated problems in the next **<u>one year period</u>** is the most important in order for your company to be more competitive? Beside it, which problem is also important? And another one? (3 ANSWERS - ORDER OF ANSWERING)

1. Getting a loan
2. Getting investors
3. Solving problems in financial management
4. Solving problems in accounting
5. Solving problems related to production (such as insufficient or outdated equipment, inadequate production capacity, etc.)
6. Solving problems in quality management and/or introduction of quality standards (e.g. compliance with standards, environmental impact)
7. Solving problems in sales or marketing
8. Solving problems in governance/management in general (in the area of strategy development, organizational structure, administration)
9. Solving problems in the area of human resources (e.g. lack of quality and trained employees)
10. Solving some legal issues (knowledge of legal aspects and regulations)
11. Solving problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.
12. SOME OTHER, which ____

BAS2 Are you facing any other problems beside the ones stated above?
1. No
2. Yes

BAS3 (IF BAS2 = YES) Can you in short describe the problems and challenges you are facing?
________________________ (OPEN END, string, instruction for the interviewer)

FILTER QUESTION for use of consultants

BAS4 **In the last three years**, how many times has your company hired an external consultant? Consultant refers to a company or a person that has advised you and/or helped you solve some of the above mentioned problems (does not include your accounting and auditors).
1. Not once → B BLOK
2. Once →
3. Several times _______WRITE HOW MANY (OPEN END, numeric)

BAS4b (only if BAS4a is 2 or 3) And how many times **in the last year?**
1. Not once → A BLOK
2. Once → A BLOK
3. Several times _______WRITE HOW MANY (OPEN END, numeric) → A BLOK

A BLOCK questions for those that have used consultants

BAS5 For which of the mentioned problems (OFFER TO READ THE LIST IF THEY HAVE FORGOTTEN) have you used services of an external consultant? Which other beside it? Any other? (min 2 ANSWERS – ORDER OF ANSWERING)
1. Getting a loan
2. Getting investors
3. Solving problems in financial management
4. Solving problems in accounting (some unanswered questions)
5. Solving problems related to production (such as insufficient or outdated equipment, inadequate production capacity, etc.)
6. Solving problems in quality management and/or introduction of quality standards (e.g. compliance with standards, environmental impact)
7. Solving problems in sales or marketing (e.g. non-existence or inadequate marketing strategy, promotion and advertising, poor sales results, poor customer relations, interaction and advertising...)
8. Solving problems in governance/management in general (in the area of strategy development, organizational structure, administration)
9. Solving problems in the area of human resources (e.g. lack of quality and trained employees)
10. Solving some legal issues (knowledge of legal aspects and regulations)
11. Solving problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.

12. SOME OTHER, which ________________________________

BAS6 Which of the stated problems was the most important? (list – one answer)

1. Getting a loan
2. Getting investors
3. Solving problems in financial management
4. Solving problems in accounting (some unanswered questions)
5. Solving problems related to production (such as insufficient or outdated equipment, inadequate production capacity, etc.)
6. Solving problems in quality management and/or introduction of quality standards (e.g. compliance with standards, environmental impact)
7. Solving problems in sales or marketing (e.g. non-existence or inadequate marketing strategy, promotion and advertising, poor sales results, poor customer relations, interaction and advertising...)
8. Solving problems in governance/management in general (in the area of strategy development, organizational structure, administration)
9. Solving problems in the area of human resources (e.g. lack of quality and trained employees)
10. Solving some legal issues (knowledge of legal aspects and regulations)
11. Solving problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.
12. SOME OTHER, which ________________________________

BAS7 Were the consultants from a Croatian or a foreign consulting company (if there are more, then the most important, i.e., the one described previously)?

1. Croatian
2. Foreign

BAS8 How did you get information about the selected consulting company?

1. Based on advertising through traditional media (TV, print, radio)
2. Based on advertising on the Internet
3. Based on the consulting company's website
4. Through participation in specialized events / conferences
5. Recommendation / word of mouth
7. Based on our tender (offer, presentation ...)
8. Something else, what? ________________ (OPEN END, string)
9. No answer

BAS9 From whom did you receive financial support for consultant services (multiple answers are possible, relates to the above-described cooperation, if there were more of them):

1. International donors and organizations
2. Domestic private sector
3. State (Ministries, HAMAG)
4. Did not receive support

BAS9a (IF BAS9 < 4) Would you have used use consultant services if they were not co-financed:

1. Yes

2. No
3. Don't know

BAS9b How important to you were the following criteria when choosing the consultant that you cooperated with (if there are more of them, then the one that was solving the most important problem, i.e., the one that was described before)? Rate each on a scale of 1 to 5, where 1 means not at all important, and 5 means extremely important.

1. Price
2. Geographic proximity
3. Recommendation
4. Previous experience
5. Origin of the company
6. Certificates they have
7. Intuition
8. Impression at the interview
9. Offer and presentation of offer
10. Understanding of the business problem
11. Expertise, knowledge

BAS9c Is there anything else that was important that we haven't mentioned? ____________________
(OPEN END, string)

BAS9d (If certificate in BAS9b is rated 4 or 5,) You said that certificate was important: can you say which certificate you were thinking of?
____________________ (OPEN END, string)

BAS9e Rate on a scale of 1 to 5, where 1 means not satisfied at all, and 5 I am very satisfied, how satisfied were you with the following elements of the service:

1. Understanding of the business problem
2. Expertise, knowledge
3. Speed of giving feedback
4. Communication during cooperation
5. Value received for the price
6. Usefulness of cooperation
7. Overall result (help received)

BAS9f Would you repeat cooperation with the consultants in question?

1. Certainly not
2. Probably not
3. Probably yes
4. Certainly yes

B BLOCK questions for those that have not used consultants

BAS10 You said that you haven't used consultants. Have you:

- Requested offers from a consultant YES/NO

- Obtained information about consulting services, regardless in which way YES/NO
- Familiarized yourself with the offer of consulting services in Croatia YES/NO

BAS10a Why did you not use the services of consultants?

1. There was no need, we managed to solve the problem on our own
2. it is too expensive
3. You were not able to find them / there aren't any
4. Offers that I received were not satisfactory
5. Previous bad experience of cooperation with consultants
6. Consultants cannot help because they don't have the needed knowledge
7. I do not trust consultants
8. Something else, what______________________________

BAS10b (those who answered 7) Can you explain your answer a little (INSERT BAS10a). ___________
WRITE OE string

BAS10c Under what conditions (what could make you think about it) would you consider using the services of consultants?

1. That the services they provide are more reasonably priced
2. That I am convinced that I will benefit from them
3. That they are more accessible (geographically - city, location)
4. That they are more accessible (ability to communicate in person or by telephone
5. That I can get a free-of-charge advice first and then decide on the specific offer
6. That the time for making an offer for consulting services is shorter (up to one week)
7. Something else __________ (write)

BAS10e In the event that you could use consulting services in the future under conditions that are acceptable to you (price, knowledge, etc.), estimate the likelihood that you would use consultants. Rate on a scale of 1 to 5, where 1 means certainly not, and 5 certainly yes.

1. Certainly not
2.
3.
4.
5. Certainly yes
6. Don't know / No answer

BAS1f (do not ask if BAS10e is 1 or 2) In general, which of the following is important to you when selecting an external consultant? Please rate on a scale of 1 to 5, where 1 means not important at all, and 5 extremely important.

1. Price
2. Geographic proximity
3. Recommendation
4. Previous experience
5. Origin of the company
6. Certificates they have

7. Intuition
8. Impression at the interview
9. Offer and presentation of offer
10. Understanding of the business problem
11. Expertise, knowledge

BAS9a1 Is there anything else that was important to you that we haven't mentioned?
__________________ (OPEN END, string)

BAS9a2 If certificate is 4 or 5 ask: You said that certificate was important: can you say which certificate you were thinking of?
__________________ (OPEN END, string)

Criteria for selection of consultants and future plans

BAS11 If you could choose, would you (to help solve your biggest problem) choose as consultants *(choose 3, write down what was the first, second and third choice)*

1. Private consultants (freelancer)
2. Private domestic company
3. Foreign company
4. University and academic community
5. Professional associations and interest groups
6. Someone else __________________ WRITE

BAS12 Do you think that your company could use your consultant for the following: (READ AND FOR EACH ITEM CHOOSE YES/NO) + **(rotation)**

1. Reducing production costs and resource management
2. Energy saving and environmental protection measures
3. Introduction and upgrading of computer information management systems
4. Systems for improvement of accounting and controlling
5. Implementation, preparation and certification of quality management systems (ISO, HACCP, etc.)
6. Searching for business partners and investors
7. Engineering studies
8. Restructurings and reorganization
9. Information systems and other information technologies
10. Implementation of modern human resources management systems
11. Business planning, including preparation of investment projects
12. Market research, marketing plans, marketing communication, branding and re-branding
13. Problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.

BAS13 Which of the aforementioned is of the highest priority to you?

1. Reducing production costs and resource management

2. Energy saving and environmental protection measures
3. Introduction and upgrading of computer information management systems
4. Systems for improvement of accounting and controlling
5. Implementation, preparation and certification of quality management systems (ISO, HACCP, etc.)
6. Searching for business partners and investors
7. Engineering studies
8. Restructurings and reorganization
9. Information systems and other information technologies
10. Implementation of modern human resources management systems
11. Business planning, including preparation of investment projects
12. Market research, marketing plans, marketing communication, branding and re-branding
13. Writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.

BAS13a What is the probability that in the future you will seek help from a consultant? Please rate on a scale of 1 to 5, where 1 means certainly not, and 5 certainly yes.
1. Certainly not
2.
3.
4.
5. Certainly yes
6. Don't know / No answer

BAS13b If 'certainly not' on question BAS13a – do not ask further, everyone else:
You have said that in the future you will seek help from a consultant. When do you think that will happen? (READ THE SCALE)
1. In less than a year
2. Within one to two years
3. More than two, less than three years
4. Between 3 to 5 years
5. In more than 5 years
6. Don't know

BAS13c Those who have answered 'certainly not' to question BAS13a: (Why not____________________)

BAS13d If the consultant was to offer one of the following options, what is the probability that you would use consulting services? Rate on a scale of 1 to 5, where 1 means certainly not, and 5 certainly yes:
1. Subsidy or a voucher (30-50% savings)
2. Paying the consultant from the profits or savings made because of the advice
3. Return of funds in case of unachieved project goals
4. Free advice in the period before or after the project

BAS14 I will read several statements about consultants. For each of these please state to what degree you agree. Rate your agreement on a scale of 1 to 5, where 1 means completely disagree, and 5 completely agree (rotation of claims).

1. Successful companies use consultants
2. Investment in consultants brings multiple returns
3. Consultants cannot help solve real problems
4. Our company will increasingly use consultant services in the future
5. Foreign consultants are better than Croatian consultants
6. Consultants have knowledge that we do not have in the company
7. Consultants charge high prices and have only theoretical knowledge
8. Consultants are the best for an objective insight into the situation in my company
9. Consultants provide a different view of business problems
10. I have no confidence in consultants
11. Consultants are totally dedicated to the company they are advising
12. As a rule, consultants offer standardized solutions that are difficult to apply

Company characteristics

Below are a few general questions about your company!

DEM1 What is your function / position in the company? (SR)

1. Owner
2. Senior management personnel – board member, director, senior management
3. Middle management personnel - middle management, department head
4. Lower management personnel - working group head
5. Expert, but without responsibility for other employees
6. Employee / officer
9. No answer

DEM2 What is the primary activity of your company? (SR)

1. Agriculture, hunting, forestry, fisheries, food processing
2. Industry and processing industry (production of physical goods), shipbuilding
3. Mining and quarrying, extraction (gravel, clay, stone), stone and ore processing (stone carving)
4. Wholesale, import / export (distribution, representation, brokering agents)
5. Retail
6. Electricity, water and gas supply; fuels in general (oil, gas, etc.)
7. Construction, finishing works in construction
8. Transport (transport of goods and passengers), storage and communications
9. Hospitality and tourism, entertainment and leisure industry, culture, media, publishing
10. Financial intermediation financial services, insurance services)
11. Business / intellectual services (administrative, legal, marketing, consulting), real estate, renting
12. Repair of motor vehicles and vessels, and personal and household goods (repairs, servicing, maintenance, overhaul in general)
13. Education and training
14. Health protection, medical care, welfare
15. Personal services (hairdressers, cosmetics, wellness, fitness, photo-video services, etc.)

16. Other community, social and personal services (security and protection, printing, etc.)
97. Other
99. No answer

DEM3 How long does your company exist?
_________ years (OPEN END, numeric)

DEM4 In your business, you provide services and / or sell products to... (SR)
1. Exclusively to private end users
2. More to private end users, than to other business entities
3. Equally to private users and business entities
4. More to other business entities than to private end users
5. Exclusively to other business entities
9. No answer

DEM5 Is your business... ? (SR)
1. Oriented towards the domestic (Croatian) market
2. Oriented towards foreign (international) markets
3. Oriented towards both the domestic and foreign markets
9. No answer

DEM8 In addition to the headquarters, do you have other branch offices ...? (SR)
1. Only in the city in which headquarters are located
2. Both in the city in which headquarters are located and in other cities
3. Only in other cities
9. No answer

DEM9 Are you independent in your business operations or a branch that answers to another (larger) company? (SR)
1. Independent
2. Branch that answers to another (larger) company
9. No answer

DEM10 In which county is the headquarters of your company located? (SR)
1. Zagreb County
2. Krapina-Zagorje County
3. Sisak-Moslavina County
4. Karlovac County
5. Varaždin County
6. Koprivnica-Križevci County
7. Bjelovar-Bilogora County
8. Primorje-Gorski Kotar County
9. Lika-Senj County
10. Virovitica-Podravina County
11. Požega-Slavonija County

12. Brod-Posavina County
13. Zadar County
14. Osijek-Baranja County
15. Šibenik-Knin County
16. Vukovar-Srijem County
17. Split-Dalmatia County
18. Istria County
19. Dubrovnik-Neretva County
20. Međimurje County
21. City of Zagreb

DEM11 Please provide the zip code of the place / city in which the headquarters of your company are located!
_________ (OPEN END, numeric)

At the very end, we need some information about you personally.
DEM12 Gender! (INTERVIEWERS: Do not ask, just record the answer!) SR)
1. Male
2. Female

DEM13 How old are you? _________ years (OPEN END, numeric)

DEM14 What is your highest completed level of education? (SR)
1. (Un) finished primary school
2. Secondary school (gymnasiums and vocational schools)
3. College
4. Faculty /Master's degree / Doctoral degree
5. No answer

THANK YOU FOR YOUR PARTICIPATION!

ANNEX 4:

QUESTIONNAIRE
CONSULTANT STUDY

SCREEN AND BASIC Qs

Please participate in the study conducted by EBRD – European Bank for Reconstruction and Development. The aim of the study is to examine demand and supply of consulting services for small and medium-sized enterprises.
The survey is anonymous, and the findings will be used to create support for the development of the market for consulting services for small and medium-sized enterprises. Duration of the survey is 15 minutes.

SCR1 Are you the person that is involved in making business decisions in your company? (SR)
1. Yes
2. No → FINISH

SCR2 Do you provide consulting services as:
1. Company
2. Craft
3. Association
4. Independent consultant
5. No, we do not provide consulting services → FINISH

SCR3 How many people are employed in your company? (SR)
1. State the exact number of employees: ______ (OPEN END, numeric)

SCR4 What was the income (turnover) of your SCR2 in 2013 in HRK? (SR)

______ HRK (OPEN END, numeric)

SCR5 WRITE is that amount in HRK, thousand HRK, or million HRK? (SR)
1. HRK
2. Thousands of HRK
3. Millions of HRK

SCR5b What portion of the stated income comes from consulting services?
1. 100%
2. 75% do 99%
3. 50% to 25%
4. Less than 25%
5. Don't want to say / cannot estimate

SCR6 WRITE When was your company established / when did you start providing consulting services? (SR)

______ year (OPEN END, numeric)

SCR6 Is your company in: (INTERVIEWERS: Read the answers!) (SR)
1. Domestic ownership
2. Foreign ownership
3. Mixed ownership

SCR7 WRITE Try to estimate your market share in your city and surroundings. (SR)
state %: ______ (OPEN END, numeric)

SCR8 WRITE Average number of clients annually (average for the last three years)? (SR)
state the average number of clients: ______ (OPEN END, numeric)

SCR8a WRITE Number of clients in 2013? (SR)
state the exact number of clients: ______ (OPEN END, numeric)

SCR8a On average what is the size of your client companies (according to the number of employees criterion)?

1. 0-9
2. 10 -50
3. 51 to 150
4. 150 to 250
5. More than 250

SCR8b What was the LARGEST company (according to the number of employees criterion) that you have cooperated with in the last three years?

1. 0-9
2. 10 -50
3. 51 to 150
4. 150 to 250
5. More than 250

SCR8C What was the SMALLEST company (according to the number of employees criterion) that you have cooperated with in the last three years?

1. 0-9
2. 10 -50
3. 51 to 150
4. 150 to 250
5. More than 250

SCR9a WRITE How many projects do you have annually (average for the last three years)? (SR)
state the number of projects: ______ (OPEN END, numeric)

SCR9 WRITE How many projects did you have in 2013? (SR)
state the number of projects: ______ (OPEN END, numeric)

SCR10 How many other providers of consulting services do you know in your city and surroundings? (SR)

1. number: ______ (OPEN END, numeric)

SCR11 From the stated (value SCR10), how many do you perceive as competitors? (SR)

1. number: ______ (OPEN END, numeric)

SCR12 State specifically which three providers of consultant services do you consider as your biggest competitors (or see yourself as their competitor) in your surroundings?

Name 1: ______ (OPEN END string)
Name 1: ______ (OPEN END string)
Name 1: ______ (OPEN END string)

Basic questionnaire

CONS0 Now I will list a number of areas of consulting services. For each of them, please state do you cover the area in question? YES / NO for each area

1. Reducing production costs and resource management
2. Energy saving and environmental protection measures
3. Introduction and upgrading of computer information management systems
4. Systems for improvement of accounting and controlling
5. Implementation, preparation and certification of quality management systems (ISO, HACCP, etc.)
6. Searching for business partners and investors
7. Engineering studies
8. Restructurings and reorganization
9. Information systems and other information technologies
10. Implementation of modern human resources management systems
11. Business planning, including preparation of investment projects
12. Market research, marketing plans,
13. Market communication, branding and re-branding
14. Problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.
15. Something that we haven't mentioned, important for your business____________

CONS1 On which of the stated are you oriented the most? What else (THREE ANSWERS)

1. Reducing production costs and resource management
2. Energy saving and environmental protection measures
3. Introduction and upgrading of computer information management systems
4. Systems for improvement of accounting and controlling
5. Implementation, preparation and certification of quality management systems (ISO, HACCP, etc.)
6. Searching for business partners and investors
7. Engineering studies
8. Restructurings and reorganization
9. Information systems and other information technologies
10. Implementation of modern human resources management systems
11. Business planning, including preparation of investment projects
12. Market research, marketing plans,
13. Market communication, branding and re-branding

14. Problems related to writing plans and projects for application to tenders for various incentives, loans, EU funds, etc.
15. Something that we haven't mentioned, important for your business___________
16. Nothing else

CONS2 Beside the above, do you provide any other consulting services?

3. No
4. Yes

CONS3 (IF CONS2 = YES) Can you briefly describe which?

_____ (OPEN END, string)

CONS4 Think for a minute about your promotion and sales. Which of the following do you do or have: Scale Yes/no

1. Advertising
2. Presenting at events
3. Visiting events
4. Contacting potential clients on your own initiative
5. Using social contacts
6. Formal marketing strategy
7. Formal sales strategy

CONS6 How do you promote your services? (MR)

1. Advertising through traditional media (TV, print, radio)
2. Advertising on the Internet
3. Own web page
4. Recommendation / word of mouth
5. Something else, what? _________________ (OPEN END, string)
6. No answer

CONS7 For each of the following sectors, please say: HAVE YOU EVER HAD A CLIENT FROM THE SECTOR IN QUESTION
YES/NO? (MR)

	EVER	**IN THE LAST 3 YEARS**
Chemical industry / Pharmacy		
Construction		
IT and telecommunications		
Energy		
Food and beverage		
Media / Communication		
Glass, rubber, plastics (packaging industry)		
Health / Medical services		
Metals / Machinery		

Paper		
Print / Publishing		
Textile and footwear		
Transport		
Hospitality industry and tourism		
Wholesale / Retail / Trade		
Wood processing industry / Forestry		
Public administration		

CONS8 Have you ever had a client from some other sector?

1. No
2. Yes

CONS9 (IF CON82 = YES) Can you state in which sectors?

_____ (OPEN END, string)

CONS9A (IF CON82 = YES) Which of those clients did you have in the last 3 years?

_____ (OPEN END, string)

CONS10 Do you have any certificates / licences?

1. No
2. Yes

CONS11 (IF CONS10 = YES) Can you state which?

_____ (OPEN END, string)

CONS12 Are you familiar with any consultant associations of in Croatia?

1. No
2. Yes

CONS13 (IF CONS12 = YES) Can you state which?

_____ (OPEN END, string)

CONS15 Are you or your company member of a consultant association?

1. No
2. Yes

CONS16 (IF CONS15 = YES) Can you state which?

_____ (OPEN END, string)

CONS17 Why (EVERYONE)?

_____ (OPEN END, string)

CONS14 Do you think that membership in consultant associations is beneficial for you work?

1. Not beneficial at all
2. Not very beneficial
3. Could be beneficial
4. It is very beneficial

CONS18 Are you aware of any domestic or international programs that could help you develop your business?

1. No
2. Yes

CONS19 (IF CONS18 = YES) can you state which?

_____ (OPEN END, string)

CONS20 Have you participated in projects that have received or have applied to tenders for receiving assistance from international or domestic institutions? (MR)

1. Yes, in projects that have received assistance from international institutions
2. Yes, in projects that have received assistance from domestic institutions
3. Yes, in projects that have applied for, but haven't received assistance from an international institution
4. Yes, in projects that have applied for, but haven't received assistance from a domestic institution
5. No

CONS21 (IF CONS20 = 1,2, or 3 YES) can you state from which institutions?

_____ (OPEN END, string)

CONS21a (IF CONS20 = 1,2, or 3 YES) Can you state what kind of assistance (financial, support...)?

_____ (OPEN END, string)

CONS40 Rate on a scale of 1 to 5 (1 means not at all important and 5 means extremely important) importance of individual criterion for the selection of an external consultant? (READ the list)

1. Price
2. Geographic proximity
3. Recommendation
4. Previous experience
5. Origin of the company
6. Certificates they have
7. Intuition
8. Impression at the interview
9. Offer and presentation of offer
10. Understanding of the business problem
11. Expertise, knowledge

CONS41 I will read several claims about consultants. For each of them please say WHAT YOU THINK IS THE GENERAL OPINION ABOUT THOSE CLAIMS, to what extent does the business public – potential clients agree with them. Use a scale of 1 to 5, where 1 means I think that companies – potential clients completely disagree, and 5 means I think that companies – potential clients completely agree. (rotation of claims)

1. Successful companies use consultants
2. Investment in consultants brings multiple returns
3. Croatian companies will increasingly use consultant services in the future
4. Foreign consultants are better than Croatian consultants
5. Consultants have knowledge that is not present in companies
6. Consultants are the best for an objective insight into the situation in a company
7. Consultants provide a different view of business problems
8. Consultants are totally dedicated to the company they are advising
9. As a rule, consultants offer standardized solutions that are difficult to apply

Education

The last set of questions deals with education:

EDU1. Who is charge of educational-personnel issues for you and/or your team?

1. Company's director
2. Internal person or service
3. External expert
4. Someone else _______
5. No-one in particular

EDU2. How is training, education and professional development of you and/or your team financed in your company / business unit ?

1. Mainly by the company
2. Mainly by the employees
3. Mainly public funds
4. Other_________________
5. In the last three years, there were no training, education and professional development activities for team members

EDU3 In the last three years, have you used education to improve your or your teams' skills?

1. No
2. Yes

EDU 3A (IF CONS24 = YES) Can you state which?

_____ (OPEN END, string)

EDU 3B (IF CONS24 = YES) How many days did the education last?

_____ (OPEN END, string)

EDU 3C (IF CONS24 = YES) How much did the education cost?

_____ (OPEN END, string)

EDU 3D (IF CONS24 = YES) Do you think that it was: (read)? (SR)

1. Very useful
2. Useful

3. Not very useful
4. Useless

EDU3E. In the last three years, have you used state aids for development (education, training, professional development) of yourself or your team members (employees) ?
Answers: YES, NO, I DO NOT KNOW THAT THIS EXISTS

1. Full funding of educational programs
2. Co-funding of educational programs
3. Tax benefits for employee education

EDU4. Which form of development (education, training, professional development) of employees do you consider beneficial for your business environment?
Answers: USEFUL,PARTIALLY USEFUL, USELESS

1. Formal education (additional education, re-training...)
2. Education for certification / licensing
3. Trainings, seminars (group) organized outside the company
4. Symposiums, conferences
5. Trainings within the company with internal trainers ("learn from each other")
6. Trainings within the company with external trainers ("learn from each other")
7. Workplace learning (from a more experienced colleague – informal)
8. Self-studying (literature, the Internet)

EDU4a. Which of the mentioned forms have you used in the last 3 years?
Answers: YES, NO

1. Formal education (additional education, re-training...)
2. Education for certification / licensing
3. Trainings, seminars (group) organized outside the company
4. Symposiums, conferences
5. Trainings within the company with internal trainers ("learn from each other")
6. Trainings within the company with external trainers ("learn from each other")
7. Workplace learning (from a more experienced colleague – informal)
8. Self-studying (literature, the Internet)

EDU5. To what extent would the following factors influence your decision on the choice of a program for development (education, training, professional development) of employees?
Answers: IRRELEVANT, IMPORTANT, CRUCIAL

1. Time when education takes place
2. Duration of education
3. Location of education
4. Work methods
5. Awarding of certificates
6. Price
7. Lecturer expertise
8. Employee motivation
9. Something else ____________________

EDU6. What is the most appropriate form of education, training or personal development of employees for you?
Answers: UNSUITABLE, ACCEPTABLE, DESIRABLE

1. Education during working hours
2. Education after working hours
3. Education on weekends
4. Duration of several hours
5. Duration of 1 to 2 days
6. Duration of 3 days or more
7. Location of education in the company
8. Location of education in the place of work (geographically)
9. Location of education outside the place of work (geographically)
10. Method: lecture with interactive communication
11. Method: distance learning
12. Method: theoretical approach + case studies from practice
13. Method: solving specific business problems
14. Something else DESIRABLE, not mentioned above:

EDU6. What area of education, training or personal development of employees should be carried out in your company / surroundings in the next one-year period?
Answers: NOT NEEDED, LESS IMPORTANT, DESIRABLE, NECESSARY

1. General knowledge and skills
2. Business knowledge and skills
3. Expert and specialist knowledge and skills

EDU7. What SPECIFIC area of education, training or personal development of employees should be carried out in your company / surroundings in the next one-year period?
Answers: NOT NEEDED, LESS IMPORTANT, DESIRABLE, NECESSARY

1. Strategic management (business process management
2. Financing and accounting
3. Business analysis and controlling
4. Procurement and logistics
5. Marketing and sales
6. Communication with the environment
7. Quality management
8. Risk management
9. Project management
10. Monitoring Croatian legislation
11. Monitoring EU legislation
12. Change management
13. Business negotiation
14. Presentation skills
15. ICT
16. Engineering solutions

17. Energy efficiency and environmental management
18. Something else ______________________________

EDU8. What would help you the most in the process of development (education, training, professional development) of employees in the next one-year period?

____

EDU9. What is the likelihood that in the next one-year period you will use services of external suppliers for education, training or professional development of employees?

1. I certainly will
2. I probably will
3. I probably won't
4. I certainly won't

EDU9a. Why do you think that? (REGARDLESS OF WHAT THEY SAY)

____

Characteristics

Thank you, we are at the very end of the questionnaire, we only have a few general questions about your company!

DEM1 What is your function / position in the company? (SR)

1. Owner
2. Senior management personnel – board member, director, senior management
3. Middle management personnel - middle management, department head
4. Lower management personnel - working group head
5. Expert, but without responsibility for other employees
6. Employee / officer
7. No answer

DEM5 Is your business... ? (SR)

1. Oriented exclusively towards the domestic (Croatian) market
2. Oriented exclusively towards foreign (international) markets
3. Oriented towards both the domestic and foreign markets
4. No answer

DEM8 In addition to the headquarters, do you have other branch offices ...? (SR)

1. Only in the city in which headquarters are located
2. Both in the city in which headquarters are located and in other cities
3. Only in other cities
4. No answer

DEM9 Are you independent in your business operations or a branch that answers to another (larger) company? (SR)

1. Independent
2. Branch that answers to another (larger) company
3. No answer

DEM10 In which county is the headquarters of your company located? (SR)

1. Zagreb County
2. Krapina-Zagorje County
3. Sisak-Moslavina County
4. Karlovac County
5. Varaždin County
6. Koprivnica-Križevci County
7. Bjelovar-Bilogora County
8. Primorje-Gorski Kotar County
9. Lika-Senj County
10. Virovitica-Podravina County
11. Požega-Slavonija County
12. Brod-Posavina County
13. Zadar County
14. Osijek-Baranja County
15. Šibenik-Knin County
16. Vukovar-Srijem County
17. Split-Dalmatia County
18. Istria County
19. Dubrovnik-Neretva County
20. Međimurje County
21. City of Zagreb

DEM11 Please provide the zip code of the place / city in which the headquarters of your company are located!

__________ (OPEN END, numeric)

At the very end, we need some information about you personally.

DEM12 Gender! (INTERVIEWERS: Do not ask, just record the answer!) SR)

1. Male
2. Female

DEM13 How old are you? __________ years (OPEN END, numeric)

DEM14 What is your highest completed level of education? (SR)

1. (Un) finished primary school
2. Secondary school (gymnasiums and vocational schools)
3. College

4. Faculty /Master's degree / Doctoral degree
5. No answer

THANK YOU FOR YOUR PARTICIPATION!

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