
**INCREASE OF MANAGERIAL
SOPHISTICATION:
INPUTS FROM BUSINESS CONSULTANCY
AND FROM PROFESSIONAL TRAINING**

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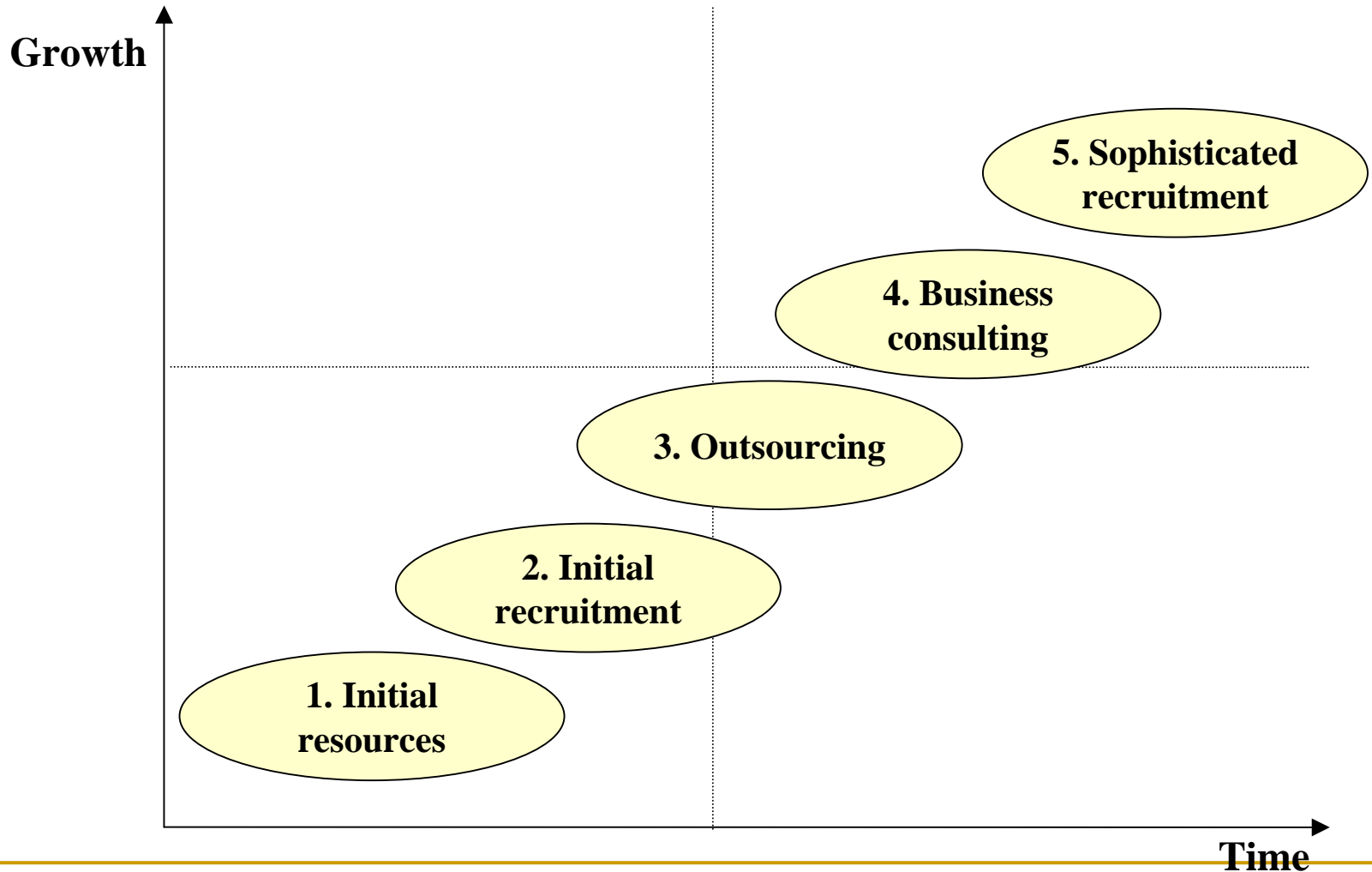
Small and medium enterprises (SMEs)

- SMEs are very important in all EU countries
 - over 99% of registered companies,
 - employment, significance for national economies (50-80% GDP)
- In achieving business sophistication, SMEs go through certain learning cycle. In transition economies, many of them started almost simultaneously, and their learning patterns become more visible.

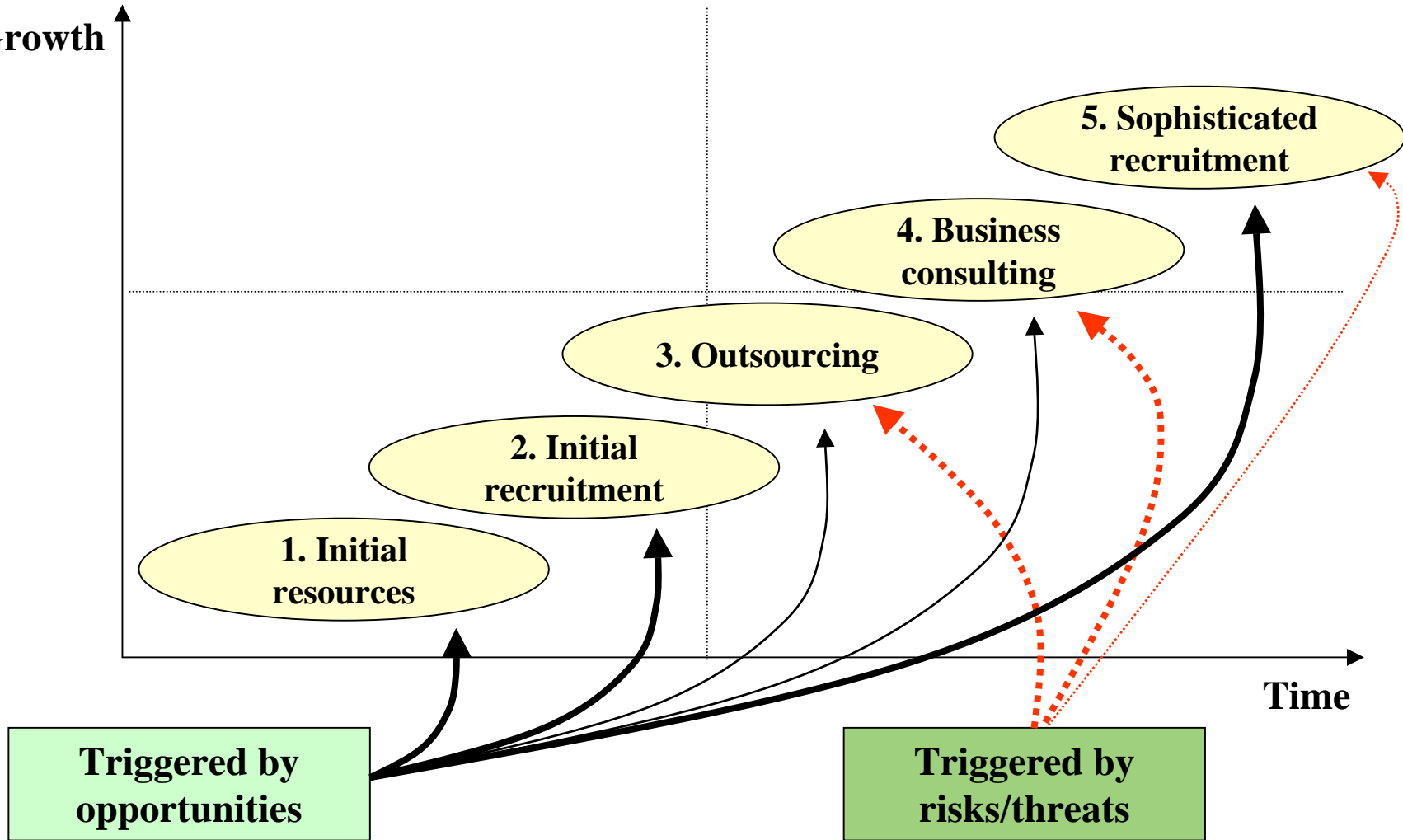
Inputs from educational training and business consultancy

- SMEs were learning business methods
 - by using internal resources
 - by using services of business consultants
- There is a natural path, how SME business sophistication is growing. Hiring of new employees (which is directly linked with educational system) is intermixed with use of business consulting services.

SME business sophistication path



Influences on the SME business sophistication path



SMEs and business consultancy

- In transition economies, SMEs had no historical experience of using business consultants
- SMEs slowly learned outsourcing, but business consulting services were much closer to the core of business
- Related issues:
 - confidentiality,
 - availability of consultants, their qualifications and price
 - overall business infrastructure (financial, legal, etc.)

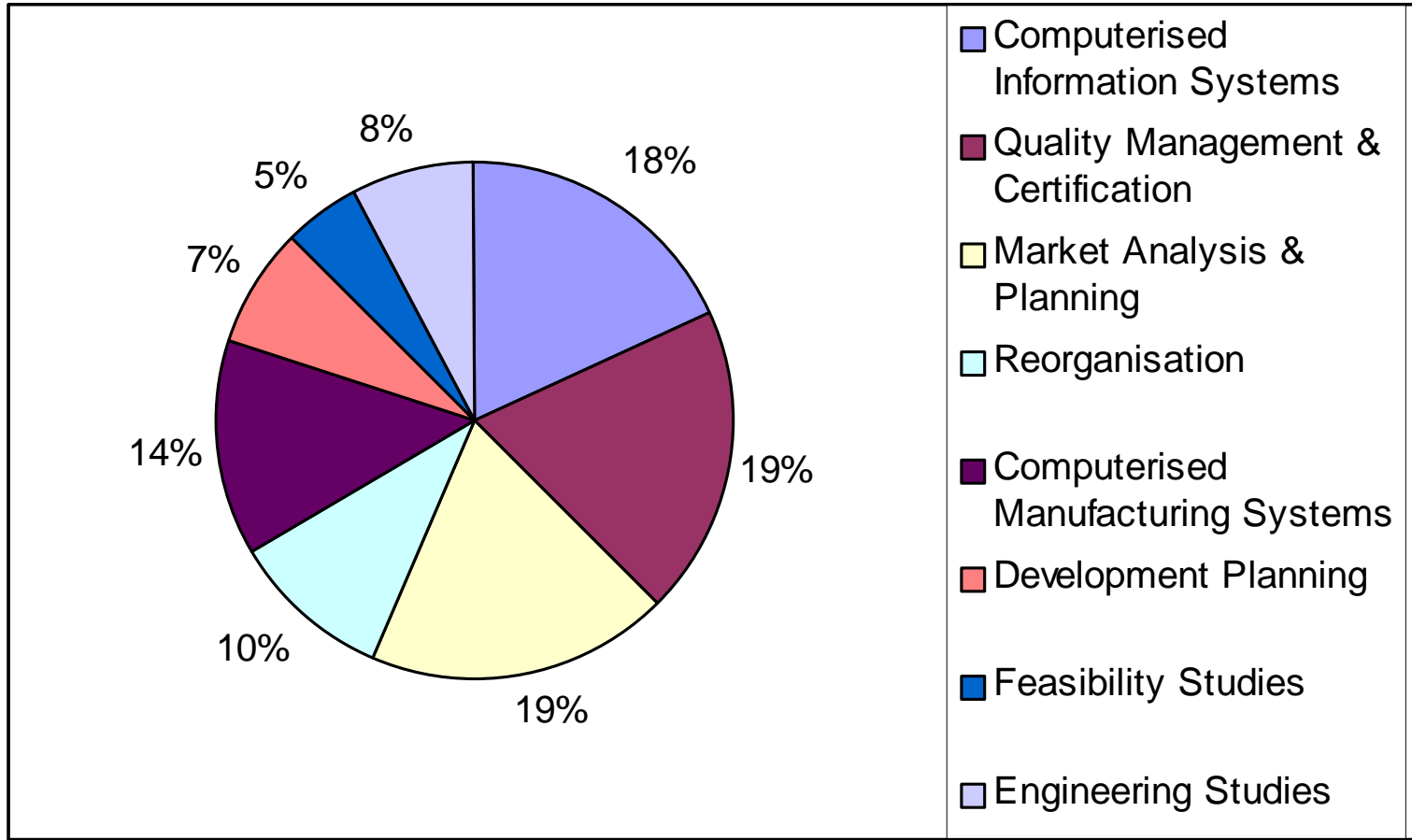
Research

- Period: 1995-2004
- Scope: 581 SMEs in Lithuania and Latvia, 797 performed consulting projects (31 excluded from analysis, 764 analyzed)
- Method: two in-depth interviews in case of each consulting project (the first – before the project, the second – one year after it is completed)
- Data: size (sales and employment) of SMEs at the moment of interviews, qualitative argumentation of managers

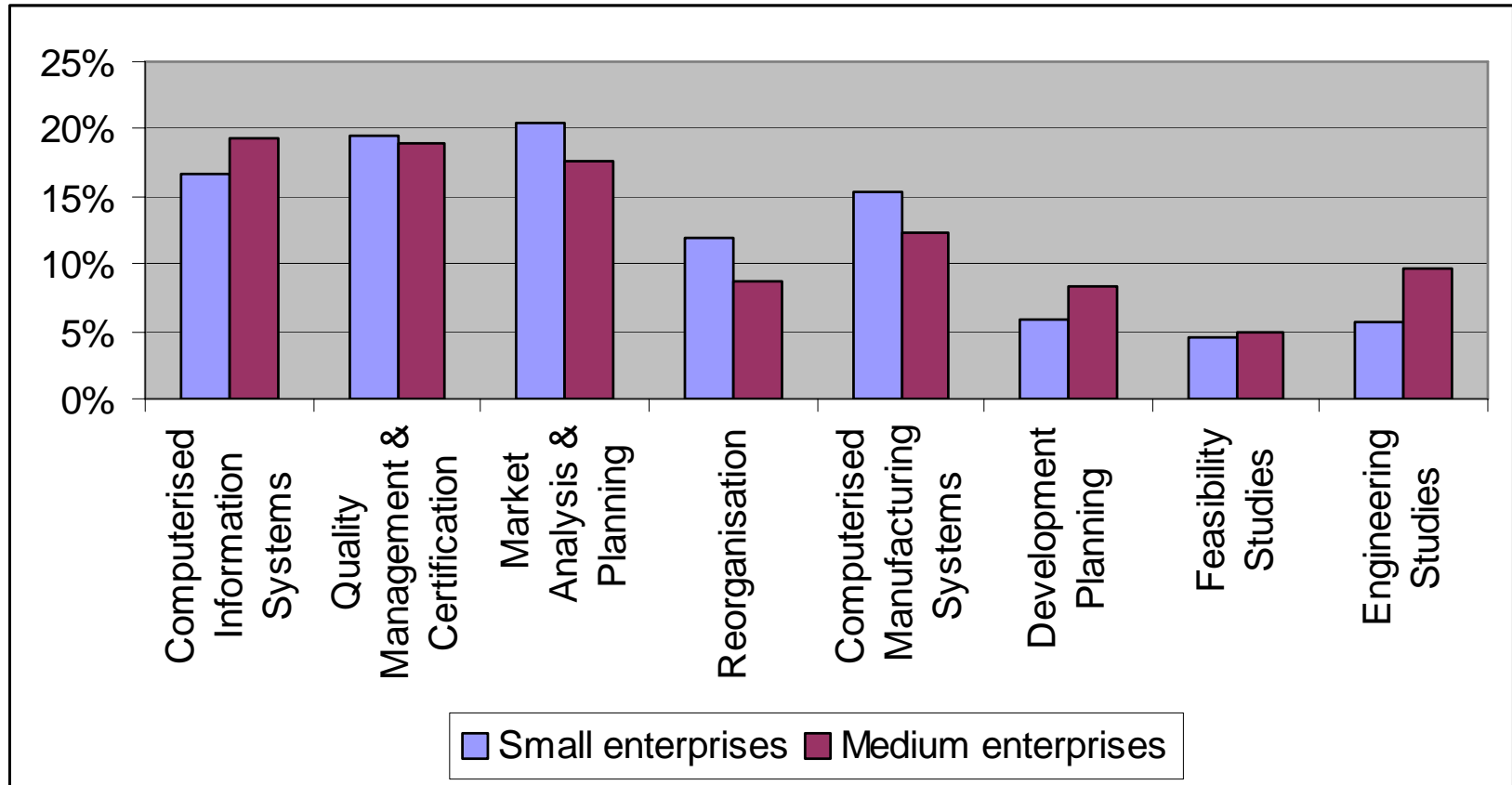
Sample

- Countries:
 - 409 consulting projects in Latvia
 - 355 consulting projects in Lithuania
- Size of companies:
 - 337 projects by small companies (up to 50 employees)
 - 427 projects by medium companies (50-250 employees)
- Primary activity of SMEs:
 - 370 projects by manufacturing companies
 - 251 projects by service companies
 - 143 projects by trade (wholesale and retail) companies
- All SMEs majority private, majority locally owned

Overall choice of business consulting services

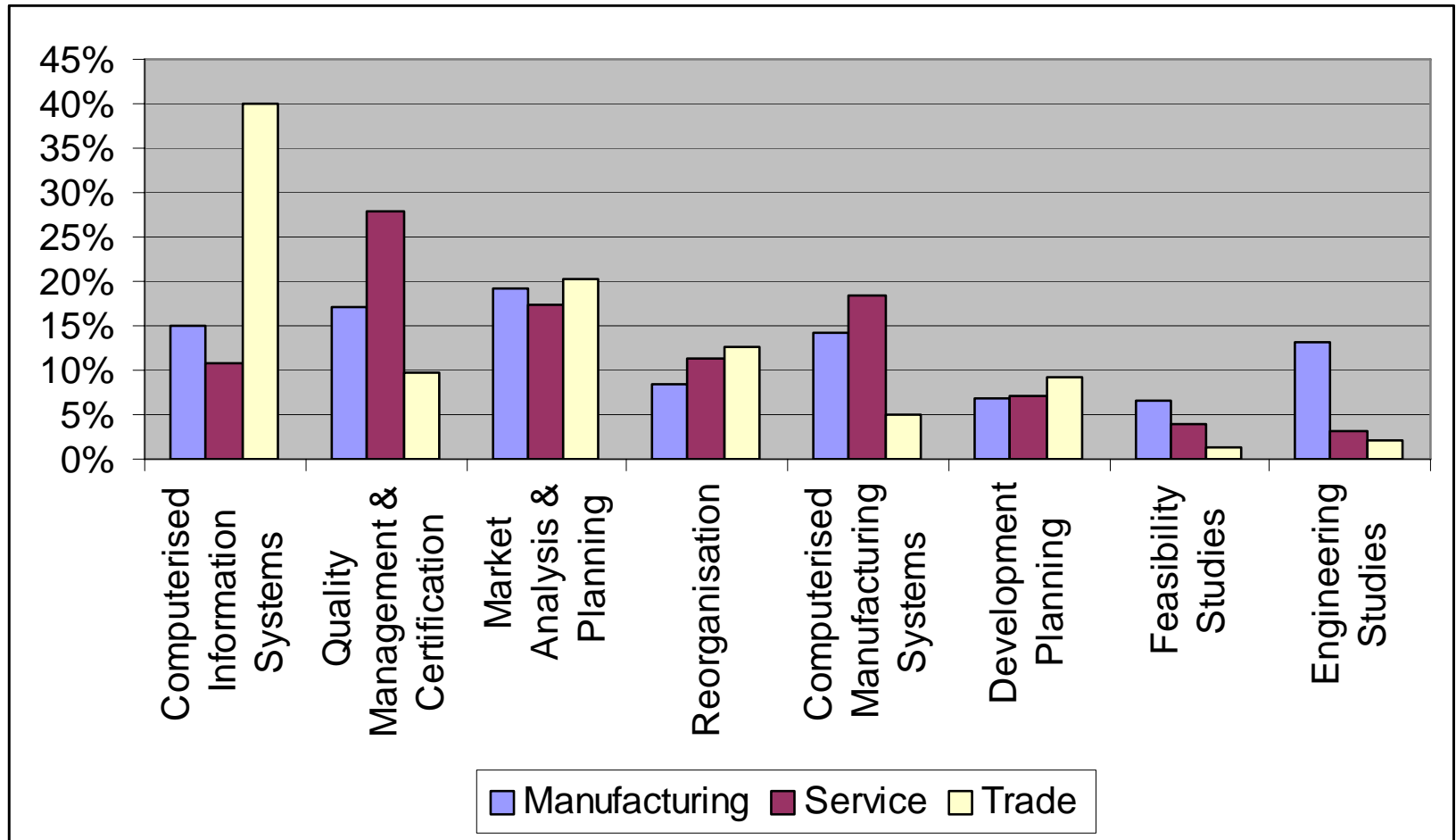


Use of business consulting services by small-size and medium-size companies



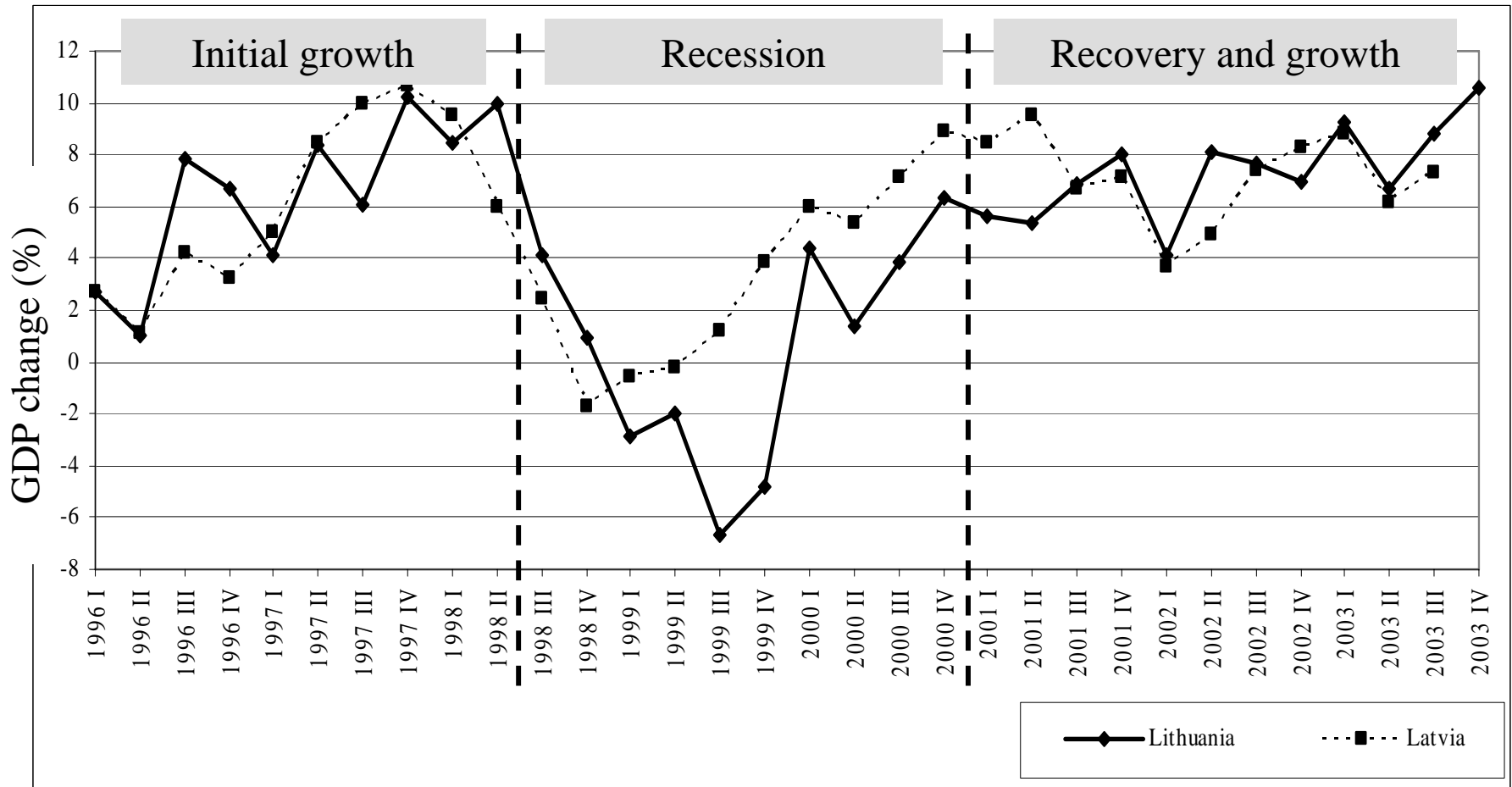
- No statistically significant differences found

Use of business consulting services by the main type of SME activity

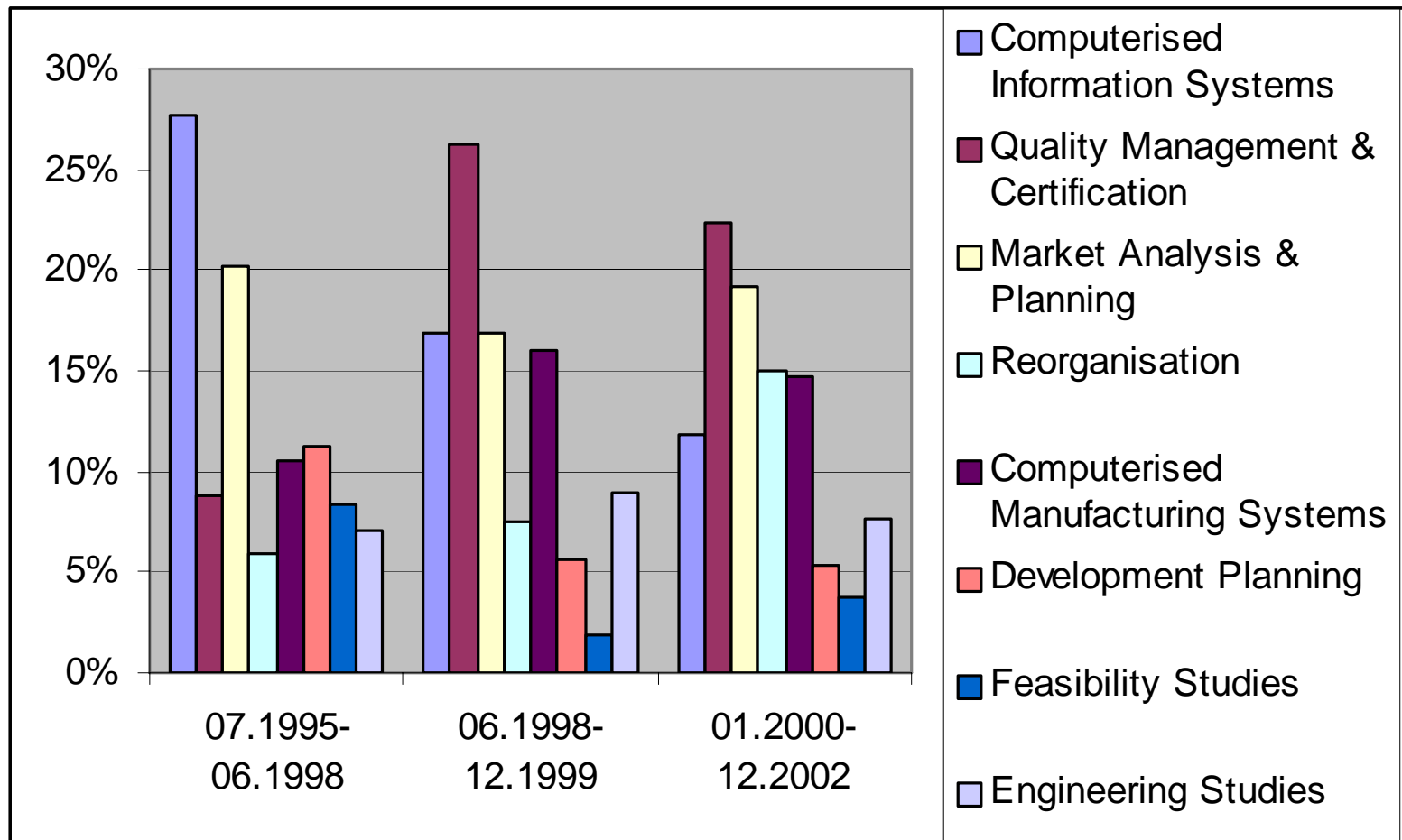


- Statistically significant differences

Periods of economic growth in Lithuania and Latvia



Use of business consulting services in the three time periods

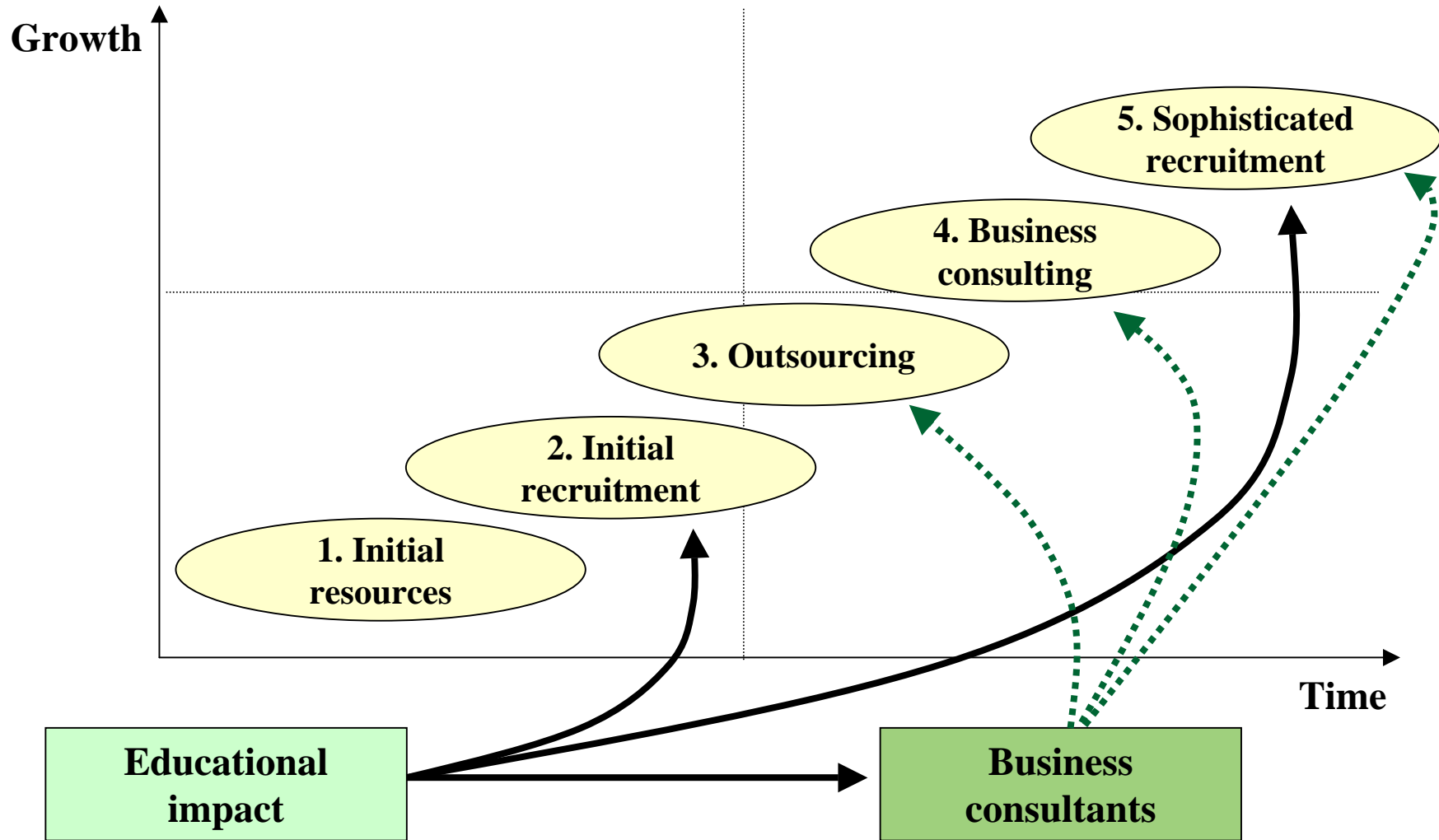


- Statistically significant differences

Research implications

- SMEs feel strong direct need in hiring new employees at the certain stages of their development
- During other stages, SMEs can be strongly influenced by business consulting activities, which trigger:
 - training of current staff,
 - hiring more skilled employees

SME business sophistication path



Conclusion

- Educational system has a good chances of specialization:
 - targeting initial recruitment stage with graduates of basic level, standard specialties
 - targeting sophisticated recruitment stage with graduates of higher level, narrow specialties
 - participating in upgrading skills of current SME staff

And – one more opportunity:

- Consultants also need skilled employees!

Thank you!
