
The importance of quality Advisory Services to SMEs

The experience of Croatia



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Sharpening the Croatian SMEs competitiveness



In the last two decades, the **Croatian economy** has faced a **transition process** involving a **conversion** of the **existing businesses** from state ownership to private ownership and – at the same time – the establishment of new privately owned small businesses.

Several Croatian **entrepreneurs** regarded this economic reconversion as an **extraordinary opportunity** for their the **business initiatives** to be at the cutting-edge of the newly opened free-market economy.

As a result, in the period 2001-2010, the number of SMEs shot up to 71 percent. Nowadays, the number of SMEs is still increasing and SMEs play a vital role in the national economy, accounting for 99.5 percent of total registered business entities.

The Croatian Government has supported the entrepreneurial infrastructure through a series of measures such as: the reduction of red tape and administrative

burden for SMEs; the harmonization of national policy especially in the areas of science and education; the launching of flexible innovative measures (such as one stop-shop www.hitro.hr, e-Croatia-strategy).

The **progress** made by the **Croatian Government** in this field has been highly **acknowledged** at **European level**, in particular with regard to the enforcement of the EU Small Business Act (SBA).

medium
SME
enterprises
small

The burdens weighing down SME development: the key role of advisory services

Notwithstanding the efforts that the Croatian Government made to facilitate entrepreneurship development, both administrative and regulatory structures still appear quite inefficient in supporting SME development.

Compared to large companies, **Croatian SMEs** generally face **bigger constraints** to develop their businesses. First and foremost, SMEs face more difficulties in “**access to finance**”, in that they are generally hit with higher interest rates and have access to a narrower range of funding opportunities when compared with larger companies.

Aimed at mitigating the effect of this structural obstacle, HAMAG-Croatian Agency for SMEs Innovations and Investments-commenced implementation of the “**Consultants network**” project. The project focused on creating:

Quality advisory services
through training and certification
of consultants

A co-financing mechanism used
in funding advisory
services to SMEs through a
more **flexible voucher system**

By 2010, HAMAG had trained 73 certified consultants specialised in different business areas and had provided 90 vouchers to SMEs, used to part-fund advisory services from certified consultants.

Despite the progress made by HAMAG in terms of its valuable contribution in supporting SME development, there are **still a number of challenges** that Croatia needs to overcome to effectively meet EU standards and to successfully access global markets.

The **provision** of business advisory **services** is still **fragmented**. It must focus **more** specifically on the areas of **quality assurance**, marketing and product development and work more intensively on publicly funding schemes such as Structural Funds.



One of the 25 explanatory seminars/workshops organized by the project.

The Project: SMEPASS II - SMEs Advisory Services



On 1st July **2013**, a consortium led by Eurecna, in partnership with WYG International Ltd. (UK) and WYG Savjetovanjed.o.o. (HR) PrysmaCalidad y Medio Ambiente (ES) commenced implementation of the “**Provision of Advisory Services to SMEs – Phase II**”. The project was co-financed by the EU and the Government of Croatia was supervised by the Central Financing and Contracting Agency.

Our consortium worked closely with the Ministry of Entrepreneurship and Crafts and the 168 selected SMEs in order to achieve two main objectives:

1. **Promote the business advisory services** to SMEs;
2. **Provide direct business advisory services** to selected SMEs.

Actions & Facts

- Project promotion through delivery of a media campaign and promotion materials;
- Design and delivery of workshops/seminars and printed material promoting advisory services and E4E (Education for Entrepreneurship);
- Selection and contracting 162 SMEs as direct recipients of advisory services delivered by the Project;
- Delivery of advisory services to 152 selected SMEs in Marketing/Product Development and Quality Assurance;
- Pre-selection and selection of enterprises for delivery of technical assistance in accessing EU Structural Funds;
- Delivery of direct technical assistance to selected enterprises in preparation of fully documented applications for EU Structural Funds.



101 TV spots
(of 21 seconds)
on the national
TV channels HRT1
and HRT2 at
prime time



20 advertisements
in eight national and
regional newspapers
and a text
advertisement
on Google



2 advertisements
announcing the
third official Call
for Expressions of
Interest in
September/October
2014 through Ads
on Google



4 online news services
press release
seminars organised around
the Country, direct contact
with SMEs registered on
the project website.



264 radio spots
(of 30 seconds) on a
network of 10
regional TV stations
(HR MREZA)

The Project carefully selected 152 SMEs as recipients of assistance in Quality Management Systems, Marketing and Product Development. This was done over the course of three rounds.

1st round of SMEs selection:
267 on-line applications.
98 attended interviews.
49 companies selected.

2st round of SMEs selection:
152 on-line applications.
133 attended interviews.
54 companies selected.

3st round of SMEs selection:
115 on-line applications.
115 attended interviews.
49 companies selected

Main business advisory services provided:



Basic Quality Management
for 8 SMEs



Total Quality Management
for 4 SMEs



Compliance with EU Regulations
for 5 SMEs



Website and eCommerce
for 5 SMEs



Product Development
for 3 SMEs



Continuous Improvement Oriented Systems
for 28 SMEs



Sales and Marketing Audit
for 1 SME



International Sales Promotion and Marketing
for 26 SMEs



Customer Satisfaction Oriented System
for 2 SMEs



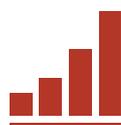
Branding
for 6 SMEs



Practical Marketing Plan
for 57 SMEs



Market Analysis
for 1 SME



Export Readiness Analysis and Plan
for 3 SMEs



Marketing/Product Development
for & SMEs



Quality Audit
for 3 SMEs

We know what SMEs need

Everyone has at least one idea to **start the next big thing**.

But is this idea enough to start a start-up? Of course not.

There are at least three essential prerequisites that you need to **create a successful start-up**: start with **good people**, make **something customers** actually **want to buy** and, obviously, **spend as little money** as possible.

Once you have all these ingredients with you, then you can start a start-up. Easy?

Yes, it is indeed easy to start a start-up, what is not easy at all is starting a successful one. As Thomas Edison used to say “*Genius is one percent inspiration, ninety-nine percent perspiration*”. Nothing is more true.

Starting an effective and sustainable business needs **a lot of effort and commitment**. But remember, each drop of sweat can be vain if effort and commitment are not channeled in the right direction.

Although many entrepreneurs are skeptical on using external expertise, **listening** to a **professional external** opinion is always **worth**, at least to avoid the most common mistakes which usually make the most innovative ideas fall at the first hurdle.

This mission – providing specialized consultancy services to SMEs – stands within Eurecna’s DNA, as Eurecna is part of CNA, the largest Italian Federation of SMEs.



For **over 20 years**, **Eurecna** has been providing **advisory services** to **SMEs in different developing countries**. The know-how acquired and constantly updated through direct field experience, has allowed many SMEs to become resilient and competitive also in times of financial crisis.

This **know-how** was **transferred** in **Croatia**, where a selected group of SMEs was supported in the process of enhancing their capacity to compete in domestic, European and international markets.

Additionally, the project has supported Croatian SMEs to improve awareness on the benefits of using advisory services from certified providers.

We also managed to establish a best practice to help the Ministry of Entrepreneurship and Crafts and all project stakeholders to develop effective quality advisory services to guarantee the best absorption of the European structural funds available for SME support schemes, after the IPA program.

In other words, the **transferred know-how** in Croatia did not only **involve SMEs but the whole national infrastructure**, which is the backbone to leverage the country economic development.

Elements of transferability



- While working directly with Croatian SMEs, the Project discovered a number of short-comings in the Croatian Government's "Regional Competitiveness Operational Programme" and in its "SME Development Strategy". The Project reacted - by **going beyond its Terms of Reference** - and proposing, as an **extra activity**, carefully crafted amendments to these documents. This additional intervention has had the direct effect of making both **strategy documents more focused**, more strategically sensitive and, as a consequence, **more effective** in supporting the **future development of Croatian SMEs** across all sectors of the real economy.
- Eurecna is totally committed to environmental issues and ever-conscious of the **eco-footprint** that **SME activity can leave in its wake**. Here in Croatia we quickly established agreement with beneficiary ministries in promoting eco-aware clauses in our intervention plans, leading to full compliance with all EU directives and regulations in this important area. Downstream this governed our approach in firstly selecting and then in assisting SMEs in developing their core competencies in the areas of **Quality Management Systems**, product and service marketing and, most acutely, in improving existing and developing **new products and services** for client SMEs.
- When delivering direct assistance to the SME sector we are ever-conscious of the need to improve the level of advisory services delivered to the sector by indigenous business support service providers. In Croatia, we built a team with a **creative balance of local and international experts** wherein local experts guided international experts on specific Croatian factors (national legislative requirements, regional competitiveness issues, locally available skill-sets etc.) while international experts up-skilled local experts in a wide variety of business consulting skills. In this way, we ensured that **our intervention** was always **targeted** and **relevant** to the **local environment**. And, perhaps more importantly, we created significant added-value in leaving behind a more competent band of local Business Service Providers whose task continues to be to create value in those SMEs to whom they continue to provide consulting services.
- While working with the Ministry of Entrepreneurship & Crafts in developing a mechanism for the disbursement of EU Structural Funds amongst Croatian SMEs, we were fully cognisant of the fact that our intervention was addressing the first of many such disbursements to be implemented by the ministry. Consequently, and in order to copper-fasten the notions of repeatability and sustainability, our in-country team of experts concluded work in this Component by producing a "**Structural Funds Application Handbook**". This has proved hugely beneficial in subsequent disbursements assisting both applicant SMEs and the ministry. We decided to produce the Handbook - as extra activity - which was not required under our Terms of Reference.



“SMEPASS II directly contributed to private sector development in Croatia in a number of different ways including: i) the delivery of direct Technical Assistance to 152 SMEs in Marketing (99 SMEs), Product Development (3 SMEs) Quality Management Systems (50 SMEs) ii) the delivery of direct assistance to 16 SMEs in accessing EU Structural Funds post Croatian accession to the EU in July 2013 and iii) through the upscaling and promotion of the Education for Entrepreneurship Programme (E4E) in delivering longer sustainable assistance to private sector development nationwide.”

Mr. Stephen O’Mullane

Team Leader

“Through individual and tailored consulting assistance in Marketing, Quality Assurance and Product Development SMEPASS II helped 152 Croatian SMEs from various industries to cope with the challenges and exploit the chances of Croatia’s membership of the common European market.”

Mr. Jürgen Mendritzki

Expert for Marketing Advisory Services



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