

Supporting a dynamic business service sector in Bosnia

One of Bosnia's main challenges in acceding to the EU will be to develop its service and SME economy. The development of a single market in services has been a central element to the EU's internal market policy and a vibrant service sector is seen as central to the working of the knowledge based economy. The SME sector benefits from an expanding service sector because many service firms are SMEs and because SMEs need to draw on the market for important services, like marketing, that they cannot do "in house". For these reasons the business to business service sector has been one of the highest growth sectors in the EU in recent years.

Various reports have identified the need for more, better quality and greater consistency and sustainability of public and private sector business service provision in Bosnia¹. One challenge is in tailoring the breadth of technical strategic management services to the individual needs of business managers. Another is to develop confidence in the existing system as the perception of business managers of advisory services is "slightly better than poor".

The Business Bus

Markets fail when suppliers do not know what customers want or do not trust the other party. The Business Bus pilot showed that service supply in Bosnia could be improved by exchanging better information between businesses and service providers in order to link consultant skills to business needs. Providing free initial consultations



¹ See EU TAC "List of key findings indicating demand for entrepreneurship and SMEs training in Bosnia" www.eutac.eu/pdf/List%20of%20key%20findings%20indicating%20demand%20for%20entrepreneu.pdf; OECD Stability Pact South East Europe Compact for Reform, Investment, Integrity and Growth - Bosnia and Herzegovina" *Enterprise Policy Performance Assessment* <http://www.oecd.org/dataoecd/2/22/20635028.pdf>

helped foster trust as it removed the financial risk from the business while enabling better understanding between the two parties.

*“This conversation should have happened 5 years ago!” Ragib Dizdar, president of the
Entrepreneurs Association in Stolac*

Comments on Business Bus model:

“Problem definition directly finds the vulnerable points of individual business, especially in ...the “one to one” between the client and consultant” (Business Bus consultant).

“It was an opportunity to provide a wide spectrum of consultancy services ... so that in relatively short period of time, good quality advice could be given to problem solving”. (Business Bus consultant).

“The advantages of the business bus model for consultants’ work are accessibility to businesses with weak financial capabilities and in rural areas, mobility, focusing on very particular issues in business and promotion of business consultancy.” (Business Bus consultant).

The key innovation of the Business Bus was to help companies to diagnose the problems that their business faced. With the problem clearly defined the consultants could then help the companies to develop a clear strategy for accessing existing support resources and to think through how they would identify progress and evaluate the support they received. The Business Bus model therefore provided a mechanism for using existing support mechanisms more efficiently. Feedback from the clients to the Business Bus team also allowed the quality of the consultants to be evaluated. This is how quality standards can be maintained by an independent party.

The Business Bus was a low tech and cheap intervention. The Diagnosis sessions were structured along a series of questions presented on an A4 piece of paper. The consultant recommendations of specialist or supplementary support were complemented by a pamphlet that provided up to date contact names and addresses in various relevant national, entity and local agencies.

Findings

The two hour consultations of our Business Bus pilot would not replace a well organized, quality long-term consultancy. But the implementation of small business support could be greatly improved if cheaper non specialist advisers with broad experience of business (eg general managers) were employed on a full or part time basis to and assist small businesses in defining what assistance they need and how best to use it. The problem focus approach greatly improved the data on small business needs by locality and issue (see Evidence Based Policy brief) revealing a variety of needs, including making presentations to banks and marketing. Indeed one of the main findings was that, although finance was very important the need for other forms of business support was also recognised.

“Overall the market in B&H is small, limited and divided. However, people are often not “business literate” to be able to define what their real needs are.” Emir Letic, economist in Novi Travnik municipality department of economy, finance, reconstruction and development.

“There is a general lack of strategy for long term placement of products on the market. However, market is only one of the key problems.”, Nusret Delic, president of the Agricultural Association in Sevarlije.

“Microcredit organizations have 15% interest rates, which is not cost-effective and is unacceptable. I believe that my co-operants would find useful to receive advisory on how to find more convenient bank loans.” Goran Pejčić, entrepreneur and owner of Perfetto plus - Dairy plant

But in terms of its main aim of exploring whether there was a need for soft support in peripheral economies there was a very strong message. Business Bus participants (68 % of them), had never used consulting services before. Afterwards there was unanimous support for a follow up session with a consultant and all the businesses agreed that they would use consultants more often if they came to their premises or locality. More than 80% of participants would strongly recommend a Business Bus services to a friend. Furthermore the model is potentially sustainable and two of the consultants and one Italian Company have expressed their interest in further development of this pilot project.