European Bank
for Reconstruction and Development

Estonian Consultancy Market Diagnostic Study

Final Report

2nd December 2014

civitta
bridging the gaps

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Executive Summary

Civitta Eesti AS team performed the study commissioned by The European Bank for Reconstruction and Development (EBRD) during June-November 2014 in order to assess the consulting sector in Estonia. The primary conclusions were the following:

- The key financial indicators of the Estonian consulting service industry are the following:
  - 10 067 companies registered in Estonia with 21 680 employees at the end of 2012 under the sector description EMTAK (NACE) section M: "Professional, scientific and technical activities" - overall turnover of the entire sector 1 489 million EUR (Statistics Estonia). Average firm size is 2.2 employees per firm and average turnover of 56 871.6 EUR per employee.
- The team carried out a detailed survey of the sector, sending out invitations to 524 firms with 112 responses, which demonstrated together with interviews and focus group discussion the following trends in Estonian consultancy sector:
  - Majority of consultancies are small, one-man (self-employed) firms, making Estonian consultancy sector highly fragmented with service providers working primarily in generalist sectors.
  - Growth of the entire sector over 2011-2013 has been mostly stagnant with slightly reducing total turnover and 90 per cent of the firms do not plan to grow in terms of headcount or do so only marginally (increase of max 1 person / year). There have been no recent major acquisitions nor takeovers.
- A small fraction of Estonian firms (19 respondents) have been active in the tenders of international financing institutions. Some of them (4) have been successful in constant bidding. However, most consulting firms do not consider bidding for EBRD because:
  - Majority are not willing to take up consulting projects exceeding the budget of 200000 EUR.
  - Most firms do not have previous practice of working as part of consortia.
- At the same time, several respondents demonstrated interest in bidding for EBRD projects in the future provided that:
  - There would be a dedicated training programme for skills building;
  - There would be an assisted attempt to establish a cluster of consulting firms to create bidding consortia with the assistance of one of the non-governmental organizations (e.g. Estonian Consultants Association or Estonian Service Industry Association).

Introduction

The European Bank for Reconstruction and Development (EBRD) is an international financial institution (IFI) that supports projects from central Europe to central Asia and southern and eastern Mediterranean. A sustainable and commercially viable local consultancy market **is a strong transition indicator of a developed market economy.**

In this regard, the EBRD supports economic transition by **developing sustainable consultancy service markets** in the EBRD countries of operation (pre- and post-graduation). The local **consultancy markets' ability to provide services** at first in neighbouring states and subsequently in an international environment is an important element of that transition process.

The Government of Estonia (GoE) and the EBRD agreed **to assess the state of the Estonian consultancy market and to identify and implement consultancy market development activities.** Based on the initiated study findings, **specifically tailored activities** are expected to contribute to the development of **a sustainable and commercially viable Estonian consultancy market** by focusing on opportunities and gaps of the supply and demand- of consultancy services on three levels**:**

Micro	▪ Address professional gaps by capacity building courses for Estonian consultants. ▪ Raise awareness of Estonian consultants on EBRD consultancy opportunities and the applicable EBRD procurement rules.
Meso	▪ Policy dialogue with the Estonian authorities and key stakeholders to foster the development of strong Estonian consultancy association(s).
Macro	▪ Policy dialogue with the Estonian authorities to improve the legal, regulatory and procedural operating environment for consultants in Estonia.

This study is expected to:

- aid Estonian consultants to identify areas for business, professional and technical development;
- adjust Estonian consultants long- and medium-term business strategies;
- improve Estonian consultancy companies` performance in regional and international consultancy assignments awarded by the EBRD and other international financial institutions;
- assist in the development of consultancy associations and their effectiveness in the representation of their members' interests;
- remove any legal or regulatory bottlenecks of an effective consultancy services market.

Current report presents Estonian consultancy market statistical overview along with recommendations for MDAs. In addition, for first overview of **some of the previous surveys results** on Estonian consultancy market are presented to get a better understanding of the market.

The present report has been compiled by Civitta Eesti AS team during **June-November 2014**:

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1. Background of the Study

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Phase 1: Data collection

- **Desktop research** (incl. previous studies and analysis, statistical databases, published reports);
- Compiling a **list of consultancy companies** operating in different sectors in Estonia;
- **Information and data requests from key stakeholders** (incl. GoE, ministries, associations, organisations, consultancy companies or equivalent);
- Conducting **in-depth interviews** (incl. GoE, ministries, associations, organisations, consultancy companies or equivalent);
- Analysing **data gathered through conducted web-based survey** in phase 3;
- Involving **experts from Civitta** for validating gathered information.

Phase 2: Concept for Estonian consultancy market survey

- **Compiling the web-based survey concept**;
- **Preparations** for carrying out the web-based survey;
- Involving **experts from Civitta** for reviewing and testing the survey.

</td><td>Described in the “Interim Report” submitted on 19th September 2014.</td></tr>
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Phase 3: Carrying out Estonian consultancy market web-based survey, data assessment and recommendations

- **Launching the web-based survey**;
- Implementing **supportive activities**;
- **Processing gathered data**;
- Conducting **additional in-depth interviews** (incl. consultancy companies associations, organisations or equivalent);
- **Analysing structured data**;
- **Developing specifically tailored MDAs** for developing Estonian consultancy market based on study results;
- Involving **experts from Civitta**;
- Carrying out **focus group interview** to discuss and complement proposed MDAs.

Phase 4: Presentation of key findings and recommendations

- Compilation of the **final study presentation** on key findings and recommendations for MDAs;
- Compilation of the **final report.**

</td><td>Focus of the present report.</td></tr>
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2. Estonian Consultancy Market

2.1. Consultancy Market Segments

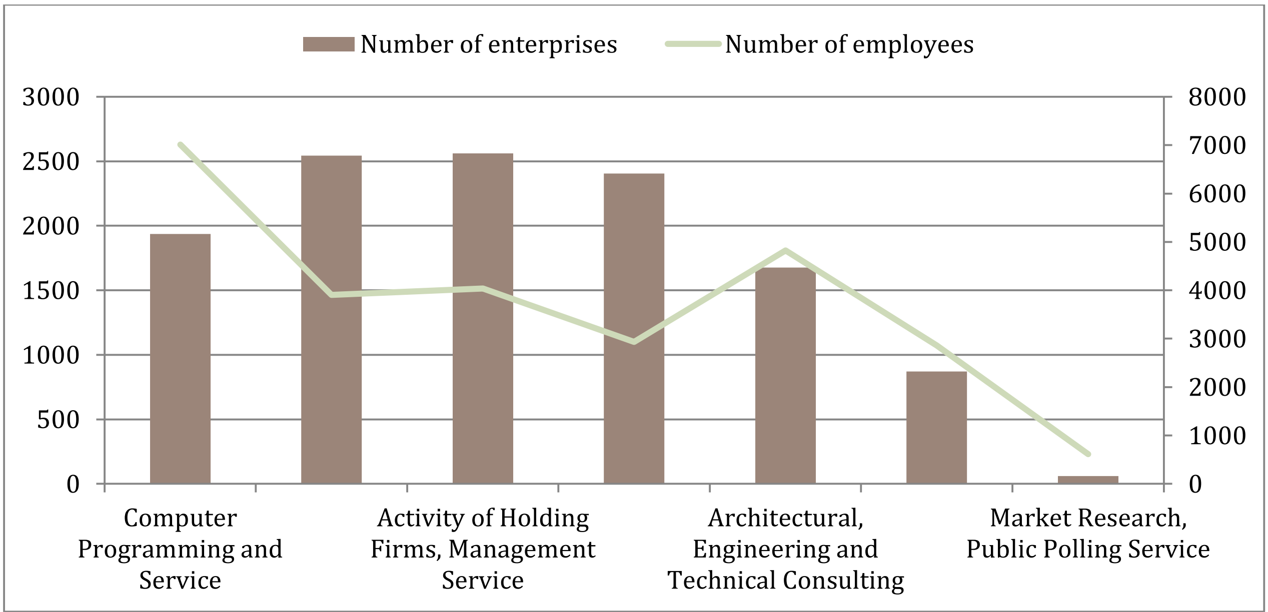
Current paragraph gives **an overview of Estonian consultancy market**. As consultancy and advisory services are a wide term that cover a multitude of sub-sectors, we have concentrated in the present study in the **companies having expertise and providing services in following fields.** The fields of specialization were selected in an inclusive manner to reflect the primary services procured by the EBRD in different international projects:

- accounting;
- corporate governance;
- support to SMEs, incl. SME finance;
- finance;
- human resources;
- information technology;
- legal;
- marketing;
- organization, general and change management;
- production;
- sales;
- engineering and architecture;
- EU project management and financing.

There were in total approximately 12 000 consultancy companies registered in Estonia, who were identified with more than 26 000 employees in 2012 by data published by Statistics Estonia operating in the consultancy sector segments above. Of this, we excluded a number of sub-sectors, which did not fell under the classic consulting sector. This includes wide spanning fields of: M72 – scientific research, M73 – advertising, M74 – professional design and photography, translation and interpretation and M75 – veterinary support service activities.

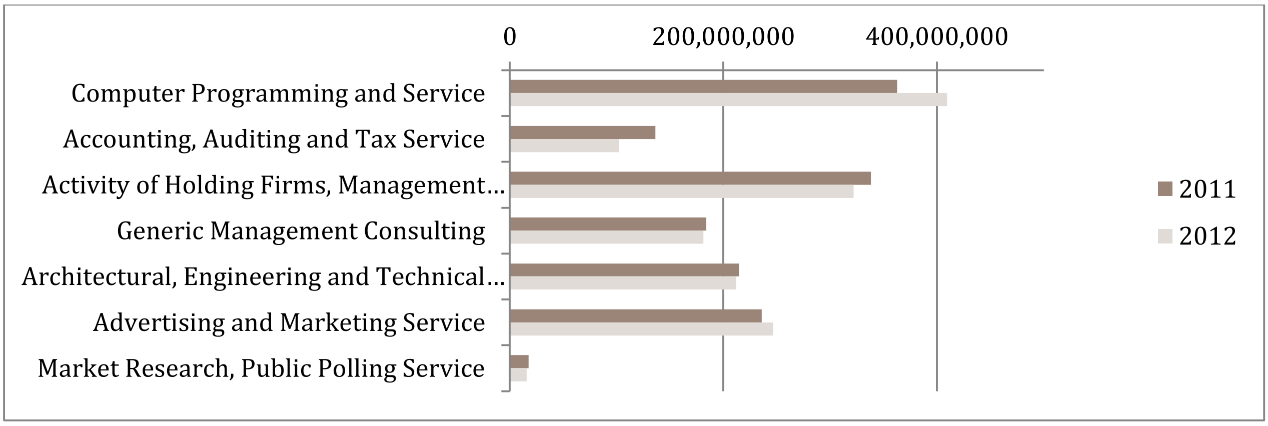
As a result, we identified that Statistics Estonia had **10 067 companies registered in Estonia with 21 680 employees at the end of 2012 under the sector description EMTAK (NACE) section M: "Professional, scientific and technical activities"**.

Graph 1. Number of consultancy companies and employees in 2012 by sectors (Statistics Estonia).



Statistics Estonia suggests that the overall turnover of the entire sector in Estonia for 2014 is **1 489 million EUR** and majority of this is related to computer programming and to activities of holding firms, which provide bulk of the value of the sector.

Graph 2. Overall consulting sector turnover in 2011 and 2012 in EUR (Statistics Estonia).



Averaging the data above, it is possible to conclude that the **average of consulting service sector firm size is 2.2 employees per firm** and **average turnover of 56 871.6 EUR per employee.** Hence, majority of **consultancies are small, one-man (self-employed) firms**, which narrow scope and client base. For example, there are hundreds of self-employed accountants, who are classified as finance consultancies that merely provide accounting services for 4-5 businesses.

Also the average turnover per employee is usually in line with average salaries in the respective sector, which means that usually they do not create much additional value compared with regular employment and that turnover primarily reflects personnel costs.

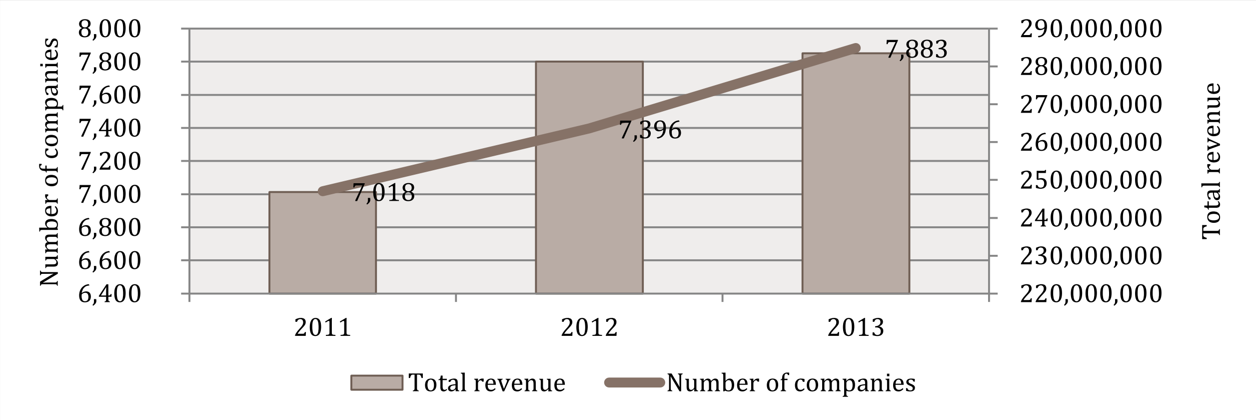
Table 1. Average number of employees and turnover per employee.

Sector	Average employees per firm	Average turnover per employee (EUR)
Computer Programming and Service	3.6	58 409.7
Accounting, Auditing and Tax Service	1.5	26 180.4
Activity of Holding Firms, Management Service	1.6	79 767.4
Generic Management Consulting	1.2	61 796.7
Architectural, Engineering and Technical Consulting	2.9	43 889.8
Advertising and Marketing Service	3.3	86 242.1
Market Research, Public Polling Service	10.1	25 578.6
Sector average	**2.2**	**56 871.6**

In comparison, Äripäeva Infopank statistics provide a more focused approach to Estonian consultation sector (by excluding IT, holding firms etc.) and provide thereby a more detailed data on firms that are actively in business reveal that there were almost **7 400 consulting companies** in the sector in **2012**. It is interesting, as the same source provides information that over years 2011-2013 there were in average only **3 300 employees** working in the sector, which is twice less than number of companies in the same period. This confirms that many of the firms listed above by Statistics Estonia are not actively operational. In terms of overall turnover across those sectors, it is displayed below.

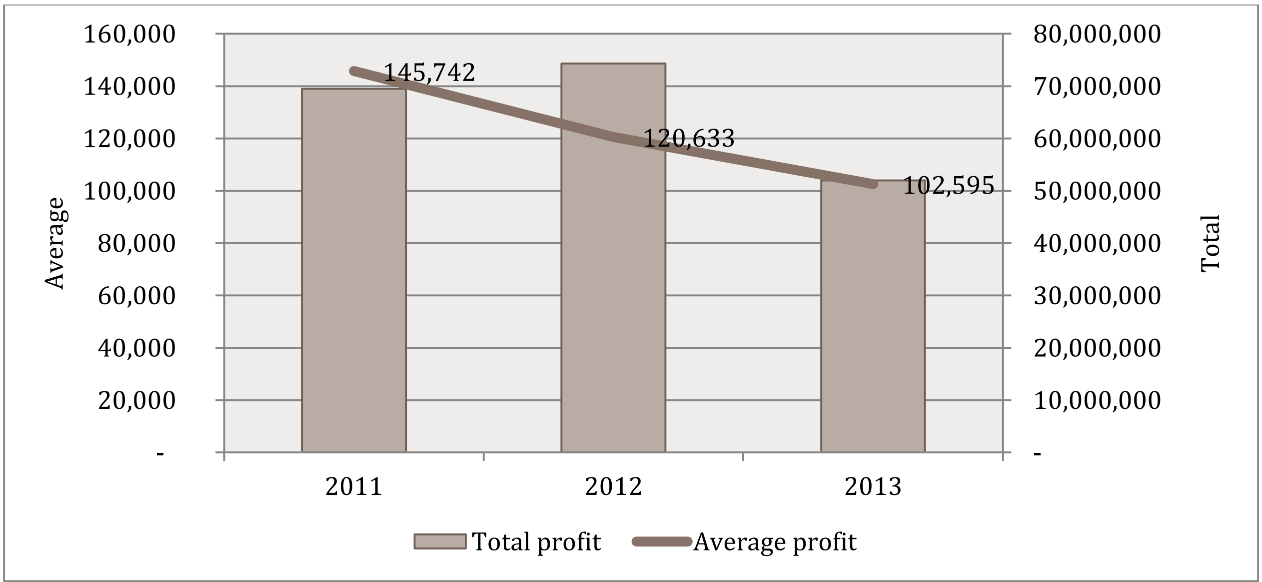
Following graph presents a narrower take on operational and specialised management consultancy companies' turnover in 2011 and 2013. Äripäev database suggests that consultation sector total revenue in 2012 was 280 million euros.

Graph 3. Number of companies and revenue (EUR) in management consultation sector (Äripaev).



Following graph shows that while total revenue and number of companies increased during this time-span, **profitability decreased in period of 2011-2013**, even though total revenue increased.

Graph 4. Average profit (euros) and total profit (euros) in consultation sector in 2011-2013 (Äripaev).



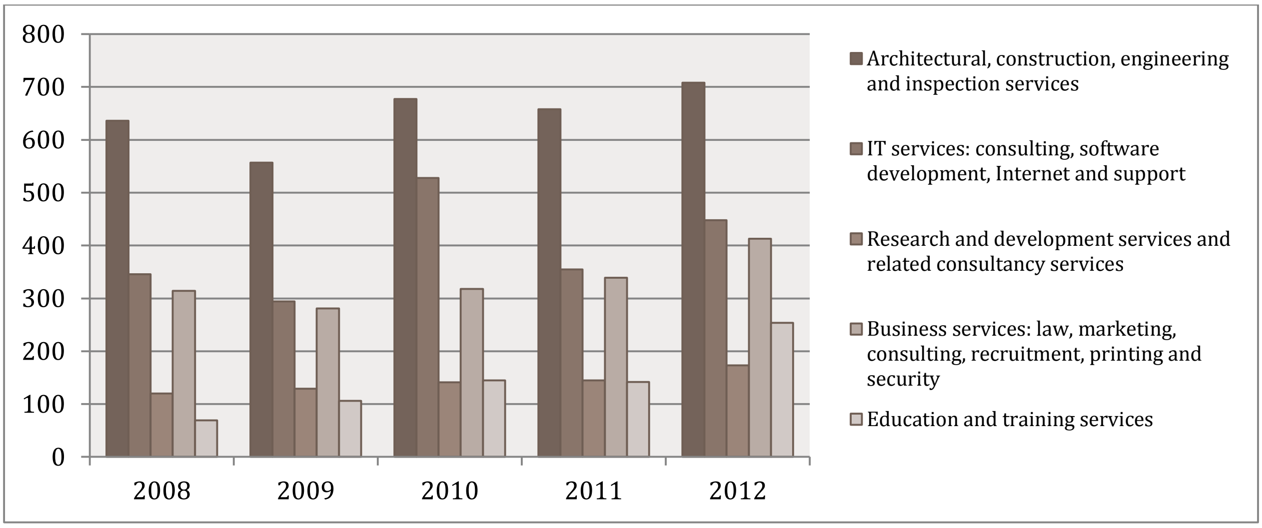
In general, **the overall figures representing the trends in Estonian consultancy market do not show major fluctuations.** While the figures above present the overall trends, the detailed information about the particular sample will be described below in the next chapter as a summary of survey results.

2.2. Demand for Consultancy Services

Demand for Consultancy Services in Public Sector

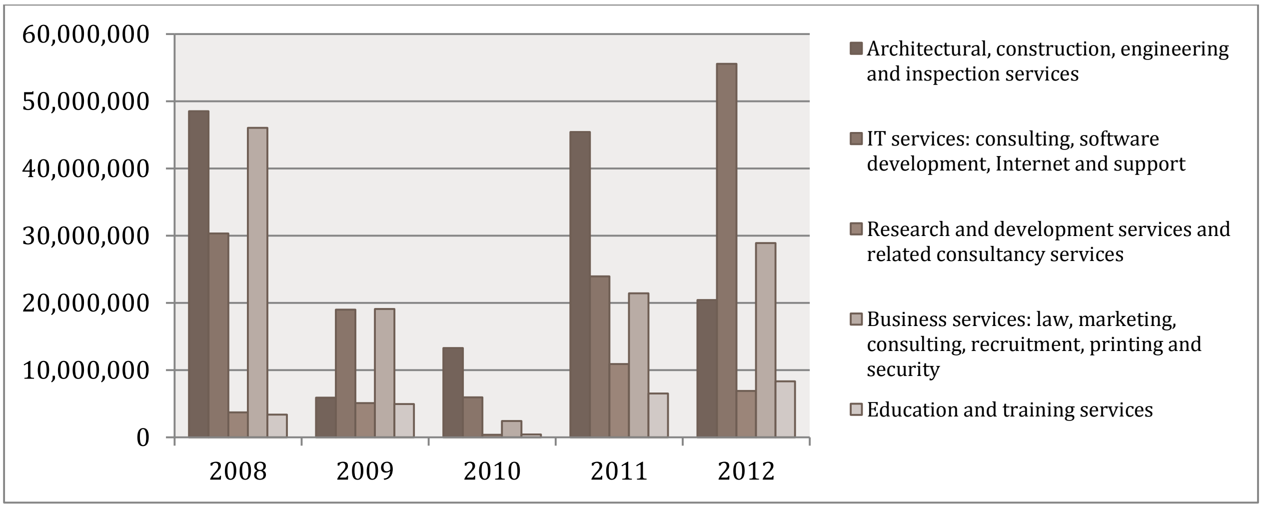
Estonian **public sector has been actively using consultancy services.** Following graph presents total number of consultancy services procurements by public sector in the period of 2008-2012. At the time of drafting this report, the statistics for 2013 was not published yet, which is why the data series end with the figures from 2012. Demand for different **consultancy services in means of amount of procurements** has slightly increased from 2010. It is mentionable that in 2010 number of procurements for research and development services grew significantly. **Total number of consultancy services procurement call for tenders was 8 296**.

Graph 5. Total number of public procurements in 2008-2012 by different consultation services.



Total cost of public sector procurements of different consultation services in 2008-2012 is presented in following graph. Total cost over the period was approximately 435 million euros.

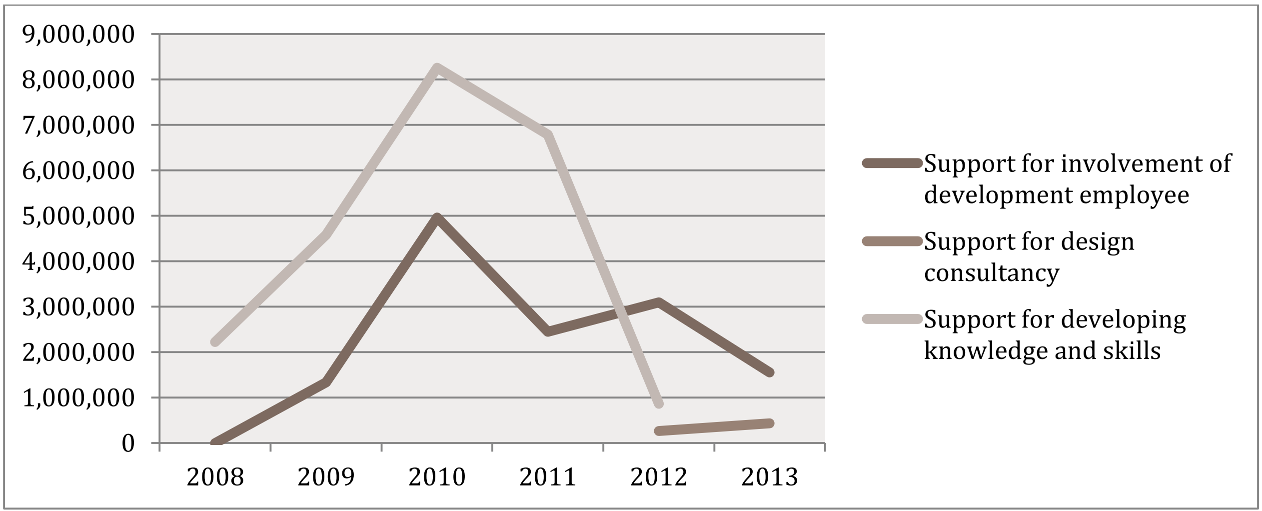
Graph 6. Total cost of public procurements in 2008-2012 by different consultation services.



Domestic demand for consultancy services in private sector

Private sector demand for consultancy services can be estimated **through results received from web-based survey** and in addition **by EAS support given to companies connected with use of consultancy services.** It must be stated that there is **no public database or other reliable source about private sector costs for external consultation.**

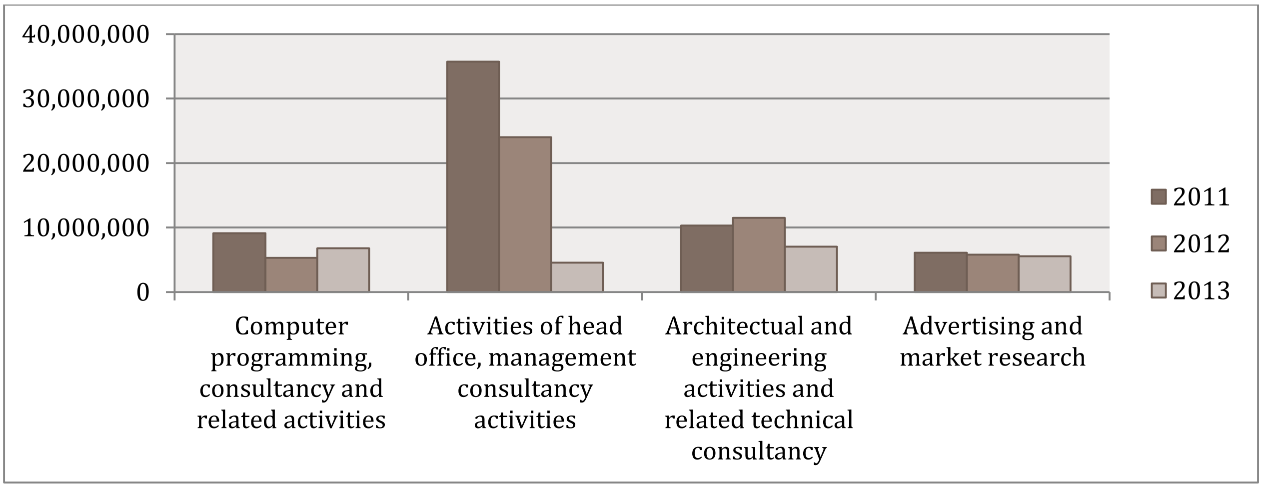
Graph 7. Total amount of support given to companies by EAS linked to demand for consultancy services by private sector.[1]



International public sector demand for consultancy services

Consultancy companies from **Estonia have not been in general active in participating in international procurement and bids** of consultancy services by IFIs or equivalent. Following graph presents data on **Estonian export of different consultation services in period of 2011-2013.**

Graph 8. Export of consultation services in years 2011-2013 (Statistics Estonia)



Last graph reveals that there has been **significant decrease** in export of "activities of head office, management consultancy activities", which is related to moving the headquarters of several large

[1] Enterprise Estonia; http://www.eas.ee/et/eas/sihtasutusest/toetatud-projektid/toetatud-projektid-alates-2004a-aprill

companies outside Estonia, which is not a traditional consultancy service anyway. At the same time, other service export articles more closely related to consultancy export, have maintained the level of export figures more or less at the same level.

Next graph aims to cover **Estonian consultancy companies' activity of participating in international procurements by IFIs** for consultancy services. As detailed information about the tenders is confidential, only estimation on companies' historical activity can be done.

Table 2. Overview of Estonian consultancy companies activity in international procurements by chosen IFIs.

IFI`s name	Description/data for period of 2008-2013
EBRD	Consultancy contract awards in period of 2008-2013 were in total 18 in total contract value 439,381 euros. Expressed interest 2 (1) and contracts awards 0 (1) in 2011 (2010) (open competition).[2] 1 company shortlisted in 2012.[3] **Conclusion:** low activity of companies participating in procurements.
UNGM	No detailed data available. Confidential information. Statistical overviews[4] do not reveal information about Estonian consultants' international activity. **Conclusion:** presumably low activity of companies participating in procurements.
World Bank	No detailed data available. Confidential information. Statistical overviews[5] do not reveal information about Estonian consultants' international activity. **Conclusion:** presumably low activity of companies participating in procurements.
EuropeAid	No detailed data available. Confidential information. Statistical overviews[6] do not reveal information about Estonian consultants' international activity. **Conclusion:** presumably low activity of companies participating in procurements.
IFAD	No detailed data available. Confidential information. Statistical overviews do not reveal information about Estonian consultants' international activity. **Conclusion:** presumably low activity of companies participating in procurements.
Nordic Development Fund	The EIB does not keep statistics on procurement by their promoters on contracts awarded by nationality.[7]

[2] Annual Report – Engagement of Consultants in 2010, 2011, 2012.
[3] http://www.ebrd.com/downloads/procurement/CSU/2012/2012-12-31.pdf
[4] https://www.ungm.org/Areas/Public/Downloads/ASR_2013.pdf
[5] http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,pagePK:84271~theSitePK:84266,00.html
[6] http://ec.europa.eu/europeaid/work/funding/beneficiaries_en.htm
[7] http://www.eib.org/projects/cycle/procurement/index.htm?lang=-en

IFI`s name	Description/data for period of 2008-2013
	Conclusion: presumably low activity of companies participating in procurements.
Nordic Investment Bank[8]	No detailed data available. Confidential information. Statistical overviews do not reveal information about Estonian consultants' international activity. **Conclusion:** presumably low activity of companies participating in procurements.

2.3. Legal and Regulatory Framework for Consultants in Estonia

Consultants and consultancy companies in Estonia **are operating in the market by principles and laws** (e.g. Value-Added Tax Act[9], Employment Contracts Act[10]) **that any other company has to follow** regardless of its field of business. In means of taxation, there is also no differentiation.

Contractor must be aware if a private individual person is registered as self-employed, when subcontracting services from an individual. If the person is self-employed and providing consultancy service is his/hers entrepreneurship revenue, then contractor does not have pay income tax (TuMS § 40 lg 2 p 3) and social tax (SMS § 9 lg 1 p3). If the person is not self-employed or providing consultancy services is not his/hers entrepreneurship revenue, then contractor is required to withhold income tax based on TuMS § 40 lg 2 p 3 and it applies to all type of contracts.

There are different **registration/certification requirements** or equivalent**,** which must be accredited to consultants or consultancy companies **operating in a specific field. ISO 9001: 2008** is one of the most common certificates owned by the leading consultancy companies in Estonia. Estonian Qualification Authority`s **state register of occupational qualifications** reveals following standards that can be linked to consultants profession:

- Adviser, level 5, Adviser, level 6;
- Project manager assistant, level 5, Project manager, level 6, Senior project manager, level 6, Project portfolio manager, level 7;
- Professional standard (consultant), level 6; Professional standard (consultant), level 7;
- Quality manager, level 7; Quality specialist, level 5; Quality specialist, level 6;
- Authorized architect, level 7; Authorized architect-expert, level 8;
- Accountant, level 5; Senior accountant, level 6; Leading accountant, level 7;
- Legal adviser, level 7;
- Information and telecommunication technology senior specialist, level 6; Information and telecommunication technology engineer, level 7; IT manager, level 7; IT-systems junior specialist, level 3; IT-systems specialist, level 4; Software development engineer, level 7; Software development senior specialist, level 6.

However, none of these certification or qualification statements are obligatory to consulting firms nor individual consultants. Only in very rare occasions have the tenderers or bidders specified this as a precondition for qualifying the experts for projects.

[8] http://www.nib.int/
[9] https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/509072014002/consolide
[10] https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/530102013061/consolide

Procurement Policies, Rules and Procedures for the Engagement of Consultants

Engagement of consultants **is not regulated differently** than procurement of any other "services/ goods" or "works" in Estonia. Private companies can buy **consultancy services regardless of cost and purpose with no specific restrictions.** Usually companies just have to follow their internal procurement arrangements, which set the rules for procurement process.

In comparison, **the public procurement (PP) procedures regarding engagement of consultants**, the rights and obligations of subjects involved in public procurement, the procedure for the exercise of state supervision and for the settlement of appeals, and the liability is provided by the **Public Procurement Act**[11]**, which is fully harmonised with European Union** *acquis communautaire*. In organising PPs the **transparent, purposeful and economical use of the financial resources of the contracting authority, the equal treatment of persons and the effective use of existing competition in public procurement shall be ensured.**

Estonia has established national thresholds below EU thresholds[12] for the classical sector (incl. consultancy services), which are presented in following graph. Publishing of PP notices below the international thresholds is compulsory and these contain the same information as for PP above the international thresholds. PP below national thresholds must also follow requirements for transparency. Publication of the contract notice and contract award notice in Public Procurement Register is obligatory in case of **supplies and services contracts with the value above 10 000 euros and public works contracts with the value above 30 000 euros.** The public sector organisations are bound to request for three competitive offers in case the purchase exceeds 5 000 EUR. Below this threshold the organizations may opt for a single purchase.

Table 3. National thresholds in classical sector since 01.01.2008.[13]

Object	Publication obligations	Cost
Goods & Services	Contract notice and contract award notice in PP Register	10 000 EUR
Works		30 000 EUR

In general **main criteria and requirements for engaging consultants and consultancy companies are**: **1)** consultants work experience in years / years of company has operated in the market; **2)** consultants focus on specific field (e.g. business consultancy, business plans and feasibility study, production management, corporate finance); **3)** possession of a certificate (e.g. ISO) / registration (e.g. consultants registered in ECA database) by a company or consultant; **4)** previous work and strongest references; **5)** referees, **6)** consultants level of education (preferably higher education) and **7)** cost of the consultancy service (cost-effectiveness).

Tender Databases

Estonian public sector organizations use a portal for public procurement activities by all public sector institutions (including ministries, government agencies, local municipalities, state-owned

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[11] http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=XXX0005K6&pg=1&tyyp=X&query=riigihangete&ptyyp=RT&keel=en
[12] https://riigihanked.riik.ee/lr1/c/document_library/get_file?p_l_id=29512&folderId=25636&name=DLFE-27901.pdf
[13] https://riigihanked.riik.ee/lr1/web/guest/riigihanke-piirmaarad-ja-tahtajad

enterprises) at https://riigihanked.riik.ee and all the bidders may participate in public bids fully electronically.

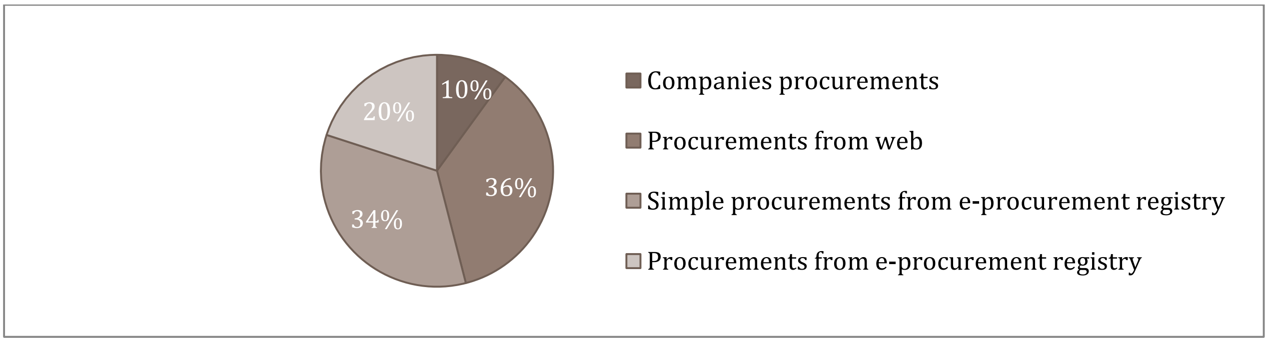
As a result, there exists a single **national tender database for contracting authorities for organising public procurements and for tenderers.** The environment consists of an information portal where all relevant procurement information is gathered and of a **"Procurement Register"** through which contracting authorities can publish procurements (**incl. for consultancy services**) and tenderers can participate therein. E-procurement environment provides also an opportunity to access documentation of completed procurements under statistics section.

As the bidding system provides a one-stop shop with a full overview of all public bids. This means that both procurement and appeals process work in a transparent and effective manner.

Graph 9. Screenshot of e-procurement portal at https://riigihanked.riik.ee.

In addition, **e-procurement environment by a private sector provider Mercell** is used for some more procurements. Mercell presents information about both **private as well as public sector procurements.** Share of procurements in Mercell in 2013 is presented in next graph. Majority of the bids represented in Mercell system are merely a copy of public sector e-procurement registry.

Graph 10. Share of procurements in Mercell environment in 2013 from http://ee.mercell.com



Information about consultancy opportunities

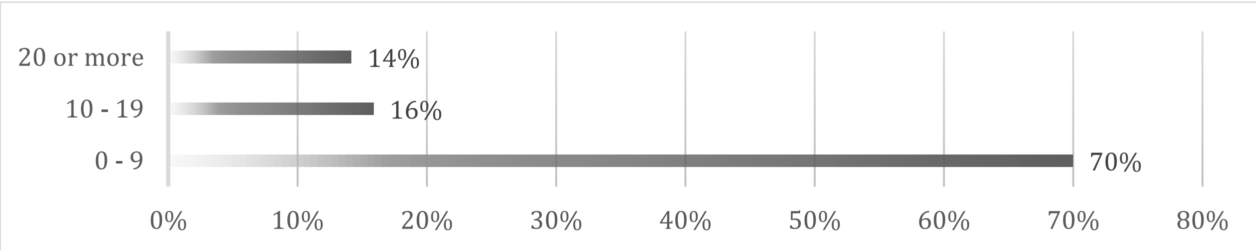
There are **no detailed public sources** for information about forecasts and/or actual expression of interests for consultancy services in long-term. Information about future demand and prognosis is **mainly shared mouth to mouth** between consultancy companies and potential clients. '

3. Web-Based Survey

3.1. Sampling and Analysis of the Pre-Survey Data

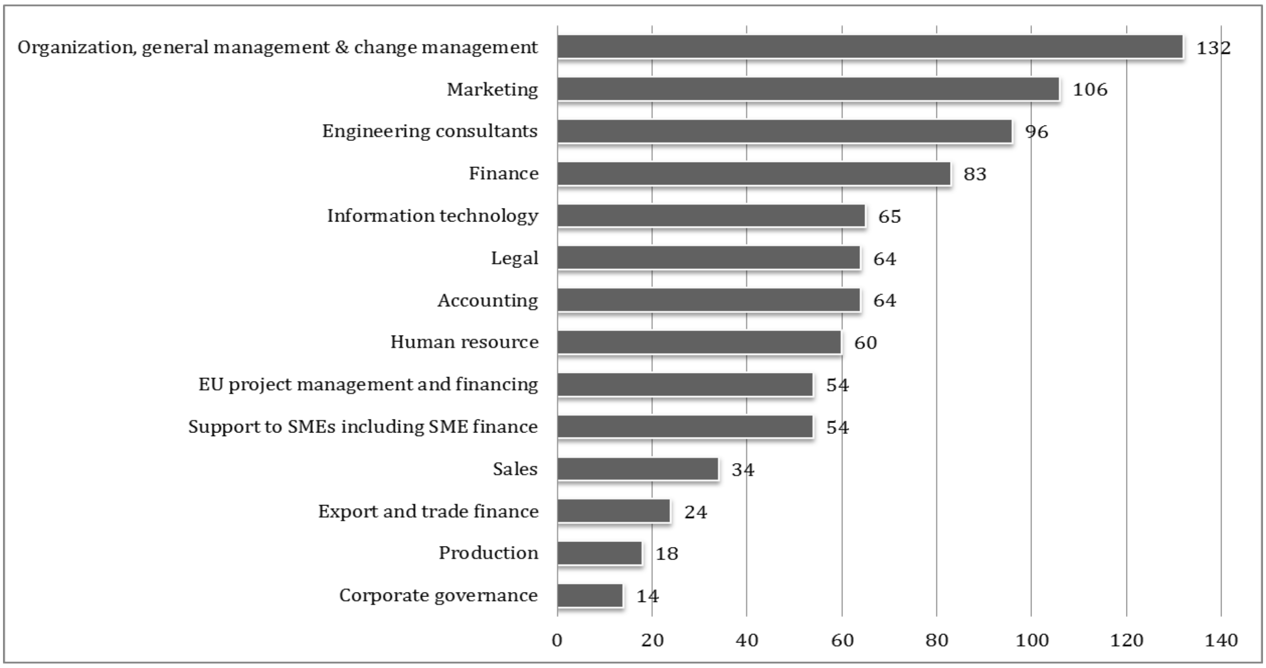
Of this sample presented above, a thorough desk research was carried out prior to commissioning of the survey. Invitation for participation in the survey was sent to a **sample of 524 consultancy companies.** Following graph presents **share of chosen companies by size measured in number of employees** in the sample. Compilation of the representative sample confirmed the fact, which was also highlighted before, that the **Estonian consultancy companies are mainly small companies with less than 10 employees.** Share of companies with “10-19 employees” or “20 or more employees” is more or less equivalent (16% vs 14%).

Graph 11. Share of companies by size (number of employees) from 524 gathered contacts.



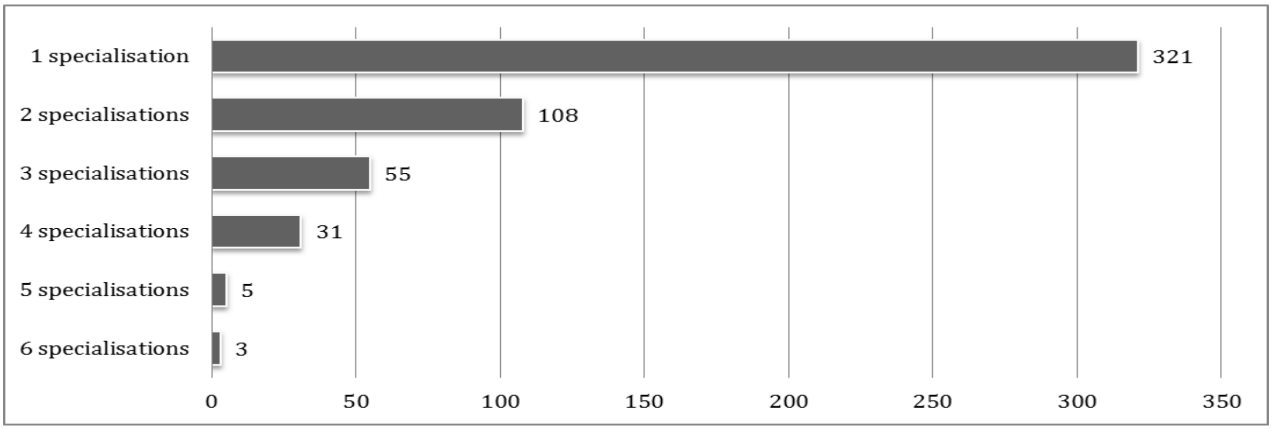
The company profiles were assessed to categorise the companies. **By far the largest categories were general management, marketing and engineering consultants.** Next graphs illustrate share of different expertise over companies chosen into the sample. As companies may have multiple fields of specialization then the overall sum is larger than 524.

Graph 12. Share of expertise over total number of companies in the sample.



However, most organisations had included "general management" as one of the side specialisations they provided as generalists.

Graph 13. Number of specializations of companies in the sample.



When we looked at the source data prior to carrying out the interviews and analysed correlation between the firm size, firm specialization areas and the particular fields of specialisation then we identified that interestingly **there was no correlation between firm size and the number of specialization areas.**

While one might presume that larger firms could be more diversified across the number of different areas of specialization and smaller firms or one-man consulting boutiques might be more specialized **in a particular field of business that they are proficient in.**

There was a mildly negative linkage between smaller firms having only one field of specialization. **This means that in case of companies of less than 9 employees there exists the least likelihood of specialization to focus on a single field of activity.** In that case it is possible to conclude that the smaller firms are more likely to be risk averse and specialized in 2, 3 or 4 fields of specialization, while bigger firms don't display any propensity for different number of specialization.

Table 4. Correlation between number of specializations and number of stuff.

Number of different fields of specialization of consulting firm	Number of staff		
	20 or more	10-19	Up to 9
6	-0.03	0.04	-0.01
5	0.02	0.01	-0.02
4	-0.01	-0.04	0.04
3	-0.03	-0.03	0.05
2	-0.04	-0.05	0.08
1	0.06	0.08	-0.11*

We also did pre-survey analysis of correlation between the actual fields of specialization. **It looks like the following categories tend to be employ fully specialized consultants,** whose field of specialization does not correlate with any other activities or is even sometimes strongly negatively correlated with specialization in other fields of specialization:

- marketing consultants;
- engineering consultants;
- legal consultants.

In other words – those consulting firms that deal with either marketing, engineering or legal advice are not likely to be involved with any other fields of consulting activity.

Graph 14. Correlations between specialization fields.

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	**Organization, general & change management**	1													
2	**Marketing**	-0.06	1												
3	**Engineering consultants**	-0.28	-0.24	1											
4	**Finance**	0.23	-0.13	-0.21	1										
5	**Information technology**	-0.14	-0.06	-0.17	-0.17	1									
6	**Legal**	-0.14	-0.12	-0.16	-0.02	-0.11	1								
7	**Accounting**	-0.07	-0.09	-0.18	0.32	-0.09	0.11	1							
8	**Human resource**	0.09	-0.11	-0.17	-0.14	-0.10	-0.08	-0.13	1						
9	**Support to SMEs including SME finance**	0.40	-0.03	-0.16	0.33	-0.09	-0.03	0.12	-0.08	1					
10	**EU project management and financing**	0.50	-0.09	-0.11	0.27	-0.11	-0.09	-0.03	-0.06	0.46	1				
11	**Sales**	0.06	0.10	-0.13	-0.05	-0.10	-0.03	-0.05	0.12	-0.01	-0.01	1			
12	**Export and trade finance**	0.04	0.09	-0.10	0.03	-0.06	-0.05	-0.03	-0.05	0.05	0.02	0.09	1		
13	**Production**	0.04	-0.10	-0.04	-0.08	0.02	-0.07	-0.04	-0.07	-0.03	0.00	-0.05	0.01	1	
14	**Corporate governance**	0.09	-0.08	-0.08	0.09	0.01	0.15	0.01	-0.06	0.06	0.06	-0.04	0.02	-0.03	1

As it can be seen on the greyed out figures on the correlation table above – **there appears to be a cluster of "generalist" consultants, who frequently combine their activities in the four fields of consulting activity that spans the following areas:**

- organization, general management & change management;
- support to SMEs including SME finance;
- finance consulting;
- EU project management and financing.

Out of 524 invitees to the survey, altogether 55 consulting firms were identified prior to the survey by ticking the boxes in those four generalist areas of specialization. When we looked at their experience, then those are primarily the consulting firms that are closely associated with implementation of Enterprise Estonia's support schemes. **Therefore, a number of consulting firms have demonstrated their strong dependence on EU Structural Funds.**

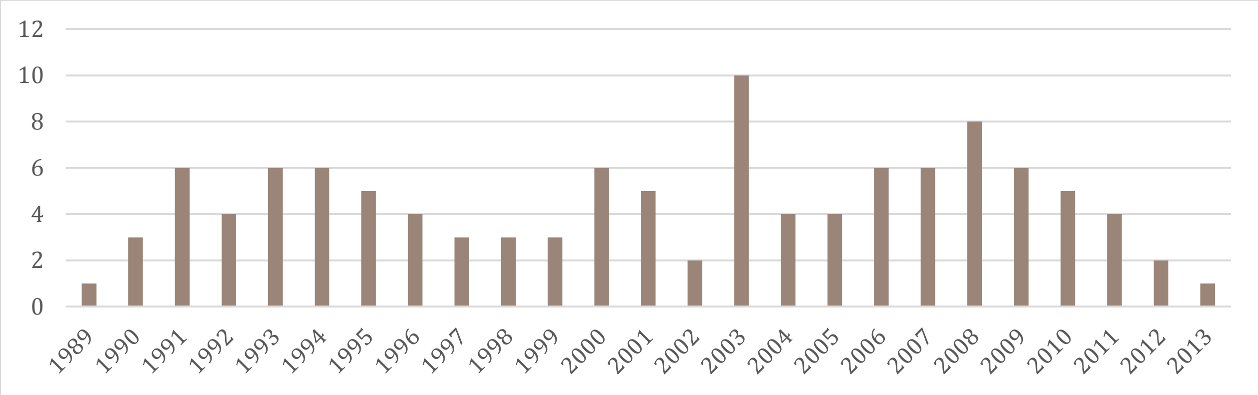
3.2. Responses – Turnover, Size and Expansion

Of 524 invitees, 106 responded by the due date. In addition, 8 respondents completed the questionnaires partially. Given that a majority of them responded to the questionnaire partially, leaving proportionally some questions unanswered at the end, we have included also their responses in the final analysis up to the stage, where they responded. We also removed 2 respondents because of unreliability of the responses (apparent filling of all the fields with random data). **This means that our statistical analysis relies on the response of N=112 respondents at the first part of the survey and N=104 at the final part of the survey.**

Tenure of the Firms

7 firms among the respondents were younger than 3 years. 107 respondents have been operational for a longer period of time. The oldest firm was founded in 1989.

Graph 15. Year of establishment of the firm.



Key Financial Indicators

Table 5. Key financial information of the respondents cutting across the years 2011-2013.

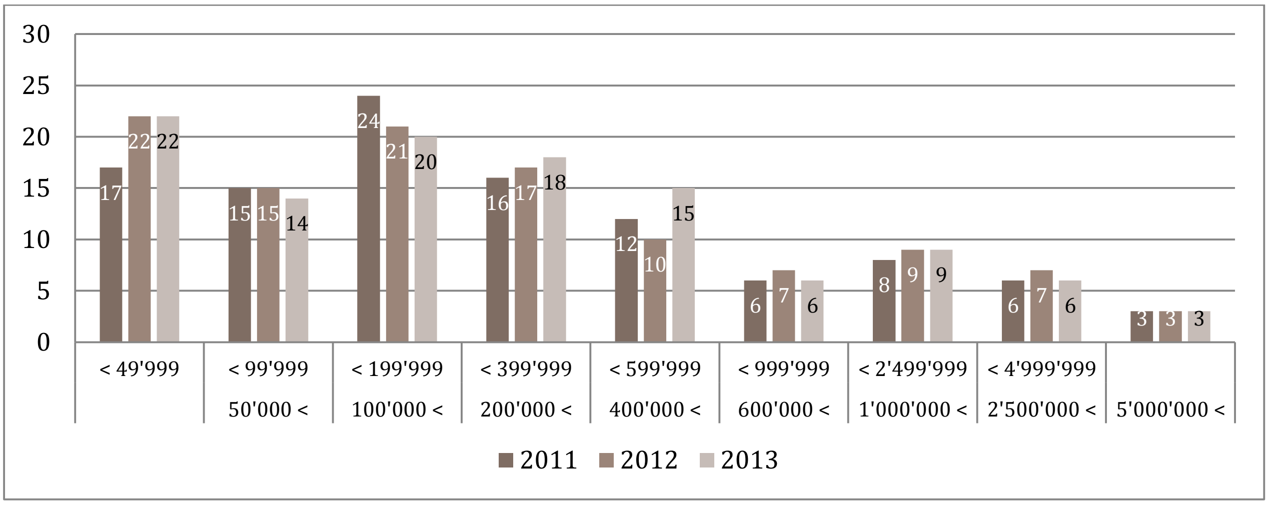
	Years		
	2011	**2012**	**2013**
Number of firms in operation among respondents	107	110	112
Total turnover of the firms (EUR)	72,096,824	69,736,318	69,565,389
Total number of employees employed by respondents	1,193	1,162	1,169
Average turnover per firm	673,802	633,967	621,120
Median turnover per firm	148,000	153,814	200,000
Turnover per employee	60,433	60,040	59,508
Estonian GDP Per capita (PPP)	9100	9500	9800

It is possible to observe that during this time both **number of employees and turnover has remained relatively stable**, which in comparison to the Estonian GDP per capita ought to have been increased.

Annual Turnover of the Firms

Also the scale of annual turnover per individual companies has remained fairly stable over the years (below). The majority of the firms are rather small – **50% respondents' annual turnover is less than 199'999 EUR.**

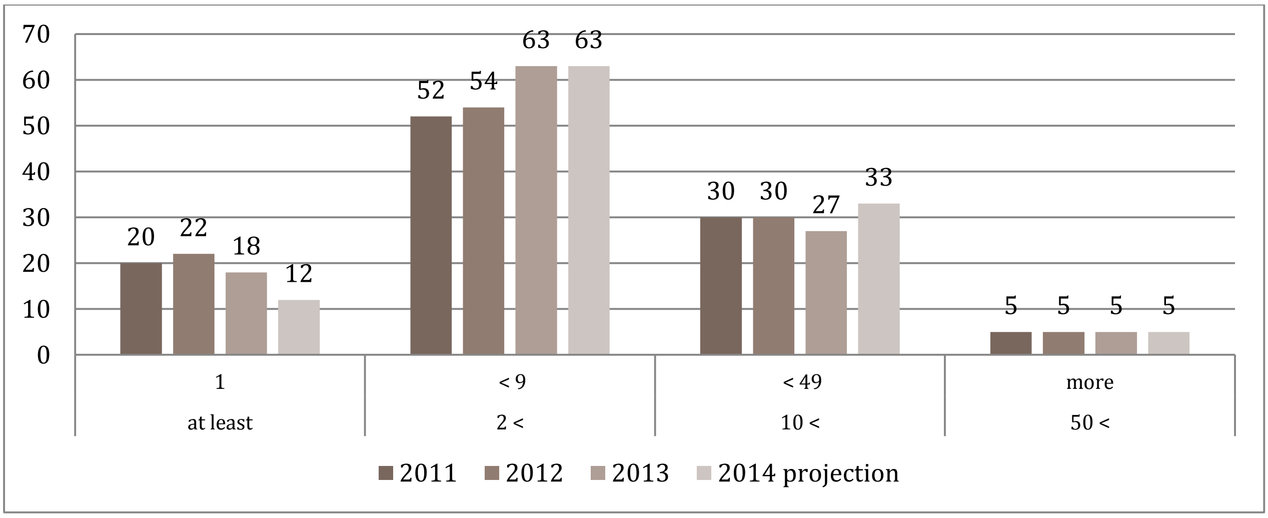
Graph 16. Respondents` annual turnover in 2011-2013.



Number of Employees

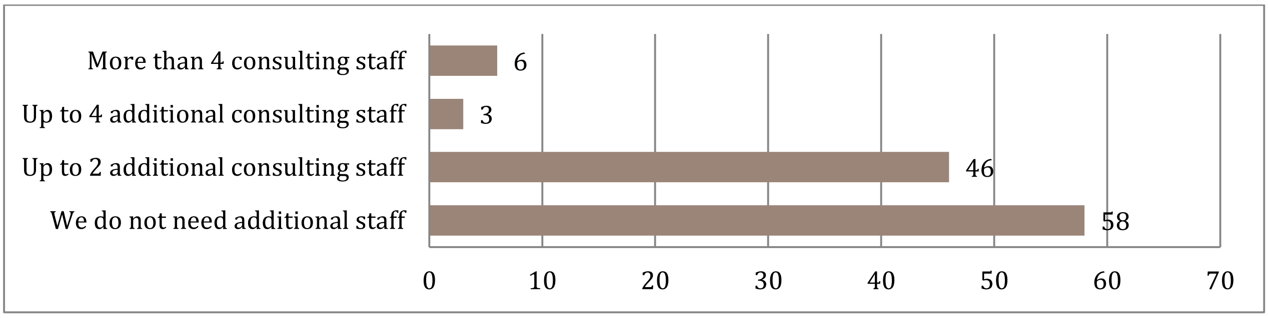
The same slow growth ratio and relatively stagnant situation may be observed, when looking at the number of employees of the responding organizations. **Majority of firms (71%) employ less than 9 staff members**.

Graph 17. Number of employees.



In terms of expansion plans, the companies are very modest. More than **51% of respondents do not plan to employ any more consultants**. 41% of respondents see the need to employ 2 more consultants and **only mere 8% of respondents are more serious about expansion** and foresee to employ more than 2 additional experts.

Graph 18. How many employees do you plan to employ compared to present?



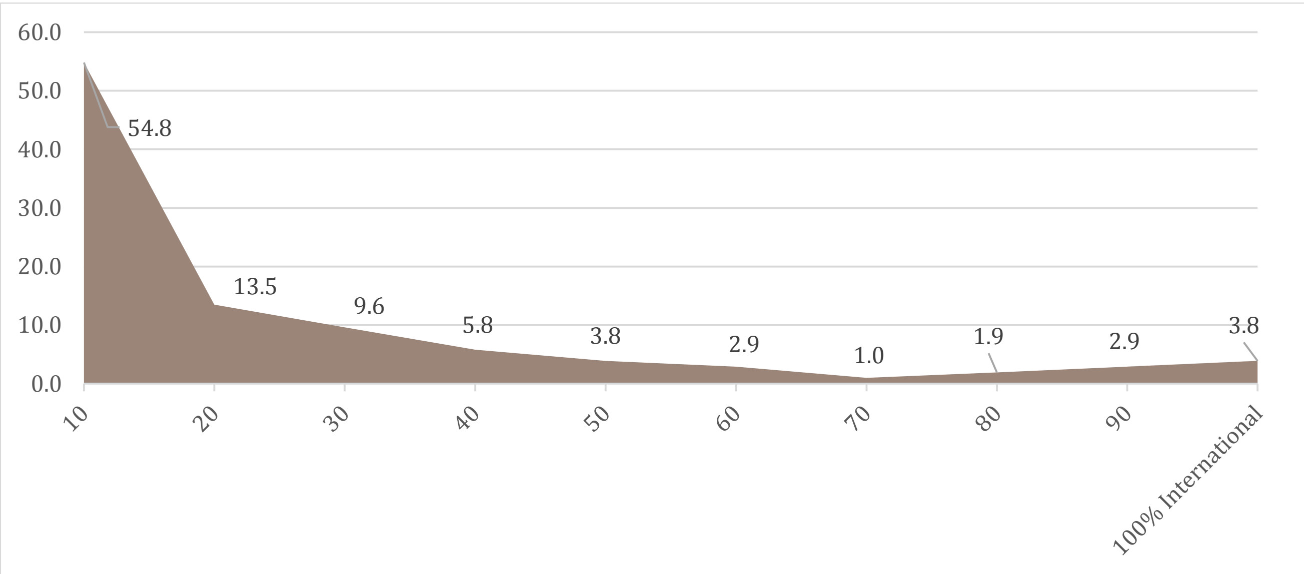
At the same time, on **Estonian consulting market there has merely a fragmented history about larger mergers or acquisition**s, which sometimes lead back to divestments:

- 1999: Acquisition of EM International with EBS Group into EBS Juhtimiskoolitus;
- 2008: Acquisition of Noman by BDA Consulting, partial divestment in 2012;
- 2005: Acquisition of Businessgrain and Deloitte, full divestment in 2009;
- 2014: Merger of Innopolis and Advisio into Civitta Eesti.

Internationalization of the Firms

The companies are also largely local. Only 8 respondents, i.e. **7% employ international consulting staff**. Of the firms, 68.3% responded that they receive at least 80% of their revenues from Estonia (including 54.8% of respondents, who work fully in Estonia). On the other hand, 9 firms (8.7% of the sample) confirmed that at least 80% of their income comes from international work.

Graph 19. Proportion of international revenues (%).



Conclusions

We therefore can conclude that the consulting market has demonstrated a **slow, linear growth rate without major consolidation**. The consulting marked in general is fragmented, most companies are small one-person firms without ambition for growth.

While in certain subsectors (legal advice, audit and engineering) the firms have grown from beyond small players to more than 30 employees, their small size is a major indicator for showing that overall the consulting sector in Estonia is at the phase of its early development with lots of relatively young and small companies around.

The companies primarily rely on local expertise. However, of sampled firms, **9 respondents (8.7% of sample) confirmed that at least 80% of their income is international work**.

When we asked later in the interviews the representatives of the largest consulting firms to identify their capability of taking up consulting projects then they mostly responded that they **usually do not invest in preparation and bidding for projects that exceed the budget of 200'000 EUR**.

They are considering in only very exceptional cases to bid for larger projects. In most cases the company representatives reasoned with their existing risk management approaches. They said that while during earlier years they had had experimented with larger teams and larger projects, they had failed to achieve significant competitive advantage to do so.

Those figures side by side proves that Estonian consulting market and those, who are willing to actively demonstrate their interest in EBRD projects by filling in the questionnaire commissioned by the EBRD are in fact small boutique consulting firms, whose turnover and staffing requirements.

One of the main reasons why the firms, who responded do not participate actively in EBRD / EU / IFI bids, there are only 18 consulting firms with annual turnover above 1 MEUR, which is frequently the ceiling for larger international contracts.

Hence, **most Estonian consulting firms are unable meet most minimum threshold levels set for shortlisting by most international organizations**.

Furthermore, with present slow linear growth model the situation is not about to change in the near future without systematic intervention.

However, at the same time a number of respondents confirmed that **they would be interested in participating in multi-company or multi-country consortia to work with larger projects, especially in international context.** A number of respondents have demonstrated strong interest towards international work (see next sections below).

3.3. Responses – Consulting Service Types and Sectors

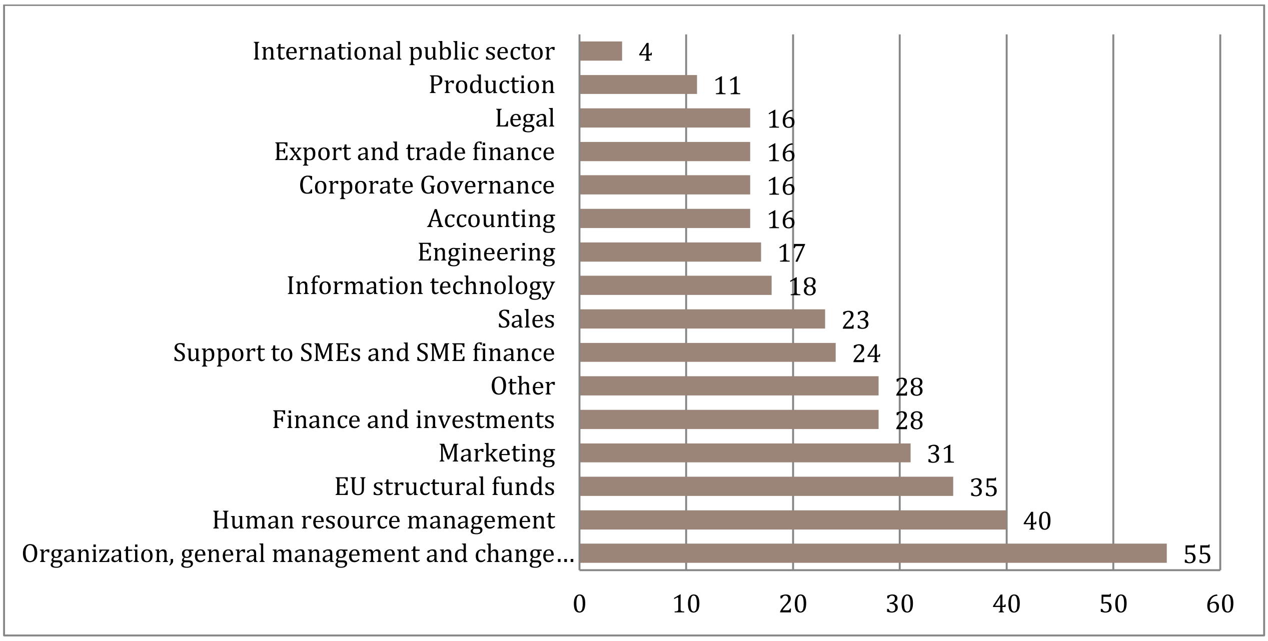
Service Type

The first question requested the respondents to check the service types that they are actively providing. Like with the raw data, the most popular was "Organization, general management & change management" with 55 replies. A substantial number also wrote "Other", with the following details:

- Architectural and planning-related services (5 respondents);
- Public sector advisory services (5);
- Teamwork, psychological and group coaching (4);
- Project management (3);
- Business technologies & business intelligence (2);
- Audit services (2);
- PR and advertising (2);
- Lean management;

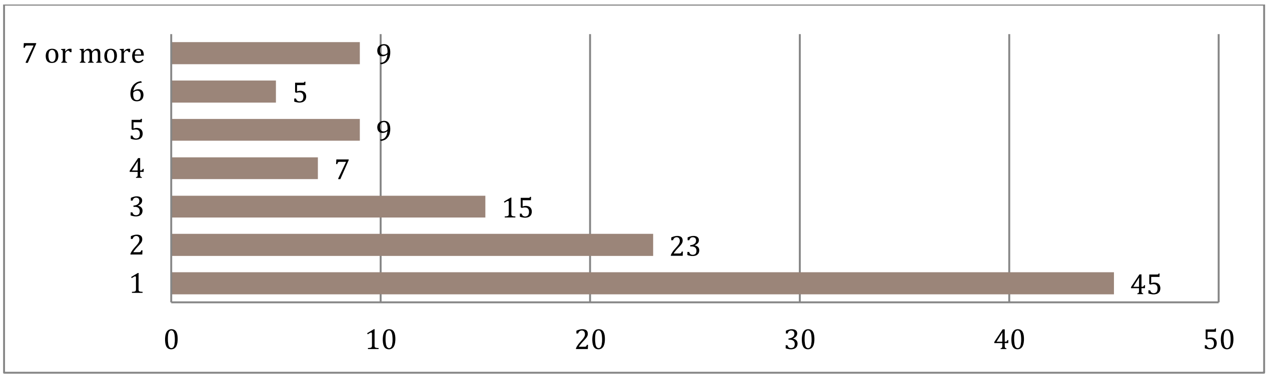
- Renewable energies;
- International collaboration.

Graph 20. Service types provided by the survey respondents.



Like with raw data, the responses confirmed that while 45 companies responded that they have specialized only in one field of activity, most companies represented generalists with nearly half of respondents confirming that they are regularly involved in activities that fall under more than 3 areas of service types and sectors of specialization.

Graph 21. Number of specializations per firm.



In more detailed cluster analysis we concluded the following:

- In addition to descriptive statistics, which **show popularity of "General management" related specialization** among respondents, we calculated correlation between types of specialization to conclude that **only two types of clearly specialized types of consultancies are engineering/ architecture and legal advice.**
- There are clear **clusters of firms that provide advice both about SME financing & EU structural funds.** This group of firms are primarily **small one-man boutique consultancies with low turnover**, who are specialized in project writing for EU Structural Funds support for small companies (start-up support, business development support etc.).

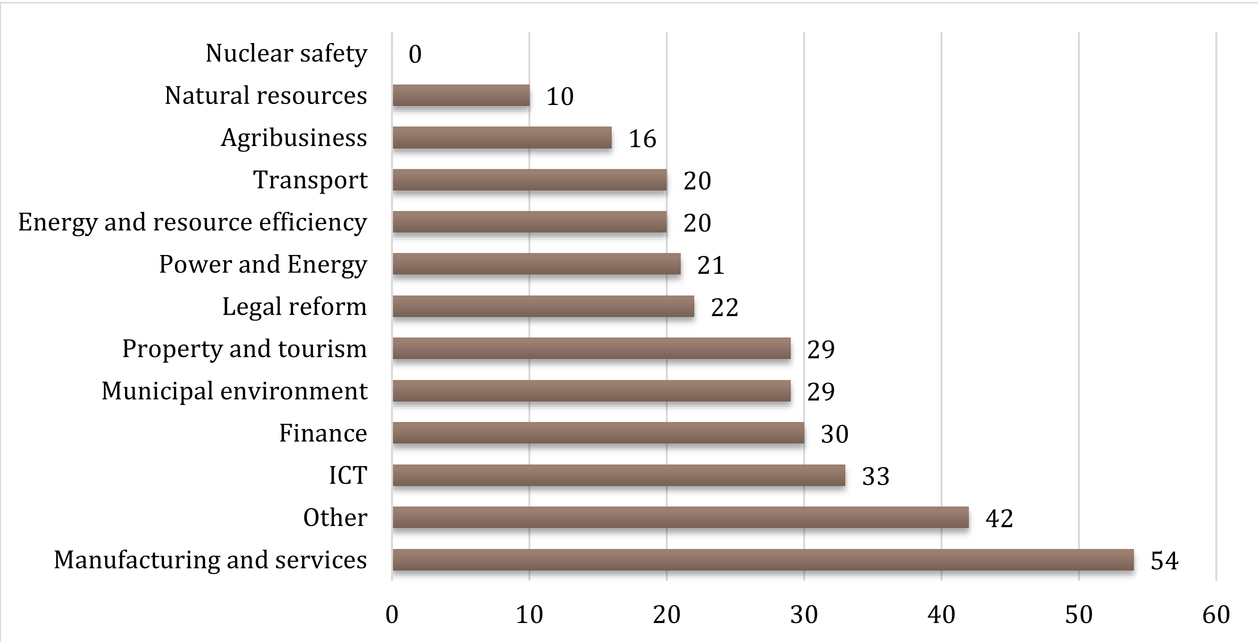
- There is also a clear **cluster of accounting & auditing firms** that also provide legal & tax advice.
- Finally, also **HRM and general management specialization** frequently works hand in hand.

Sectors

Under the second question, the respondents responded about their chosen sector based on EBRD sector classification. In this section, two respondents sent us a comment referring to **"EBRD sectors are mostly so distant from the core business areas of Estonian consultants. So it is not surprising that no Estonian consultants are involved in EBRD bids."**

Also, altogether 14 respondents did not respond at all under this question and instead wrote that they are not specialised according to any sector at all. They listed e.g.: "To us it is not important what sector the client works in. Our specialization is focused on subject areas of the development needs of their team rather than the business they are in," or: "We operate in all sectors," or: "We haven't specialized in our field of activity. We do any work that we find suitable," or: "We support the companies that want assistance to start their business. It does not matter which sector."

Graph 22. Sectors by the survey respondents.



Under the section "Other" the following was listed:

- construction and architecture (10 respondents);
- support to public sector, social sector and NGO-s (6);
- sales sector (4);
- education and R&D sector (2);
- space industry;
- biotechnology.

These two sections come to prove again that the consulting sector in Estonia tends to be strongly populated with generalists, who cover many sector areas. However, in this particular case it also appears that respondents made the selection of sectors in the survey more as a "wish list" rather than **demonstration of their actual sector experience.**

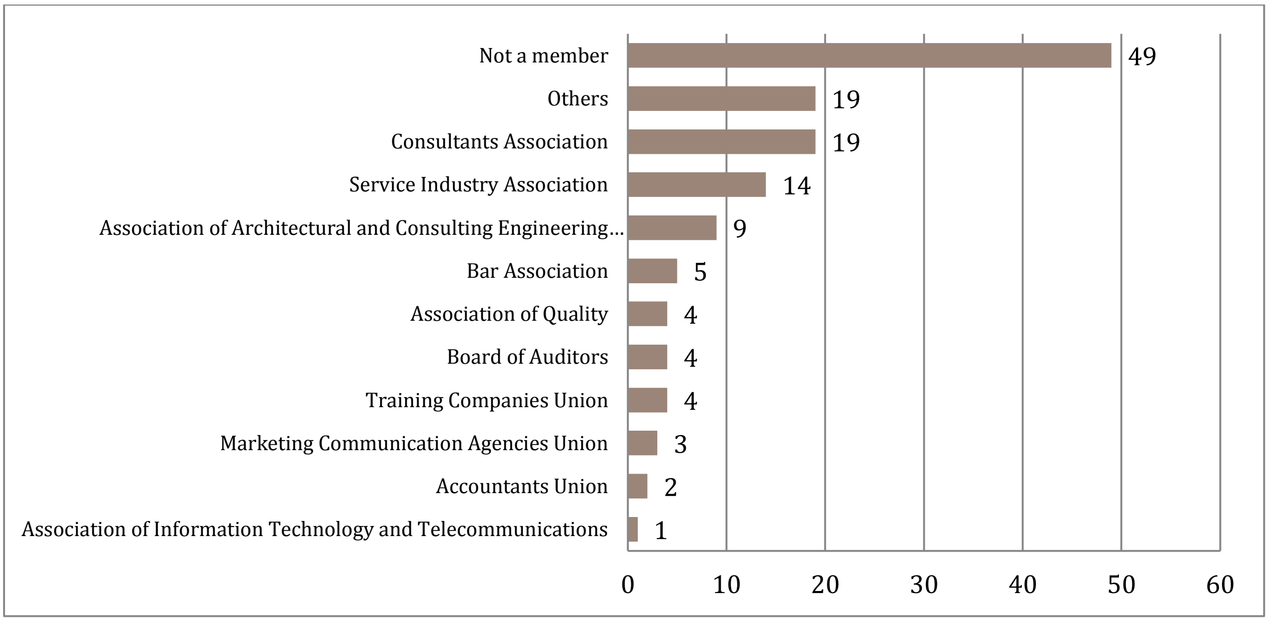
Correlation analysis of the field and sector data confirms this finding, even though providing slightly different results from the desk research. **It is possible to conclude from survey data that "Organization, general and change management" and "Finance" tend to be generalist fields of activity that are exercised by number of companies.**

3.4. Professional Organizations and Business Support Measures

Membership in Professional Organizations

A vast majority of the sampled firms were not members of any of the professional organizations. However, two of the most prominent organizations were **Estonian Consultants Association with 19 and Service Industry Association represented by 14 respondents**.

Graph 23. Membership in professional organizations.



Majority of the members deem the organizations useful. However, most respondent were actively **very critical about the work** of the professional service organizations – both current members as well as those, who claimed to possess earlier experience.

The professional service associations:

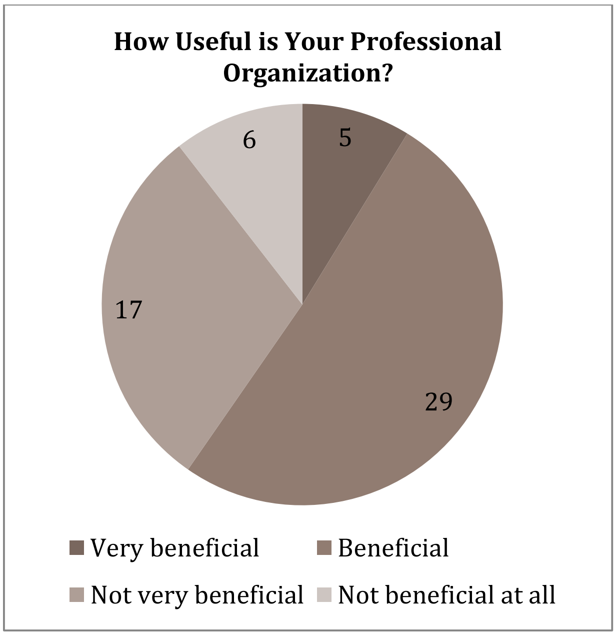
- Received **positive notes about training and collaboration opportunities.**
- Were seen as a **potential vehicle for internationalization** and for exchange of information about business opportunities. However, most **organizations do not fulfil this role up** to their expectations. The reason was dual - in many cases the companies expect the organizations to channel business opportunities. However, in handling the business opportunities the members in those organizations consider themselves as competitors and therefore frequently compete for information. For this purpose, the situation ends up in double bind that does not result in any impact.
- Several respondents suggested that in order to get out of this double bind, the professional service associations could focus their attention to an untapped market that is outside the home court. Many respondents suggested that the organizations could establish a dedicated **cluster for**

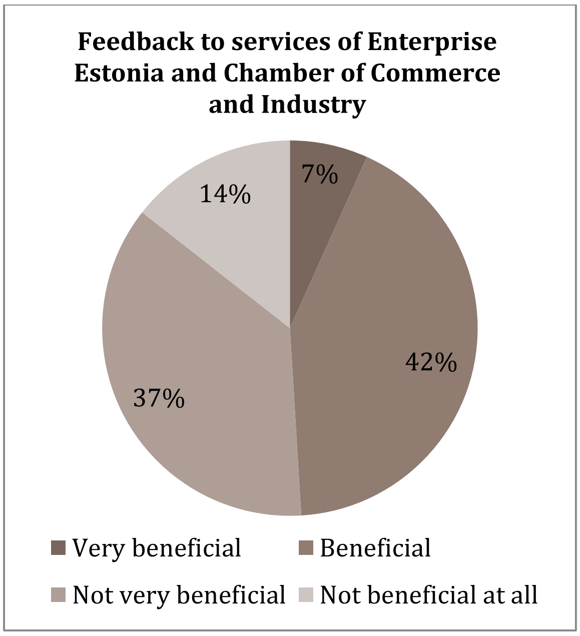
consulting services companies in close partnership with business support organizations to start reviewing **possibilities for service export**.

Opinion about Enterprise Estonia and Chamber of Commerce and Industry

Commenting about the Enterprise Estonia and the Estonian Chamber of Commerce and Industry, **respondents were more critical with a slight majority (51% of respondents) did not find the services provided by professional service organizations beneficial.**

Graph 24. Opinion about professional organizations.





The Enterprise Estonia and Estonian Chamber of Commerce and Industry were criticised by many respondents:

- Some **positive notes about past programmes** was presented, especially about the former Consultants' development programme that assisted building the skills of consultants.
- In the light of reduced revenues for their core business and business support programmes, the Enterprise Estonia has recently claimed that they would turn into an "expert organization" with their staff starting to advise businesses in the field of business development, export, innovation etc. This was reflected in the replies – with respondents who were very **cautious about Enterprise Estonia trying to "start doing the -work of business consultants"** and **ECCI competing with export consultants.**
- Many respondents have been **critical about associated bureaucracy and services that are wrongly targeted to inappropriate sectors.** For example, a number of respondents referred to heavily paperwork-laden measures for business support programmes that effectively waste the effort of the businesses to a degree when it becomes more expensive to maintain the track record for applications and reporting compared to the budget of business support subsidies.

Conclusions

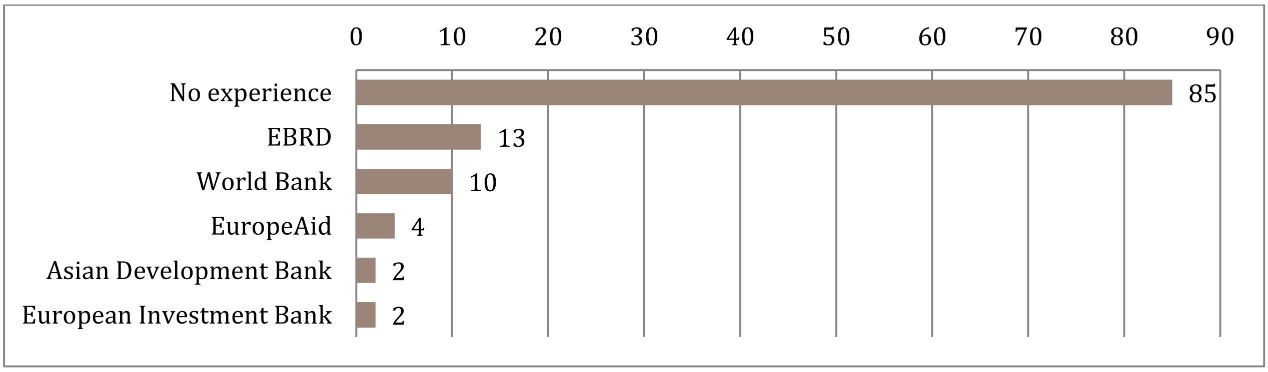
The expectations toward the Enterprise Estonia were spelt out to:

- Come up with more relevant **training programmes**, and more appropriate service delivery that would be more appropriately targeted to market failures in the consulting field that haven't allowed considerable consolidation of the consulting firms to date.
- Expect **networking activities**, but not the old style "coffee and snacks" type of generic events where industry representatives are brought together, but more active and involved events that include facilitated discussions, workshops to assist the consulting firms to start more active collaboration.
- More proactive role of those professional consultancy organizations towards providing support to **create consulting cluster to increase the capacity of consulting firms to start with internationalization.**

3.5. International Consulting Experience and Plans

Actual Bidding History

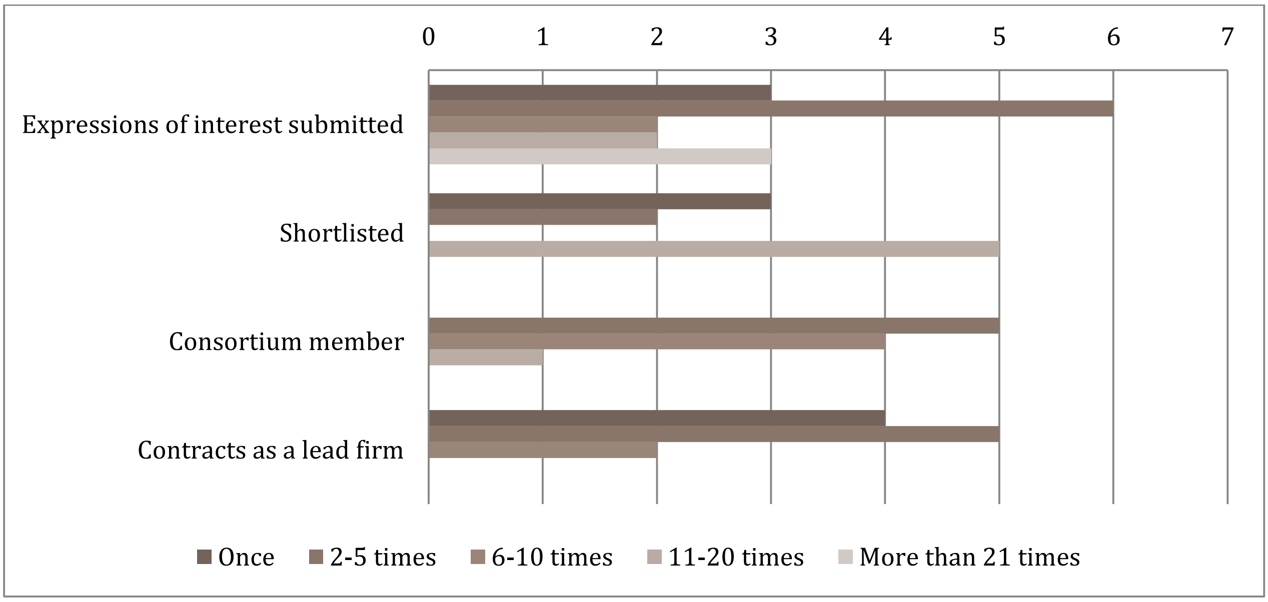
While many firms had worked internationally for private sector and for public sector, 85 respondents (81%) responded **that they have no experience in bidding for international development organizations.**



However, of the companies, who have done some previous work, some are rather experienced in bidding. There were 16 firms, who have **submitted at least once an expression of interest** to participate in international development projects.

- There have been 3 companies, who have **been very active (dozens of times in shortlists, part of winning bids)** and 4 more with reasonably active in work with development institutions.
- Of 3 active companies, **2 have been mostly active with World Bank and EIB and 1 with EuropeAid.**
- Of 13 respondents, who claimed to have collaboration experience with EBRD, in fact 2 have never submitted EoI for development work and 4 have done it only once.
- As a conclusion, **in our sample there were ca 5-6 firms with active experience and additional 4-5 firms, who had taken first steps to start international development work.**

Graph 25. Bidding history.



Interest towards Working Internationally

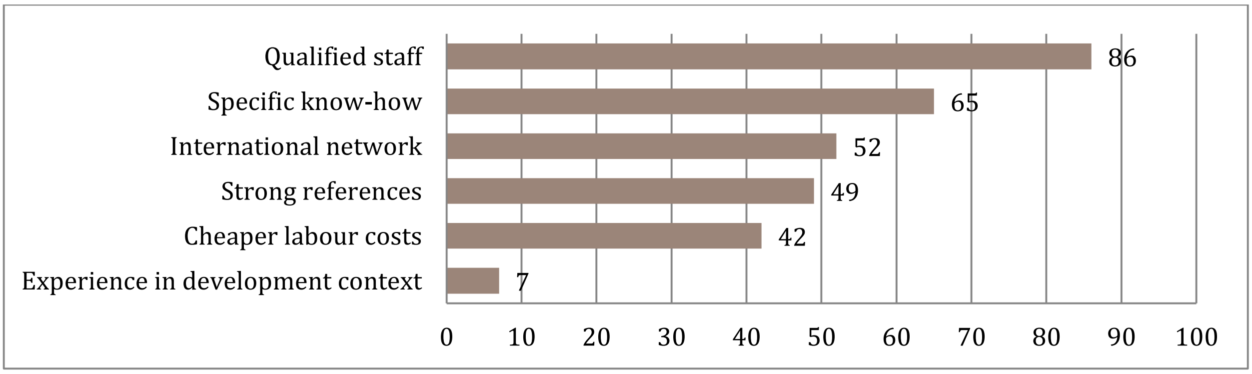
Most respondents showed interest towards working internationally – 75 respondents (72%) responded that they are interested in international work. Among those, majority were interested in **work with private sector.**

Respondents were able to select up to 3 target countries to show their primary target markets of interest. Primary countries of interest for international work were:

- Top countries of interest: Finland (21), Sweden (12), Ukraine (12), Latvia (11), Germany (8), Lithuania (7), UK/England/GB, Norway, Byelorussia (6), Russia, Moldova, Georgia (5), Armenia, USA and Denmark (4).
- Also mentioned: Belgium, Croatia, Serbia, Switzerland, Vietnam, India, Kazakhstan, Romania, Oman, Uganda, Hong Kong, Turkey, Italy, Poland, Bhutan, Indonesia, Dubai and Afghanistan.

When we asked about the self/perceived competitive advantage of the respondents then most of them pointed to their qualified staff and specific know-how. Surprisingly less than half respondents referred to labour costs.

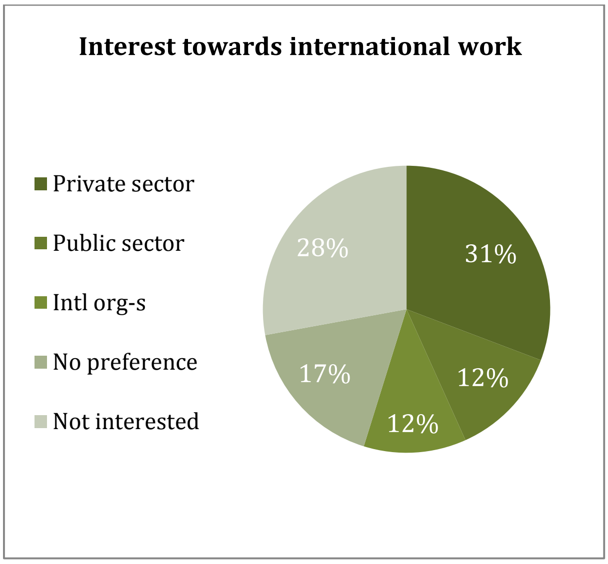
Graph 26. Perceived advantage for international work.

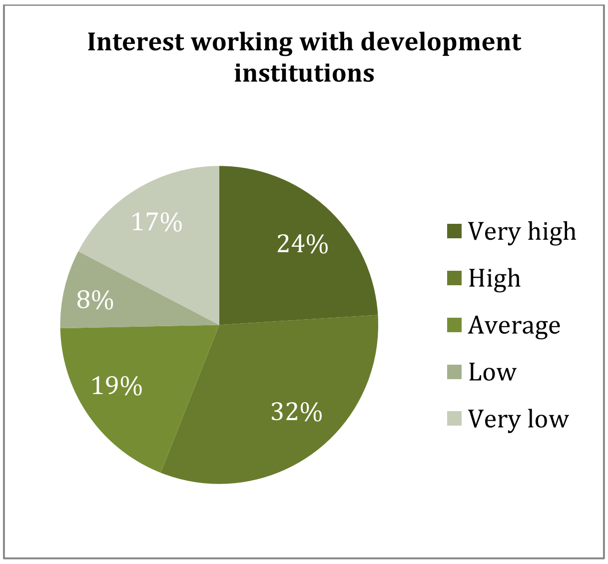


Interest of Working with International Organizations

56 respondents (75% of those who were interested in international work) considered higher than average interest to work with international development institutions, given the possibility.

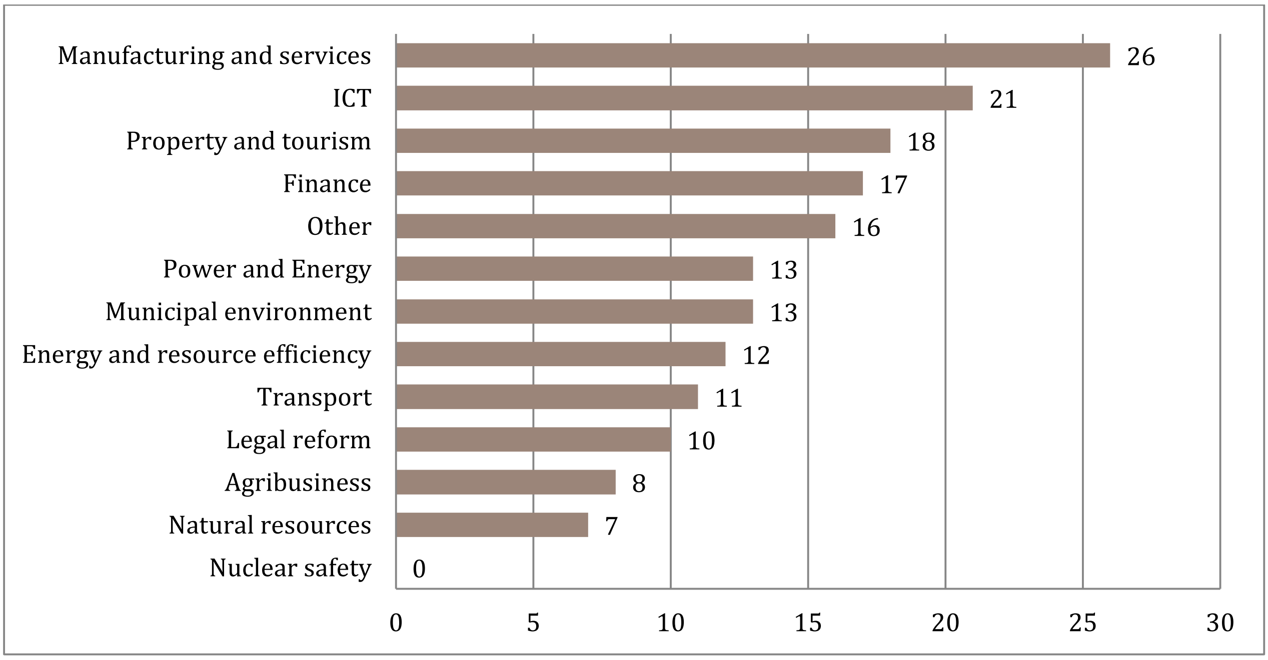
Graph 27. Interest towards international work and with development institutions.





In terms of sector interest, it obviously strongly correlated with the sectors that the companies were proficient at, but it was possible to observe that once again **the list was more of a wish list than the reflection of actual sector experience of the firms.**

Graph 28. Sector interest by the survey respondents.



Conclusions

- Of 104 respondents, 29 are not interested in working internationally. Of remaining 75 respondents, **42 demonstrate (very) high interest towards working with development institutions.**
- In analysing through the respondents list, of the most highly interested in international work **– 12 respondents are mostly interested** in working with international development organizations/institutions.
- Of those respondents, 3 are engineering & architecture firms, 2 finance & accounting firms and the rest are generalist firms.

3.6. Development of Consulting Skills

Former Consultants Development Programme financed by Enterprise Estonia

Between the years 2008-2012 Enterprise Estonia managed a dedicated **Consultants' Development Programme** (Konsultantide Arenguprogramm – KAP) together with associated accreditation scheme, which was managed by Estonian Consultants Association[14] and independently certified by Estonian Occupational Qualifications Authority[15]. **However, as the European Social Fund's financing via Enterprise Estonia for this training measure ran out in 2012, training and certification discontinued as well.**

During the lifetime of the Consultants' Development Programme altogether **164 consultants** participated in the training programme.

Table 6. Participation in KAP over years 2008-2012.

Year	Total participants in the training programme	Private sector consultants	County development centre consultants	Enterprise Estonia employees
2008	37	11	12	14
2009	36	12	14	10
2010	40	10	15	15
2011	35	18	12	5
2012	16	11	2	2
Total	**164**[16]	**63**	**55**	**46**

Consultants who participated in this training programme commented that they were very satisfied with the contents of the programme, which ran for 12 training days and included additional 180 hours of independent work with training materials. The programme concluded with an exam. The contents of the Consultants Development Programme were set up like a mini-MBA, which included the following elements.

[14] http://uus.eka.ee
[15] http://www.kutsekoda.ee/en/index
[16] The figures of the programme participants are taken from public press releases, hence may be inaccurate.

Table 7. Modules of KAP.

Module	Contents	Duration (hours)
1	Introductory day - introduction of the programme and requirements of consultants' certification scheme	4
2	Creation of trust in the client collaboration situation	16
3	Strategic management - planning and facilitation process	8
4	Marketing, sales and communication	8
5	Finance management and accounting	8
6	Data collection and analysis and organizational diagnostics during consultancy process	12
7	Human resource management, leadership and personnel management	8
8	Information and communication technology, process management	8
	Practical exam	**8**

However, after the subsidy of Enterprise Estonia finished their supporting the consultants' development programme, the programme was unable to continue according to market conditions because of lack of demand. **For that reason, there is no active systematic development of consulting skills in Estonia present at the moment.**

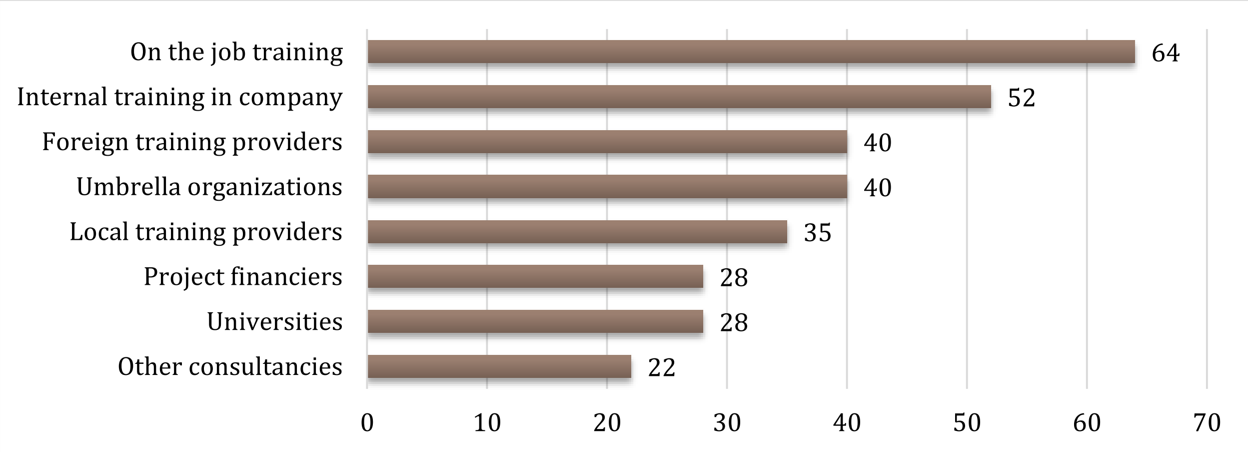
At present Estonian Consultants Association's database includes contact information about 136 certified consultants who have duly undergone training and subsequent full certification. 129 of them have been certified at level IV (junior consultant). 7 have been certified at level V (senior consultant). This is equivalent to levels stated in SFEDI (http://www.sfedi.co.uk) business consultant certification scheme.

Responses to the Survey on Consulting Training

In the next section of the survey we asked about different tools and techniques what the consulting firms have used to date for increasing their consulting skills. Different companies **have primarily used on-the-job training and in house training**, but also other training sources are universally used to enhance their competencies. Plenty of them say that they have participated in training sessions provided by international trainers, by umbrella organizations, universities.

The only aspect which was lagging behind was training from other consulting companies. **Some respondents made a remark that it is so because the other firms are frequently deemed competitors.** Hence they frequently do not provide training to other firms.

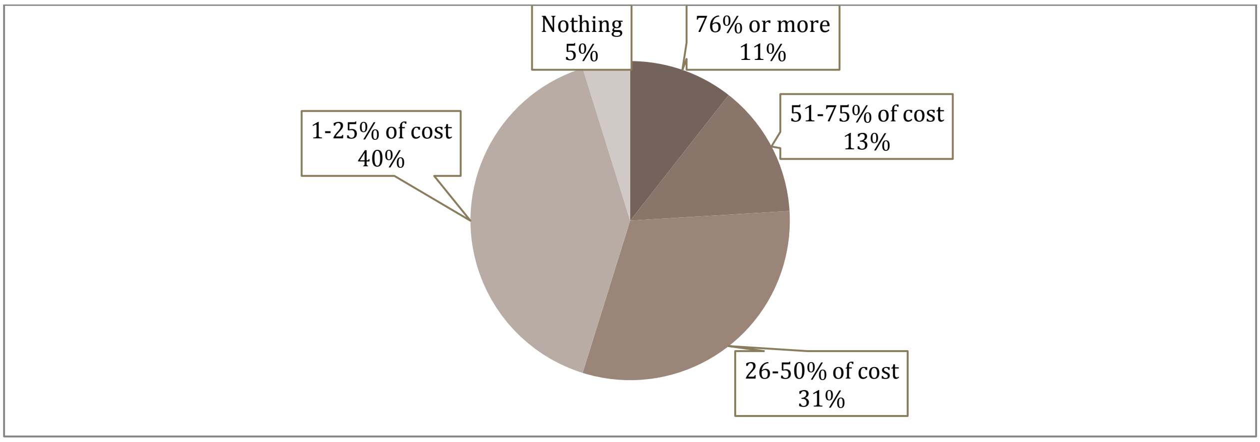
Graph 29. Consultancy companies training experience.



When devising policy-driven training programmes for consulting firms partially financed by external financing source, **most consultants can be reached if their self-contribution varies between 25-50% of training cost.**

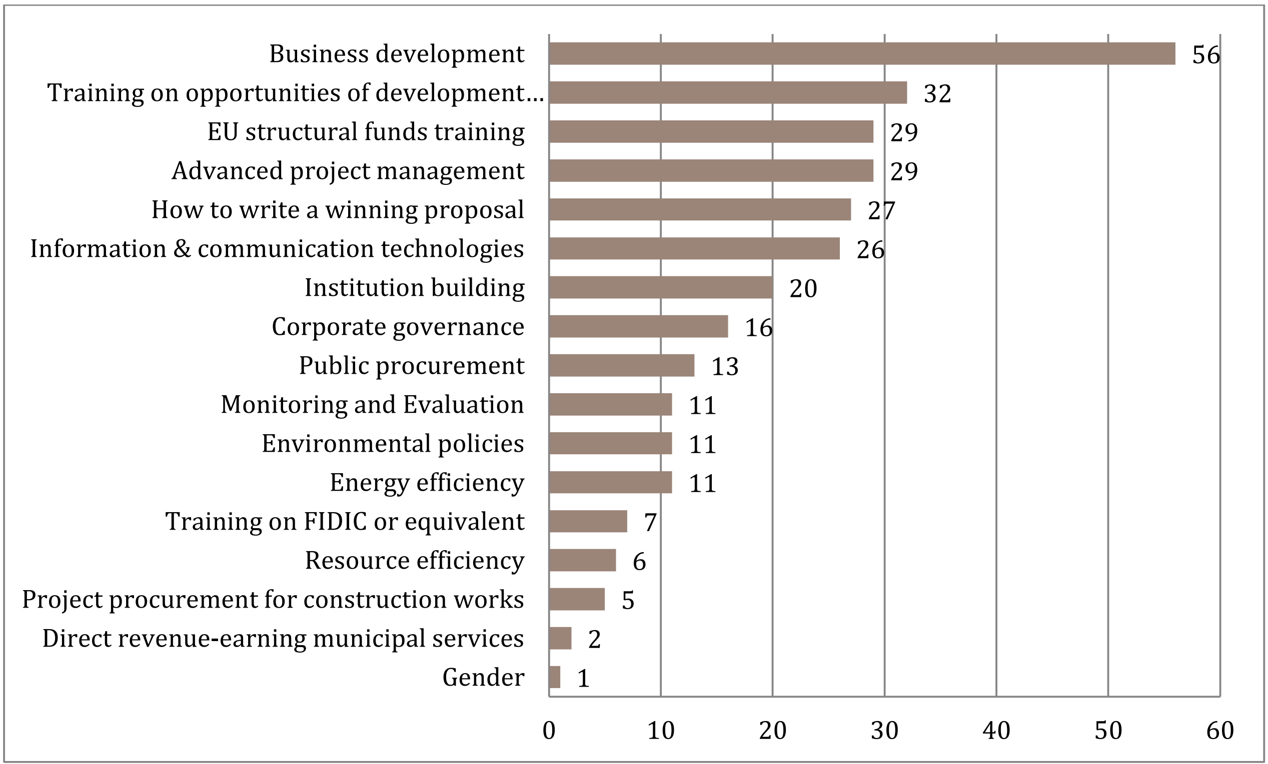
While this question tells about the proportion of different training costs, it invariably leaves out the important information about the absolute cost of different training assignments, which in Estonia vary presently usually between 150-950 EUR per participant for a training day depending on the type and contents of the training session. The information days for larger groups are usually at the cheaper end, but customised workshops for smaller groups are at the expensive end. This price usually includes coffee and lunch break.

Graph 30. Compensation willingness of training costs by the survey respondents.



Regarding topic interest. Given that in Estonia there are lots of training programmes available for generic business development and structural funds, **EBRD might contemplate training sessions on development institutions, on advanced project management** (e.g. Prince2 or related) and on **how to write winning proposals.**

Graph 31. Training topic interests.



3.7. Summary of the Web-Based Survey

Summary of the Open Responses of the Survey

Some respondents also gave open responses in additions to the detailed responses delivered in the survey. They referred to the following **regulatory or procedural bottlenecks affecting the consulting business:**

- **Bureaucracy**, detailed procedures to work internationally (x12).
- Estonian smaller companies are ineligible for larger international projects due to **protectionism / shortlisting or selection criteria** (x7).
- **Enough work in Estonia** does not provide incentive to work elsewhere (x5).
- **Price-based selection criteria** in public bidding (x3).
- **Lack of consultants' market control** / no certification system for consultants (x3).

Feedback about the Survey

Some respondents also provided **feedback about the questionnaire itself:**

- It is unclear how do I draw the line between local / international. Are the latter the projects, when we work elsewhere, use foreign consultants, work to deliver a study within an international framework?
- I decided to stop filling in the questionnaire since the 3rd question (sectors). Not a single consultant in Estonia deals with nuclear safety nor municipal energy efficiency. EBRD should have customized the questionnaire for Estonian context to appreciate our time.

- Question no 26 (number of expression of interest, shortlists, bids) should have included the option "I don't know" because I really don't remember how many bids we have submitted – so I responded based on my gut feeling.
- I don't think that we are really the target group for this questionnaire – we do not intend to start working with international financing institutions.
- Some questions in questionnaire created a forced selection – at several places respondents would have preferred to choose either more or less than 3 forced choices.

4. Final Findings, Conclusions and Recommendations

The survey was appended with a number of additional interviews and focus group discussions (see annex for the full list) and based on this, the following findings, conclusions and recommendations were drawn up.

4.1. Macro Level Conclusions in Estonia

Estonia – FINDINGS	▪ Estonian **legal and procedural framework** for doing business locally as a consultant received **very high assessment** by all respondents. **No policy, regulatory nor procedural constraints were identified** for doing business as a consultant in Estonia – both in private sector and for public sector. ▪ **It is easy to become a consultant and start selling the services.** Most tenders do not have minimum turnover requirements. Therefore, given previous experience, the **entry barriers are virtually non-existent.** ▪ Therefore, most consultants interviewed or polled identified that they are **very satisfied working locally in Estonia.** ▪ Estonian state eProcurement integrates all state and local organizations fully into electronic bidding system providing **one-stop full overview of all public bids leading to both procurement and appeals process working in a transparent and effective manner.**
Estonia – CONCLUSIONS	▪ One issue pointed out by some as a strength, by others as a weakness is **lack of consultant certification mechanism at the state level**, which makes it difficult to differentiate between poor and good consultants. ▪ On the other hand – respondents of focus groups commented that because of size of the country, **word-of-mouth marketing makes it virtually impossible for a provider of poor quality service** to remain in business. ▪ The other macro issue that was pointed out was that due to small size of the country – **frequently the competition between the local providers of consulting service is not strong enough**, which does not create innovation push and therefore can lead to conventional solutions for clients. As a result, several Estonian larger buyers (esp. in private sector) tend to purchase their consulting services from larger consulting providers who invite international specialists to Estonia (McKinsey, Bain, BCG, Strategy+, BAH and Big4 firms).

4.2. Macro Level Conclusions Internationally

Development work – FINDINGS	▪ Respondents pointed to several **regulatory or procedural constraints in development policy work**. ▪ The main problem is **minimum turnover and minimum headcount requirement applied by most international development organizations for larger projects.** Namely - requirement to employ more than 50 employees and demonstrate annual turnover beyond 5 MEUR is frequently

	the threshold for larger projects for EuropeAid, World Bank tenders and tenders of regional development banks. ▪ This means that not a single Estonian firm would be able to qualify alone. **Only 3 Estonian consulting firms meet 5 MEUR 50 employee criteria.** 2 of those are law firms with no interest in working with development institutions, and a single Big4 firm, who also focuses locally. ▪ Therefore Estonian firms **have primarily been successful in international projects of a size below 200 000 EUR.** ▪ Furthermore, when asking the Estonian larger consulting firms about their bidding preferences then their **risk management ceilings usually do not also allow going beyond the ceiling of 200 000 EUR project with duration exceeding 1 year.**
Development work – CONCLUSIONS	▪ The first solution is to suggest international organizations to refrain from **using restrictive pre-selection mechanisms that only allow larger firms to participate in bidding for their projects.** This system ultimately pre-selects a very limited number of companies globally to the projects and thereby reduces competition. **The limitations are related to:** - Minimum turnover and headcount requirements; - Counting references on the basis of companies, not on the basis of individual consultants who are working in those firms, leading to creation of "reference body shops", who are project management firms, not employing consultants with related expertise, but who act as head contractors who merely outsource the activities to subcontractors. This ultimately leads to service provision concentration into the hands of few, but simultaneous loss of specialization quality; - Minimum related reference requirements, including lumping the references in total (leading to selecting the only firm who has the longest history in the field) or restricting references time-wise to recent projects (e.g. counting only references within the past 24 months, leading to selection of the only firm who has the most recent experience). ▪ The main solution for Estonian firms currently looking forward to work internationally is **to join the consortia and to combine the references either alone or preferably through an umbrella organization** (such as Estonian Consultants Organization or alternative). ▪ However, the **umbrella organization requires considerable support** (see the next section for further details).

4.3. Meso Level Conclusions

Estonian consultancy association(s) – FINDINGS	▪ **The consultants are expecting a number of services,** e.g. for: - Professional development and training; - Networking and communication for peer interactions; - Creation of consortia for international bidding.

	▪ Current **professional organizations working on the field are considered inadequate.** ▪ Consulting service clients are looking for a **database of consultants or a first-stop shop to simplify their search for expertis**e.
Estonian consultancy association(s) – CONCLUSIONS	▪ Two professional bodies may be presently considered for collaboration: - **Estonian Consultants Association** has gathered 92 members, but relying just on volunteers, it is mostly non-operational and merely serves as static channel for business opportunities and a directory of consultants (http://uus.eka.ee/organisatsioonist/liikmed/); - **Estonian Service Industry Association** is a policy driver with 21 consulting firms as members (total number of members is 130), have employed professional manager to start operations, however - their linkage with consulting has been limited to date. Their core focus is primarily with banking, medicine and IT related service sectors: (http://teenusmajandus.ee/en/). ▪ **Professional organization's role might be joining the forces of individual Estonian consulting firms** to be able to start bidding together. ▪ It would also be useful **to create a central database of consulting providers.** ▪ If any one of the associations would be chosen as a counterpart for development work, they would need **capacity building support.**

Conclusion – Creation of Consultancy Cluster

As a separate recommendation we would like to elaborate more thoroughly about the potential for creating consulting cluster in Estonia. As Estonian consultancy companies are mostly small, grouping them into network-based collaborative forms of working together, developing and marketing together – **cluster** – might be the best option to achieve success abroad. The best examples of Estonian clusters are from the logistics sector (Estonian Logistics Cluster), medicine (Medicine Estonia) and production/construction (Wooden Houses Cluster, Boat Builders Cluster). The closest existing cluster to the consultancy field – Finance Estonia – has also been very active and has been promoting Estonia as finance services centre. **Two from these examples – Medicine Estonia and Finance Estonia – are spin-offs from Estonian Service Industry Association.**

According to successful clusters' experience there are a **few critical factors to start cluster activities:**

- Interest of critical number of companies (minimum 10, preferably 15 – 20);
- Existence of external financing support (e.g. structural funds), especially if the sector has not been earlier very active in export activities (example of the Medicine Estonia). Starting activities towards foreign markets are with high risk level and external finance support helps to bring fear of risk lower.

To achieve success, **cluster should have:**

- Clear package of services/products cluster companies are ready to provide;
- Professional cluster management.

During last year a group of Estonian consulting companies have planned consulting cluster – Consulting Estonia – to support their export ambitions. The initiative is similar to that of Medicine

Estonia and Finance Estonia (connected to the Estonian Service Industry Association). The biggest barrier has been so far companies' ability to invest (high risk level) into common development and marketing activities.

According to the examples stated in this chapter, **external financial support may be the trigger for successful cluster initiative.**

4.4. Micro Level Conclusions

Findings on International Work

While **Estonian eProcurement portal has been programmed in a very simple manner and within 5 minutes it is possible to start bidding to any tender electronically** - most respondents referred that their experience to collaborate and bid via the portals of EuropeAid, EBRD, World Bank and others are limited because mostly these are **poorly programmed:**

E.g. several experts commented that they had tried to enter their data to EBRD eSelection portal, which they did not find not user friendly. **The system required them to work extensively to enter data that was irrelevant.**

Also, another respondent said that following EBRD outreach event in Estonia their firm had put forward in 2012 altogether 3 bids to EBRD. However, in all instances the selection process was longer than 6 months and ultimately resulted in a **brief reply "you were not selected" without further details**.

This type of brief feedback is completely different from a very thorough and developmental feedback that is usually provided in Estonian tenders, where the unsuccessful bidder receives always precise details on their bid on what can be improved next time. **This negative experience with the EBRD bids lead that particular bidder to decide not to bid for EBRD any more.**

Conclusions

On the basis of experience from Estonian public bidding system, Estonian consultants recommend the EBRD officials to review Estonian portal for public procurement at https://riigihanked.riik.ee in order to seek for the possibilities to simplify their eSelection portal and make it more customer-friendly.

One of the primary limitations for international work mentioned by consulting firms at individual level is the **requirement for long-term full-time on-location service provision for experts in most international projects.** The most successful consultants in Estonia are family people in the age bracket of 35-45 years of age, **who are not willing to take up long-term assignments in target country.**

Conclusions

Therefore, if the international institutions are willing to relax their requirements for long-term in-country work, a number of highly qualified experts would be very interested in international tasks would increase substantially.

Findings on Consulting Training

In period of 1982-1992 a **number of programmes financed and delivered by Finnish consultancy firms provided the "first wave" of Estonian consulting** administered by Estonian Management Institute.

During 2008-2012 Enterprise Estonia supported Consultants' Development Programme, which trained altogether 164 consultants. The majority of them were the staff of Enterprise Estonia or in various County Development Agencies, however the scheme also provided training to 63 private sector consultants.

At present the situation is the following:

- **There are related courses in universities** (e.g. Estonian Business School – business diagnostics, Tallinn University of Technology – organizational diagnostics, University of Tartu and University of Tallinn – communication and facilitation training in curricula for psychology and andragogy).
- **Most training for consultants is received in house,** provided by larger consulting organizations (e.g. Big4) and their **up-or-out systems fertilize new consultancies**.
- As of 2014, **a single training provider delivers specific training aimed at developing the skills of consultants (OÜ Self II), but according to interview there is no demand as per the given prices (i.e. without the European Social Fund subsidies provided by Enterprise Estonia during the earlier years)**.

Conclusions

The Enterprise Estonia confirmed that Estonian business sector needs more good quality consultants to provide proper business support services. Hence it is worth restarting Consultants' Development Programme that was running during 2008-12. While it helped to educate a considerable number of staff from Enterprise Estonia and from County Development Centres, its impact on educating private sector consultants remained rather limited to date. Restarting the initiative would allow addressing capacity problems of a wider group of consultants.

At least a dozen ambitious firms are already actively looking for possibilities to work with international providers and are interested in EBRD opportunities. However, they pointed out in their feedback lack of their skills in participating in those tenders successfully.

Conclusions

EBRD is recommended to prepare and deliver a specialized training programme for consultants, specifically targeting the topics of **1) development institutions, on 2) advanced project management and 3) on how to write winning proposals would increase the skills of consultants to work in international context.**

5. Annexes

Annex 1 – Surveys of Estonian Consultancy Market

List of Interviews and focus groups carried out

Date	Participants
26th June 2014	Focus group with consultancy training provider representatives: - Peep Aaviksoo, EBS - Karin Hango, Self II - Andro Kullerkupp, Vertex - Ülle Pihlak, EBS - Heili-Riina Sõmer, Implement Inscape - Milvi Tepp, TTÜ - Ander Ojandu, Civitta - Marko Rillo
25th September 2014	Focus group with consulting firm representatives: - Lo Rihvk, BDA - Ander Ojandu, Civitta - Priit Viru, Deloitte - Hillar Joon, EA Reng - Keiu Rõa, Ernst & Young - Karin Rätsep, KPMG - Kaido Vestberg, Mercuri International - Toomas Prangli, Sorainen - Marko Rillo
6th October 2014	Discussion on a related subject with Kadri Tali and Karl-Erik Tender, Ministry of Finance (conducted by Marko Rillo)
13th October 2014	Interview with Annika Uudelepp, Praxis (conducted by Marko Rillo)
15th October 2014	Interview with Enterprise Estonia representatives: - Rene Küttim, Enterprise Estonia - Anu Oks, Enterprise Estonia - Tambet Tõnisson, Enterprise Estonia - Marko Rillo
15th October 2014	Discussion on a related subject with Margus Sarapuu, State Chancellery (conducted by Marko Rillo)
24th October 2014	Interview with Erki Mägi, PricewaterhouseCoopers Advisors AS (conducted by Marko Rillo)
28th October 2014	Interview with BDO Estonia representatives: - Sulev Luiga, BDO Estonia - Anna-Mari Oomer, BDO Estonia - Barbara Asu, BDO Estonia - Marko Rillo
11th November 2014	Discussion on a related subject with Peep Aaviksoo, EBS (conducted by Marko Rillo)

Previous Studies of Estonian Consultancy Market

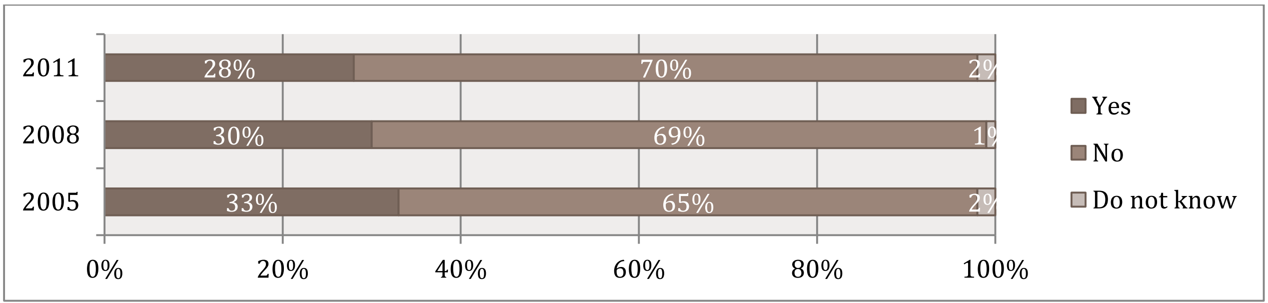
Current annex presents a brief overview of **main results and conclusions** from **previously conducted studies, analyses and published papers** covering information about Estonian consultancy market. Overview of previous research results **helps to better understand, how consultancy services market has evolved over years in Estonia**, when compared to new study results.

In following, main results from some of the **previously conducted studies and analysis are presented** (in order from starting from the latest)**, which were on some extent focused on consultancy services** in means of supply-demand.

The survey of the development trends of small and medium-sized enterprises (2012)

The purpose of "The survey of the development trends of SMEs" was to analyse the developments that have taken place in SMEs, provide a statistical overview of the sector, map the profile of SMEs operating in Estonia, collect assessments from enterprises and analyse and compare them by their size, area of activity, location and main economic indicators. Based on the data of conducted survey, situation of SMEs and development trends was analysed in thematic areas including **consultation opportunities for enterprises** among others (e.g. internalization of enterprises, financial resources and their availability, cooperation between enterprises and with foreign partners).

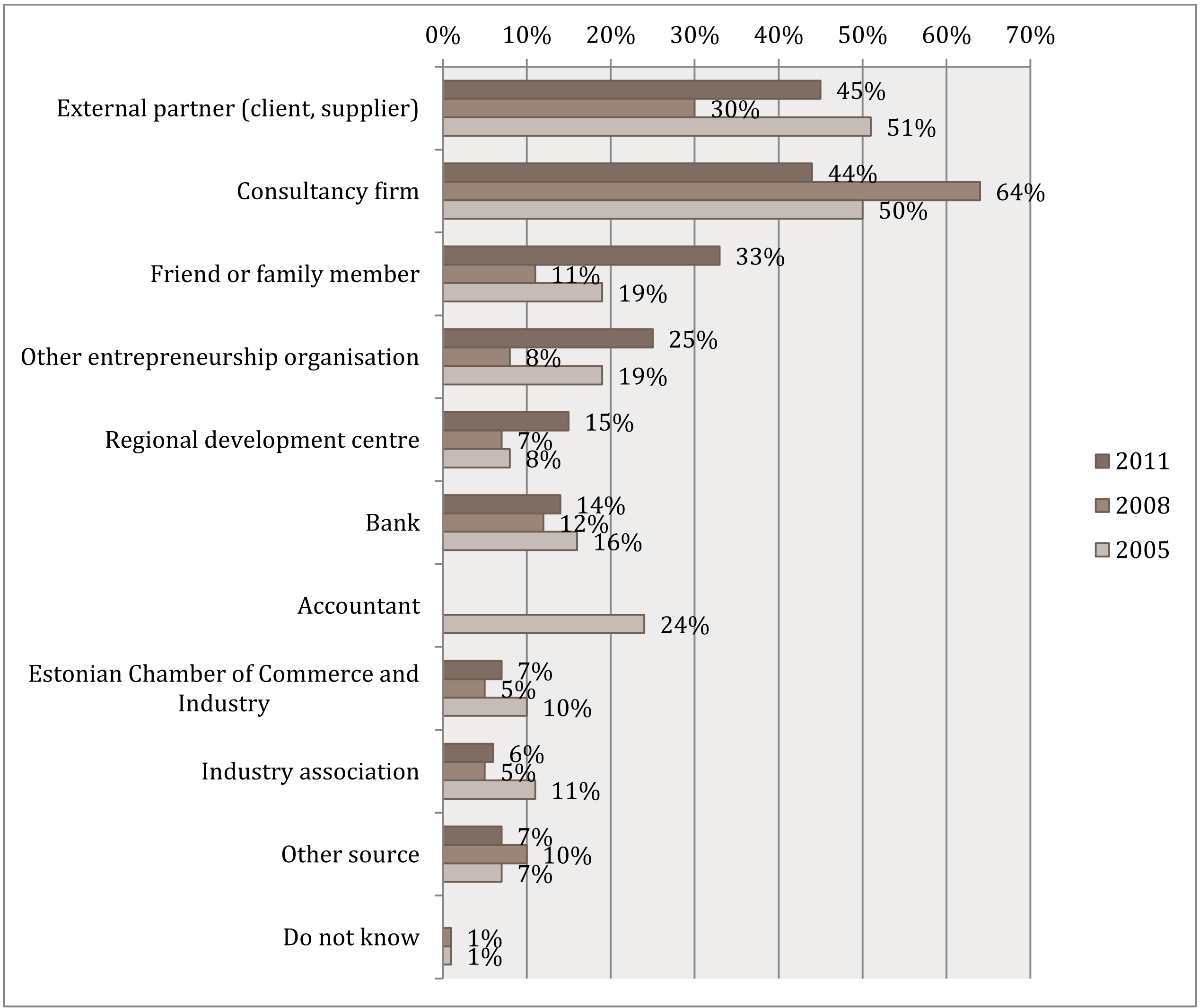
Graph 32. Has your company used external consultancy services? (2005-2011)[17]



If in 2005 33% of SMEs had used external consultancy or consultation, **the use of external consultancy and consultation decreased to 28% in 2011**. Following graph presents importance of different sources for consultation or external consultancy to companies in period of 2005-2011.

[17] http://www.praxis.ee/fileadmin/tarmo/Projektid/VKE_arengusuundumused_lopparuanne_Praxis_2012.pdf, p. 46.

Graph 33. From which sources you have got advice? (2005-2011)[18]

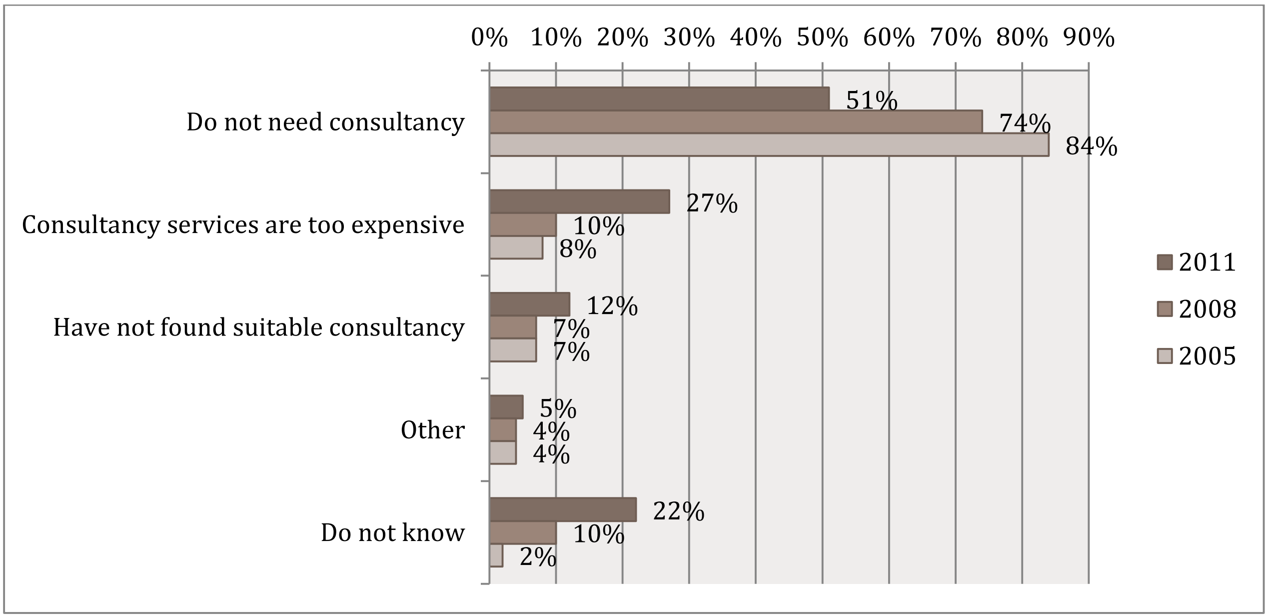


SMEs had **mostly got consultation from external consultancy partner (45%)**, such as client or supplier, **from consultancy firm (44%)** or **from friend or family member (33%).** Compared to previous years, **use of consultancy firm's services had changed significantly** – in 2005, consultancy firms advised **51% of SMEs**; in 2008, **64% of SMEs**; in 2011 that indicator **decreased to 44% of SMEs**.

This study revealed that even though consultancy firms are offering good and implementable advice, **in general SMEs cannot afford it.** Next graph highlights causes, why some of the companies **did not use external consultation at all.**

[18] Ibid, p. 47,
http://www.arengufond.ee/upload/Editor/ettevotlus/VKEde_arengusuundumused_2008_SaarPoll.PDF, p. 56,
http://www.arengufond.ee/upload/Editor/ettevotlus/VKE%20Arengusuundumused_SaarPoll_2005.PDF, p. 68.

Graph 34. Why have you not used any external consultation? (2005-2011)[19]



In 2005, **only 8% (27% in 2011) of SMEs** thought that no use of external consultancy is resulted of consultancy services being in general too expensive in the market. In addition, an interesting finding was that the share of companies, **who had not found suitable consultancy, did slightly grow** in period of 2005-2011 (from 7% to 12%).

Need for external consultancy and therefore demand for consultancy services by companies was supported in the period by the fact that the share of companies, who do not need any consultancy, **had decreased significantly (from 84% to 51%).** Share of companies, who did not have specific answer, **also grew significantly (from 2% to 22%).**

In 2011, **61% of SMEs reported that they would like to use external competence also in addition to internal competence** for better understanding of challenges for enterprise and opportunities for overcoming those challenges. In 2011, 39% of SMEs were interested of consultancy in **accounting**, 28% in **sales and marketing**, 23% in **regulations and legal** and 17% in **business planning and management** in the next coming 12 months.[20] SMEs were also asked, from which sources they would preferably like to get external consultancy in the next coming 12 months: **28% answered from external partner** (client, supplier), **24% from consultancy firm** and **17% from other entrepreneurship organisation**. Though**, 34% of respondents did not know, from which sources they would like to get consultation.** It can be concluded, that in general SMEs are aware of sources for external consultation but they do not have thought through the exact need for consultation in coming years.[21]

Main conclusions and results of the study were:

1) In overall, rapid changes in economic environment motivated enterprises **to review their operating principles** and enterprises did more often perceive **the need for external consultancy or consultation** by conducted study results in 2011.

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[19] http://www.praxis.ee/fileadmin/tarmo/Projektid/VKE_arengusuundumused_lopparuanne_Praxis_2012.pdf, p. 48.
[20] http://www.praxis.ee/fileadmin/tarmo/Projektid/VKE_arengusuundumused_lopparuanne_Praxis_2012.pdf, p. 48.
[21] http://www.praxis.ee/fileadmin/tarmo/Projektid/VKE_arengusuundumused_lopparuanne_Praxis_2012.pdf, p. 49.

2) However, **due to more complicated economic situation,** enterprises had **fewer financial resources in 2011** for purchasing consultancy or consultation services.

3) The analysis showed that, compared to 2008, the **proportion of SMEs who had used business consultancy and consultation decreased slightly**, but the proportion of SMEs, who did not need business consultancy and consultation at all, decreased significantly.

Study of production management operations (2011)[22]

Objective of the study was to gather **information about production management methods used in Estonian industrial companies** and companies main activities performed to increase productivity. Study results were an input to Enterprise Estonia[23] (EAS) on **how to effectively help to develop production management consultancy and training market in Estonia** with a goal to provide companies needed support for faster growth.

Main conclusions and results of the study were:

1) **42% of Estonian industrial companies** had used help of **consultants** for improving their production management processes.

2) **Competence level of and applicability of given advice by consultants** were mainly evaluated as “good” or “average”. **Consultant as experts evaluated with a rating “excellent” was very uncommon.**

Study of Estonian management practices (2011)[24]

“Estonian management area study” was conducted in 2010-2011, **with a goal to map and evaluate competence and awareness of actors in management area** (it means planning, organizing, affecting and controlling) **and to propose recommendations to EAS on how to help to effectively support development of that area.**

Main conclusions and results of the study were:

3) Demand for consultation and training services was also affected **by companies managers ambition to cope the situation with own resources** besides cost sensitivity and critical attitude towards consultancy services.

4) Demand of consultation and training services is diverse, **but quality of services was evaluated rather low by companies’ representatives.**

Management consulting survey in Estonia (2009)[25]

As there were hardly any literature and data about Estonian management consulting, this paper aimed to give an overview of the **management consulting branch in Estonia in year 2009**. Study focused mainly on **the results of a survey conducted among Estonian management consultancies**

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22 http://www.arengufond.ee/upload/Editor/ettevotlus/Tootmisjuhtimine%20Eesti%20t%C3%B6%C3%B6stuses_TTU_2009.PDF

23 http://www.eas.ee/et/

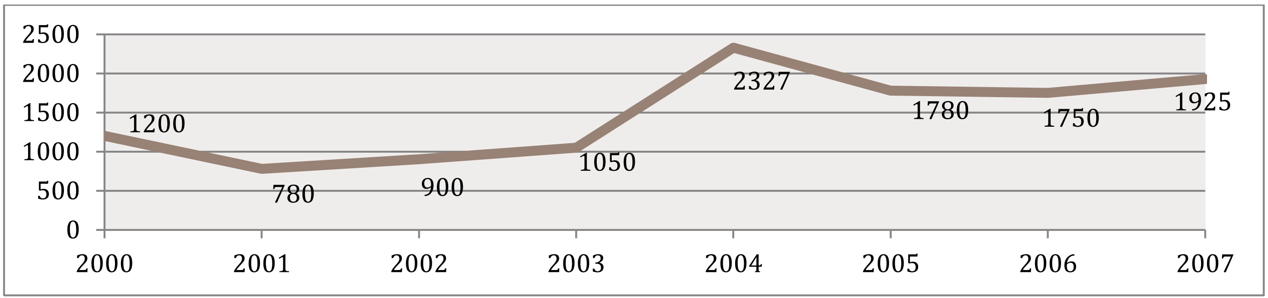
24 http://www.eas.ee/images/doc/sihtasutusest/uuringud/ettevotlus/easi-juhtimisuuring-2010_eas-i_final.pdf

25 http://www.obie-beratungsforschung.de/data/file/publikationen/workingpapers/Wieandt-Holts_2009_OBIE-WP5_Management-Consulting-Estonia.pdf

in May 2009, which presented data on branch characteristics, consulting work and client-consultant relationships, partnerships and internationalization. The **results were discussed in the light of the development of the Estonian economy** since their independence in 1991 and especially since the turn of the millennium.

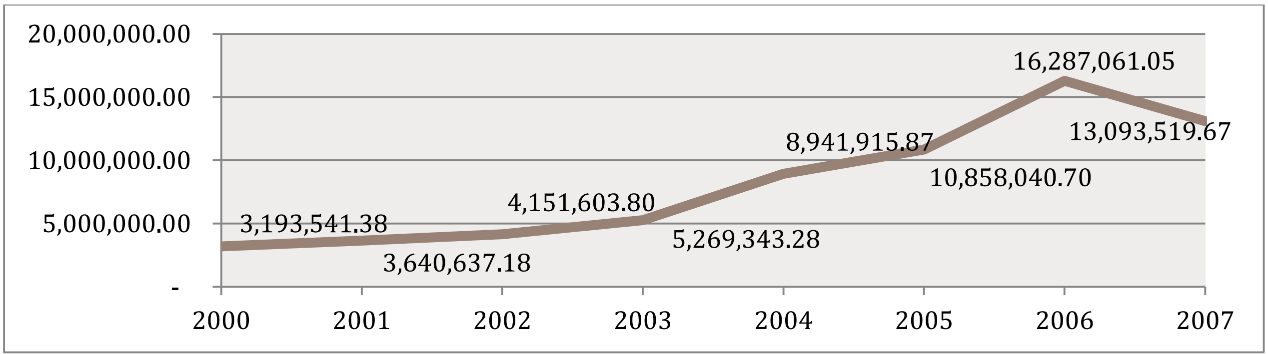
Following graph presents number of employees in Estonian management consulting firms in years 2000-2007 by the study results.

Graph 35. Employees of Estonian management consulting firms in total, 2000-2007.[26]



In terms of turnover, the total amount of companies' **turnover between 2000 and 2007 steadily increased until 2006** and decreased in 2007 based on the study.

Graph 36. Turnover of Estonian management consulting firms in total (euros), 2000-2007.[27]



Study indicated that the **Estonian market was rather small in size and characterized as small scale in terms of the vast majority of companies being micro- and small enterprises that were privately owned.** Their economic performance was mostly positive with increasing numbers of employees and increasing turnover rates. The Estonian management consultation market evaluated developing on both sides, supply and demand in 2009. In conclusion, **the consultancy market was expected to grow**.

Main conclusions and results of the study were:

1) Survey sample consisted of **mainly small enterprises.** The respondents were **highly experienced in the field of management consultation.**
2) The boom of the industry, according to the study sample, was **at the beginning of the new millennium** when most of the respondents started their consulting career.

[26] Management consulting in Estonia, 2009, p. 14.
[27] Management consulting in Estonia, 2009, p. 15.

3) The **demand for consulting evaluated to increase in 2009 with EU-regulations**, competition, and opportunities in the EU while the system change initially established the prerequisites for demand in terms of market economy.

4) The **magnitude of the client base of the respondent firms was of considerable variation:** half of the respondents had a rather small client base and another half a rather large client base. Surprisingly, there was considerably **strong variation among small-sized companies.**

5) A large portion of work was allotted **to financial support of central institutions, the Estonian state and the EU.** This supports the aspect that the EU accession of Estonia contributed to the growth of the consulting business. **More specialized fields** such as human resource management, IT, knowledge management and mergers and acquisitions (M&A), **were occupied by a minority of companies.**

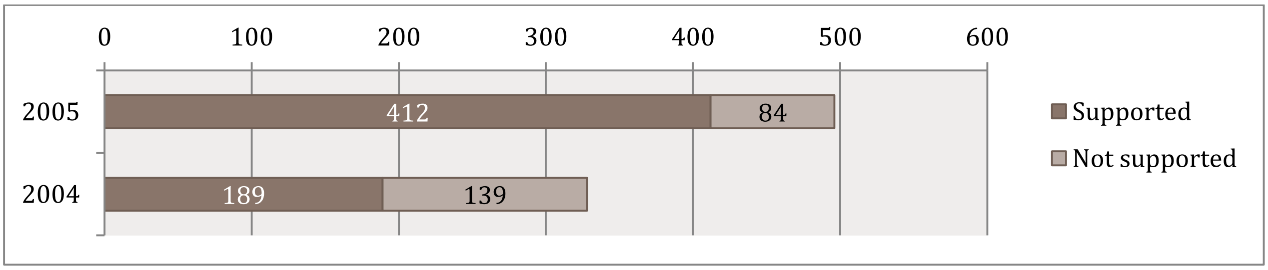
6) **Most respondents were working with partners.** Thought, the number of partners was rather small and about a half of the partnerships had been established in less than 5 years. Considering how old the companies were, this was not a surprising fact to researchers. However, there were six partnerships that had lasted more than 10 years. **Most partnerships were based on personal relationships including private relationships and relationships resulting from the personal professional network.** A considerably large share of partnerships developed from the visibility in the branch. A smaller share of partnerships resulted from client relationships.

7) The level of **formal qualification** of Estonian management consultants **was very high**. In almost all consultancy companies, the employees had a **university degree**. A large majority studied in Estonia, **while a smaller share studied abroad.** With regard to the impact of academic knowledge on the consultants' daily routine, **most of them used their theoretical knowledge in their work.**

Evaluation of the effects of counselling support (2007)[28]

Analysis focused on evaluation on **the effects of counselling support provided by EAS** and based on projects supported in 2004. Goal of the program was to support growth of enterprises and creation of new jobs, **while providing needed know-how** and helping companies to find new markets. Sub-goal of the program was to increase **SMEs motivation to use more actively external experts' advice for business development.**

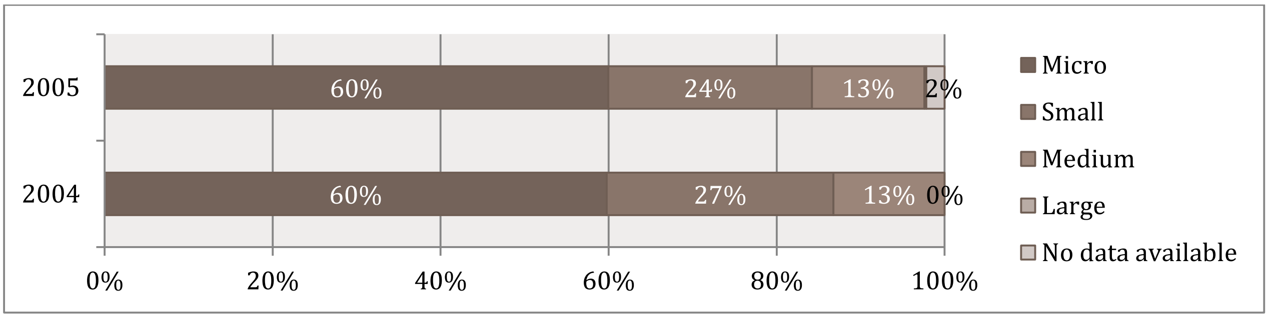
Graph 37. Number of counselling support projects, 2004-2005.[29]



Following graph presents share of **given counselling support by enterprise size in 2004-2005**.

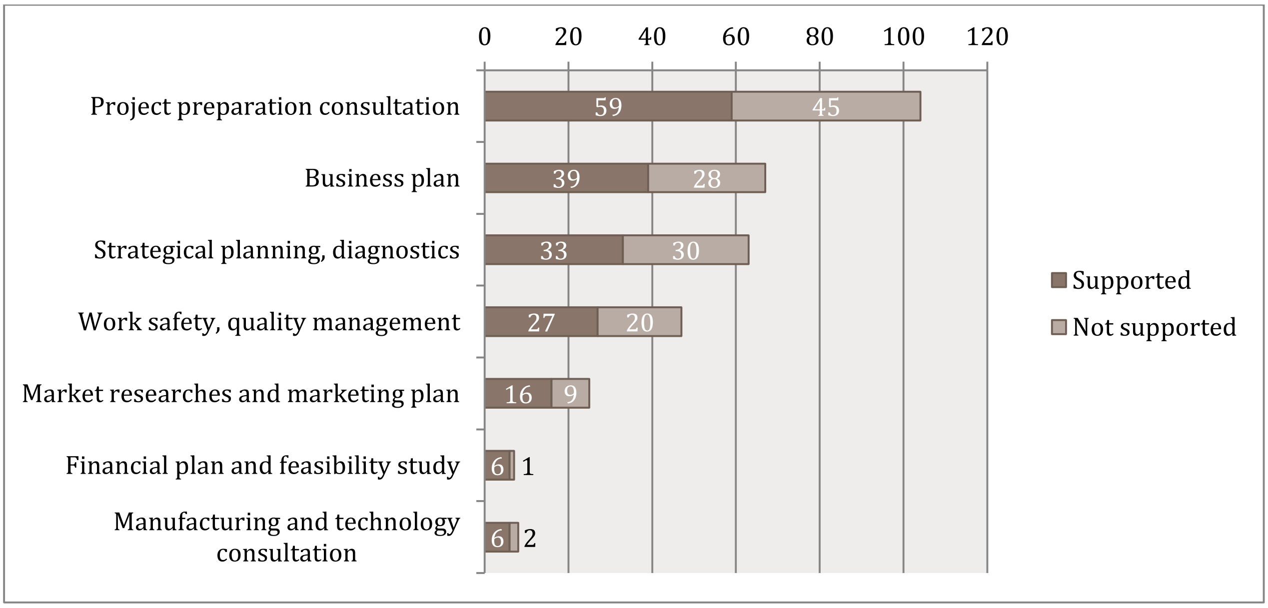
[28] http://www.praxis.ee/fileadmin/tarmo/Toimetised/toimetised_38_2007.pdf
[29] http://www.praxis.ee/fileadmin/tarmo/Toimetised/toimetised_38_2007.pdf, p. 9.

Graph 38. Given counselling support share by enterprise size, 2004-2005.[30]



Next graph shows, how submitted projects distributed **over different topics of consultation**.

Graph 39. Projects distribution over different topics, 2004.[31]



Main conclusions and results of the study were:

1) Program **had significant effect on development of consultancy service market**. On one hand, many **new consultants** entered the market. Though, on the other hand **there was lack of experienced and specialized consultants,** who could give advice to companies in more detailed manner. Also, it supported **increase in quality of consultancy services.** Therefore in addition resulting increase in prices too. Analysis stressed the fact, that **cooperation with external experts from abroad should be supported.** Use of experts from abroad, was seen as the most value-adding to companies both in short- and long-term.

2) Companies should be **more effectively informed about the consultancy services and consultants** operating in the market. **Quality standards** for consultants were highlighted as one possible key solution for the problem, as this could help companies to choose external consultation specialist more wisely.

[30] http://www.praxis.ee/fileadmin/tarmo/Toimetised/toimetised_38_2007.pdf, p. 9.
[31] http://www.praxis.ee/fileadmin/tarmo/Toimetised/toimetised_38_2007.pdf, p. 15.

3) **Problems in communication between consultants and EAS** were cause of the fact that partnerships between EAS, Regional development centres, consultants and companies had not yet fully developed. Study proposed that **more attention should be aimed at involving and informing consultants and at changing of negative attitudes towards consultants.**
4) Program resulted **increase in demand for external consultancy services**.

Consultancy and training market in Estonian business sector (2005)[32]

Goal of the study conducted in 2005 was to map **Estonian business sector interest and activity on using consultancy and training services** and to present **main problems**, which are affecting use of those services. In addition, aim was to get an overview of **companies expectations on public sector, including role of EAS** in developing both consultancy services and training markets.

Main conclusions and results of the study were:

1) **49% of companies, who had used consultancy service, ordered projects/works from consultancy companies;** 44% from one-man (self-employed) consultants; 27% asked informal advice and help from experts based on personal relationships; 9% from foreign consultants or foreign consultancy companies.
2) **41% of companies**, who had bought consultancy service, did it in amount of **fewer than 640 euros** and **22% in amount of between 641 to 1600 euros**. Though, in general the rest **large-scale projects were affecting the market size**.
3) Consultancy services were mainly used in fields like **legal and accounting/financial consultation.** General management consultation did not have significant role in the market.
4) **83% of companies were satisfied** with the use of consultants' services.
5) Two main reasons for companies, who were not satisfied with consultants, were following: **1) "consultants do not have enough field-specific know-how"** and 2) **"proposed solutions did not fit or were not proper for our company in general"**.
6) **Business sector was in principle more ready for using consultancy services** than actual situation in the market was in 2005.
7) **Consultancy services and use of external consultancy found to be yet uncommon and also** there were discovered no habit or willingness to use consultancy companies services.

Summary and Conclusions of the Studies to Date

It must be stated, **that there has not been conducted any specific or detailed study on Estonian consultancy services market before** (incl. studies about consultancy companies international activity)**.** Effectiveness of consultancy companies associations and co-operation between those associations (incl. other supportive institutions) and consultants have also not been studied in detail.

Though, there have been made **some surveys and studies covering different aspects of consultancy services** (e.g. attitude towards consultancy companies, factors affecting use of external consultation by companies, favoured sources for external consultation by companies) **and need for external consultation by companies in general** (e.g. The survey of the development trends of small

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[32] http://www.arengufond.ee/upload/Editor/ettevotlus/risektori%20koolitusturg%20Eestis_ARIKO_2005.PDF, p. 14.

and medium-sized enterprises, 2012, 2008, 2005, 2003; Study of production management operational level, 2011; Estonian management area study, 2011, 2005; Study of Estonian companies export problems – IT companies, 2010[33]; Management consulting in Estonia, 2009; Business-related training opportunities offered in Estonia, 2008[34]; Evaluation of the effects of counselling support, 2007; Consultancy and training market in Estonian business sector, 2005). In addition, there have been **published articles and news in local media about Estonian consultants.**[35]

In overall, Estonian consultancy market has been mainly studied through the **focus on the field of management consultation** and with a stress **on consultancy services demand. Lack of experienced and specialised consultants/experts** has been found as one of the important aspects for describing the market in the period 2004-2012. Still, companies operating in Estonia have been **largely satisfied with quality of the offered consultation services**. As the **need for external experts and consultants** has been perceived in the market, consultancy companies have an opportunity **to more actively present and offer their services.**

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[33] http://www.itl.ee/?dl=739

[34] http://www.arengufond.ee/upload/Editor/ettevotlus/Ettevotluse%20koolitusv%C3%B5imalused%20Eestis_SaarPoll_2008.PDF

[35] http://www.kutsekoda.ee/et/uudised/view/10456803 (2013), http://www.kutsekoda.ee/et/uudised/view/10415828 (2012), http://blog.advisio.ee/2011/09/13/kas-eesti-konsultantidel-on-voimalik-konkureerida-rahvusvahelistel-konsultatsiooniteenuste-hangetel/ (2011), http://eesti.info/uudised/uudis.php?uudis=EASi_juht_meie_juures_k%E4ivad_ka_toetusek%FCtid&uid=825185 (2010), http://www.aripaev.ee/default.aspx?publicationid=31503ED6-39D4-4163-9D98-74AA1E3959CE&code=21969 (2008), http://www.aripaev.ee/mod/emb/pressiteade/index.html?ID=135381&leht_id=2997 (2005), http://arileht.delfi.ee/news/uudised/eesti-konsultandid-moodustavad-uhisrinnet.d?id=51047763 (2005).

Annex 2 – Key Players in Estonian Consultancy Market

Main Public Sector or Regulatory Stakeholders

Main **(semi-)public sector stakeholders** directly or indirectly concerned with the consultancy sector in Estonia can be listed as follows:

Ministries

Ministry of Finance of the Republic of Estonia
Webpage: www.fin.ee / Telephone: +372 611 3558 / E-mail: info@fin.ee
The Ministry of Finance is the government's expert in the implementation of tax, financial and fiscal policies, and setting economic goals. **Ministry`s mission** is to be the government`s expert in the implementation of tax, financial and fiscal policies, and setting economic goals. **Areas of activity of ministry related to consulting:** ▪ planning and implementation of the state's fiscal policy; ▪ planning tax and customs policy, and maintaining a stable tax system; ▪ **economic analysis and economic forecast;** ▪ development of the public service; ▪ **reviewing applications for permits for aid granted by the state to business (state aid) and advising aid donors;** ▪ **advising suppliers and tenderers on carrying out public procurements and supervising public procurements;** ▪ collection of national statistics; ▪ state accountancy; ▪ coordinating the aid available to Estonia. **Statues of the Ministry of Finance** (01.01.2013).[36]

Ministry of Education and Research
Webpage: www.hm.ee / Telephone: +372 735 0222 / E-mail: hm@hm.ee
The mission of the Ministry is to balance the education policy developments and create conditions and prerequisites in order to ensure the lifelong learning possibilities for every Estonian citizen in an innovative and development orientated society. The Ministry of Education and Research is responsible for the planning of education, research, youth and language related national policies and, in conjunction thereof, managing the fields of pre-primary, basic, general upper secondary, vocational secondary, higher, hobby and adult education, organising research and development activities, youth work and special youth work, and compiling drafts of corresponding legal acts. The main tasks of the Ministry of Education and Research are: ▪ **development of national development plans;** ▪ creating a system of legal acts; ▪ **development of national curricula and other standards;** ▪ development of the state supervision and quality assurance system;

[36] https://www.riigiteataja.ee/failid/Rahandusministeeriumi_pohimaarus_inglk.pdf

- **planning of state commissioned education;**
- development of the teachers' and youth workers' training system;
- international cooperation.

The Ministry of Education and Research also **legalizes education certificates.**

Ministry of Economic Affairs and Communications

Webpage: www.mkm.ee / Telephone: +372 625 6342 / E-mail: info@mkm.ee

The objectives of the Ministry of Economic Affairs and Communications is to create overall conditions for the growth of the competitiveness of the Estonian economy and its balanced and vital development through the drafting and implementing Estonian economic policy and evaluating its outcomes. **Areas of activity:**

- Construction and housing sector;
- Energy sector;
- **European Union and international co-operation;**
- Internal market of the European Union;
- Information society;
- **Economic development and entrepreneurship;**
- Transport;
- Tourism;
- **Foreign trade;**
- **Foreign financing.**

Ministry of Foreign Affairs

Webpage: www.vm.ee / Telephone: +372 637 7000 / E-mail: vminfo@vm.ee

Ministry`s mission is the safeguarding of Estonia's security and welfare, as well as the promoting of Estonia's interests in the world, by planning and implementing the nation's foreign policy and co-ordinating its foreign relations. **Areas of activity:**

- foreign policy;
- security and defence;
- **strategic export control;**
- human rights;
- **regional co-operation.**

Enterprise Estonia (EAS)

Webpage: www.eas.ee / Telephone: +372 627 9700/ E-mail: eas@eas.ee

Established in 2000, **Enterprise Estonia promotes business and regional policy in Estonia** and is one of the largest institutions within the national support system for entrepreneurship, providing financial assistance, counselling, cooperation opportunities and training for entrepreneurs, research institutions, the public and non-profit sectors. **The principal purpose**

of EAS operations is to increase the level of well-being in society by working towards the following five strategic objectives:

- increase in the number of sustainable and quickly growing companies;
- increase in the export capability and internationalisation of Estonian companies;
- increase in the product development and technological capabilities of Estonian companies;
- increase in revenue from tourism;
- integrated and balanced regional development.

Estonian Chamber of Commerce and Industry (ECCI)

Webpage: www.koda.ee / Telephone: +372 604 0060/ E-mail: koda@koda.ee

The mission of the Chamber is to develop entrepreneurship in Estonia. The ECCI is an active partner to the parliament, government and ministries in designing the economic policy and climate. Whenever tax policies, corporate law, laws on property and obligations, foreign trade and EU-related issues or professional qualification are discussed, the Chamber speaks actively on the behalf of the Estonian business community. **The ECCI provides many business-related services –** consultation (legal, foreign trade, EU-related), business match-making (trade missions, trade fair visits, presentations), information services (business contacts, co-operation proposals etc.), training and foreign trade documents.

Estonian Qualification Authority (Kutsekoda)

Webpage: www.kutsekoda.ee / Telephone: +372 679 1700 / E-mail: kutsekoda@kutsekoda.ee

The Estonian Qualifications Authority (trademark – Kutsekoda) as a private legal entity (foundation) was established in August 2001 in order to continue developing the occupational qualifications system launched by the Estonian Chamber of Commerce and Industry in 1997. Kutsekoda was established by the Estonian Chamber of Commerce and Industry, Estonian Employers' Confederation, Ministry of Social Affairs, Estonian Employees` Unions' Confederation (TALO) and the Confederation of Estonian Trade Unions. In addition to the founders of the Kutsekoda, the Supervisory Board of the Kutsekoda includes a representative of the Ministry of Education and Research. Kutsekoda is developing a support structure for occupational qualifications system in order to increase the competitiveness of Estonian employees and promote the development, assessment, recognition and comparison of their occupational competence.

Consultancy Companies Associations

Following chapter gives an overview of the consultancy companies associations or relevant **registered and operating in Estonia. There are several associations and organisations connected with various areas of consultancy market** such as marketing and communication services, training, IT services, engineering consulting-services, accounting services and legal advice. All of associations are dedicated to developing their area of expertise, offering training, creating links with other professional associations, organizing seminars and networking events, collecting and spreading information about their field of activity and representing and defending the interests of their members by their mandate.

The Estonian Consultants Association (ECA)
Webpage: www.eka.ee / Telephone: +372 508 8546 / E-mail: secretary@eka.ee
ECAs mandate is to provide and promote high-quality consulting services in Estonia.
▪ Organizing training for consultants; ▪ Participation in establishing support system for entrepreneurship and their operations; ▪ Establishment of international contacts with analogous associations and organizations engaged in consulting, and with individual consultants; ▪ participation in international co-operation projects; ▪ Giving an expert opinion; ▪ Protection of work and professional interests of the members of ECA; ▪ Developing consultants' profession system.
11 corporative members, 40 members, 13 senior members.
▪ Management and business consultants; ▪ The members of ECA can be, besides the founder members and corporative members (such as Cumulus Consulting OÜ, Integre OÜ), the individuals practicing as consultants in Estonia (for example Andro Kullerkupp from Vertex Consulting, Ülle Pihlak from Estonian Business School (EBS) and Tõnu Hein from Heiväl Consulting).[37]
The main organisation operating in consulting market is **The Estonian Consultants Association (ECA).** ECA, established in 1992, is an association that unites Estonian consultants. Founded by the management and business consultants of their own accord, ECA is a self-governed non-profit union. Since 2007, ECA is an **official consultants' profession affiliate organisation** and it increasingly possesses influence on regulating business activity and also on consultation market. The key activities of ECA are offering training for consultants, giving professional qualification accreditation for consultants, creating international contacts, participating in international co-operation projects and giving an expert opinion.

Estonian Service Industry Association (ESIA)
Webpage: www.teenusmajandus.ee / Telephone: +372 526 6393 / E-mail: info@teenusmajandus.ee
ESIA mandate is to drive and support the development of information, creative and professional services sector, emphasize the importance of highly competitive higher education system and improve the local business environment to attract foreign capital.
▪ Choosing the best and the worst law; ▪ Taking part of creating the Estonian Entrepreneurship Growth Strategy 2014-2020; ▪ Service industry training in cooperation with the Estonian Ministry of Interior; ▪ Making changes in the Estonian Alien Law; ▪ Cooperation contract with Estonian Business School; ▪ Research of the service sector in Estonia.
130 members.

[37] http://eka.ee/index.php?id=10503

Estonian Service Industry Association (ESIA)
Mainly service industry companies from design, IT, law, consultancy, finance, advertising and PR, health and training services sectors (such as BDA Consulting, PricewaterhouseCoopers and FocusIT).[38]
Another important consultancy companies association is **Estonian Service Industry Association (ESIA).** It is a voluntary professional membership organisation representing more than 130 service industry companies for making an impact on Estonian business environment. ESIA was established in 2010 with 20 service industry leaders as founding members. The association has members from design, IT, law, consultancy, finance, advertising and PR, health and training services sectors. The key activities of ESIA are organizing service industry training, raising issues in legislation by choosing the best and the worst law, doing researches in Estonian service sector and cooperating projects with research and education institutions and professional associations to promote service industry. Next table gives the overview of EISA.

Estonian Association of Quality (EAQ)
Webpage: www.eaq.ee / Telephone: +372 5695 6005 / E-mail: eaq@eaq.ee
EAQ mandate is to increase the competitiveness of Estonian enterprises and organisations through developing management quality, innovation competence and quality infrastructure.
▪ Organizing Annual International Excellence Conference (20 years); ▪ Carrying out recognition and development projects, such as Estonian Excellence Award and EFQM Levels of Excellence (C2E, R4E), Estonian Public Sector Quality Award, Estonian Tourism Quality Programme, Vocational Education Institutions; ▪ Organizing training: Quality managers' competence training, Quality manager competence training for VETs, Quality assurance in Higher Education Institutions; ▪ Giving out quality manager certification since 1999; ▪ Organizing seminars, training (self-assessment, creativity, process management etc.); ▪ Giving out recognitions called Quality Face and Quality Deed of the Year, Walter Masing Prize.
57 collective members, 175 individual members.
Collective or individual members from Estonian enterprises and organizations (such as EMT AS, TJO Konsultatsioonid OÜ).[39]
Estonian Association of Quality (EAQ) is a non-for-profit membership organisation. EAQ has wide international co-operation network, and is partner or member of many international organisations. **EAQ mission is to inspire and support the development of people and organisations.** The key activities of EAQ are organizing training and conferences, carrying out recognition and development projects, participating in formulation of the quality policy, spreading information about quality, giving advice concerning quality and giving an expert opinion how to develop management quality, innovation competence and quality infrastructure.

Estonian Training Companies Union
Webpage: www.kfl.ee / Telephone: +372 503 3028 / E-mail: peeter@invicta.ee

[38] http://teenusmajandus.ee/en/members/esia-members/
[39] http://eaq.ee/sisu/meie-liikmed

Estonian Training Companies Union`s mandate is to support the development and availability of adult education in Estonia, contribute to the designing of favorable business environment for the development of Estonian training companies, to represent and defend the interests of the members.

- Participating in the legislative process;
- Collecting and spreading information about adult education to all interested in training;
- Creating and developing relations with similar organizations in other countries;
- Organizing conferences, seminars, exhibitions and information events;
- Collaborating with other business organizations in Estonia and abroad;
- Representing and defending the interests of the members.

12 members.

Training and consulting companies registered in Estonia (such as Self II, MAD).

Also, there exists an association uniting training companies called **Estonian Training Companies Union.** This non-profit organisation is acting on the basis of voluntary membership. Estonian Training Companies Union **brings together training and consulting company registered in Estonia.** Mission of the Estonian Training Companies Union is to support the development of organisations and people, valuing quality and fair competition. Main activities of Estonian Training Companies Union include participating in the legislative process, collecting and spreading information about adult education, creating and developing relations with similar organisations in other countries, organizing conferences, seminars, exhibitions and information events, collaborating with other business organisations in Estonia and abroad, representing and defending the interests of the members. The profile of Estonian Training Companies Union is presented in following table.

Marketing Companies Association

Estonian Marketing Communication Agencies Union

Webpage: www.etkal.ee / Telephone: +372 5648 3793 / E-mail: info@etkal.ee

Union`s mandate is to represent the common interests of the members, communicate with state and local government institutions, improve the quality of members' services and to ensure balanced development of marketing communication.

- Organizing marketing event "Kuldmuna";
- Representation of the common interests of the members;
- Communicating with state and local government institutions;
- Improving the quality of member services.

28 members.

Union`s members are communications services companies such as advertising, media, design, digital, public relations, and event marketing companies (such as Creatum, Elamusstuudio).[40]

Another union called **Estonian Marketing Communication Agencies Union** unites marketing and communications services companies (advertising, media, design, digital, public relations and event marketing companies etc.) or their associations. The union was established in 2013. The key activities of Estonian Marketing Communication Agencies Union are organizing marketing event,

[40] http://www.etkal.ee/liikmed

improving the quality of marketing services and ensuring balanced development of marketing communication market.

Information and Telecommunication Companies Associations

In information technology (IT) sector, there are two main associations operating: **Estonian Association of Information Technology and Telecommunications (ITL) and Estonian Business Software Alliance**. Both associations are contributing to the development of local information and communication technology sector.

Estonian Association of Information Technology and Telecommunications

Webpage: www.itl.ee / Telephone: +372 617 7145 / E-mail: info@itl.ee

Association`s mandate is to promote information technology and telecommunications companies' cooperation in Estonia's development towards information society, to represent and protect the interests of its member companies and to express their common positions.

- Popularization of information and communication technology;
- Promotion of vocational education;
- Amendment of legislation;
- Representing and protecting the interests of its member companies;
- Assisting its members as well as their employees in arranging training and personnel development;
- Collecting and disseminating information related to the area of activity of the Association to its members as well as to the public;
- Promoting the information and communication technology education and therefore giving scholarship support to students.

81 members.

Estonian information technology and telecommunications companies (such as Andmevara OÜ, Baltic Computer Systems AS).[41]

Firstly, **ITL** is a voluntary organisation, **whose primary objective is to unite the Estonian information technology and telecommunication sector companies,** to promote their cooperation in Estonia's development towards information society, to represent and protect the interests of its member companies and to express their common positions. Main activities of the association include popularization of information and communication technology, promotion of vocational education and amendment of legislation.

Estonian Business Software Alliance

Webpage: www.tarkvaraliit.ee / Telephone: +372 656 6376 / E-mail: info@tarkvaraliit.ee

Alliance`s mandate is to facilitate the legal use of software in Estonia.

- Contributing to the development of local IT sector;
- Promoting respect of copyright in the society;
- Organizing campaigns and seminars;
- Communicating with the media and expressing opinions about relevant issues;
- Cooperation both with the legislative and executive powers;

[41] http://www.itl.ee/?op=body&id=13

- Cooperation with local hard- and software distributors;
- Cooperation with various organizations (such as copyright organizations, internet services' providers, online administration enterprisers, professional associations).

4 members.

IT enterprises (such as AruCAD Süsteemid OÜ, TVG Eesti OÜ).[42]

The second union, **Estonian Business Software Alliance** is an independent organisation connecting the distributors of computers and software with the main goal of facilitating the legal use of software in Estonia, and therefore contributing to the development of local IT sector, creating a more honest business environment and promoting respect of copyright in the society. Alliance was created by BCS AS, Gensi Tarkvara AS, IT AS and Usesoft As in 1997. Today, alliance has become **an opinion leader its field by advocating the honest approach to entrepreneurship and respect of copyrights in the field of software.** Alliance has facilitated cooperation and improved cooperation with other organisations with similar views. The key activities of Estonian Business Software Alliance are organizing campaigns and seminars to promote respect of copyright, cooperation with the legislative and executive powers and communicating with the media.

Engineering Companies Association

Estonian Association of Architectural and Consulting Engineering Companies

Webpage: www.epbl.ee / Telephone: +372 660 4795 / E-mail: epbl@online.ee

EAACEC`s mandate is to develop architectural and engineering consulting services

- Representing the interests of its members in the Estonian construction policy making, presenting the proposals to state and government for legislation improvement;
- Creating and developing relations with organizations and individuals in other countries, taking part in the work of international organizations, representing its members in Estonian and international organizations;
- Facilitates communication and exchange of information between members;
- Promotes the use of the principles of open and fair competition;
- Issues printed materials;
- Organizing business networking events, presentations, information days and seminars.

66 members.

Architectural and engineering companies (such as Heat Consult OÜ, Kuubik Projekt OÜ).[43]

In the area of engineering consulting services operates union called **Estonian Association of Architectural and Consulting Engineering Companies (EAACEC)**. EAACEC is a voluntary non-profit organisation, established in 1994. EAACEC connects companies providing engineering consultancy services, such as architectural and engineering companies. EAACEC's activities are aimed to end-user of buildings, protecting users' interests by setting standards for high-quality construction works in projects. The purpose of the association is **to develop architectural and engineering consulting services and to represent and protect the interests of its member in domestic and foreign markets.** The key activities of EAACEC are developing engineering consulting-services, supporting the activities of its members, presenting the proposals to state and

[42] http://www.tarkvaraliit.ee/et/Liikmed
[43] http://www.epbl.ee/en/members

government for legislation improvement, promoting the use of the principles of open and fair competition.

Accounting and Finance Companies Associations

Also there are **associations, who are operating in the area of accounting.** They are committed to develop accounting services in Estonia **by spreading the accountant-oriented knowledge and experience, protecting the status and reputation of the profession.**

Estonian Accountants Association
Webpage: www.erk.ee / Telephone: +372 655 8330 / E-mail: erk@erk.ee
Association`s mandate is to unite Estonian accountants for effective realization of their profession, ideals, obligations and rights.
▪ Spreading the accountant-oriented knowledge and experience; ▪ Enhancing and protecting the status and reputation of the profession of accountant in society; ▪ Expressing the views of the membership in state and public debates and decision making; ▪ Developing co-operation with all persons and organizations with similar goals.
Number of members N/A.
Any individual person at least 18 years old or a legal entity engaged in accounting in Estonia.
One of them is **Estonian Accountants Union.** It is non-profit organization established on 26 February 1997. Estonian Accountants Union **unites Estonian accountants for effective realization of their profession, ideals, obligations and rights.** The key activities of Estonian Accountants Union are spreading the accountant-oriented knowledge and experience, enhancing and protecting the status and reputation of the profession of accountant in society, expressing the views of the membership in state and public debates and decision making.

Association of Estonian Accounting Firms
Webpage: www.erpel.ee / Telephone: +372 680 5620 / E-mail: info@erpel.ee
Association`s mandate is to contribute to the development of accounting services in Estonia with the objective to raise the quality of accounting services and companies awareness about accounting services.
▪ Representing and defending the interests of the members; ▪ Contributing to the development of accounting in Estonia; ▪ Helping to create and promote the conditions that contribute to the development of accounting services; ▪ Adjusting and modernizing good practice in the provision of accounting services, thereby ensuring the quality of the service provided.
10 members.
Companies providing accounting services and operating in the field of accounting for at least two years, with at least five employees, whose quality control system complies with the Union's standard of providing accounting service, who has a good reputation and who accepts and fulfils

the Statute of the Union, and regularly pays the membership fee (such as Rimess OÜ, OÜ Eventus EA).[44]

Secondly, there is **Association of Estonian Accounting Firms.** This is a voluntary non-profit association of companies providing accounting services. Association is established on 16 June 2010 and **founding members were Estonia's 15 largest companies providing accounting services.** The key activities of associations are supporting its members by representing and protecting their interests, helping to create and promote the conditions that contribute to the development of accounting services, creating opportunities for joint training, adjusting and modernizing good practice in the provision of accounting services.

The Estonian Board of Auditors
Webpage: www.audiitorkogu.ee / Telephone: +372 664 5180 / E-mail: info@audiitorkogu.ee
Board`s mandate is to organize the professional activities of auditors and protect the rights of auditors.
▪ Supervising the professional activities of auditors and compliance with the Auditing rules; ▪ Protecting the rights of auditors.
474 members.
Board`s member portfolio consists of certified auditors.
Lastly, there is **The Estonian Board of Auditors** that was created in 1999 with the Authorized Public Accountants Act of the Republic of Estonia. The Board of Auditors is the institute of Estonian certified auditors, only members of the Auditing Board have the right to practice as auditors in Estonia. The Estonian Board of Auditors is a self-governing professional association of Estonian auditors. The key activities of the Estonian Board of Auditors are organizing the professional activities of auditors and protecting the rights of auditors.

Legal Advice Consultancy Associations

In the area of legal advice two main associations are described: **Estonian Lawyers Association** and **Estonian Bar Association**. The main goal of those two associations is to develop Estonian law, provide legal services and to defend the professional rights of its members.

Estonian Lawyers Association
Webpage: www.juristideliit.ee / Telephone: +372 631 4466 / E-mail: ejl@juristideliit.ee
Association`s mandate is to protect the interests of its members and contribute to the development of the Estonian law.
▪ Organizing professional and social gatherings to unite members; ▪ Organizing training; ▪ Representing its members in state bodies; ▪ Participating in legislative drafting and discussions; ▪ Initiating and supporting the activities for human and civil rights, supporting democratic ventures of other countries lawyers; ▪ Creating links with other professional associations; ▪ Cooperating with universities and colleges giving legal education.

[44] http://erpel.ee/?page=1004&selected=9782&lang=1

1088 members.

Estonian lawyers and law firms (such as City Õigusbüroo OÜ, Kangur&Karu Konsultatsioond OÜ).[45]

Estonian Lawyers Association was established in 1989. This is a voluntary non-profit organisation connecting Estonian lawyers. The aim of the organisation is to protect the interests of its members and contribute to the development of the Estonian law. The key activities of Estonian Lawyers Association are participating in legislative drafting and discussions, initiating and supporting the activities for human and civil rights, organizing training and organizing professional and social gatherings. Next table describes the association in more detail.

Estonian Bar Association
Webpage: www.advokatuur.ee / Telephone: +372 662 0665 / E-mail: advokatuur@advokatuur.ee
Association`s mandate is provision of legal service in private and public interest and defending of the professional rights of the attorneys
▪ Providing legal service in private and public interest; ▪ Defending professional rights of the attorneys; ▪ Organizing professional in service training of the attorneys; ▪ Organizing relations with the lawyers, state companies and several local and foreign organizations; ▪ Participating in legislative drafting.
910 members.
The members of the Bar Association (advocates) include attorneys-at-law, senior assistants of attorney-at-law and assistants of attorney-at-law.[46]
Secondly there is **Estonian Bar Association**. This is a self-governing professional association acting on local government administration principles and established on 14 June 1919 for the organization of the provision of legal service in private and public interest and defending of the professional rights of the attorneys. Estonian Bar Association assists its members in their professional activity and performs surveillance, also looks out for the carrying on of the traditions of Estonian attorneys. Among the rest, the Estonian Bar Association **organizes professional in service training of the attorneys**, relations with the lawyers, state companies and several local and foreign organizations and actively participates in legislative drafting. The Estonian Bar Association also organizes the performing of the public law function – performing of defence and representation in civil and administrative matters for a fee payable by the state.

[45] http://www.juristideliit.ee/wp-content/uploads/2013/08/EJL-liikmeskond-seisuga-04.06.2014.pdf
[46] https://www.advokatuur.ee/est/advokaadid/eesti-advokaadid

Annex 3 – Consultancy Training Background

Current chapter gives an overview of training providers, such as associations, professional training providers and educational institutes, which provide training, courses or capacity building for Estonian consultants and availability of certification programs for management and other consultants also. Main training providers for consultants that are described in this chapter are associations (such as the **Estonian Consultants' Association, Estonian Accountants Union, Estonian Lawyers Association and Estonian Project Management Association**[47]), institute (**Estonian Business School**[48]) and training companies (such as **SELF II**[49]**, BSC Koolitus**[50]) that issue profession certificates for consultants.

Training Provided by Associations

Consultants` profession certificate is issued by the **Estonian Consultants' Association (ECA).** Since 2007, ECA is an official consultants' profession affiliate organisation in Estonia. ECA has right to issue **consultant III, consultant IV, consultant V, consultant VI and consultant VII profession certificates.**

Estonian Accountants Union is an official accountants' profession affiliate organisation. Estonian Accountants Union issues professional qualifications for **accountant level 5, level 6 (senior accountant) and level 7 (leading accountant).** Professional exam includes information about financial accounting, tax and management accounting. Exams assume that participants know main normative connected with their profession (Accounting Act, Accounting Standards Board, Commercial Code, Value Added Tax Act, Income Tax Act). **Exam fees are 75 euros for accountant level 5, 160 euros for senior accountant and 240 euros for leading accountant.**

Estonian Lawyers Association has a right to give **legal adviser of level 7 profession certificate.** Professional standard of legal adviser can be acquired by person who has at least nationally recognized master's degree in law or an equivalent foreign qualification. To evaluate applicants' compliance with legal adviser of level 7 profession **certificate control and/or portfolio-type combined methods are used**, depending on the applicant's work experience as a legal service provider. During the evaluation an additional control method may be used such as solving case studies and in-depth interviews. Applicants must be ready to solve case studies and answering questions from civil law, public law and criminal law. **The cost of profession certificate application is 324 euros for the first application and 293 euros in case of the re-certification.**

Estonian Project Management Association`s (EPMA) mission is to develop a project management culture and values in Estonia, while benefiting to society and local business environment. EPMA is a accredited issuer of following professional standards (cost of the first application and cost of the re-certification are added):[51]

- Project manager assistant, level 5 (80.28 euros, no cost);
- Project manager, level 6 (248.14 euros, 78.12 euros);
- Senior project manager, level 6 (248.14 euros, 78.12 euros);

[47] http://www.epma.ee
[48] http://ebs.ee/et/
[49] http://www.self.ee/et
[50] http://www.bcskoolitus.ee
[51] http://www.epma.ee/epma-sai-volitatud-kutse-andjaks/

- Project portfolio manager, level 7 (248.14 euros, 78.12 euros).

To have right for issuing professional standards was EPMA`s long-term strategic, which they achieved in 28 May 2014.

Training and Certification Provided by Private Training Companies

Professional training company SELF II offers development program for consultants. It is similar to consultants development program, which was till 2011 financed by EAS. Though, its main difference is additional ICT module. In general, the aim of this program is to raise the service quality offered by people participating in the program and to prepare them for getting consultants` profession certificate.

The main objectives of the development program are to develop the participants' consultative and behavioural skills and enhance their knowledge of the consultation, including coaching. The program includes knowledge about creating trusting client relationship in the consultation process, strategic management and planning, marketing and communications activities, management of finance, data and information gathering and analysis in the consultation process and organisational diagnosis, putting together an action plan and implementation, people management and leadership, information and communication technology. Participation in the program cost for consultants by period of 2013-2014 was approximately **2 800 – 3 000 euros (incl. VAT) depending on the need for mentorship.** Today, **demand for the program is low**. Therefore, Self II does not actively promote the program. Some partners of the company, such as EAS, are occasionally procuring some of the program`s modules.

BSC Koolitus is one of the Estonia`s leading companies in ICT training, project management and consultancy fields. Currently, BSC Koolitus can issue **IT-systems junior specialist (level 3)** and **IT-systems specialist (level 4)** professional standards. Exam cost for **junior specialist professional standard is 105 euros and 155 euros for system specialist professional standard.**

Training and Certification Provided by Educational Institutions

Estonian Business School (EBS) offers development programs for managers and professionals. These programs are of different lengths, modular, combining theory and practice. Lectures are led by top-level lecturers and the best practitioners in their field. **There are 11 different development programs** including development program for financial manager, leader and sales manager, human resource management development program, advanced project management and service management program. Development programs provided by EBS last usually 3-9 months and their cost depends on a program. **For example a development program for financial manager lasts for 9 months and costs 4 960 euros + VAT. Development program for leaders lasts for 5 months and costs 1 911 euros + VAT.**