

Developing investment consulting for small and medium-sized businesses in the new economic conditions

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Развитие инвестиционного консалтинга для малого и среднего бизнеса в новых условиях

АЗАМАТ АНДЕМИРКАНОВИЧ СОБЛИРОВ^а
а сообщество частных инвесторов «бизнес ангелы россии»

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Аннотация: В статье рассматривается роль консультанта в развитии малого и среднего бизнеса в условиях экономических санкций. Введение санкций в начале 2022 года заставило по-новому взглянуть на многие процессы в экономике нашей страны. В их числе – возможности инвестиций в малый и средний бизнес. В условиях существенного сокращения иностранных инвестиций встает вопрос об отечественных механизмах эффективного инвестирования в новые проекты. В процессе инвестирования важным элементом становится информационное сопровождение и консультирование. Для того чтобы отечественный инвестор нашел проекты, характеризующиеся приемлемыми рисками и доходностью, а малый и средний бизнес – своего инвестора, необходима устойчивая и развитая система консультирования. При этом консалтинговую помощь получают как инвесторы, так и инициаторы проектов. Для инициатора проекта консультант помогает правильно «упаковать» проект, для того чтобы можно было заинтересовать инвестора. Также с помощью консультанта клиент может получить информацию о предпочтениях инвестора по проекту, о процедуре и условиях инвестирования. На основе практики ведения консалтингового бизнеса, а также изучения деятельности сообщества «Бизнес Ангелы России» обобщен опыт организации так называемых мини-форумов, проанализированы результаты проведенного автором опроса инициаторов проекта и инвесторов, выявлены различия в их информационной подготовке. Рассмотрены сетевые эффекты взаимодействия инвесторов, консультантов, инициаторов проекта и их новых участников.

Ключевые слова: консультирование, малый и средний бизнес, инвестор, клиент, консалтинг, инвестиции

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DEVELOPING INVESTMENT CONSULTING FOR SMALL AND MEDIUM-SIZED BUSINESSES IN THE NEW ECONOMIC CONDITIONS

RESEARCH ARTICLE

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а Community of private investors «Business Angels of Russia»

Abstract: The article discusses the role of a consultant in developing small and medium-sized businesses in the context of economic sanctions. The introduction of sanctions at the beginning of 2022 makes us take a fresh look at many processes in the economy of our country. Among them are investment opportunities in small and medium-sized businesses. In the context of significant reduction in foreign investments, the question arises of domestic mechanisms for effective investment in new projects of small and medium-sized businesses. In the process of investing, information support and consulting become an important element. In order for a domestic investor to find projects characterized by acceptable risks and acceptable returns, and for small and medium-sized businesses to find their investor, a stable and developed system of consulting is required. At the same time, both investors and project initiators receive consulting assistance. For the project initiator, the consultant helps to properly “package” the project in order to be of interest to the investor. With the help of a consultant, the client can obtain information about the investor’s preferences for the project, about the procedure and conditions for investing in the project. Based on the professional experience in the consulting business, as well as studying the practice of the “Business Angels of Russia” community, the author summarized the experience of holding so-called mini-forums, analyzed the results of a survey of project initiators and investors, and identified the gaps in their informational preparation. The author considers the network effects of interaction between investors, consultants, project initiators and their new participants.

Keywords: counseling, small and medium-sized businesses, investor, client, consulting, investments

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Introduction

This article does not pretend to analyze all processes without exception in management consulting aimed at small and medium-sized businesses. It is dedicated only to consulting that is aimed at helping small and medium-sized businesses to obtain investments for their projects. It is conditionally possible to define this type of consulting as investment-oriented.

The current state of the issue

General issues of consulting activities are disclosed in the fundamental work on management consulting by Kubra M. [Management consulting..., 2004]. The monograph by Zilberman M. presents a variety of consulting techniques and technologies (questionnaires, events, matrices, etc.) [Zilberman, 2006]. Certain aspects of consulting are considered in the works of Prigozhin A.I., Shane E., Nevis E. [Prigozhin, 2003; Shane, 2008; Nevis, 2002]. The study by Phelps N.A. and Wood A. shows that investment consulting is concentrated mainly in developed economies and prefers to offer its services only to large businesses [Phelps, Wood, 2017. P. 1336–1354]. Investment consultants are important intermediaries in the asset management system, but their efforts are mostly focused on large investment projects [Jenkinson, Jones, Martinez, 2015. P. 2333–2370]. In general, the sphere of investment consulting, focused on small and medium-sized businesses, is relatively little studied.

The traditional object of scientific research on the features of the investment process are large and medium-sized projects. In the scientific literature, the issues of interaction between investors and project initiators are widely discussed if the project is in the sphere of large business. As a rule, large investors are not interested in small projects at all. The same can be said about consultants from large consulting companies: they rarely take on small or medium business projects.

At the same time, domestic practice has already accumulated some experience in attracting investment in small and medium-sized businesses. Today, mini-forums held under the auspices of the International Community «Business Angels of Russia» have become one of the factors in the successful unification of the project initiator and its investor. This experience has already been discussed on the pages of the «Gosudarstvennaya Sluzhba» journal [Gaponenko, Soblirov, 2020. P. 25–30]. This article continues the theme of developing the consulting support for investment projects in small and medium-sized businesses. So far, in the domestic scientific literature, the issues of organizing consulting assistance to small and medium-sized businesses in the process of finding and obtaining the necessary investments for business development have not received wide coverage. Moreover, after February 2022, Russian small and medium-sized businesses faced a new reality. In the context of escalating sanctions for small and medium-sized businesses, there is no way to attract foreign investors at the same rate. However, in the new conditions, many types of small and medium-sized businesses are opening up new opportunities for the development of new projects against the backdrop of the departure of many companies from Russia. At the same time, as a rule, small and medium-sized businesses do not have enough of their own fi-

ancial resources to rapidly develop new projects. In the new business environment, the relevance of the issues considered in the framework of this article increases. State measures to support small and medium-sized businesses by themselves will not produce the desired effect if they are not supplemented by measures of consulting support for promising projects for the development of small and medium-sized businesses.

The goal of this article is to identify new promising areas for developing the consulting services for small and medium-sized businesses in the field of attracting investments. The research methodology is a generalization of the author's real personal consulting experience, as well as the experience of the International Community «Business Angels of Russia». As part of the study, a sociological study of the information interests of participants in the investment process (recipients of investments, as well as potential investors) was also carried out.

The experience of consulting, first of all, speaks of a significant information gap between the participants in the process – representatives of small and medium-sized businesses, investors and consultants. Typically, representatives of a small or medium-sized company do not fully understand the process of obtaining investments and are also not fully familiar with the criteria by which investors make investment decisions. They are not fully familiar with the practice of implementing similar projects, nor are they familiar with the procedure for preparing and receiving investments. Investors are interested in information that concerns not only the financial side of the project, but also affects management, planning, the composition of the management team, the demand for a particular product with the subsequent scaling of the project in the country, etc. In a traditional situation, when a dialogue between a potential investor and an investment recipient is carried out directly, without a consultant, it usually does not work due to the fact that potential investors do not receive the necessary information from a business representative, and business representatives also lack information about project requirements and traditional investment practices.

Information gaps

In the course of their activities, consultants provide the client with the necessary information, help in establishing new business contacts and connections, carry out diagnostics and broadcast the result of their own expertise. Consultants, if necessary, can help prepare project documents (presentations, business plan, financial model, theoretical economic justification). The consultants also develop options for an action plan and make recommendations for the implementation of this project on a larger scale. In fact, the consultants train the project initiators.

The author conducted a survey and interviews among representatives of small and medium-sized businesses who turned to a consultant for help in finding an investor for their projects. The results of the survey and interview revealed a number of interesting patterns.

Clients, as a rule, in the first stage of interaction with a consultant, cannot imagine the possibilities. So, for example, to the question of whether the clients want to receive only assistance in obtaining investments, or want to find a part-

ner in business, a significant part of the respondents (45 out of 60) answered that they were initially only interested in assistance, which is why they initially did not plan further interaction with a consulting organization. Only during the consultation process, and sometimes even later, the clients begin to realize the need to refine the project. Usually, it is in the process of contacts with a consultant that work begins to delve into the preferences of the investor, as well as in what aspects it is necessary to improve the business in order to increase profits and capitalization of the company. The clients begin to understand that consultants can help not only in attracting investors, but also in finding clients and partners. Moreover, it opens the possibility of cooperation with a consultant after receiving funding. In particular, consultants can help not only in the «packaging» of the project, in the search for partners, suppliers and buyers, but can also provide outsourcing services for reporting and automation of business processes, tax and legal consulting in a later period. Not only as part of the survey, but during the interview, it turned out that clients are not sufficiently informed about how private investors usually invest: what are the conditions for investing, what is usually the share in the business that investors claim, for how long they enter the business. The clients, as a rule, are interested in typical stories of investing in similar projects. It is difficult to obtain such information from open sources. The vast majority of respondents (55 out of 60) answered that they are interested in information about what needs to be done (step by step) in order to receive investments. Also, the subject of increased interest is the question of how a typical investment history develops: under what conditions do investors usually invest money, for what average period do they enter the business, what are the pros and cons of attracting investors. By providing information of this kind, the consultants not only satisfy the clients' requests for information of the appropriate kind, but also contributes to the fact that obtaining an investment becomes real.

Company executives are interested not only in helping to find potential investors and organizing the process of preparing documents for making investments. They are also interested in bringing their own business into a state that meets the needs of potential investors. In other words, the client is interested in the consultant's help in improving the efficiency of his business and, at the same time, in developing and expanding his own business. However, clients are usually not aware that they can also receive this type of service from a consultant.

Typically, business leaders who are looking for an investor do not envision traditional investor funding trajectories. Also, they do not know the typical cases, as well as the standard parameters of the investment cycle (for how long it is possible to receive investments, when and how the investor exits the project, what are the risks of interacting with the investor, etc.) Clients are not fully informed about the criteria by which investment decision will be made. Clients also do not fully understand in what form and with what emphasis the project should be presented to the investor.

In addition to interviewing clients, the author undertook a series of interviews with private investors with experience in investing. In the course of these interviews, it became

clear that investors use a set of indicators in practice that is significantly wider than the traditional financial indicators discussed in the professional literature. In this case, a contradiction arises: the project initiator, as a potential recipient of investments, imagines the information need in such a way that they are limited mainly to financial indicators, while the real investor is interested in broader data.

The information needs of private investors were identified. It turned out that they consist not only in being able to assess the quality of the financial model, verify the reliability of estimates of the forecast values of IRR, ROI, EBITDA, Cash-flow, etc. These investors are also interested in the following characteristics of the project:

- The register of agreements and contracts indicating the planned turnover on them,
- Credits/loans with conditions and maturities,
- Business team (experience of managers and availability of productive team communications),
- Product demand, the forecast of future product demand,
- Analysis of suppliers, how verified they are (in terms of price, quality, reliability),
- Buyer analysis,
- The investment recipient's view of the procedure and the sequence of actions for attracting and returning investments, the recipient's assessment of investment risks,
- The social significance of the project,
- The result from the investment, which assets will appear, how they can be used later,
- The possibility of long-term cooperation between the consultant and the project initiator,
- The possibility to scale the project,
- The ratio of receivables and payables.

Of particular importance is the issue of trust between the project team and the consultant. The issue of trust to a consultant is resolved quite simply – after the investor and a particular consultant have their first project, the issue of trust between them is largely removed. At the same time, the issue of trust in the project team remains.

Thus, analyzing the results of interviews with investors led to the conclusion that the information interests of the investor are not limited to financial indicators, they are much broader and relate to the possibilities of reducing risks by disclosing information about the non-financial characteristics of the project.

The investor, as a rule, does not know that an investment consultant can help not only in finding new projects, but also in formatting the project. So, for example, the consultant can link the project under consideration to the additional opportunities of a particular state program. The consultant can also advise on how to bring the project to the point where it becomes possible to include it in a suitable state program.

Network effects of consulting

Usually, the consultants do not have all the necessary knowledge and competencies. They cannot combine the competencies of consultants in taxation, investment, management automation, marketing, etc. At the same time, in order for this or that project to be implemented, it is necessary not

only to carry out certain consultations, but also to attract new counterparties for developing the client's business. If the consultants have the opportunity to attract other consultants on specific issues and new partners for the client, then in this case this kind of advice becomes more valuable, and the consultants increase their own competitiveness.

In the traditional case, the interaction of a consultant with an investor and a client is limited to their direct interaction with each other (investor and client, investor and consultant, client and consultant). What happens if one consultant in his activities involves additional consultants, as well as other entrepreneurs who provide certain services to the client, to interact with the client and investor? In this case, the interactions become more complex, they are no longer limited to simple interactions of the client, consultant and investor, but become complex network interactions of several new participants in the investment project. The client can become a partner of this network community in the future.

If consultants offer a network of consultants on specific business issues as a strategic resource, their opportunities become wider. They can provide the client with advice with significantly higher customer value, thus increasing their competitiveness. The network to which the consultants have access consists of two types of counterparties. These are consultants on specific issues, as well as potential new business partners for the client. In some cases, it is difficult to draw a line between them, since one or another consultant can become a permanent business partner and vice versa.

In fact, in this case we are dealing with knowledge management [Jackson, De Nisi, Hitt, 2003; Girard J.P., Girard J.L., 2018; Gaponenko, Orlova, 2008]. This knowledge is distributed among the members of the network community, and their interaction occurs in such a way that each member of the community can use the knowledge of any other member. We are dealing with a «lever» of knowledge and skills that every member of the community can use. The use of a network resource increases the efficiency of a company's business.

If new participants appear in the project, this means that the value of the consultant increases, the attractiveness of the project also increases, and the likelihood that an investor will enter the project also increases. In this case, the consultation process is transformed: the consultant participates in it not only and not so much with his knowledge and competencies, but with the knowledge and competencies of new project participants who enter the project at the initiative of the consultant. Thus, a new form of consulting activity arises, within the framework of which there is an association of consultants, recipients of investments, institutional and private investors and partners of business structures receiving consulting services.

This way, the consultant not only looks for investors for a particular project, but also, together with the client, improves the client's business and transforms the original project. Interaction within a network of potential partners

and consultants on specific issues has a beneficial effect not only on the client and the client's project, but also on the consultant. In an environment of constant learning and self-empowerment, the consultant develops distinct competencies and expands his own capabilities.

An example of organizing such interaction is the practice of organizing consulting activities within the framework of the "Business Angels of Russia" community. First, the consultant studies the business plan of the project in detail, clarifies the possible ways of its implementation, finds out how profitable the proposal is for the investor. Further, the initiator of the project has the opportunity, with the assistance of a consultant, to seek help from experienced specialists. In other words, the consultant carries out his activities based on the "leverage effect": behind the consultant stands all the power of expertise and relatively ready-made business solutions offered by members of the "Russian Business Angels" community.

"Business Angels of Russia" is not an organization in the conventional sense of the word. It has no governing bodies, no administrative "center". This network is a prime example of a self-evolving construct that is unlike a traditional organization.

The strength of the network lies in the contacts of members with each other and the possibility to receive the services that the consultant himself cannot offer. These opportunities increase the effect of providing consulting services.

The network effect for the Russian Business Angels community is becoming the main factor in the competitiveness of consulting companies that are part of its structure. The initial efforts and investments in its construction at the first stage do not give a return, which leads to a relatively high entry barrier¹.

An essential feature of working with clients in recent years of the community's activity has been the orientation of a number of projects towards participation in government programs. In order for a particular project to be included in a federal or regional development program, special efforts and experience in working with authorities are required. Community advisors offer these capabilities. Often, in specific cases, a rather complicated scheme of consistent investment is developed: first, an investor is sought, then, after the investments become real, it becomes possible to include the project in a suitable state program. Such a sequence of actions can only be realized with the participation of an experienced consultant and on the basis of experience in similar projects.

To illustrate the results obtained, there are two examples of real projects that the author had to deal with as a consultant. For obvious reasons, the projects are presented without mentioning the names of participants and companies.

First example. The client was engaged in the wholesale trade with building materials and did not have enough of his own funds in order to replenish working capital and close the cash gap. The client applied to two banks, which refused to provide funds. Then the client turned to a consultant. Based on experience and knowledge about specific banking programs to assist small and medium-sized businesses, the consultant advised to apply to the specific bank, helped to prepare the necessary documentation. As a result, client received a loan in the amount of 5 million rubles.

1 How an entrepreneur can find an investor and how an investor can work with entrepreneurs. <https://xn--90aifddrld7a.xn--p1ai/novosti/news/kak-predprinimatelyu-nayti-investora-i-kak-investor-rabotat-s-predprinimatelyami>

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Second example. The client organized the production of facade tiles using amber. Production was mostly exported and returned high profit. The client organized the initial production process using his own financing. The client used the support of the Russian Export Center in his activities. To further develop the business, purchase additional equipment and promote the brand in foreign markets, investments in the amount of 100 million rubles were required. The client did not have enough funds and could not apply for a bank loan using the official business indicators.

With the help of a mini-forum, the consultant helped to find a private investor who invested 15 million rubles in the business, and then the consultant helped to find a manufacturer of equipment that turned out to be significantly cheaper than the one originally chosen by the client. In parallel, the consultant and the client worked to improve the performance of the existing business. After 1.5 years, having significantly improved the characteristics of the business, it was possible to receive the necessary funds in the form of a bank loan. The business no longer needed 100 million rubles, but only 55 million rubles. The second example shows that consultation is not a one-time action, but sometimes it is a long-term cooperation to find options, to improve the business itself so that its characteristics make it possible to reasonably ask for additional funds from the bank. Also, in this example, you can see that the network structures allowed the consultant to find the necessary private investor at the initial stage, and to find more cost-effective equipment at the second stage. The example illustrates how, on the basis of the framework, at the preliminary stage of working with the client, the consultant

helped improve the presentation of the project, which ultimately made it possible to attract a private investor.

Conclusion

Today, the Russian economy is faced with new challenges and restrictions associated with the new geopolitical reality. A flexible response of the entire economy to new conditions can be achieved, among other things, through the development of small and medium-sized businesses. However, the development of many types of small and medium-sized businesses is limited by insufficient opportunities for financing new projects. Attracting external financing is a very complicated procedure and is not accessible to everyone. Under these conditions, the development of investment consulting services becomes extremely relevant.

In the new conditions, the role of consulting services for small and medium-sized businesses as such, as well as the role of rationally organized consulting activities, is growing. The traditional forms of consultant's work include meetings with a client, preparing recommendations, assisting with drafting the necessary documents, assisting with presenting the project to potential investors. Today, they are complemented by relatively new forms of organizing consulting activities: participating in mini-forums, discussing the consultant's network capabilities with the client, developing the project while taking into account the specific criteria of private investors, attracting additional project participants, working actively not only with the client, but also with potential investors. It is advisable to widely use these relatively new forms of work in the activities of consulting organizations.

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