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INTERNATIONAL CONSULTING

TUTORIAL

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INTERNATIONAL CONSULTING

Tutorial

for students majoring in
051 "Economics"

*The publication is dedicated to the 85th anniversary of the department,
the 30th anniversary of the Faculty of Management and Marketing
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Educational edition
Tutorial
in the discipline "International Consulting"
for students majoring in
051 «Economics»

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The tutorial systematizes and highlights the provisions of the theory and practice of international consulting, the development of consulting services in the world. Particular attention is paid to the organizational and economic aspects of consulting, the peculiarities of the relationship between the consultant and the client organization, as well as to methods and technologies of consulting entities of different types of management.

Each section of the tutorial presents theoretical questions to control knowledge on relevant topics, which are designed to increase the level of mastery of the presented material.

The publication will be useful for scientists, teachers, graduate students, students, as well as practitioners and managers of domestic enterprises

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PREFACE

The potential of national economies is closely dependent on the resources of countries, the degree of their integration into world economic relations and the quality of management, based on the intensification of the acquisition, use and transfer of knowledge.

In the practice of industrialized countries, consulting services in the field of economics and business management are an important factor for the effective functioning and development of economic entities. The complication of economic processes has led to the formation of national and international markets for consulting services that perform the function of disseminating advanced technologies for solving problems.

The content of this tutorial is focused on mastering theoretical knowledge on such issues as:

- theory and practice of the international consulting;
- development of consulting services in the world;
- building customer networks and implementation of consulting projects and others.

The meaningful applied part of the textbook is designed to form students' methodological approaches to identifying the problem within the consulting project and forming a list of measures to address it.

Each section presents questions for knowledge control and test tasks that stimulate students' independent work and increase the level of mastering theoretical material.

The material of the manual is presented in such a way that the reader gradually masters the key theoretical provisions for the provision of consulting services based on the study of world experience and understanding of international consulting practice.

The tutorial "International Consulting" will be useful for scientists, teachers, graduate students, students, as well as practitioners and managers of domestic enterprises.

TOPIC 1

ESSENTIAL CHARACTERISTICS AND EVOLUTION OF INTERNATIONAL CONSULTING

Objective: to consider issues related to the essence of the international consulting, its components through the prism of evolution and factors in the development of consulting services.

Questions for discussion:

- 1.1. Basic concepts, subject and tasks of consulting
- 1.2. Subjects and objects of international consulting
- 1.3. Evolution and factors of development of consulting services
- 1.4. Professional consulting associations in the world
- 1.5. Consulting associations in Ukraine

1.1. Basic concepts, subject and tasks of consulting

Consulting is a type of intellectual activity, the main task of which is to analyze, substantiate the prospects for the development and use of scientific - technical and organizational - economic innovations, taking into account the visual field and customer problems.

International consulting is a type of international service activity carried out by specialized companies of some countries in the form of advice to countries, producers, sellers and buyers of other countries on a wide range of economic activities, as well as specialized companies of one country in the form of advice on foreign economic activity to enterprises from the same country.

Consulting agency - an enterprise that provides professional consulting services to clients (business entities) to solve problems of management, operational or financial-investment activities.

Consulting service - an intelligent product that remains in the possession of the client after the consultation.

The client comes to the consulting agency with a question, that is a consulting problem, the result of which is a consulting project, which contains a set of developed measures and proposals for practical activities.

Thus, the subject of international consulting are situations that arise in the process of functioning of enterprises in the international market and cause or may cause their inefficient activities.

The main task of consulting is to assist clients in solving their management problems and problems of economic development, optimization of business processes, improving the efficiency of enterprises as a whole.

According to the World Trade Organization (WTO) classification, consulting refers to non-professional business services.

1.2. Subjects and objects of the international consulting

The subjects (consultant) of international consulting are participants in the consulting process, which have internal motives, interests, goals and ability to implement them in the field of international consulting (individuals, enterprises, TNCs, associations, etc.).

A client organization is an enterprise that needs consulting services.

The subjects of international consulting may be individuals, enterprises, transnational structural entities, international organizations and associations. In this case, the entity that provides consulting is called a consultant, and the company that needs consulting services - a client organization.

The consulting process is understood as a consistent series of actions, activities performed by the consultant to achieve positive changes in the client organization.

The relationship models of counseling entities differ in the degree of participation and effort of counselors and clients at each stage of the counseling process. These relationships are built depending on what type of counseling is the basis of the interaction. There are three main models of relationship between counselors: "expert-client", "doctor-patient" and "cooperation" (Fig. 1.1)

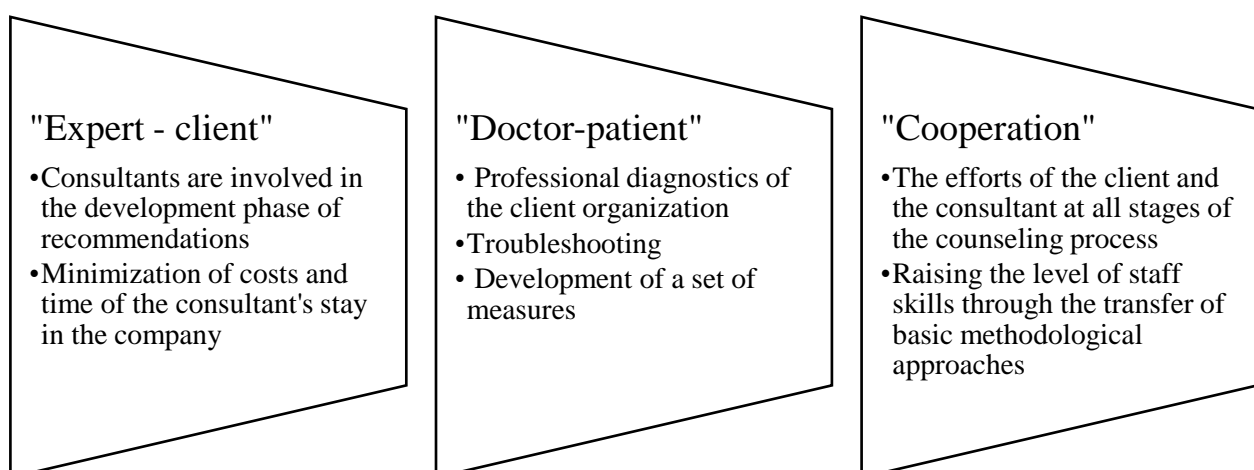


Fig.1.1 – Subject relationship models

There are several principles of an effective relationship between the consultant and the client organization, namely:

- professionalism of consulting services, which affects primarily the involvement in consulting activities of specialists who have special professional, professional training, have certain knowledge, skills and experience, adhere to ethical professional standards, have professional certification;

- independence of consultants, which should be both legal and emotional, as the formation of an objective view of the client's problems is based on impartiality, independent position on assessing the state of the client's organization, lack of administrative influence of the company's management on the consultant;

- confidentiality of the consulting cooperation, which provides a guarantee to the client not to disclose any information about him, allows him to be sure that the data obtained during the consultation, internal documents will not be used by consultants for their own benefit and in the interests of third parties;

- recommendatory nature of advice, ideas and proposals of the consultant, the decision on the implementation of which is made by the heads of the company responsible for its results. The client has the right to refuse to implement the proposals of the consultant or in the process of cooperation to actively formulate decisions on changes in the company;

- innovative process and results of consulting, due to its essence - the introduction of new ideas and technologies in the practice of enterprises, the search for new tools to improve business performance, its competitive position.

Consulting objects are as follows:

- production structure of the organization;
- organizational development and organizational change;
- processes of development and implementation of development strategy;
- business process reengineering;
- outsourcing of non-core economic activities;
- support of innovative projects;
- design of organizational management structures;
- organization of motivation and remuneration of employees;
- formation of the culture of the organization;
- staff development;
- introduction of new management methods, etc.

1.3. Evolution and factors of development of consulting services

The main reasons for the emergence of consulting services are the development of capitalist relations, which is associated with the growth of industrial production, the development of science and new technologies, the expansion of international exchange, the growth of information.

The first consulting specialists were Frederick Taylor. Then Harrington Emerson, Arthur D. Little.

Table 1.1

Formation of the market of consulting services in the world*

Stage	Period	Characteristic
1	1903-1914	Origin of the profession Consultant. The emergence of the first consultants on production efficiency
2	1914-1960	Formation of the market of consulting services
2/1	1914-1933	The emergence of professions and types of business - management consultant
2/2	1933-1945	Development of industrial consulting
2/3	1945-1960	Active development of behavioral theories
3	1960 -now	Accelerating the growth of the consulting services market
3/1	1960-1970	Trends in mergers and acquisitions in big business
3/2	1970-1987	Development of strategic management methods
3/3	1987-now	Consulting is becoming a universally recognized global industry

*One of the first consulting companies in the world - "Booz Allen Hamilton", which still exists (<https://www.boozallen.com/>)

After the Second World War, in the process of restoring world industry, financial and political systems, consulting companies became full-fledged commercial enterprises with their own development strategy, market behavior and their product range.

The post-war period is called the "**golden years**" of counseling. It was at that time that the demand for consulting services began to grow particularly rapidly. One of the distinguishing features of the period was the formation of companies with a

T-shaped profile. The basis of such companies were experts who applied the general laws of management for various types of economic activity.

The concept of T-skills requires appropriate skills and experience in interdisciplinary segments.

At the same time, **the institute of internal counseling emerged** (1950s). Clients interested in receiving consulting services thought about a possible leak and began to invite consultants for full-time positions.

The main stages of the evolution of consulting in the post-Soviet space are presented in table. 1.2.

At this stage of development of the economy of Ukraine, the period of awareness of the possibility and feasibility of using consulting services by companies is replaced by the stage of conscious choice of a consulting company as a business partner. Consultants are perceived by client organizations as catalysts for innovation processes that ensure financial growth. Most of the companies that order consulting services are successful growing companies that seek to strengthen their competitive status.

Table 1.2

Stages of the evolution of consulting in the post-Soviet space

№	Period	Characteristic features of consulting development
1	1920 – 1990	Replacement of consulting services by work of research, design and technological services.
2	1991 – 1995	The emergence of powerful international consulting organizations to support foreign clients entering the Russian and Ukrainian markets.
3	1996 – 2000	Creation of a large number of domestic consulting organizations and their associations. There is a specialization of services.
4	2000 – 2005	Qualitative changes in the development of consulting, strengthening market segmentation, improving the attitude of clients to consulting services, increasing demand for consulting services.
5	2006 – 2009	Integration of domestic consulting services into the global consulting market.
6	2009 – now	Crisis phenomena in the consulting market, which is characterized by occasional outflows of foreign investment and instability in the development of domestic consulting firms

After the Second World War, consulting companies became full-fledged commercial enterprises with their own development strategy, market behavior and product range, in the process of restoring world industry, financial and political systems.

The post-war period is called the "golden years" of counseling. It was at this time that the demand for consulting services began to grow particularly rapidly. Most of the consulting companies that were established during this period still exist. For example, the RA (Personnel Administration) (Great Britain) had only 6 consultants in 1943, 370 in 1963, and more than 1,300 consultants in 22 countries in 1984.

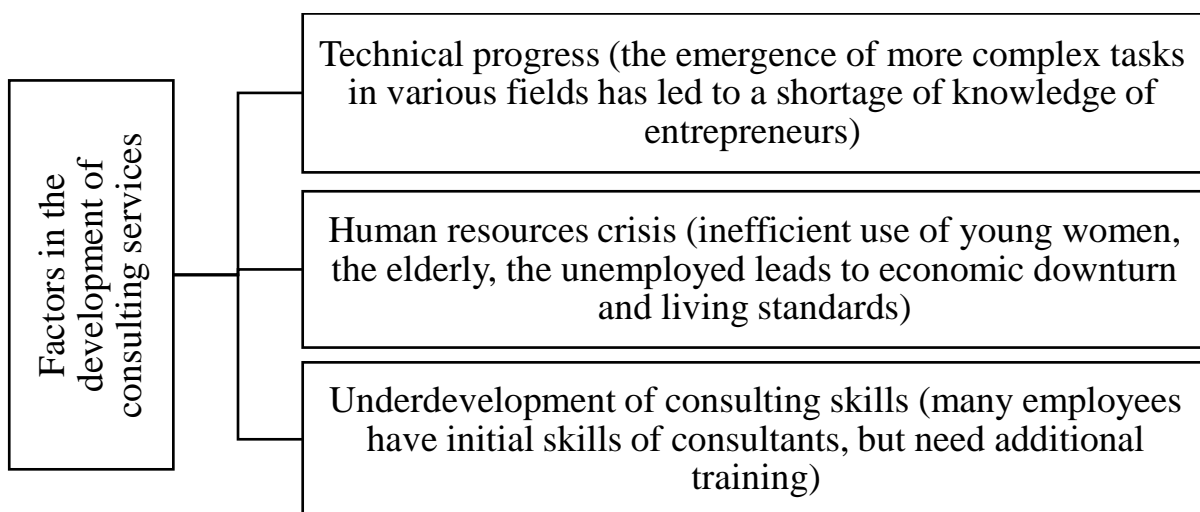


Fig 1.2 – Factors in the development of consulting services

1.4. Professional consulting associations in the world

Professional consulting associations exist in 42 countries around the world.

There are two leading international professional associations of consulting firms:

European Federation of Economic and Management Associations (FEACO): founded in 1960 in Paris, since 1991 headquartered in Brussels. It unites 25 national associations of European countries. The federation has 1,200 consulting firms (more than 12,000 consultants) and is an international association;

Association of Management Consulting Firms (AMKF): founded in 1929. Until the mid-1990s it was the national association of consulting firms in the United States (ACME), after which it defined itself as an international association, introducing the subtitle "World Association of Consulting Firms".

* Unlike FEACO, AMFF is a transnational association, as its international status is based on the fact that the members of this organization are the largest American consulting firms, which have branches in almost all regions of the world.

The authoritative consulting association is **the International Council of Management Consulting Institutes (ICMCI)**. The national institutes that are members of the council carry out the procedure of certification of consultants. Currently, the council includes 37 countries - permanent members and 8 temporaries.

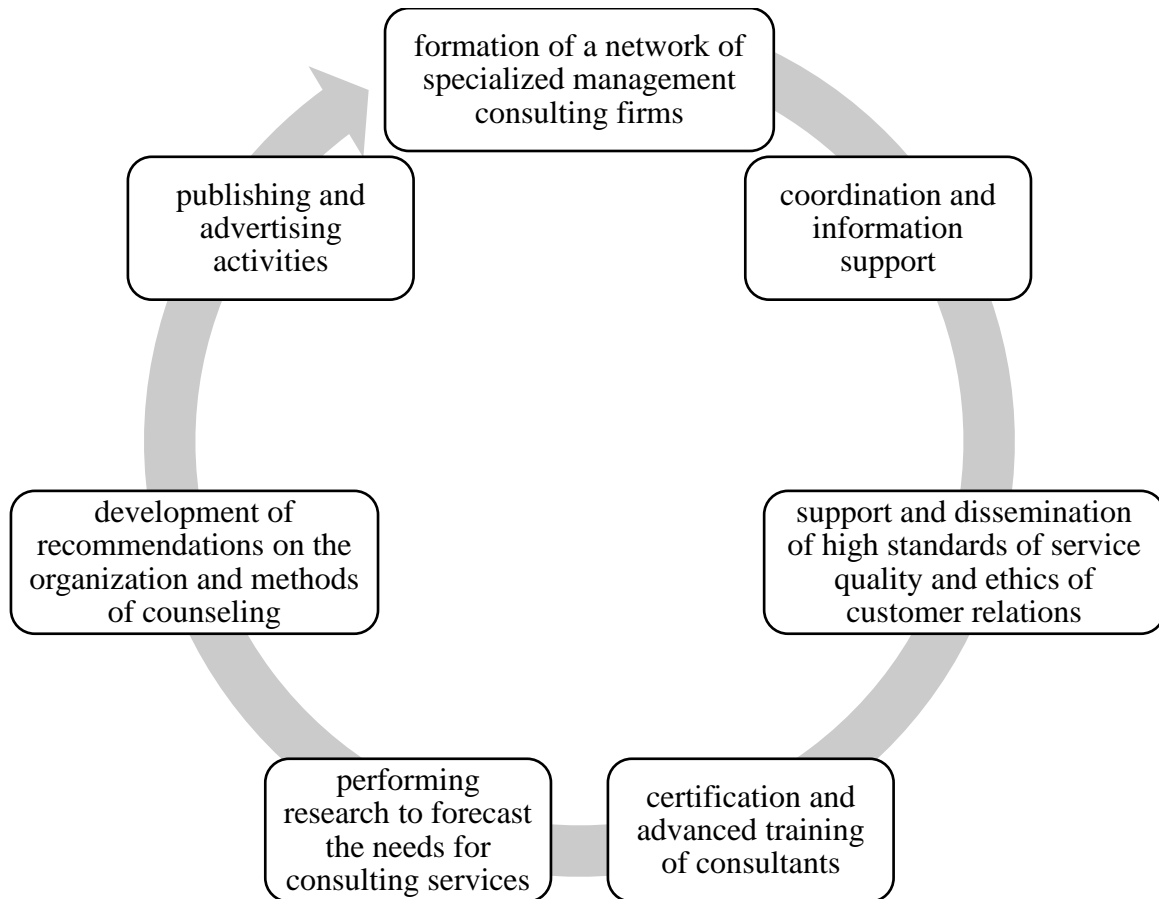


Fig. 1.3 – Tasks of consulting associations

1.5. Consulting associations in Ukraine

In 2002, the Association of Consulting Firms was established in Ukraine, the activities of which are aimed at coordinating the interaction of state and international structures and non-governmental organizations in the implementation of joint programs, establishing international relations in the field of consulting, organizing international exchange of information and technology on a commercial basis. ,

development of projects and legislative acts that would promote the development of consulting in Ukraine.

The Association consists of audit firms, appraisal agencies, law firms, design studios, marketing offices and other consulting companies.

The members of this association can be:

- business entities engaged in economic activity and registered in the manner prescribed by law; citizens of Ukraine,
- foreigners and stateless persons who carry out economic activities and are registered in accordance with the law as entrepreneurs who are not members of the Association and wish to contribute to the goals, objectives and objectives of the Association.

All-Ukrainian Association of Management Consultants "IMC Ukraine" is a public organization whose goal is to: develop and maintain professional and ethical standards of management consulting, dissemination of leading practices, methods and technologies in the Ukrainian market, recognition of Ukrainian consultants internationally in accordance with the Amsterdam competency model management consultants (ICMC).

IMC Ukraine is Ukraine's representative on the International Council of Management Consulting Institutes (ICMCI) and a partner in the European Bank for Reconstruction and Development's Business Advisory Services Program.

Advantages of membership to member companies:

- the right to use the opportunities and resources of the Association to protect their rights, interests before the executive authorities and other enterprises, institutions and organizations, including through the representation of interests;
- opportunity to participate in business events (seminars, conferences, trainings, forums) held by the Association, including international ones;
- receiving qualified recommendations from the specialists of the Association on the choice of service provider in accordance with the activities of a member of the Association, as well as to be recommended as a service provider to other members of the Association;
- recommendations for training, internships and advanced training of staff in various educational institutions (including business schools), located both in Ukraine and abroad, etc.

Knowledge test

1. Discover the essence of the concept of "consulting".
2. Describe the subject and name the objects of international consulting.
3. What is the main task of consulting?
4. Explain the essence of the concepts "consulting agency", "consulting service", "consulting project".
5. Identify the main subjects of international consulting.
6. Name and describe the model of the relationship between the consultant and the client organization.
7. Outline the reasons for the emergence of consulting as a type of activity.
8. Describe the factors of development of consulting services.
9. What historical period is considered the "golden years" of consulting and why?
10. Highlight the features of the current stage of development of consulting in the world.
11. What role do consultants play in the development of production and commercial activities of the enterprise?

TOPIC 2

THE CONCEPT OF CONSULTING SERVICE

Objective: to identify the features of consulting services as a specific product and to outline the specifics of its manifestation

Questions for discussion:

- 2.1. Consulting service as a specific type of product
- 2.2. Classification of consulting services
- 2.3. Types and functions of management consulting

2.1. Consulting service as a specific type of product

Consulting services as a product have the following *properties*. The insensitivity of the consulting service is manifested in the absence of its material form. The customer will be able to assess the quality of the service only after receiving it.

Ways to overcome the insensitivity:

- brand development;
- image policy development;
- providing customers with information on previous experience in the form of feedback;
- providing clients with reports on previous consulting projects;
- conclusion of the most detailed written agreement;
- calculation of the cost of work depending on the expected results (some areas of consulting).

Inseparability from source: the consultant is an integral part of the service. It is almost impossible to distribute consulting services through intermediaries. The function of intermediaries is only to disseminate information. The most important consequence of the inseparability of services from the source is that the responsibility for the quality of the company's services lies entirely with its staff.

Measures to overcome inseparability from the source:

- strengthening the motivation of all staff;
- development of consulting technologies;

- division of the counseling process into stages that allow the participation of less qualified staff;
- formalization of experience and knowledge of consultants through the creation of knowledge bases and expert systems.

The inconsistency of quality depends on the professional experience, education, motivation of consultants and can be assessed differently by different clients.

When evaluating the quality of such services, there is a high level of subjectivity of evaluation, as the criteria for the quality of counseling for each client may be different.

To avoid misunderstandings about determining the level of quality of the service provided both from the client's point of view and from the point of view of the consultant, it is advisable to use grouping of clients and consultants by categories.

Unable to save: the results of counseling in the form of a report or recommendations should be used immediately after the consultation process. This is due to the fact that the market environment in which customer organizations operate is dynamic, and the working conditions of enterprises are constantly changing. Consultants cannot prepare standard consulting solutions for potential clients for the future.

Measures to overcome the impossibility of preservation:

- involvement of freelancers during peak hours;
- performance of part of the work by the client's staff;
- subcontracting of works;
- setting differentiated prices depending on the season.

2.2. Classification of consulting services

The European Directory of Management Consultants identifies 84 types of consulting services, grouped into 8 groups.

1. General management:
 - 1.01. Determining the effectiveness of the management system.
 - 1.02. Business evaluation.
 - 1.03. Innovation management.
 - 1.04. Determining competitiveness / studying market conditions.
 - 1.05. Diversification or the formation of a new business.
 - 1.06. International management.
 - 1.07. Management evaluation.
 - 1.08. Mergers and acquisitions.

- 1.09. Organizational structure and development.
- 1.10. Privatization.
- 1.11. Project management.
- 1.12. Quality management.
- 1.13. Reorganization of engineering services.
- 1.14. Research and development.
- 1.15. Strategic planning.
2. Administration:
 - 2.01. Analysis of the office.
 - 2.02. Placement and relocation of departments.
 - 2.03. Office management.
 - 2.04. Organization and management methods.
 - 2.05. Risk management.
 - 2.06. Security guarantees.
 - 2.07. Planning of working premises and their equipment.
3. Financial management:
 - 3.01. Accounting systems.
 - 3.02. Estimation of capital expenditures.
 - 3.03. Company turnover.
 - 3.04. Cost reduction.
 - 3.05. Insolvency (bankruptcy).
 - 3.06. Increase profits.
 - 3.07. Increasing income.
 - 3.08. Taxation.
 - 3.09. Financial reserves.
4. Personnel management:
 - 4.01. Professional movement and reduction of staff.
 - 4.02. Corporation culture.
 - 4.03. Equal opportunities.
 - 4.04. Search for frames.
 - 4.05. Personnel selection.
 - 4.06. Health and safety.
 - 4.07. Incentive programs.
 - 4.08. Internal connections.
 - 4.09. Evaluation of works.
 - 4.10. Employment agreements and employment.
 - 4.11. Management training.
 - 4.12. Workforce planning.
 - 4.13. Motivation.

- 4.14. Pensions.
- 4.15. Functional analysis.
- 4.16. Psychological assessment.
- 4.17. Remuneration.
- 4.18. Advanced training of employees.
- 5. Marketing:
 - 5.01. Advertising and sales promotion.
 - 5.02. Corporate image and public relations.
 - 5.03. After-sales customer service.
 - 5.04. Design.
 - 5.05. Direct marketing.
 - 5.06. International marketing.
 - 5.07. Market research.
 - 5.08. Marketing strategy.
 - 5.09. Development of new products.
 - 5.10. Pricing.
 - 5.11. Retail and dealerships.
 - 5.12. Sales management.
 - 5.13. Sales training.
 - 5.14. Socio-economic research and forecasting.
- 6. Production:
 - 6.01. Automation.
 - 6.02. Use of equipment and its maintenance.
 - 6.03. Industrial engineering.
 - 6.04. Processing of materials.
 - 6.05. Regulation of internal distribution of materials.
 - 6.06. Packaging.
 - 6.07. The scheme of organization of works at the enterprise.
 - 6.08. Design and improvement of products.
 - 6.09. Production management.
 - 6.10. Production planning and control.
 - 6.11. Increase productivity.
 - 6.12. Procurement.
 - 6.13. Quality control.
 - 6.14. Control over the delivery of components and parts.
- 7. Information technology:
 - 7.01. CAD (Computer-Aided Design) / ACS (Industrial Control System).
 - 7.02. The use of computers in auditing and evaluation.
 - 7.03. Electronic publishing.

- 7.04. Information retrieval systems.
- 7.05. Administrative information systems.
- 7.06. Design and development of systems.
- 7.07. Selection and installation of systems.
- 8. Specialized services:
 - 8.01. Educational counseling.
 - 8.02. Electricity management consulting.
 - 8.03. Engineering consulting.
 - 8.04. Environmental consulting.
 - 8.05. Information consulting.
 - 8.06. Legal consulting.
 - 8.07. Consulting on material supply management and logistics.
 - 8.08. Consulting in the public sector.
 - 8.09. Telecommunications consulting.

The UK Association of Consultants identifies 63 areas of consultancy activity, grouped under the following headings:

1. Organization development and policy development.
2. Production management.
3. Marketing, sales and distribution.
4. Finance and management.
5. Personnel management and selection.
6. Economic analysis.
7. Management information systems and electronic data processing.

2.3. Types and functions of management consulting

According to Larry Greiner and Robert Metzger: *"Management consulting is a contract consulting service that provides services to organizations with the help of specially trained and qualified people who help the customer organization to identify management problems, analyze them, give recommendations for solving these problems and help, if necessary, implement solutions."*

The European Federation of Economic and Management Consultants Associations (FEACO) provides the following definition: *«Management consulting is to provide independent management advice and assistance, including the identification and assessment of problems and / or opportunities, the recommendation of appropriate measures and assistance in their implementation»* .

In 2015, new definitions were adopted: «Management consulting is any professional advice, guidance and operational assistance provided to business and other management organizations, such as: strategic and organizational planning, change management, cost reduction, business process reengineering, finance, marketing, goals and policies , human resources management, supply chain, production optimization, efficient use of technology». This list corresponds to the accepted classification of Eurostat.

Management consulting has a narrower scope than consulting in general and performs functions:

- *The regulatory function* is to create rules and culture of conduct of the subjects of the consulting process, which regulate the relationship of consultants with clients, the consulting community, government agencies.
- *The integrative function* is manifested in the processes of coordination of efforts, coordination of the interests of all subjects of the consulting process, including consultants, professional associations, clients, government agencies, etc.
- *The communicative function* is manifested through the dissemination of information to manage and control compliance with the rules, rules of interaction between participants.
- *The reproductive function* creates mechanisms to ensure information and knowledge activities of all members of the institutional environment.

Types of management consulting:

1. General management consulting, assistance in solving problems related to the operation of the consulting facility and prospects for its development :

- assessment of the state of the organization and characteristics of its external environment,
- definition of the purposes and system of values of the organization,
- development of strategy, an estimation of efficiency of management, forecasting, the organization of branches and new firms,
- innovation management, competitiveness and market conditions, change of ownership or composition of owners,
- acquisition of property,
- shares or units,
- improvement of organizational structures, p
- privatization,
- project management,
- quality management, etc.

There are **three main cases** where consultants consider general management issues:

1. **During management research.** Most management consultants have a well-established practice: before proposing possible solutions to any specialized problem, it is necessary to conduct a brief review and study of the organization as a whole;
2. **During the research of specific functional areas of management,** when it becomes clear that certain changes are needed in the general management structure, the consultant must solve the general management problems that underlie the solution of specific tasks;
3. **When solving problems related to one or more issues of general management.** Addressing these issues can take the form of large-scale research, especially if they are senior management issues related to the overall management of the organization.

2. Consultants in administrative management (administration) solve the following issues:

- distribution of functions between departments and divisions;
- optimization of the number of management levels;
- establishing labor discipline;
- the degree of importance of the functions performed by a particular department for the organization, and its role in decision-making;
- record keeping;
- planning of offices and their equipment.

3. Financial management consultants provide assistance in solving the following tasks:

- search for sources of financial resources;
- evaluation and improvement of the current financial efficiency of the organization;
- strengthening the financial position of the organization;
- financial planning and control;
- taxation;
- accounting;
- valuation of capital investments;
- placement of shares and units on the market;
- lending;
- insurance, etc.

In practice, a financial management consultant deals with three research subjects:

- Expansion of the company, which includes the opening of new enterprises, the introduction of new production lines, installation of new equipment, the conquest of a new market, etc. In each of these areas, the consultant assesses the measures required and the costs they entail, determines whether the return on investment is justified.
- Capital management. In this case, the consultant studies the capital structure of his client, analyzes the prospects for borrowed capital and the cost of various sources of funding for both short and long term.
- Accounting system, including its development and improvement. Before starting to develop an accounting system, the consultant must understand what kind of help managers expect from him, for what purpose this system is created, and know who will receive the information and how it will be used.

4. The main task of **human resources consultants is to assist managers in optimizing the involvement and use of human resources**

- The principle of recruitment. Consultants try to prepare a description of the "ideal" performer who has some training, qualifications, experience required to perform this work. Based on this, methods are developed for the evaluation, selection and placement of personnel. The main methods of recruitment are testing and interviewing.
- Recruitment planning and staff training: definition of the basic requirements for different categories of performers; analysis of difficulties related to education, culture and social issues that employees must overcome in performing their work; determining the organization's policy in the field of staff training, professional development.
- Motivation. Each company seeks to interest its staff in achieving a number of goals - both group and individual. The HR consultant recommends which strategy is best to choose for:
 - ✓ improving the psychological climate in the organization;
 - ✓ enrichment of the content of work;
 - ✓ establishing a system of rewards and incentives.
- Evaluation of the results of the employee of the enterprise in terms of group and individual goals, which must be interrelated and agreed.

5. Marketing consultants provide effective demand for goods / services of the enterprise

- Sales service management. It is necessary to constantly monitor the level of training and motivation of sales agents, as well as the level of sales work in general, so that it satisfies the interests of consumers.
- Advertising. Usually the firm receives recommendations on this type of activity in its advertising agency, but as an alternative, the client can seek advice from an independent consultant.
- Sales channels. Alternatives are considered (retail and wholesale networks, sales agents, etc.).
- Packing of goods. In this case, design consultants are involved.
- Inventory turnover. Checking the methods of control over the state of inventories of different types of goods (grocery, durable, industrial purposes, etc.)

6. Consultants for the organization of production combine knowledge of economic, managerial and engineering issues, assisting managers in solving problems such as:

- productivity, evaluation and quality control of products,
- choice of production process technology,
- scheme of organization of works,
- regulation of internal distribution of materials,
- stimulating labor productivity,
- analysis of production costs, production planning,
- use of equipment and materials, design,
- product improvement, evaluation of works, etc.

Knowledge test

1. Describe the different types of consulting depending on the level of its need.
2. Explain the difference between process and project consulting.
3. Explain the content of expert advice.
4. Name the types of consulting services related to consulting in the field of management functions and processes.
5. Explain the content of the main functions of management consulting.
6. Describe the different types of consulting projects, depending on the level of their innovation.
7. Discover the essence of operational consulting projects.
8. Name the types of management consulting and give a brief description.

TOPIC 3

DEVELOPMENT OF THE WORLD CONSULTING SERVICES MARKET

Objective: to study the development trends of international and domestic consulting markets

Question for discussion:

- 3.1. Problems of counseling development in the context of globalization
- 3.2. Features of international consulting services
- 3.3. The modern world's consulting services market
- 3.4. European management consulting market

3.1. Problems of counseling development in the context of globalization

- *Institutionalization*. With the formation of the global market for consulting services, there was an objective need for *institutes*, which would organize, regulate, and promote the efficiency of numerous international consulting firms.
- *Standardization* consulting activities should define rules, instructions, provide characteristics of consulting products, services or their results, for participants to reach a consensus in the consultation process. The **formation of standards** for the field of management consulting should lead to:
 - ✓ creation of reference principles of activity of members of professional society;
 - ✓ overcoming the barrier of closedness and opacity of the consulting process.
- *Transnationalization*. Some small and medium-sized consulting companies are leaving the global consulting market due to increased competition. On the one hand, they merge with large companies, increasing the concentration of business, on the other - more and more leaders of small companies are inclined to individual practice, thus minimizing overall costs.

Group transnational giants dominates the modern market of consulting services. **Representatives are an example of such active expansion«Big Four»:**

- ✓ «PricewaterhouseCoopers»,
- ✓ «Deloitte Touch Tohmatsu»,
- ✓ «Ernst & Young»
- ✓ KPMG.

- Universalization. With the advent of the information technology era, the specialization of world consulting leaders is becoming more conditional, and the policy of mergers and acquisitions contributes to their universalization.

In this context, the concept is widely used "Integrated consulting", which defines this type of consulting activity, which combines several types of consulting to solve the following tasks: diagnosing the problem, development and implementation of optimal consulting solutions.

- Intellectual capitalization. With the development of the knowledge economy, one of the main factors in the success of a consulting company is the accumulation of intellectual capital. This is achieved, inter alia, through the retention and development of qualified personnel. Foreign consulting companies attract the best staff, management experts, ensure their further improvement through continuous training and experience, as well as create sufficient incentives to continue working in the company.
- Evolution of marketing technologies in consulting. The transformation of consulting into a powerful and promising business was facilitated by a radical change in the attitude of large consulting firms to marketing technologies. Initially, the traditional position in this area was the complete abandonment of targeted marketing programs and direct advertising in the media. Recently, most of the world's leading consulting companies have created powerful marketing departments that plan large-scale advertising campaigns, as well as the formation of the company's image in the media and with the help of large multinational news agencies.

- Modernization customer-partnership. Until recently, the standard outcome of the consultants' work was considered to be a project report with conclusions and recommendations. At present, clients mostly expect consultants to implement the provided recommendations and bring them to effective results. The modernization of the client-consultant relationship is that the client is involved in the counseling process and becomes a full member of the counseling team.

3.2. Features of international consulting services

Issues addressed by international consulting:

- registration of enterprises with foreign investments, their further service and constant legal support of doing business in other countries;
- registration of legal entities in offshore zones and abroad;
- establishment of various funds and trusts;
- legal support and investment preparation;
- assistance in opening accounts in banking institutions;
- accounting and auditing of companies in accordance with international standards;
- assistance in drafting contracts and other necessary documentation;
- legal support of the company and its divisions;
- planning of international tax relations in order to minimize tax payments, etc.

Table 3.1

Features of development of international consulting services

№	Feature	Characteristics
1	Professionalism of service customers	The professionalism of client organizations encourages the constant development of awareness of consultants in various aspects of the operation of the enterprise in a particular industry.
2	Close relationship between consumer and service provider	In the process of working with clients and consultants there is a relationship of trust. Employees of a consulting company are sometimes considered clients
3	Selectivity of consulting services	Consulting is initiated by the client organization, and the cost of services provided is a small share of total client costs

4	Geographical concentration of clients and consultants	The concentration of client organizations in financial centers and developed regions of the world determines the appropriate concentration of consulting companies
5	High customer loyalty with satisfied previous demand	The share of consulting clients who order services a second time can reach 80% of the total number of clients, if the initial experience of cooperation was successful
6	Uniqueness of consulting services	The uniqueness of the services is related to the need to adapt the consultation to a specific client. This affects the pricing policy in the market and the level of elasticity of demand
7	The need for confidentiality	It is important for each client organization to maintain trade secrets and adhere to the principle of confidentiality, because one consultant can work with several clients who are competitors.
8	Mobility of services	A direct consequence of the intangibility of the service is the possibility of its transfer, as it does not require capital equipment.

There is a pattern in the division of consulting services in the world. With the same amount of economic potential of the regions, the volume of consulting services is greater in the region where there is less government intervention in the economy. This correlation is explained by the fact that consulting is a kind of regulation of economic processes, an alternative to centralized.

International consulting belongs more to the market of the business-to-business sector, so legal entities mainly interact here. However, the owners and top managers of client organizations have a personal interest in the effectiveness of the consulting process: they see professional self-realization in improving the efficiency of the company's business. Therefore, it is possible to determine the range of possible needs of customers of consulting services:

- image improvement (both the client organization and the owner / manager);
- increase the level of profitability;
- achieving the status of a reliable partner;
- acquisition of new knowledge, experience;
- increasing the market value of the business;
- development of own client base (contacts of existing and potential clients).

With the development of foreign economic relations, consulting acquires global characteristics that determine its relevance and competitiveness. The main latest trends in the development of international consulting are the focus on new emerging national markets and the involvement of intelligent technologies.

3.3. The modern world's consulting services market

The global consulting market is estimated at \$ 250 billion. The development of the consulting industry is closely linked to the development of the world economy. In a favourable period, companies have the opportunity to pay for the services of professional consultants, which contributes to the growth of consulting services. Conversely, due to the economic downturn, companies are reducing their budgets, including consulting services. In the period from the 1970s to 1990s world consulting market grew year to year, despite two periods of recession (early 1970s and 1973-1975), which caused a high demand for strategic services and operating management. In 2002 this sector for the first time in decades collided with reduction, followed by a bigger decline in the period from 2009 to 2011 in case of global financial crises.

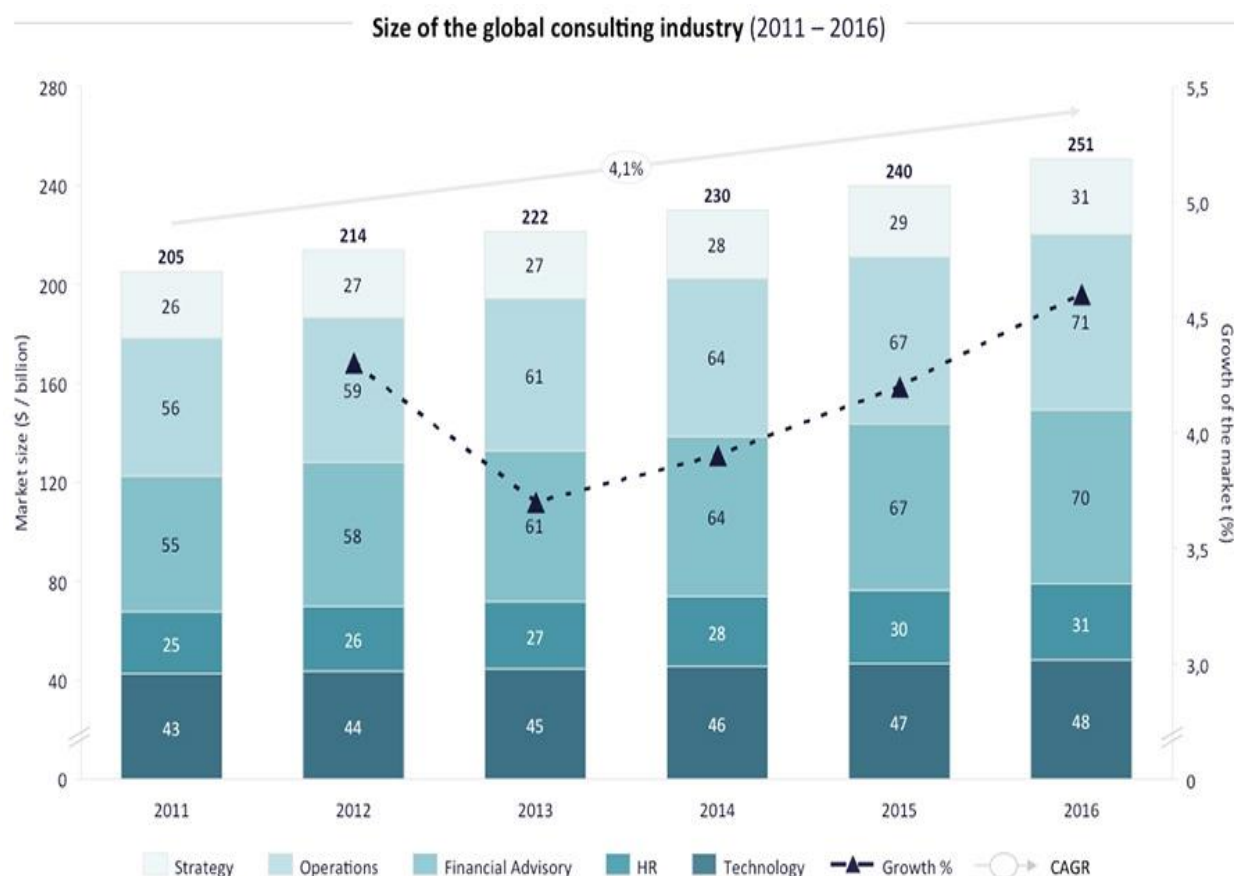


Fig 3.1 – Dynamics of development of the world consulting market in the period 2011-2016

In 2011 consulting branch was evaluated at 205 billion dollars, and then the market grew up from average annual pace growth of 4.1% to 251 billion dollars in 2016. Biggest segment - it operating consulting, on which accounts for almost 30% of the market, after which soon trace segment financial consultancy. Strategic

consulting - less than 15% of the market. Technological consulting (IT consulting) - 20% of the market. For many years globalization, consolidation, changes in legislation, efficiency, and technology, including number digital, performed in quality basic driver's growth world consulting industry. In the period of 2014-2016 yy. global consulting market actively grew.

Market consulting in North America is considered the most mature region in the world, but region ENEA - Europe, Near East, and Africa - leads by size market, on their accounts for 41% of the whole consulting market. The United States is the largest national consulting market, and Canada occupies only 7% of the market of North America. Asia and Oceania, where Australia is the most important consulting center, account for close 16% industry.

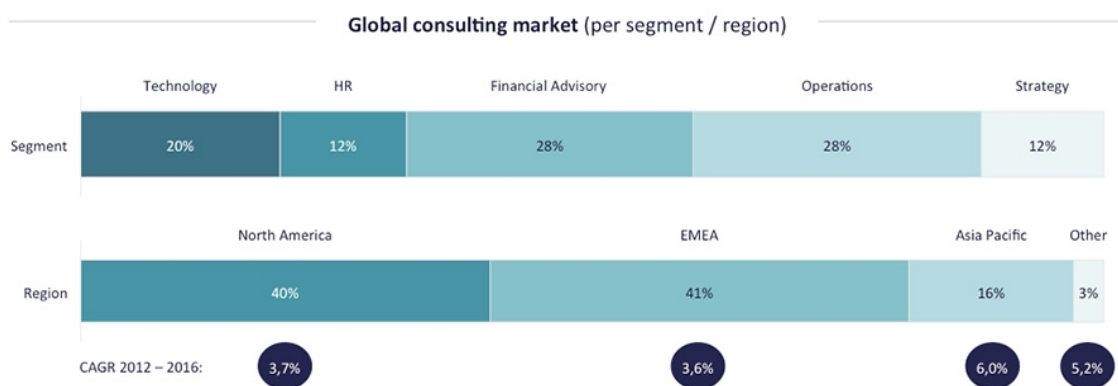


Fig 3.2 - The global consulting market in 2020

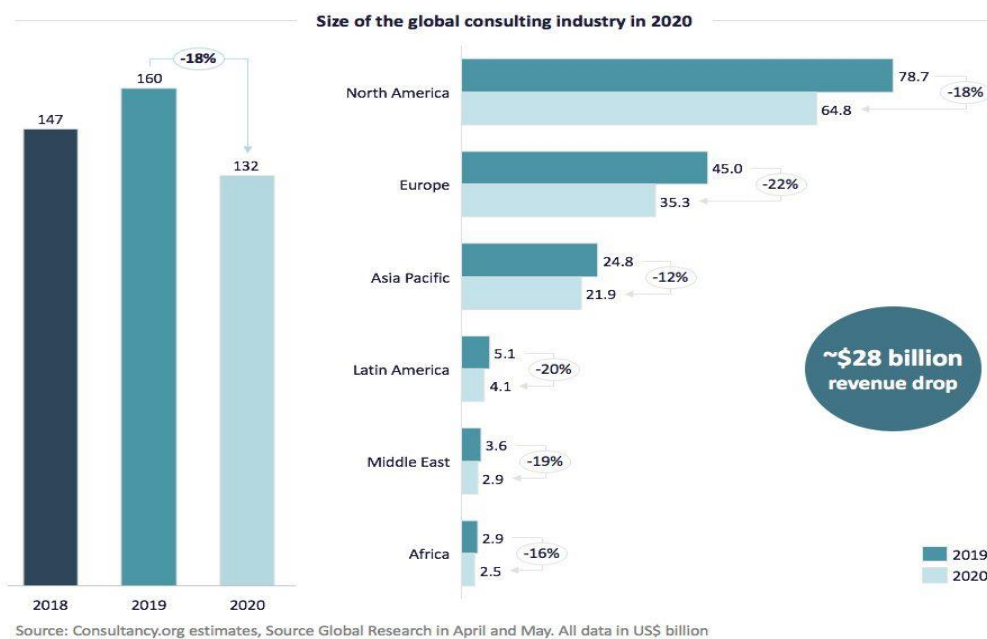


Fig. 3.3 – The impact of the pandemic on the field of consulting services by industry

In the case of sharp falling prices on oil because of crises, when the demand for fossil fuel in different sectors of transport and industry fell to almost zero, customers in this segment reduced expenses on consultations. Expected, what earnings from consulting services in these industries fell by 30%, what is a maximum indicator in comparison with business services.

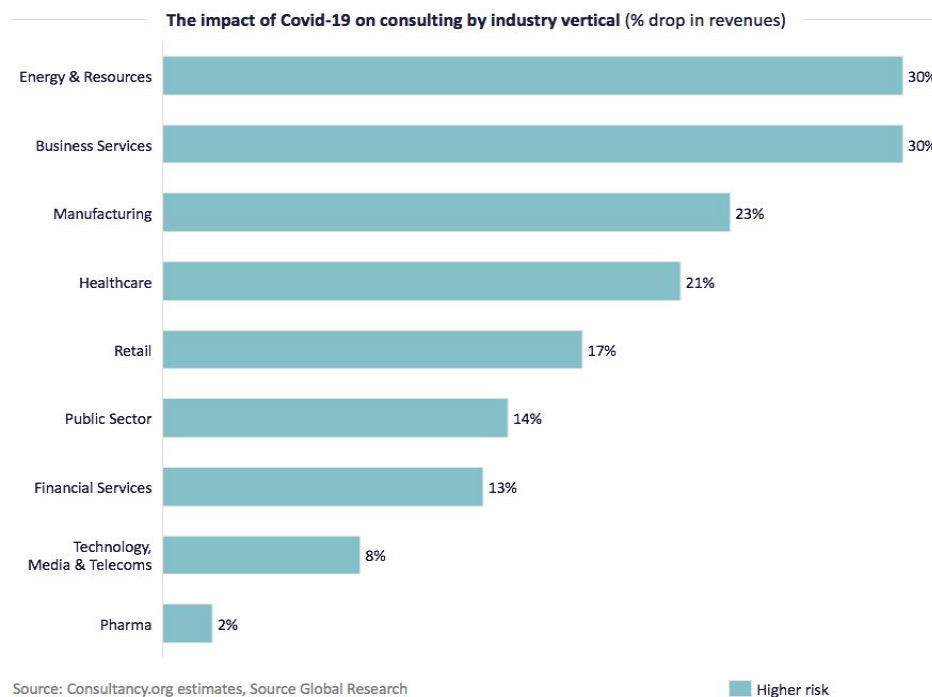


Fig. 3.4 – Trends in the consulting market caused by the pandemic

Expected, that in the manufacturing industry level of reduction in income from consulting services will be about 23%. The reason is closing most secondary factories in conditions crises. Oddly enough, the Health sector remains the only one segment, what are waiting for a decrease in income of more than 20%, because of customers, such as the National Health Organization forced to give advantage to treatment over auxiliary services on shalt consulting (example projects of digital transformation).

Pharmaceutical consulting, waiting fall totally by 2%. Demand for pharmaceutical preparations in conditions of the largest crises for public health protection of the century will be high. It means, that many customers will remain to invest in consulting projects.

It was estimated that due to the Covid-19 coronavirus pandemic, global consulting services would be reduced by \$ 30 billion. However, the situation has changed for the better due to the rapid exit from the crisis of European consulting markets.

Due to the disruption of the supply chain, the German consulting market expected a 30% reduction in demand. Now this reduction is estimated at 18%.

Thanks to quarantine measures and state support, the national market of consulting services expects recovery and further growth.

At the same time, the UK notes a 22% drop in revenue in the consulting segment due to the pandemic and Brexit.

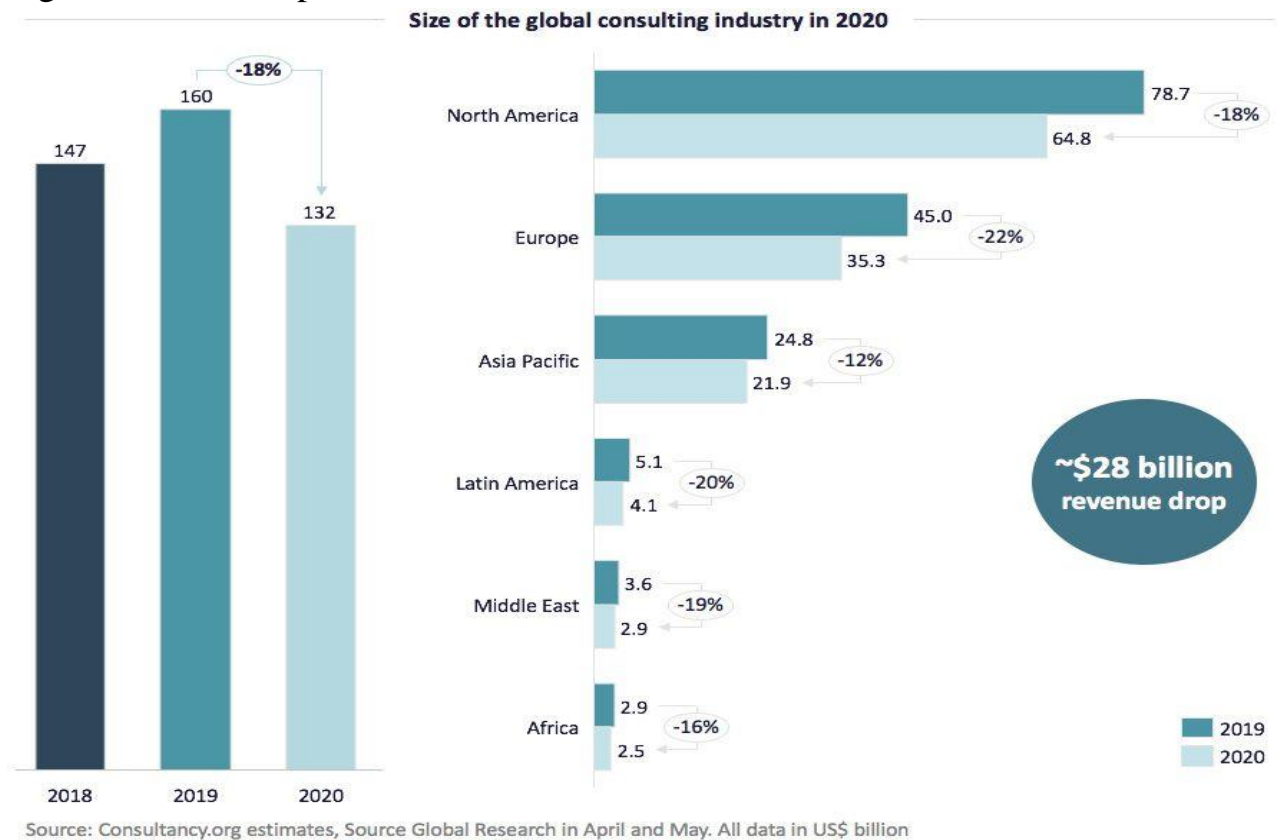


Fig. 3.5 – The size of the global consulting industry in 2020

3.4. European management consulting market

Rapid growth in the largest consulting markets of Europe in 2019 raised consulting industry to a record value - \$45 billion. Leading positions in Europe occupy Germany and France. Meanwhile in Great Britain, after Brexit growth slowed down.

According to Global Research, the share of Europe currently accounts for 29% of the world’s consulting market, and this fraction remained stable in the 2019 year because other large consulting markets in North America, Asia, and Oceania also demonstrated strong growth.

Growth the largest in region consulting market - Great Britain slowed down up to 4% (comparison with 6% in the previous period). A small group of consulting firms, and “great four», received great benefit from assistance from governments.

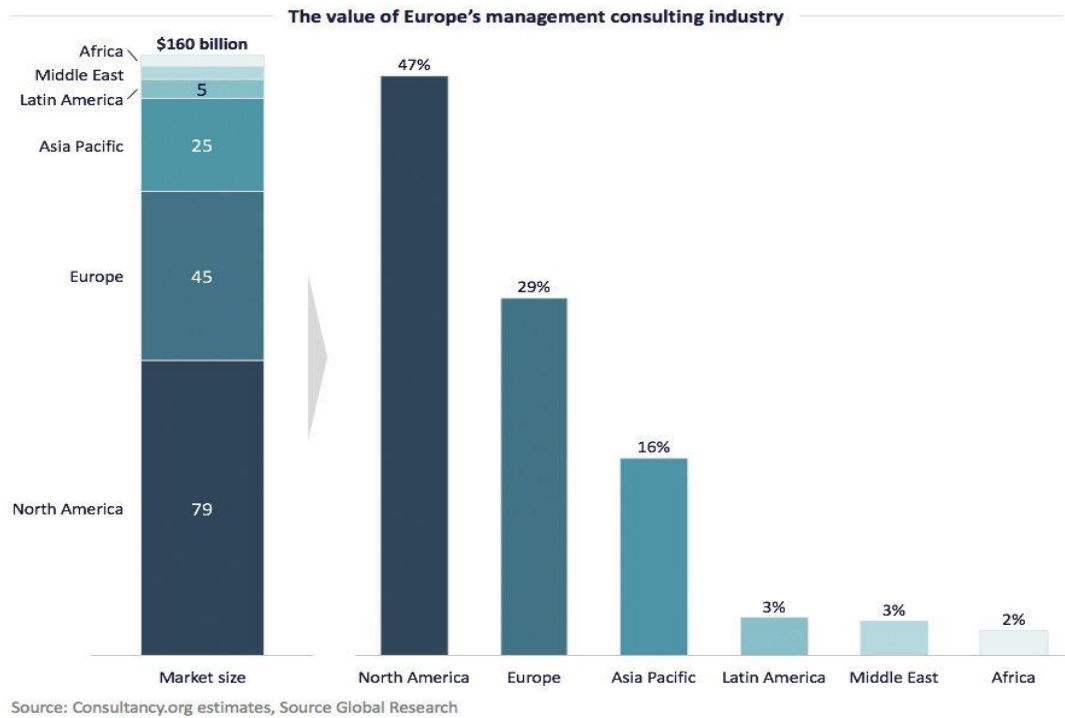


Fig. 3.6 – The value of Europe`s management consulting industry

German-speaking countries, such as Germany, Austria, and Switzerland (known as DACH), together is the largest region in Europe by volume revenue, generating commission in size of 12 billion euro, according to Consultancy.eu data Source Global Research. In the 2018-year region grew up by 8% stable to last year - similar Indexes were high.

Germany - 85% commissions of DACH, what exceeds 10 billion euro, increased by 6% for data BDU (German association consulting companies), which means she succeeded slightly cut the gap with Great Britain. Both European giants saved the second and third positions in the world market, close to the USA, but much ahead Australia, France, and China.

Third by size consulting branch in Europe - France in the last few years experienced stable growth: in 2017 and 2018 it was the fastest growth from the beginning of financial crises. Indexes of growth for the 2019 year are now published yet by Source Global Research or Syntec Council (French association consulting firms), however previous results show, that the initial forecast of Syntec Council in size of 11% was quite accurate.

General fees of French consultants on management are evaluated at 5.5 billion euro, which is more than three times exceeds the size of such markets as Italy and

Spain. However, this rating represents only the top part of the market. The Source Global Research restricts their analysis with «Great consulting" - income from consulting companies with a number of staffs over fifty

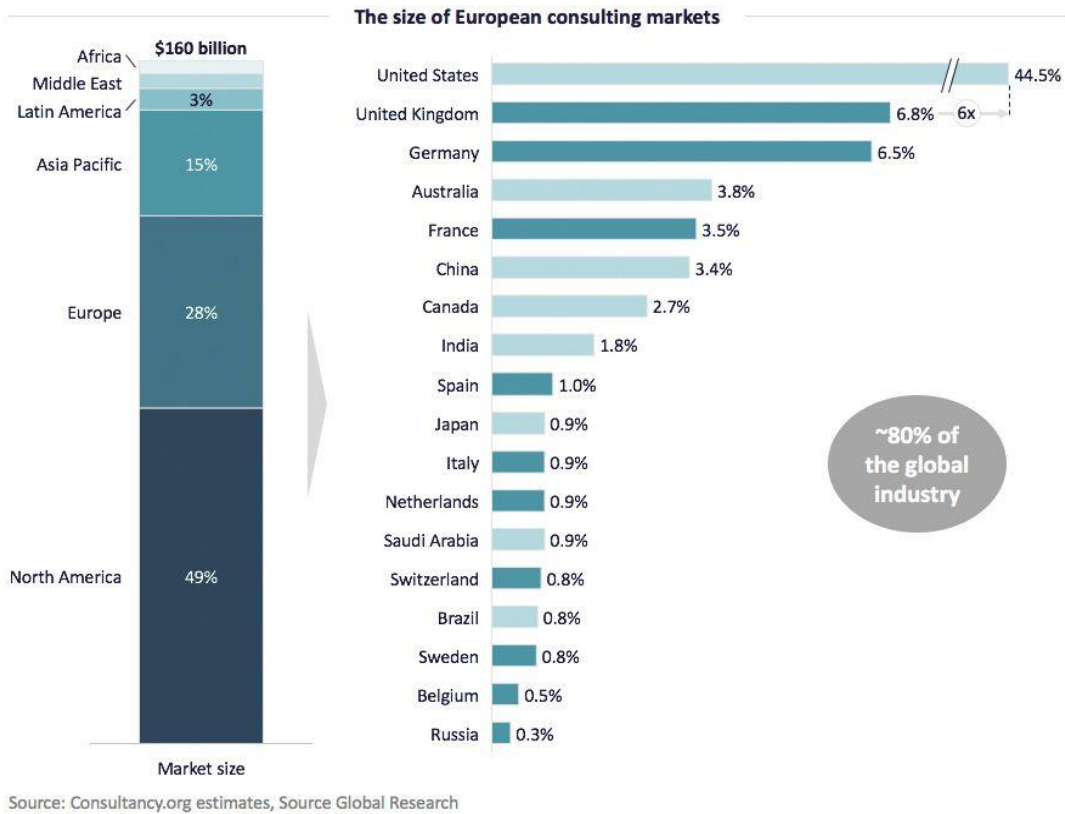


Fig. 3.7 – The size of European consulting markets

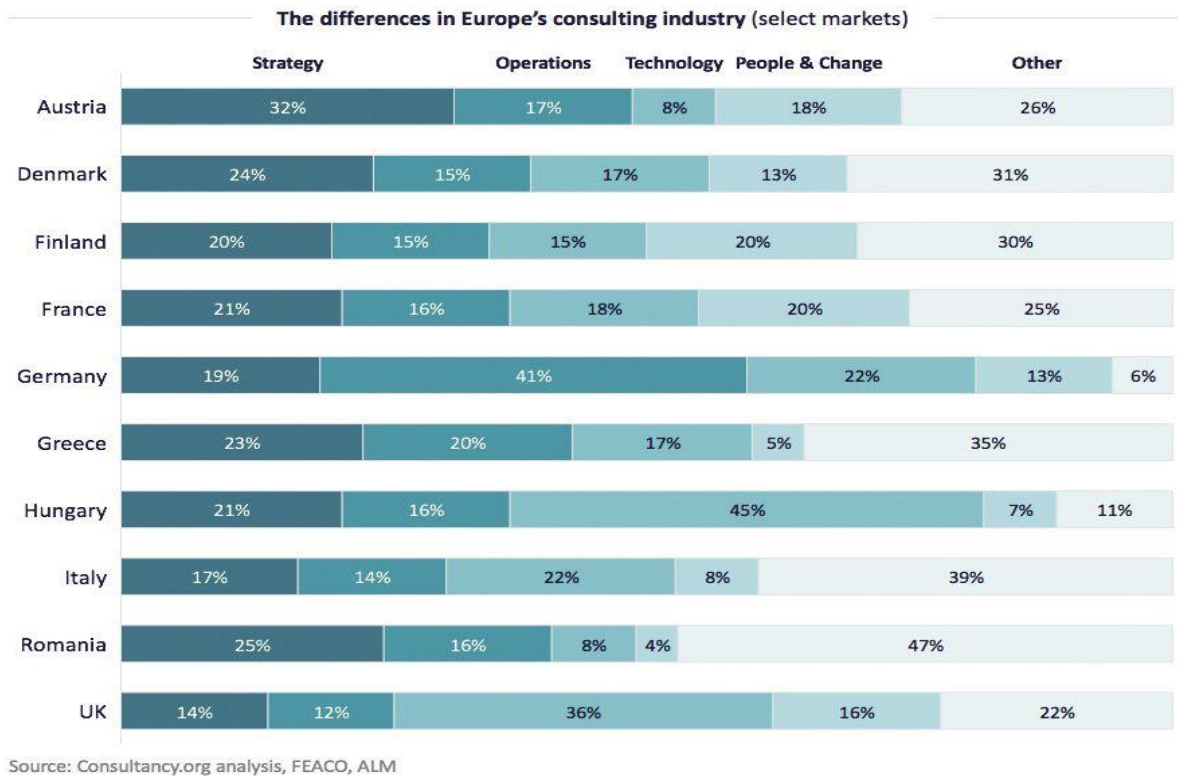


Fig. 3.8 – The differences in Europe's consulting industry

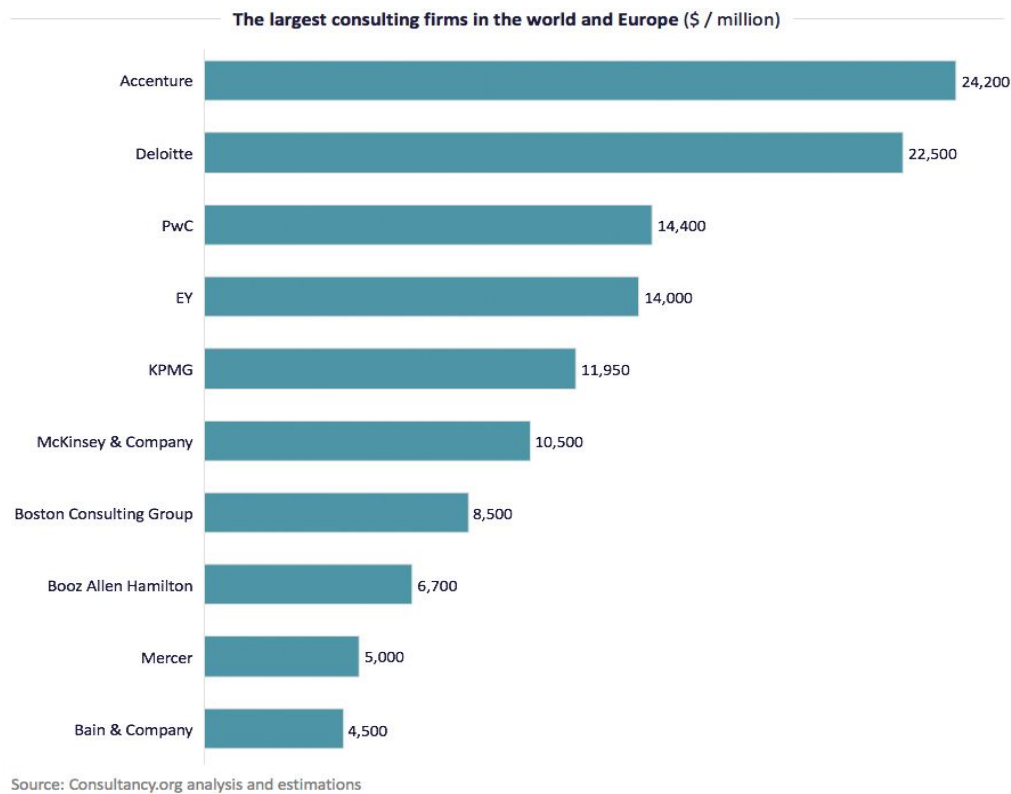


Fig. 3.9 – The largest consulting firms in the world and Europe

Knowledge test

- 1) What is the essence of the process of globalization of the world economy?
- 2) What are the main trends in the development of counseling in the context of globalization?
- 3) What are the properties of consulting services as a product?
- 4) What are the key features of the development of international consulting services?
- 5) Which sector occupies the largest share in the structure of services?
- 6) Which country has the largest share in the structure of the global market of consulting services by geographical regions?
- 7) Analyze the prerequisites for demand n6a consulting services. Draw a conclusion.
- 8) Describe the stages of development of counseling in your country.
- 9) What indicators characterize the level of development of consulting in a particular country?
- 10) What types of consulting companies are represented in your country?

TOPIC 4

ORGANIZATIONAL AND ECONOMIC ASPECTS OF CONSULTING SERVICES

Objective: to consider the stages of establishment and development of consulting business in the context of major business processes

Questions for discussion:

- 4.1. Establishment of a consulting business
- 4.2. Licensing and certification of consulting activities
- 4.3. Principles of management of consulting activities
- 4.4. The main business processes of a consulting company

4.1. Establishment of a consulting business

The creation of a consulting company and the subsequent design of consulting activities is carried out as follows *algorithm*:

- Marketing analysis of demand for consulting services and the level of competition. Segmentation of the consulting services market.
- Development of the company's mission and strategic vision.
- Compilation of a list and description of the characteristics of consulting services in accordance with the selected segments.
- Defining requirements for consultants and building a "consultant profile".
- Development of the operational plan of work of the company and on its basis: staff structure; needs for material resources; needs of investment and operating costs.
- Building the organizational structure of the company and developing the necessary organizational documents: collective agreement, regulations of departments, staff structure, position's description.
- Construction of the business infrastructure of the company with the definition of partners, jointly performed tasks, the necessary document flow.
- Development of a marketing plan to promote the service, pricing, sales promotion. Determining the potential market volume by selected segments and long-term forecasting sales.
- Calculation of financial indicators of the project of creation of the company, economic substantiation of its efficiency.

There are the following organizational and legal forms of consulting business:

- *Individual ownership* (individual consultant, owner and several employees, etc.). The owner performs both the functions of a consultant and the head of the firm. Consulting work can be performed with the involvement of assistants.

Self-employed people are usually called independent contractors, consultants or freelancers. In some countries, you need to apply for a Doing Business Certificate if you plan to do business under a name other than your real name. In some countries it is required to obtain a license and work permission in the selected city. Under US law, individual entrepreneurship is "pass-through entities"(enterprise through taxation). Thus assets and obligation businesses are inseparable from personal assets and obligations. The company does not pay its own taxes - profits and losses are reflected in the tax return of the consultant.

- *Partnership*. The legal entity is created on the basis of an agreement between the founders, which provides a combination of different types of resources to start operations. Distribution of profits, losses and liabilities. There are the following types of partnership: general partnership; limited liability company and limited partnership;
- *Corporation (joint stock company)*. This form is common in the creation of multinational companies. Its main feature is the lack of responsibility of the company's owners for debts and other obligations of the corporation. The joint-stock company operates separately from the owners. The positive features of the corporation are flexibility in the implementation and development of the business, the ability to change the number of owners, the ability to combine in one person the employee and co-owner, divided taxation of personal income and profits of the corporation.

4.2. Licensing and certification of consulting activities

Certification - it procedure, through which recognized in established order body document and certify conformity of the product to quality system, quality management system, environmental management system, staff legislation requirements

Licensing - issuance and re-registration licenses, issuance duplicates licenses, maintenance licensed affairs and licensed registers, control for compliance licensees licensed conditions issuance order about elimination violations licensed conditions, and also order about elimination violations legislation in sphere licensing. It

necessary condition in implementation certain species entrepreneurial activities, in accordance with the legislation.

Certified Management Consultant by Institute of Management Consultants (IMC USA):

- Experience: able to demonstrate that management consulting has been a significant part of his or her activities over the last three years. This may include consulting with clients; sales, management and / or support of consulting activities; training and training in counseling; publishing and writing articles on consulting, technical specialties, business segments of clients and related topics.
- Education: A four-year college degree (candidates may apply only for academic degrees from colleges or universities accredited at the institutional or specialty level by accreditation bodies recognized by the U.S. Secretary of Education or similar body in the case of international degrees).
- Recommendations: 5 satisfactory customer ratings from officials or heads of customer organizations.
- Tasks: written summaries of tasks to be used during the oral exam.
- Competence: a qualifying written examination, and an oral examination with senior examiners, where it is necessary to demonstrate professional competence, relevance in the areas of specialization, application of their experience and understanding of the management consulting process defined in IMC USA Competency Framework.
- Ethics: qualifying written exam and oral exam on the Code of Ethics IMC and ethical aspects of counseling.

Opponents of licensing of consulting activities believe that:

- issuance of certificates does not solve the problem of guarantees of high quality consulting services;
- licensing of one type of activity may block the consulting process (in some cases, consulting assistance may include, in addition to the licensed service, several related unlicensed activities);
- licensing to prevent incompetent consultants from entering the market is an artificial measure (according to the laws of the market, low-quality services will not be in demand in any case).

Table 4.1

Competence standard

Stage	Beginner	Advanced	Professional leader
Expertise	Owens technical skills and experience implementation project in accordance to requirements	Provides, designs and manages small consultant-govim projects. Earned skills in accordance to requirements.	Provides, designs and manages large, complex consulting projects on basis commands. Answers the highest international standards
Sphere of actions	Narrow specialization in sphere and industry knowledge	Experience in different areas and industries knowledge	Creates new approaches in different areas and industries knowledge
Organizational focus	Tactical support average equal management.	General business advices managers and managers	Advanced strategic advices higher managers /Glad directors
Value for the customer	Solve technical / tactical problems	Recommends and implements decision for needs customer	Wanted and obtains the status of a partner by business owners on the basis of long-term relationships
Commitment to the profession	May belong to technical and/or trade associations and to the US IMC. Not obliged follow ethical code	Member IMC USA and adheres to Code ethics IMC USA. Has certificate CMC. Actively contributes profession.	Member IMC USA and related with IMC Code ethics USA. Got CMC certificate. Actively contributes professional organizations and profession
Experience	About 3-5 years as external or internal consultant	5-15 years as external or internal consultant with experience in management of complex projects	More than 15 years as internal or external consultant

4.3. Principles of management of consulting activities

The strategy of a consulting company should contain **2 components of consulting activities** - professional and commercial.

- *Professional component* strategic development of the consulting company is characterized by:
 - ✓ professional profile of the company (positioning and specialization of business, achievements, advantages, experience);
 - ✓ professional staff of the company;
 - ✓ technical leadership (availability of appropriate equipment, software and methodological support);
 - ✓ types of services that will be provided by the firm.
- *Commercial component* strategic development of the consulting company is characterized by:
 - ✓ the business purpose of the consulting company;
 - ✓ the purpose of business strategy;
 - ✓ the desired amount of income and profit;
 - ✓ degree of financial stability and independence of the firm.

Strategic management of a consulting company uses a system of certain approaches that:

- take into account the peculiarities of pricing in the organization;
- take into account the features of the services provided;
- focused on attracting additional customers and their service;
- based on the principles of financial and production control of the organization;
- focused on staff development of the organization.

System approach to strategic management focused on identifying specific types of connection and bringing them into a single object, contains the following steps:

1. Strategic audit, or self-analysis, during which the firm can use traditional diagnostic methods to work with the client and to diagnose their own problems.
2. Market assessment of consulting services.
3. Evaluation of competitors.
4. Evaluation of the macroenvironment.
5. Making strategic decisions.
6. Monitoring the implementation of adopted directives.

Consultants build their activities on certain **principles**:

- scientific - it is unacceptable to carry out the process of consulting, based only on experience, which does not always correspond to the provisions of management science and theory;
- flexibility - a variety of tools, the implementation of continuous monitoring allow you to quickly change the scheme of counseling, cause a wide range of consulting
- progressiveness - the dynamics of management systems in accordance with the constant complications of the content and forms of economic activity and changes in legal norms
- continuity - constantly evolving and improving, the consultant himself maintains the most effective techniques and methods of consultants of different generations and introduces innovations,
- preservation of the system - the influence of the consultant on the client organization in the consulting process to the stage of mastering the results of consulting should not violate the quality parameters and mode of operation of the organization;
- change of the system - the implementation of the results oin the client organization at the stage of mastering the results of counseling should significantly change its quality parameters and mode of operation;
- specificity - the effect of counseling is due to the timeliness of its conduct and compliance with the conditions of the business environment;
- publicity - the practical implementation of the recommendations of consultants depends on the attitude of labor collectives to them
- competence - the presence of competent professional consultants on specific problems of the organization;
- dynamism - the introduction into the life of the client organization of the necessary dynamics, which is stored in it after the consultation;
- scientific perspective - the emergence of new scientific ideas;
- creativity - the consulting process requires constant creativity, finding non-standard solutions and non-traditional approaches;
- efficiency - the incentive to increase the effectiveness of consulting is the existing hierarchy of consultants, built in accordance with the qualifications and appropriate payment.

4.4. The main business processes of a consulting company

The strategy of a consulting company, as a solution designed for the long term, applies **the most important aspects of the operations of the firm:**

- determining the range of services;
- determining of basic clients;
- determining of technological strategy;
- determining the size and growth rates for the company;
- interaction with the competitive environment.

Defining the range of services. For its formation it is necessary to determine the nature and range of services of the company. There are 4 alternatives for counseling strategies.

- **#1 Strategy for consulting services.** Services are divided into functional and subject areas. The most common classification of services within this alternative is as follows:
 - ✓ finances;
 - ✓ marketing;
 - ✓ management and organization of operation;
 - ✓ general management, etc.
- **#2 Strategy for consulting services.** The classification of services is based on the problem criteria. Thus, consultants offer their services in addressing issues of resource savings, streamlining the direction of information flows, identifying opportunities for enterprise restructuring, change of ownership, etc.
- **#3 Strategy for consulting services.** Consultants offer solutions to client problems with their own unique methods, using special approaches, models, proprietary patented algorithms and control systems.
- **#4 Strategy for consulting services.** Consultants focus clients' attention not on the content and results of consulting, but on approaches to solving the problem and the possibility of mastering certain techniques of diagnosis, analysis and development of alternative solutions to the problem. Thus, the company does not offer the service itself, but the method.

Definition of basic clients. The organization must determine its current market segment. **The market segment of the consulting company** can be considered from the following positions:

- service of enterprises of any size (small, medium, large, very large);
- maintenance of facilities of one or more industries (energy, construction, logistics);
- service of enterprises of any form of ownership (private, state, mixed);
- geographical division of the market;
- service of firms with different levels of complexity of management systems.

Technological strategy. Like any other product, consulting services have a life cycle. They go through stages of design and development, testing, market launch, growth, maturity, saturation and decline. This process has a temporal dimension. Yes, some services are obsolete and need to be replaced faster than others.

The size and growth rate of the firm.

Consulting companies significantly depend on their personnel structure. That company that chooses *conservative strategy* in order to maintain a team of specialists, faces the problem of aging staff and their skills. In such a situation, the firm may limit the range of its services to those that require the work of experienced staff.

Choosing consulting firm *growth strategy*, faces problems recruiting professionals. The firm bears the costs associated with training, internships and recruitment of beginners.

Interaction with the competitive environment. Only large international companies, of which there are about ten in the world, can solve a complex management problem on their own, based on their own resources and without seeking help from colleagues. Medium-sized consulting firms must enter into agreements with colleagues to perform certain work within the general agreement with the client.

Knowledge test

- 1) What is the algorithm for the creation and development of consulting business?
- 2) In what organizational and legal forms are created and operate consulting companies? What is the difference between them?
- 3) What is the importance of certification for the development of consulting business?
- 4) How is the licensing of consulting activities in different jurisdictions?
- 5) Describe the principles of counseling.
- 6) Describe the main business processes of a consulting company.

TOPIC 5

POSITION AND ROLE OF THE CONSULTANT IN THE CONSULTING PROCESS

Objective: to identify the features of the consultant-client relationship and determine the role of the consultant in the context of his professional traits and abilities

Questions for discussion:

- 5.1. Roles and behavior of the consultant
- 5.2. External and internal consulting
- 5.3. Professional traits and abilities of a consultant
- 5.4. Core values and code of ethics of the consultant

5.1. Roles and behavior of the consultant

- **The expert** is a consultant that demonstrates his knowledge and competencies to the client. The consultant can be a resource specialist or a process specialist.
- **The resource consultant** helps the client by transferring experience and skills: collects information, diagnoses, studies proposals, develops a new system of resource exchange, trains staff in new methods of effective work, recommends organizational and other changes, evaluates and corrects new projects, etc.
- **The resource consultant** helps the client by transferring experience and skills: collects information, diagnoses, studies proposals, develops a new system of resource exchange, trains staff in new methods of effective work, recommends organizational and other changes, evaluates and corrects new projects, etc.
- **The agitator.** This role is typical for the consultant when he tries to influence the client in the process of acquainting him with the system of planned changes. This role is performed by the counsellor before the main stages of the counselling process. A modification of the role of the agitator can be the role of the Propagandist.
- **Propagandist.** In this role, the consultant tries to influence the client. There are the following types of propaganda:
 - ✓ *Positional (contact) propaganda* - a role in which the consultant tries to influence the client in order to focus on the choice of specific products or the acceptance of certain values;

- ✓ *Methodological propaganda* - a role in which the consultant tries to influence the client in order to intensify the problem-solving process through the use of specific methods.
- ***The intermediary.*** In the process of cooperation with the consultant, the top management of the client company forms short- and long-term goals. The consultant acts as an intermediary between the top management of the firm and employees, as many decisions directly affect the employees of the organization and affect their interests (eg, increase or decrease of staff, changes in staff qualifications, the need for training).
- ***Instructor, teacher, mentor.*** The performance of this role by the consultant ensures the organization of periodic or permanent tools or training within the client organization. The consultant has the opportunity to use navigation teachers-methodologists and content to develop the potential of others.
- ***The researcher.*** A comprehensive study of the client's business both internally and externally requires the researcher's talent as a consultant. Other elements of counselling will depend on the research consultant: hypotheses, conclusions, recommendations, effects. The client tends to accept the recommendations of the consultant, provided that the latter understands the specifics of the consulted problem.
- ***The specialist.*** The consultant is assigned the role of an informal leader who organizes the implementation of changes in the group to achieve the desired result. The role of a specialist is much easier to perform for a consultant in organizations with a democratic management style. Then the cooperation between the consultant and the head of the organization in solving routine problems of the organization will be successful.
- ***The strategist.*** While participating in the process of change, the counsellor sometimes finds that some strategic issues are “missed” and the groups may not notice the obvious options. Therefore, the consultant can make a significant contribution by acting in the unusual role of a strategist, suggesting additional options that would not otherwise be taken into account.
- ***The judge.*** The client, inviting the consultant, expects from him certain assessments, conclusions, judgments. Expected judgments can vary: whether there are problems or not; whether to carry out reorganization or not; whether this product should continue to be produced or should be developed a new one, etc.
- ***"Supervisor", "philosopher".*** In this role, the counsellor encourages the client to make decisions by asking the client to think about issues that may help clarify or change the situation.

- ***The qualified source of information.*** The management consultant advocates for the quality of information sources that managers and administrative organizations can turn to if necessary.
- ***The catalyst for change.*** The management consultant acts as a catalyst for change. In the process of solving clients' problems, the consultant must take into account the amount of funding that will effectively implement these decisions (organizational structure, procedures, responsibilities of employees).
- ***Finding alternatives, generator of ideas.*** Because the value of a solution depends on the achievement of a given set of goals, the consultant can suggest several alternatives to the solution and identify the associated risk. Alternatives, for economic or other reasons, should be identified jointly by the parties. In such a mutual assistance relationship, the consultant establishes evaluation criteria, develops cause-and-effect relationships and an appropriate set of strategies for each alternative.

5.2. External and internal consulting

External consultants include:

- ***Large multifunctional consulting firms,*** with a staff of 500-1000 consultants. Most of these firms are multinational firms with branches in 20 or more countries. Their size allows you to deal with different clients and complex problems, so they are also called “management consulting firms with a full range of services”.
- ***Services that provide advice to managers of large organizations*** are similar to large consulting firms. Their independent position, special status give advantages in image formation, in receiving orders and in the price level. All this requires high-quality consulting services.
- ***Small and medium-sized consulting firms,*** which staff is 50-100 consultants. Most often, they are engaged in management consulting for small and medium-sized firms at the regional level.
- ***Organizations that provide specialized technical services*** are represented by companies established by specialists in mathematics, computer science, operations research. They offer special services in the field of strategic research, modelling, predicting, analysis and design of systems, etc. These organizations can be independent, part of a university or research institute.
- ***Advisory units in management institutions*** are created as part of consulting organizations that lease their staff to train employees of the client organization.

- ***Individual consultants*** can be generals with extensive experience in management, problem-solving or narrow specialists.
- ***Specialists for whom counselling is not the main type of professional activity:*** professors, lecturers, instructors, scientists, etc.
- ***Non-traditional providers of consulting services:*** suppliers and sellers of computer equipment and means of communication, software suppliers, organizations that have transformed their internal consulting services into external consulting services

Internal counseling can be organized in the following ways:

- ***Allocation of a special position of consultant.*** This is a specialist who has special expert and often informal knowledge and skills, has proven himself well, has long worked at the company, has experience in a particular subject area: technical, production, financial, personnel ...
- ***The organization of a special unit*** (such as internal audit), which on the basis of continuous planning activities identifies the problems of the enterprise and develops recommendations for their solution, takes measures to continuously improve business processes.
- ***Creation of an in-house mentoring institute.*** Consultants-mentors can be highly qualified managers, employees who carry out:
 - ✓ training, a professional adaptation of young inexperienced workers (employees);
 - ✓ participation together with specialists of the enterprise in the decision of industrial problems and realization of scientific and technical, innovative projects.
- ***Allocation of a staff unit,*** such as an adviser to the head. In this case, individual counselling of the head, the implementation of his tasks, which are often extraordinary in nature and related to confidential information, professional secrecy.
- ***Creating a staff structure (headquarters),*** which includes a variety of specialists, which allows you to solve a problem in the complex. Such a headquarters can have a special purpose, be formed for a specific process or project.
- ***Consultant as a temporary manager of the enterprise.*** For enterprises in crisis, the self-removal of the manager (owner) from management and appointment of a consultant can be applied.

Advantages and disadvantages of internal and external consulting

Type	Advantages	Disadvantages
External	<ul style="list-style-type: none"> -Long professional experience gained in practice; -Independence and objectivity of opinion; -Fresh ideas, innovative solutions. 	<ul style="list-style-type: none"> -Insufficient knowledge of the specifics of the enterprise; -Low-quality, formal execution of works; -Limited working time in a project period; -Additional time spent on professional and social adaptation of the consultant; -Probability of disclosure of trade secrets; -High cost of services.
Internal	<ul style="list-style-type: none"> -Good knowledge of the specifics of the organization and the problem situation; -Ability to quickly implement management decisions; -Preservation of confidential information; -Lower cost. 	<ul style="list-style-type: none"> -Dependence of the consultant on managers; -Subjectivity of the consultant's opinion; -Lack of experience, professionalism; -Lack of used consulting technologies; -Binding the consultant to stereotypical decisions.

5.3. Professional traits and abilities of a consultant**The consultant must have the following features:**

- social and professional status, sufficient experience in the accepted field;
- high intellectual qualities and knowledge, which in the framework of market relations are used as a commodity;
- possession of modern methodical and technological tools;
- ability to work with information - to collect and analyze facts, formulate conclusions, develop recommendations;
- ability and propensity for continuous learning, readiness for change and development;
- focus on positive social relationships, positive group dynamics, extroversion, tolerance;
- purposefulness, optimism, strong-willed qualities, firmness in defending consultant's own opinion;
- positive energy, mobility, physical health, stress resistance.

The main abilities of the consultant

№	Sphere of abilities	List of abilities
1	Intellectual abilities	<ul style="list-style-type: none"> -Quick assimilation of new material; -Ability to observe, summarize, select and evaluate facts; -Inductive and deductive logical course of thought; -Ability to synthesize and generalize; -Creative imagination, original thinking.
2	Social abilities	<ul style="list-style-type: none"> -Respect for other people's opinions, patience; -Ability to predict and evaluate human reactions; -Easiness in establishing contact with people; -Ability to gain trust and respect; -Courtliness and good manners; -Ability to conduct oral and written communication; -Ability to teach and motivate people.
3	Emotional maturity	<ul style="list-style-type: none"> -Stability in behavior and actions; -Independence in conclusions; -Ability to withstand external pressure and cope with uncertainty; -Ability to act in a balanced and objective manner; -Self-control in every situation; -Flexibility and adaptability to changing conditions.
4	Ability to show initiative	<ul style="list-style-type: none"> -Self-confidence; -Healthy ambition; -The spirit of entrepreneurship; -Courage, initiative and self-control.
5	Ethics and honesty	<ul style="list-style-type: none"> -A sincere desire to help others; -Exceptional honesty; -Awareness of their own competencies; -Ability to admit mistakes and learn from failures.
6	Physical and mental health	<ul style="list-style-type: none"> -Ability to withstand specific work and household loads; -Ability to fully recover the energy expended in the allotted rest time, etc.

The following competencies (skills) of the consultant are:

- *technical competence* - the ability of the consultant to transform the goal formulated with the customer into a system of specific tasks, to solve them in practice;

- *interpersonal communicative competence* - developed communication skills, verbal and nonverbal, understanding the motives of other people's behavior;
- *contextual competence* - possession of the social context, awareness of the place and subjects of cooperation, knowledge of the subject of counseling;
- *adaptive competence* - the ability to predict and adjust changes, to adapt to changing conditions of practice;
- *conceptual competence* - possession of a system of knowledge that forms the basis for practice;
- *integrative competence* - the ability to give informative professional assessments, make reasonable decisions, solve problems and set priorities.

5.4. Core values and code of ethics of the consultant

1. Consultants carry out professional activities only within their competencies, which are determined by education, forms of professional development and relevant professional experience.
2. Consultants carry out professional activities in new areas or use new methods only after studying, training, consulting with specialists competent in these methods.
3. In areas of practice in which acceptable standards and methods have not yet been developed, it is necessary to do everything possible to increase the competence of their work and reduce clients' risks.
4. Consultants discuss with clients issues of confidentiality and necessary restrictions on the possible use of information obtained during the work.
5. The consultant takes an individual approach to the client, taking into account the situation in the organization.
6. The consultant strictly adheres to the contractual obligations and informs the client about new circumstances to find a compromise.
7. The consultant is personally responsible for the result.
8. The consultant conducts its activities in accordance with applicable law.

The substantive provisions of the code of ethics of the consultant:

1. Friendly, sincere, truthful relationship with the client.
2. Taking into account the values, principles and norms accepted in the client's organization.
3. Strict compliance with contractual obligations.
4. Distinguishing personal and professional relationships with the client.
5. Conflict prevention. In case of its manifestation, transfer of conflicts in a constructive direction.

6. Taking into account the client's reaction to the actions of the consultant, establishing constant feedback.
7. Tolerant attitude to negative customer behavior.
8. Prevention of formalism, establishment of positive emotional relationships.
9. Focus on long-term customer relationships.

The main complaints of customers regarding consultants are:

- the usage of standard approaches of consultants to solve non-standard problems of the organization;
- insufficient professionalism of consultants, their focus on the process and compliance with the formal features of the work, rather than the result;
- failure to identify key needs of the firm, taking into account the specifics of its activities, the lack of criteria for evaluating the intermediate and final results of consulting;
- not taking into account the current both internal and external socio-economic situation, trends in the company, its industry activities;
- irregular and/or indistinct feedback between the consultant and the client, disregard the client's opinion, his proposals, non-involvement of the client in the consulting process;
- after the completion of consulting, contact with the consultant is terminated or is accidental.

Knowledge test

- 1) Describe the behavioral roles of the counselor.
- 2) What is the main task of a specialist consultant?
- 3) How are the roles of the consultant divided depending on his profile?
- 4) What are the advantages and disadvantages of internal and external counseling? Conduct their comparative analysis.
- 5) What abilities should a consultant have?
- 6) What are the basic principles and values in the activities of the consultant?

TOPIC 6

INVOLVING A CONSULTANT INTO A CLIENT ORGANIZATION

Objective: to identify factors and determine the feasibility of consulting within the project, based on the expectations of the client and the consultant

Questions for discussion:

- 6.1. Determining the feasibility of counseling
- 6.2. Factors of successful counseling
- 6.3. Typology of clients of the consulting company
- 6.4. Features of the consultant-client relationship
- 6.5. Consultant selection procedure
- 6.6. Balance expectations customer and consultant

6.1. Determining the feasibility of counseling

The main task of the consultant is to assist the client organization in solving management problems.

There are several ways to accomplish this task.

- *Identify the problem and formulate recommendations for its solution.* This is appropriate when the client is aware of the problem, but can not determine what it is and what factors caused it.
- *Help the client to determine the problem and the mechanism of its solution.* For example, the client is ready to identify the problem and solve it, but he lacks some methodological support for the successful implementation of their intentions.
- *Teach the client how to find and solve problems.* Provides for the creation of a system of knowledge and skills for the client, which provides the opportunity to formulate problems and solve them independently.

Situations in which it is *not expedient* to invite consultants:

- 1) *Decision making.* The consultant, as a rule, cannot make decisions for the client. The client is responsible for his own business and he has to make the final decisions. The consultant only offers options for decisions, gives recommendations for making the best decision, but does not make it yourself.
- 2) *Playing with the law.* The consultant may not give the client recommendations that contradict the current legislation. This could pose a threat to his business.

- 3) *Participation in conflicts*. The consultant cannot and should not be involved in the client's internal conflicts. It is extremely unethical for some people in management to invite consultants to interfere with others.
- 4) *Formal results*. The purpose of consulting assistance is to solve the client's problems, not to write a consulting report.

Cases when it is *expedient* invite consultants:

- 1) When the problem is complex, systemic. If the scale of the problem is such that to solve it it is necessary to carry out radical comprehensive changes in the management system, the principles of building a business, it is best to invite outside experts who will bring fresh ideas and attract qualified staff. Solving complex problems usually requires significant labor costs and special knowledge.
- 2) When the problem is one-time, situational in nature. If the client is faced with a problem that is due to coincidence and which is not recurrent, and also requires prompt intervention, it is more effective to once invite consultants.
- 3) When there is a difference of opinion on the problem and ways to address it within the management of the client organization or between management and owners. In this situation, consultants act as independent arbitrators who can objectively assess the problem and suggest reasonable ways to solve it.
- 4) When solving a problem can lead to serious consequences, including strategic, financial, or social. This situation is similar to the previous one, with the difference that in this case, the cost of solving the problem and the associated responsibilities are much greater. Therefore, the leadership of the client may need an independent expert justification for identifying and resolving the problem.

6.2. Factors of successful counseling

- ***Time***: Depending on the amount of time taken to resolve the problem, different types of counseling can be chosen. Usually, the least time is required for expert advice, provided that the consultant is well versed in the relevant methodology.
- ***Workforce***: It is often difficult for the owner or top manager to rationally allocate and use all kinds of resources in solving complex tasks or problems. Particular difficulties arise with labor resources, which are involved primarily in the performance of current work. Consultants can act as an additional human resource in solving management problems.

- **Money:** hiring consultants requires money. Depending on what financial resources the client can allocate to overcome the problems, one or another approach to counseling is chosen. As a rule, training counseling is the cheapest way to solve problems if the client has the necessary manpower and time to study them.
- **Knowledge:** self-education is learning from one's own mistakes, while by involving counselors, one can learn from others;
- **Objectivity:** due to the independence of the consultant's view of the client's problem, the consultant is free from clichés and prejudices, which are often the sources of problems.

The main factors of successful interaction between the client and the consultant:

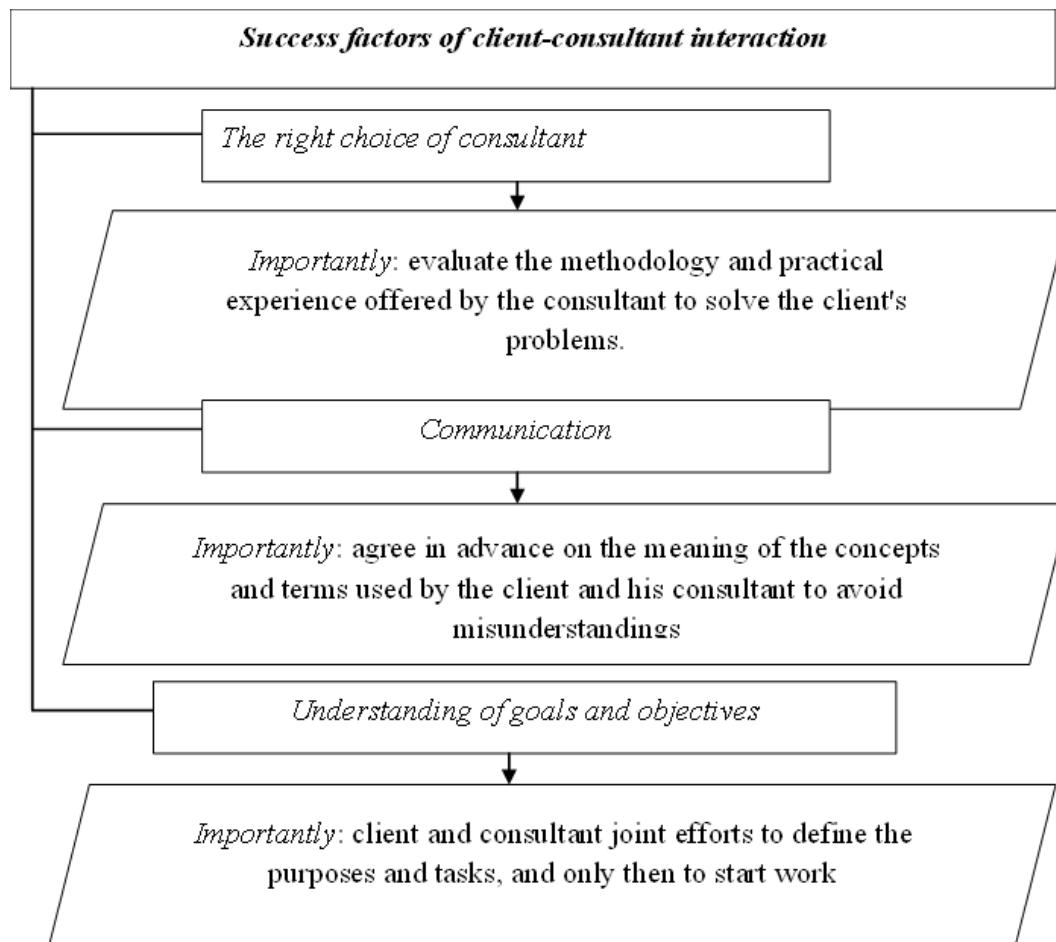


Fig. 6.1 – The main factors of successful interaction between the client and the consultant

6.3. Typology of clients of the consulting company

American psychologist, management theorist, and practitioner, Edgar Shane, proposed a **classification of clients** (consumers of consulting services):

1. *Contact customers* - persons who are the first to contact the consultants about the consulting interaction, "introduce" the consultant into the client's organization.
2. *Intermediate customers* - persons or groups involved in surveys, interviews, meetings, and other activities in the implementation of the consulting project.
3. *The main customers* - persons who are the "masters" of the problem or issue that needs to be resolved, those who make decisions about attracting and paying for counseling.
4. *Involuntary customers* - members of the client organization, whose activities will change as a result of counseling, but by indirect methods.
5. *End customers* - the community, or the client organization in general, whose interests must be taken into account when making consulting decisions.
6. *Non-customers involved* - persons whose activities are in the sphere of influence of consultants, and the results of counseling worsen their status or affect their interests, which causes resistance in the counseling process.

Consultancy (according to different types of consulting):

- seek to solve problems of strategic and financial development;
- need counseling in the field of conflict studies, personal and professional development;
- need to solve problems of implementation of management functions, etc.

Customers can be classified by types of their functions, activities, and products:

- economic systems: firms, industries, chambers of commerce, associations;
- political systems: political parties, city administrations, and governors;
- educational systems: schools, colleges, advanced training courses, the Ministry of Education;
- religious systems: churches, theological seminaries, monasteries;
- recreational systems: leisure and recreation enterprises, agencies, parks, camps, interest clubs;
- cultural and educational systems: theaters, museums, art schools, music organizations;

- social security systems: programs to help the poor, the unemployed, programs to organize meals for the homeless, housing financing;
- health care systems: hospitals, clinics, prevention programs;
- social protection agencies: courts, police, legal advice, civil liberties organizations;
- mass communication systems: newspapers, radio, television;
- geographical education: neighborhoods, districts, counties, regions.

Table 6.1

Counseling clients grouping according to different classification criteria

Feature	Customer group	Characteristics of the group
Type of involvement in consulting	Active customers	Clients are involved in the process of diagnosing problems and development of consulting solutions
	Passive customers	The working conditions of clients do not change in the process of consulting
The level of influence on the outcome of counseling	Clients of decisive influence	Owners, top managers, leading specialists of departments that are subjects of change
	Customers who have a significant influence	Experts, personnel of departments involved in carrying out diagnostics and search of the problem solving alternatives.
	Customers who have little influence	Employees who are not involved in the preparation and implementation of changes
Consulting problem type	Individual client	Clients who need to solve problems of a professional or psychological nature
	Interpersonal client	Employees or a group of employees in the unit who need to resolve a conflict situation
	Intergroup client	Departments that need coordination, harmonization of interaction
	Interorganizational client	Clients who need to solve problems of interaction with external partners
Belonging value of counseling results	Direct clients	The client is a subject of change and feels the value of consulting decisions
	Indirect clients	Users of consulting ideas, concepts and technologies of development (consulting companies, educational institutions)

6.4. Features of the consultant-client relationship

- The consultant and the client enter into a contractual relationship governed by applicable national law.
- In Ukraine: Civil Code of Ukraine, Commercial Code of Ukraine.
- EU: Directive № 2005/29 / EU of the European Parliament and of the Council on unfair commercial practices in relation to consumers in the internal market.

In the process of counseling, the relationship between the counselor and the client can be built in two ways:

- ***Subject-object relations.*** In this case, the consultant is a subject and the client is an object. The client passively perceives the information, knowledge, decisions that are transmitted by the consultant. The consultant often dominates the client, shows an authoritarian style of relationship management, mutual activity management. In Ukraine, given the level of development of social and industrial relations and the lack of knowledge, technologies, methods and principles used in both production and management of organizations, in some cases, the subject-object relations are appropriate and justified.
- ***Subject-subject relations*** are more progressive, as they involve mutual cooperation of the consultant and the client, joint decision-making, training of the client both separately and in the process of counseling, involving him in obtaining the end result. Such relationships are more effective, provide not only short-term but also long-term, strategic results. They lay the foundation for continuous improvement of the organization, which will be carried out in the future by the employees of the organization.

Models of interaction between the consultant and the client:

1. ***"Productive relations"***: consultant and client on the basis of mutual understanding and trust organize the successful implementation of the consulting project.
2. ***"Continuation of negotiations"***: the consultant and the client trust each other, but there is not enough understanding to negotiate a consulting contract or continue working. Therefore, they continue negotiations in order to move to a productive relationship.
3. ***"Break of relations or?"***: Lack of trust in each other and mutual understanding leads to the termination of negotiations and the break of relations. But with extra effort you can transition to other positions.

4. "Setting contact points": understanding of mutual requirements, conditions, but lack of mutual trust require additional meetings between the consultant and the client and search of contact points to go to productive relations.

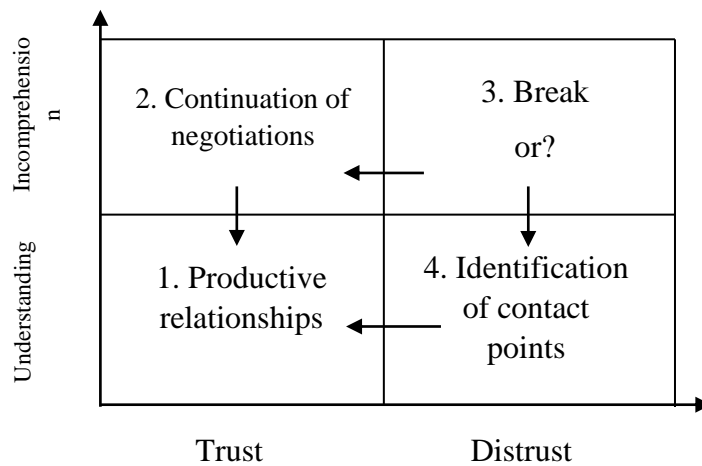


Fig. 6.2 – Matrix of models of interaction between consultant and client [47, p. 67]

The so-called partnership approach to the interaction between the consultant and the client is quite common. Partner client-consulting relationships are based on the assumption that working with business problems will be more effective if the special skills of the consultant are combined with the client's knowledge of the specific situation.

The key provisions of the partnership approach to solving the problem and building relationships are:

- decision-making, confirmation of responsibility and expertise are bilateral for the client and the consultant;
- data collection and analysis are performed by the client and the consultant;
- the partnership continues through efforts to achieve mutual understanding and agreement;
- the transfer of skills is part of the problem-solving process and aims to increase the client's competence to solve problems in the future.

6.5. Consultant selection procedure

After determining the feasibility and necessity of counselling, a specific consultant (consultants) is selected. The right choice contributes to the success of further resolution of the consulted problem. Therefore, it is important to understand and implement all components of the procedure of such a choice (Fig. 6.3).

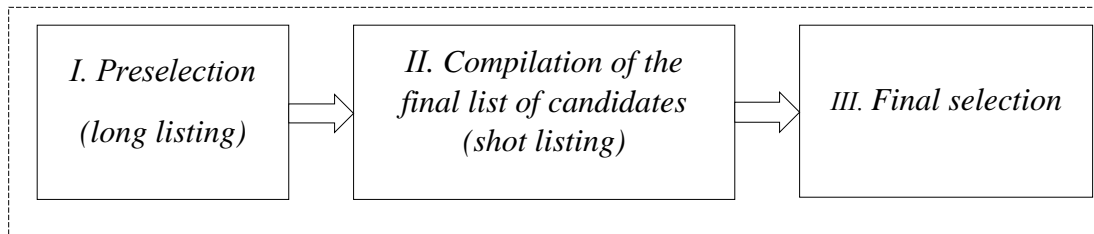


Fig. 6.3 – The components of the selection of a consultant

At the stage of long listing:

- The client compiles a list of all consulting firms that meet the specifics of the problem to which he wants to involve a consultant.
- To compile such a list, the information contained in specialized directories, lists of members of national associations of consultants, advertising messages, articles in the press, etc. is used.
- It is necessary to determine which consulting company will provide services to the client - an independent consultant, a domestic consulting agency or a foreign company.
- The method of determining the qualifications of a consultant - through the recommendations of former clients - is little used in choosing a consultant.

The reasons for this are as follows:

- variety of tasks solved by the consultant for different companies;
- confidentiality (often the consultant does not have the right to name the company for which he carried out the project, and rarely - the essence of the project).

At the stage of short listing:

- A final list is formed, which consists of 10 - 12 consulting firms for large projects, 5 - 6 for medium, and 2 - 3 for small.
- The selection is performed according to objective quality parameters.

At this "qualification" stage, the client should receive answers to the following questions about consulting firms, which were previously included in the initial list:

- "What is the professional level of staff working in them?";
- "What consulting projects have already been implemented?";

- "Who are their customers?";
- "How constructive are their existing recommendations?"

At the stage of final selection:

- The main role is played by two parameters:
 - ✓ assessment of the professional potential of consultants;
 - ✓ price (financial offer).
- The final selection procedure is carried out in the form of a closed tender, ie a competition in which only consultants included in the final list are sent requests for proposals for the implementation of the relevant consulting project. The content of these offers, the price factor, and the course of negotiations on them allow the client to determine the best potential consultant.
- Foreign consultants do not recommend considering the price of consulting services as a decisive factor, because the difference in price is usually not as large as the difference in quality.
- The most effective method of selection is an experiment. A consultant who has been selected through an interview is invited to do a one-time job, such as a rapid diagnosis.

6.6. Balance of expectations of the client and the consultant

- Expectation - estimating the probability of a certain event
- It factor of economic choice of the subjects of the market of consulting services.
- The consultant and the client at all stages of the consulting cycle may have certain positive and negative expectations regarding the results of the agreement
- There are important principles of economic choice in the field of consulting: analysis, adjustment and balance of expectations of the consultant and the client.

The basis of the contract is:

- The balance of expectations of the consultant and the client from consulting service and process of consulting service is reached at negotiations.
- The balance of expectations is based on the agreement of the parties to the agreement assessments of the main elements of its value: quality, internal and external features, price, time, innovation, learning effect, etc.

- The subject of the consultant's and client's expectations regarding the consulting service process is the level of fulfillment of their obligations under the contract.

If, as a result of negotiations, expectations are agreed, then:

- a) it becomes possible to conclude a contract;
- b) the cost of ensuring a balance of expectations at this stage will help reduce transaction costs on the contract and post-contract stages of consulting-client relations.

Knowledge test

- 1) Name ways to help the client organization in solving management problems.
- 2) In which cases it is impractical to invite consultants? Why?
- 3) Should consultants be invited if the problem is one-off, situational in nature?
- 4) What factors affect the success of the interaction between the client and the consultant
- 5) What is the peculiarity of subject-object relations in consulting?
- 6) Which option of the relationship between the consultant and the client is more effective in your opinion? Why?
- 7) Describe the models of interaction between the consultant and the client
- 8) What are the reasons for the termination of negotiations and the rupture of relations between the parties to the consulting?
- 9) What is the essence of a partnership approach to solving problems?
- 10) Is it appropriate to use advertising to promote consulting services, why?

TOPIC 7

HUMAN RESOURCES POLICY AND ORGANIZATIONAL CULTURE OF CONSULTING COMPANIES

Objective: to determine the components of personnel policy and organizational culture of the consulting company and assess their role in the process of forming the professionalism of the consultant

Questions for discussion:

- 7.1. Personnel policy of a consulting company
- 7.2. Organizational culture of a consulting company
- 7.3. KPMG Ukraine experience

7.1. Personnel policy of a consulting company

Personnel policy is a set of principles, methods, forms of organizational mechanism for the formation, reproduction, development and use of personnel, the creation of optimal working conditions, its motivation and incentives.

Active personnel policy is based on the fact that the management has not only formulated management tasks, forecasts for their implementation, but also effective means of influencing the situation.

Open personnel policy is characterized by the fact that the organization is transparent to potential employees at any level, ready to hire any specialist with the appropriate qualifications.

Passive personnel policy is characterized by the following:

- 1) the management of the organization does not have a clear program of action regarding staff, and personnel work is to eliminate the negative consequences;
- 2) lack of forecast of personnel needs and methods of assessing the work of staff, diagnosis of the personnel situation;
- 3) management works in the mode of emergency response to conflict situations, seeks to eliminate them by any means without analyzing the causes and possible consequences

Reactive personnel policy is followed by:

- 1) the management of the organization monitors the symptoms of a negative state in working with staff, the causes and situation of the crisis;
- 2) lack of motivation for highly productive work;

- 3) the personnel service has the means to diagnose the situation, and if it is necessary provides emergency assistance;
- 4) difficulties arise in medium-term forecasting.

Preventive personnel policy is characterized by the following:

- 1) the management of the organization has reasonable forecasts of the development of the personnel situation, but has no means of influencing on it;
- 2) the personnel service has not only the means of staff diagnostics, but also forecasts of the personnel situation for the medium term;
- 3) the main disadvantage of this policy is the lack of targeted personnel programs.

Adventurous personnel policy is as follows:

- 1) management does not have a quality diagnosis of personnel work, but seeks to influence the situation;
- 2) the personnel service does not have the means to forecast the personnel situation, but the development programs of the organization include personnel work plans, which do not provide for the timely elimination of possible changes in the situation;
- 3) plans are based on emotionally poorly reasoned measures without prior and comprehensive consideration, and abrupt changes in the market situation reveals the inability to quickly retrain staff to work in new conditions, or to attract from external sources.

The need for personnel policy:

- Staffing is an integral part of human resource management and is especially important for any consulting company.
- The work of consulting companies is based on projects. In companies of this type, staffing can take place at the project level.
- Recruitment refers to the process of attracting, selecting and retaining competent employees to achieve the goals of the organization.
- The selection and development of management consultants are critical recruitment methods for companies because of the economic value of human capital.
- Performance evaluation and feedback have proven their effectiveness for human capital development and the effectiveness of the organization.

Factors influencing personnel policy:

- The organizational structure and management characteristics of consulting companies differ from others: partnerships encourage owners to participate in the day-to-day management of the business; promotion on the basis of professional qualities; emphasis on overall performance; **flat hierarchical structure**; equal career opportunities for all professionals.
- Heterogeneity between different types of consulting firms (accounting, engineering, management consulting), intra-industry differences leads to management problems and their organizational and consequences.
- The main characteristics and factors of unforeseen circumstances (e.g., size, degree of internationalization, etc.) affect the practice of human resource management.
- Distinctive characteristics of consulting companies are knowledge intensity, low capital intensity and professional workforce, as well as professional partnership as a form of management. Companies have these characteristics to varying degrees, which contributes to the heterogeneity of the sector.
- Deregulation, internationalization, career or career change between work and personal life and technological developments.

Flat structure of the organization - the organizational structure of management of the enterprise and the company, which provides a small number of levels of management and a wide range of management functions.

Better suited for innovation:

- Prevents the occurrence of office intrigue.
- Stimulates the achievement of real results.
- Increases the level of responsibility of employees.
- Removes unnecessary levels of management, improves coordination and data transfer speed between employees.
- Fewer levels of government make the decision-making process easier.

The Pioneers-Migrants-Colonists map is provided for the classification of people into three main segments based on differences in work motivation and consumption patterns.

- **Pioneers** are revolutionaries who are ready for new achievements, easily accept any changes and innovations, moreover, offer them themselves. There are not many pioneers, but they are the ones who discover new territories.

- **Immigrants** are hard workers who explore new territories, they implement and adapt new ideas, in business they are the organizers of all processes, which ultimately lead to the desired result, and in the field of consumption they willingly use technological solutions, welcome the emergence of new (improved) products.
- **The colonists** are consumers, they come to develop the territory, they use (copy) ready-made technological processes in business, they are mass consumers, they need to first prepare what they will use. There are a lot of colonists. It is impossible to do without the Colonists, because the territory will be abandoned.

Table 7.1

Map of work motivation and consumption methods, %

Sphere of activity	Pioneers	Migrants	Colonists
Creative team, advertising agency, designers	80	10	10
Consulting company: management, finance, law	2	80	18
A company with an established production cycle	0	5	95
A large manufacturing company among the leaders of the industry	2	18	80
Company in the field of retail, logistics, service, etc.	0	5	95
Entrepreneur at the stage of starting a business project	50	20	30
Entrepreneur at the stage of a working business project	10	10	80
Government agency	0	5	95

The most important elements of personnel policy:

- ▶ Involvement and retention in the company (mainly, including categories and decisions on promotion and continuity): The main professional categories. Opportunities. Decision on promotion.
- ▶ Development: The process of determining staffing needs in a short time. Indicators of capacity utilization. Number of employees of different categories. Flexibility in placement and mobility. Tools.
- ▶ Planning. Type of long-term personnel planning. Indicators and measures used. The main tasks. Used computer tools.
- ▶ Organizational structure (taking into account the level at which these decisions are made and the level of centralization, as well as the level of uniformity of these personnel policies and practices). The level at which the functions related to employment and professional career are located. Uniformity of procedures. Generalization of the described practices in the scale of the company.

Stages of building a personnel policy of consulting firms:

- Normalization. It is envisaged to harmonize the principles and objectives of work with staff with the principles and objectives of the consulting organization as a whole. The management of the consulting firm needs to analyze the corporate culture, strategy and stages of development of the organization, predict possible changes, specify the criteria for personnel selection, ways of its formation and development, as well as the goals of working with staff. The rationing procedure involves determining the ideal (regulatory) situation, the planned performance of staff;
- Programming. Algorithms, programs, ways of achievement of the purposes of personnel work which were defined at a rationing stage, taking into account instability of the market, features of functioning of the concrete enterprise (consulting firm) are carried out;
- Personnel monitoring. Procedures for diagnosing and forecasting the personnel situation are developed (indicators of human resources of the consulting firm are determined, measures for the development and use of knowledge, skills and abilities of staff are implemented, the effectiveness of personnel programs is evaluated and methods of their evaluation are substantiated).

The most common HR models consulting business

1. Professional partnership model P2

- Up or down promotion system
- Rotation as a goal
- Long-term planning is not detailed
- Inflexible appointment
- High level of unification of procedures
- human resource management is an integral part of the organizational system and is carried out mainly by consultants,
- lack of a certain hierarchy,
- lack of any formal long-term strategic planning,
- partnership forms of ownership and management,
- an «up or down policy» is a form of promotion based on meritocracy,
- recruitment is carried out mainly at the junior level,
- employees who do not perform well and have not been transferred to the next organizational level within a certain period of time are encouraged to leave the organization,
- there is a high level of rotation to comply with the organizational pyramid,
- at strategic planning the general indicators of the company with not detailed forecast figures are defined,
- personnel procedures and policies are clearly defined.

2. Managed Professional Business Model (MPB)

- Flexible career advancement
- There are no set goals and rotation
- Detailed long-term planning
- Flexible appointment
- Low level of unification of procedures
- there are personnel specialists who are not engaged in consulting,
- personnel management systems are similar to the personnel management systems of other large companies that provide design services,
- most companies have introduced new career policies, and alternative partnership roles have been formally adopted, creating new positions for non-partners and coexisting on the traditional up or down model,
- there is great flexibility in the distribution of project consultants,
- these firms are characterized by entry into the consulting industry through related services (e.g., accounting, auditing or IT),
- they are usually run as a traditional business (in terms of market share, revenue and profitability),

- managers form a strategic plan of the company, carry out long-term HR planning.

The main characteristics of the personnel policy of leading consulting companies

- The organizational structure is focused on the service sector and industry. Due to the fact that the consulting services offered by companies are focused on the specific needs of clients, organizational units are based on specific areas of services and industries. Thus, the activities of professionals are tied to a specific context.
- Short-term project planning of works. Long-term agreements are not common, particularly in management consulting. Because of this, companies tend to adjust their staffing needs according to development and planned projects.
- Payment. This refers to the share of the cost of work that can be attributed to customers. This most important concept for consulting companies determines the staff. Therefore, efforts to adjust staff and projects are a very important part of management work.
- High demand, a common feature of all companies and the whole industry. Although not all companies have rotation goals, most of them have a high level of rotation. Management consulting companies expect first-level skills and dedication from their consultants.
- The importance of job certification processes. All companies have a multifunctional evaluation procedure to increase the motivation and professional development of consultants, as well as to determine training needs, among other things. It also serves as a basis for proposals to promote or change the status of the employee. The process of job certification is a central element in determining the career path.
- The importance of attracting and retaining the best consultants. This requires an individual project that includes new tasks that contribute to the professional growth of consultants. The prestige of working in a large company is also an important factor in retention. These high-level policies define all other aspects of HRM.

7.2. Organizational culture of the consulting company

- Organizational culture is a set of values, exemplary introductions and technologies passed down in the company "from generation to generation".
- These are the rules that operate in a company, which are formed on the basis of corporate values.

- Values are what are most important to the company's employees, they are the principles of activity.
- Corporate culture is both the relationship between employees and attitudes to work, to customers, to managers and subordinates; the situation prevailing in companies.

Components of organizational culture

The company's mission and values for society. The values of business -why and why this business was created, what it should be, what message will carry the world around. In the corporate culture of the company values can have different forms and manifestations:

- in the company's mission,
- in a separate document "memorandum of corporate values",
- in the myths, stories, legends of the company.
 - ✓ Company traditions, rituals.
 - ✓ Rules and norms of behavior.
 - ✓ Management culture.
 - ✓ Microclimate, style of formal and informal communication of employees, ways to resolve conflicts, disputes.
 - ✓ Image and corporate style.

Hard vs. Soft Elements

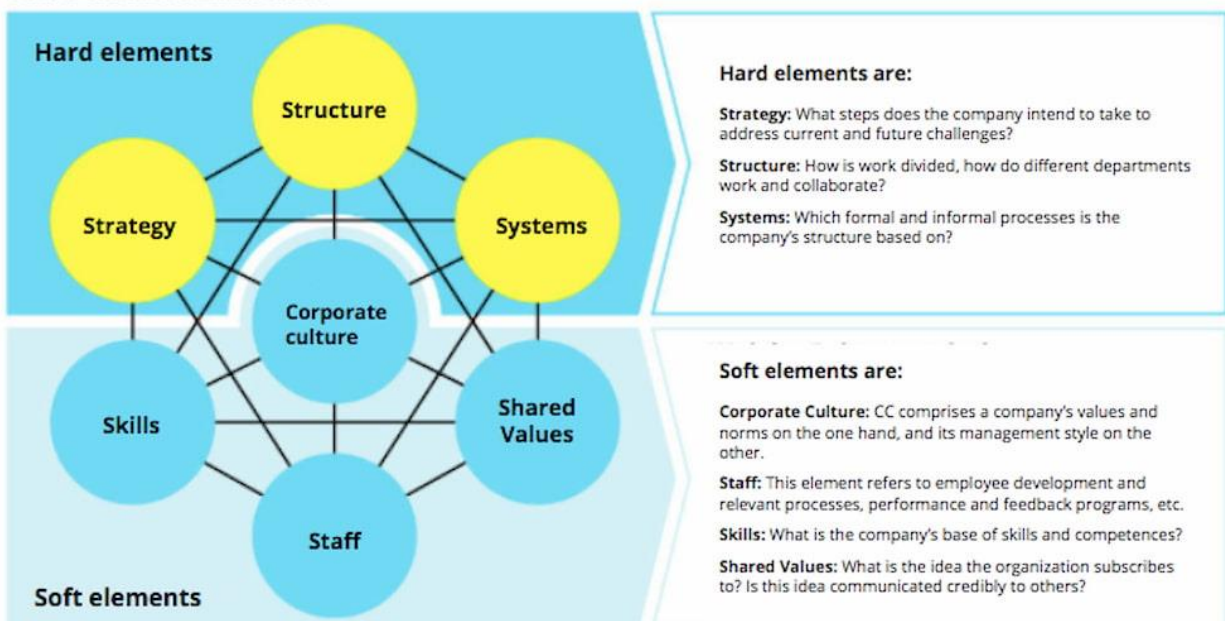


Fig. 7.1 - McKinsey 7S platform

Tom Peters and Robert Waterman developed the 7S framework, sometimes also called the McKinsey 7S Framework, in the 1970s when they worked with McKinsey as consultants.

They focused on the company as a single system, the ultimate success of which depends on the seven hard and soft elements.

While hard elements can be clearly compared, for example, with diagrams, plans, etc., soft elements are more difficult to understand because they describe values, skills and work styles that are constantly changing.

All elements - hard and soft - are interdependent. Although soft elements are less specific, they have a stronger impact on corporate culture than hard ones. After all, they form the basis of the daily work of employees, which, in turn, affects the results of the organization.

According to Peters and Waterman, the company will succeed if it manages to balance all these elements. However, if a company focuses only on complex elements and, for example, creates a new department without considering solutions in the context of other elements, how will the departments work together? what support measures will be needed? - most likely, it will destabilize, instead of improve the organization.

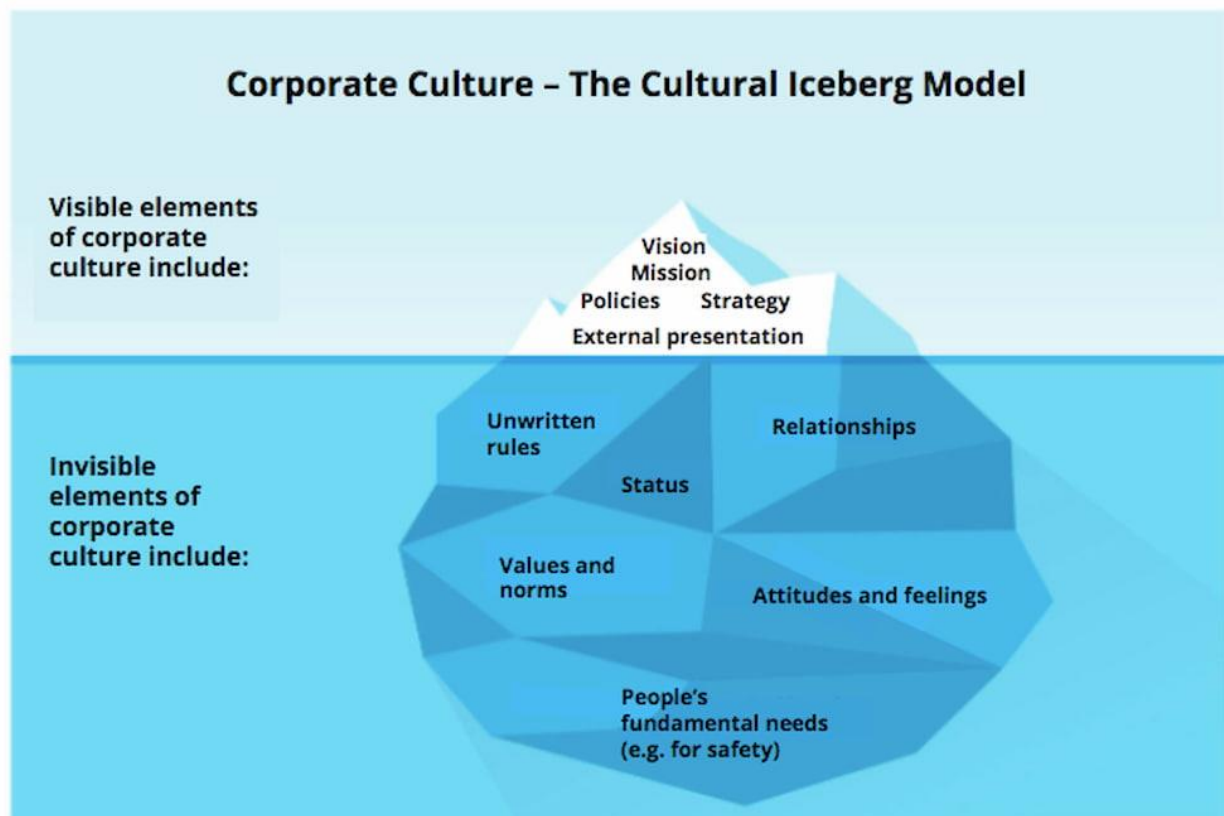


Fig.7.2 – Cultural iceberg model

Edward T. Hall visualized corporate culture in the form of an iceberg. He understood corporate culture as a model of fundamental assumptions used to solve internal and external problems. The template includes both visible and invisible aspects, as a result of which outsiders may not always fully understand it.

The tip of the iceberg, ie its visible part, indicates the observed aspects of the culture of the organization. Under it are hidden the structures of corporate culture, which are a large and, therefore, more important part. These underlying structures determine which elements reach the surface.

An organization can shape its culture only by addressing its invisible aspects. Therefore, if he wants a change in behavior or culture, he must first know the hidden aspects: what are the needs of employees? How does the company manage? How do people work together? It is at this deeper level that changes can be initiated, which eventually rise to the top.

Hofstede model Hofstede viewed culture as a kind of "mind software," a general mental programming that provides differentiation. Different people with different identities, experiences and values come together and "develop culture". Hofstede chose the image of the onion to distinguish four layers of cultural manifestations:

- Clan
 - ✓ The ideals of a large family.
 - ✓ Education and encouragement of teams.
 - ✓ Participation is a key attribute.
- Adhocracy (Latin - ad hoc - for this case)
 - ✓ Dynamic and maneuverable.
 - ✓ Entrepreneurship promotion.
 - ✓ Support for risk and innovation.
- Hierarchy
 - ✓ Focuses on structure and control.
 - ✓ The advantage of stability and coordination.
 - ✓ Effectiveness of influence.
- Market
 - ✓ Results-oriented.
 - ✓ Work-driven.
 - ✓ Values of competition and achievement.

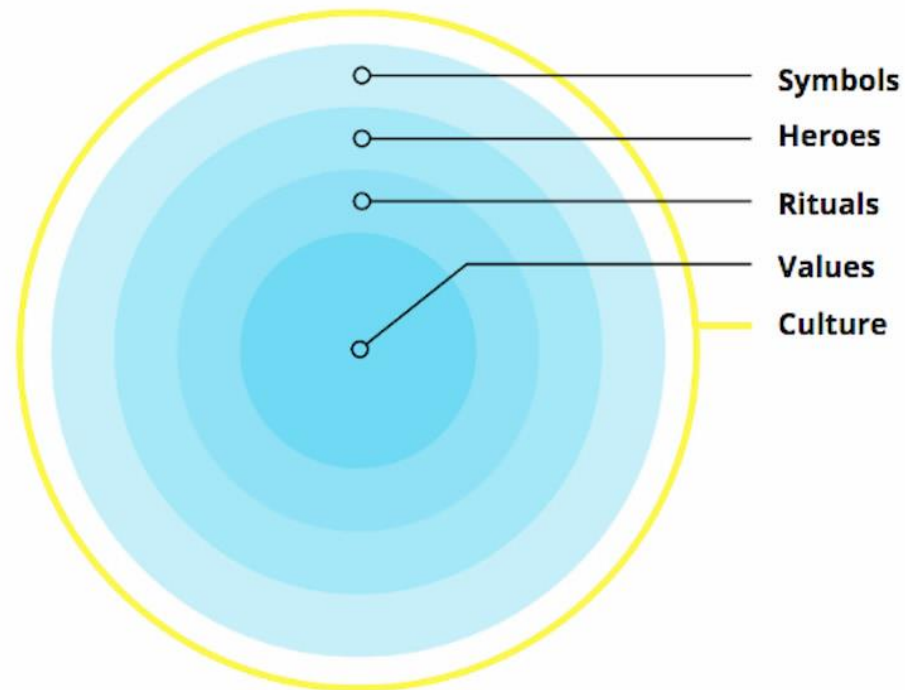


Fig. 7.3 – Types of the organizational culture

Corporate culture management

The formation of corporate culture is a complex process that requires a systematic approach. The system must begin to build from the foundations, namely from values.

It is important how to implement changes in the corporate culture. Since corporate culture affects everyone and every employee is its bearer and reformer, it is impossible to change corporate culture "by order from above" and from "tomorrow". Violent influence will only increase resistance from employees. In order for the implementation of changes to be successful, it is necessary to involve employees already at the stage of development of these changes: to give them the opportunity to ask questions, make suggestions, inform them about why changes are needed, how development is going, how innovations will be introduced.

Association of consulting firms

Mission of the Association – uniting consulting companies and specialists of national and international level, which work in the market of audit services, provide services for the assessment of land, property and real estate, enterprises, business in general, provide support to external investors, are suppliers of software and educational products for business; provide legal support for business activities.

7.3. KPMG Ukraine experience

Our values. Our values help us work effectively together and be a single global organization:

- **Manage by personal example:** By our actions we always try to set an example to employees as well as our customers.
- **Work as a team:** We help everyone to express themselves and build strong business relationships with colleagues.
- **Respect the individual:** We value not only the knowledge and experience, but also the personality of our colleagues.
- **Offer optimal solutions based on comprehensive analysis:** Critical attitude and careful analysis of facts allow us to strengthen our reputation as reliable and objective consultants.
- **Be honest and direct in relationships:** We regularly share information, conclusions and recommendations with clients and colleagues, strive for constructive dialogue and act decisively in difficult situations.
- **Being socially responsible:** We act as a company responsible to society, constantly improving our knowledge and experience, opening new prospects for cooperation.
- **Be conscientious and decent:** We strive to adhere to the highest professional standards, give clear and relevant advice and follow the principle of professional independence.

Mechanisms for adjusting corporate culture:

- ▶ Participation mechanism. Involvement of employees in solving important tasks for the organization, such as joint development of the organization's mission.
- ▶ Symbolic control mechanism. The use of various rituals specific only to this organization. For example, the door to the manager's office is constantly open or the organizer is presented with the company logo in honor of the successful completion of the project.
- ▶ Mechanism of mutual understanding. This mechanism can be built by constantly informing employees about what is happening in the organization of change, holding days of feedback, when the employee can ask questions to the head and hear his opinion on the quality of their work. You can and should use meetings, gatherings, where to discuss the ways and means of moving the company. You can use a corporate newspaper to create a common field for understanding and exchange of views, to inform employees about the achievements of their colleagues and the company as a whole.

- Incentive mechanism. What we encourage day by day, we get. Therefore it is possible within the limits of the same corporate actions, for example, on a birthday of the company, to issue, at least diplomas, for important and valuable for the company achievements and the shown qualities. Organize special ceremonies and celebrations that consolidate new ways of working. At the same time, it is necessary to take into account the direction of employees' needs, if, for example, the possibility of professional growth is important for an employee, then he can be sent as an incentive to study or entrust a new type of work.

The main components of the formation of organizational culture of the consulting company are as follows:

- competently built organizational structure, which takes into account the specifics of a particular company;
- internal standards, regulations, code of ethics of personnel, which are developed by leading specialists;
- acceptance and application by the company's staff of the developed local documents.

When building an **organizational structure**, managers of consulting companies must take into account the following:

- types of services provided;
- composition of staff and leading specialists, areas of their professional knowledge, work experience, practical skills;
- opportunities and procedure for introduction of innovative technologies for providing professional services;
- definition of powers, distribution of responsibilities and formation of levels in the management hierarchy;
- creation and implementation of a single information environment that ensures the effectiveness of management decisions;
- ensuring the relationship between the elements of the organization, creating conditions for adaptation to changes in the external environment.

Internal standards

Documents detailing and regulating the uniform requirements for the implementation and design of professional services, adopted and approved by the company's management in order to ensure the effectiveness of practical work.

When forming internal standards, it is advisable to use a systems approach based on regulatory and functional-operational information about the firm as a system.

Elements of such a system: types of consulting services and special tasks; sets of tasks related to the management of a consulting firm; quality control of services provided.

At the initial stage of implementation of the system approach, the developers must clearly form the organizational structure of the company, define the functions and responsibilities of each department. It is necessary to take into account all the factors that affect the system: the amount of work performed; number of staff and their qualification level; range of services; valuation of investments, etc.

Table 7.2

Internal standards of a consulting company

Groups of standards	Types of standards
General standards of the organization	a) The procedure for developing and adopting internal standards; b) The internal structure and organization of the consulting company; c) The procedure for internal control of the quality of audit and consulting services; d) Responsibility and standards of conduct for auditors and employees of the company
Standards for the provision of consulting services	a) The procedure for planning and conducting an audit; b) The procedure for providing consulting services by their types; c) The procedure for involving specialists
Standards for the procedure for providing information to the company's customers	a) Procedure for forming audit opinions; b) Preparation of written information of the auditor and the specialist to the management of the economic entity based on the results of the audit and consulting; c) Procedure for preparation of other reports of specialists, depending on services

Standards that characterize specific aspects of consulting	a) Specific aspects of auditing and advising credit institutions, b) Specific aspects of auditing and advising insurance companies and mutual insurance companies; c) Specific aspects of auditing and advising exchanges, extra-budgetary funds and investment funds d) Sectoral features of consulting
Standards in the field of education and training	a) Requirements for education, professional level of auditors and specialists; b) Procedure for training and retraining of audit and consulting organizations; c) Procedure for hiring specialists

Knowledge test

1. Describe the concept of personnel policy and what are its types?
2. What are the differences between preventive and adventurous personnel policies?
3. What are the features of a flat hierarchical structure of enterprise management?
4. Describe the development process as one of the elements of personnel policy.
5. What categories can be divided into people in terms of motivation to work?
6. Describe the main stages of building a personnel policy of consulting firms.
7. Indicate what models of personnel policy exist according to institutional theory and name their main elements?
8. What characterizes the personnel policy of leading consulting companies?
9. What are the mechanisms for adjusting corporate culture?
10. What groups are the internal standards of a consulting company divided into?

TOPIC 8

ORGANIZATION OF A CONSULTANTS' WORK

Objective: to deepen knowledge on the formation of professional competencies of consultants, the formation of the professional structure of consulting companies, staff development and the formation of team-type teams

Questions for discussion:

- 8.1. Model of professional competence of the consultant
- 8.2. Professional structure of the consulting organization
- 8.3. Preparing the team for effective work
- 8.4. Recruitment

8.1. Model of professional competence of the consultant

The process of professional development of a consultant assumes that all consultants will develop and increase the motivation and personal qualities associated with professional consulting.

The model is based on the definition of professional competence at the level of motivation and personal qualities. Each professional quality is described with an indication of a number of behavioral indicators.

Behavioral indicator - a special model of behavior, which demonstrates the consultant in the course of professional activities, which serves as an illustration of the described motivation or personality traits.

Interest in the client

- The counselor tries to offer the best solution based on the problem being counseled.
- Monitors the progress of problem solving and adjusts the tools used.
- Uses the experience of previous consulting projects to predict the effectiveness of solving the consulted problems.
- Analyzes the features of non-verbal behavior of team members.
- Evaluates various aspects of the client organization.

Making a positive impact on the client

- Provides exchange of information with units of the client organization.
- Warns of an imbalance of opportunities that may adversely affect expected results.
- Formulates and publishes sound conclusions that promote understanding with customers.
- Monitors the implementation of work on time.
- Combines personal experience and experience with customer needs.
- Develops a strategy for active promotion in the market of consulting services of his company, in accordance with the needs of the region.
- Offers the client a practical strategy for managing important aspects of the relationship.
- Immediately analyzes and develops measures to counteract the situation that may adversely affect the client's business.

Striving for personal achievement

- Attracts the client's attention directly to the current professional problems of the enterprise
- Evaluates the effectiveness of cooperation.
- Contributes to the formation of the client's vision of the situation in the future, the ability to use non-standard approaches to decision making.
- Helps the client to develop a system of indicators that help assess the effectiveness of consulting services.
- Helps the client develop realistic plans and goals.

The desire to be honest and fair

- Before starting a project, the consultant must be sure that the head of the client organization has a clear idea of the project objectives and really wants to achieve these goals.
- Do only the work that is really useful and allows you to optimize the work of the client.
- Before starting the project, inform the client about the costs associated with the project.
- It is recommended to postpone the work if the main participants are not ready to dedicate themselves to the project.
- Recommends canceling or postponing the performance of a job if the conditions are not conducive to the success of the enterprise.

- Rejects or reviews projects that are inconsistent with the organization's personal or corporate values.
- Prior to the start of the project, he clearly formulates his requirements or conditions necessary for the performance of works and presents them to the customer.
- Criticizes the actions of the client or colleagues if they violate the principles of justice; for example, in the case of discrimination.

Willpower, scrupulousness, and kindness

- The consultant responds in a timely manner to requests and requests for assistance.
- Ready to devote any necessary assistance time at the request of the client.
- Solves customer problems until they are finally resolved.
- Receives information in advance from employees of the department or organization as a whole to be fully aware of the situation and possible problems associated with customers or the unit.
- Prepares for meetings with clients by collecting information about the client and his / her problems.
- Monitors the fulfillment of promises and commitments to the client or colleagues.

Flexibility of thinking

- Formulates a list of questions that allow you to get to the heart of the situation and analyze it.
- Uses analogies to make recommendations clearer and more accessible to the client.
- Identifies new ways to use existing resources to perform multiple tasks simultaneously.
- Demonstrates equal competence by discussing broad conceptual issues and specific areas of application.
- Helps clients to deeply understand the different situations that arise. A professional counselor often does this through graphs or other visual aids that effectively classify and accurately reflect key numerical indicators as well as various aspects of the situation.

Awareness of societal trends and ability to diagnose

- Unobtrusively makes remarks that distinguish common practice from formalized systems.
- Use information available to the client to draw conclusions that are not obvious to those clients.
- Tracks the relationship between the problem being consulted and past situations.

Self-confidence

- Looks for new information resources that may be needed to solve the problem situation.
- Admits his guilt in unsatisfactory results.
- Analyzes the causes of their own mistakes to improve their professional abilities.

8.2. Professional structure of the consulting organization

The professional structure of the firm (the ratio of junior, middle and senior level employees) is determined by the requirements for staff skills: the ratio of tasks of different levels of complexity that the firm has to solve when implementing projects. Master D. distinguishes three types of work under the conditional name: «Brains», «Gray» and «Procedures».

«Brains» projects

- The client's problem is at the forefront of professional or technical knowledge or is very complex.
- The key elements of this type of professional service are creativity and innovation: new approaches, concepts or ways. These are new solutions to new problems.
- The staff of a company focused on providing such services are specialists of the highest class.
- Appeal to the market: «Hire us because we are the smartest».
- There is no template approach, as each project is unique.
- Opportunities to strengthen the lever (support for younger seniors) are very limited.
- Even data collection and analysis activities require the active involvement of mid-level professionals (project management) on an ongoing basis.

"Gray" projects

- Although they may contain an individualized "product", they require innovation and creativity to a lesser extent than projects such as "Brains".
- The general nature of the problem is known.
- Actions to address it may be similar to those already used in other projects.
- Clients with problems such as "Gray" are looking for companies with experience in solving certain types of problems.
- Appeal to the market: "Hire us, because we have been doing this for a long time. We have a practice of solving such problems. "
- Since projects such as "Gray" deal with well-known problems, a number of tasks (especially in the early stages of the project) can be precisely defined and delegated in advance.
- It is possible to involve junior staff to perform these tasks.

"Procedures" projects

- Aimed at solving well-known problems.
- Although there is some need for individualization, the steps to solve the problem are programmable.
- The client may have the skills and resources to perform the work independently, but he still turns to the firm, because the firm can perform the work more professionally and efficiently.
- Market appeal: "Hire us because we know how to do it and we will do it effectively. "
- Assume more use of junior staff than senior (and other organizational structure of firms specializing in such projects).
- The challenges that are addressed within such projects, and the steps required to perform analysis, diagnosis, and outcome, are usually so well known that they can be easily delegated to junior staff.

8.3. Preparing the team for effective work

The ability to work in a team is a key competency of a professional consultant and implies: readiness for joint creativity, ability to interact, emotional intelligence, glocality, adaptability.

A team is a group of like-minded people cooperating with each other to achieve the intended common goals. As a result of such interaction, it becomes possible to achieve much better results in a fairly short period of time than working alone.

Co-creation involves a combination of communication skills and the ability to co-create. The ability to interact implies the presence of readiness work with people in the context of the interaction of human and artificial intelligence, combining the efforts of people and robots. Willingness to work in a team. Coordination and interaction skills.

Emotional intelligence. Empathy (empathy), the ability to maintain a positive attitude, overcome negative emotions, inspire others. Supporting one's own motivation and the motivation of others. Emotional maturity is the ability to take responsibility and manage your emotions. Emotional flexibility is the ability to change your approach to your own emotions and the emotions of others.

"Glocality" (localization of globality). Implementation global through the local, that is, through the transformation of interaction with other people and representatives of other cultures into everyday practice. It involves peacemaking and conflict resolution, the ability to productively resolve conflicts at any level (starting from everyday ones), overcome contradictions, find ways for people with different positions and different points of view to coexist.

Adaptability implies the ability to respond effectively to any changes in the working environment. Change management. Ability to adapt to new conditions, as well as organically involve others in the process of change. Openness to new things, willingness to change, willingness to learn.

According to research by McKenna and Master benefits of group work are:

1. Increasing value for customers by passing on to them the collective wisdom, skills, accumulated knowledge of the group.
2. Achieving greater efficiency of business development efforts by combining and coordinating individual efforts.
3. Better use and development of young professionals with their participation in collective decisions.
4. Joint development of tools, templates, databases, and other practical tools for the benefit of each.
5. Faster and more effective dissemination of experience and skills among group members.
6. The best customer service.
7. The best way to achieve a competitive position in the market through the development of collective reputation.
8. The comfort of belonging to a small group compared to the feeling of confusion in a large crowd.
9. Informal one-on-one coaching as a source of personal growth.
10. Higher profitability due to group focus on areas of productivity growth.

11. Creating a critical mass of time and resources for the development of new services.

Basic rules for the group

1. Establishing the priority of group meetings and their mandatory attendance.
2. Fulfillment of obligations. If there is an obstacle to the fulfillment of obligations, you should be warned.
3. Perception of new ideas.
4. Every success is a group success, and every failure is an opportunity for the group to fix something, learn something new, and constantly improve.
5. Maintaining confidentiality.

Table 8.1

Relationship styles

	Friendly	Analytical	Leading	Expressive
Looking for	Approval	Precision	Control	Recognition
Power	Listening, Teamwork, Completion	Planning, System, Organization	Administrator Leader Pioneer	Convincing, Enthusiastic, Partygoer
Growth zones (Weaknesses)	Hypersensitivity Slow to rise No wide view	Perfectionist, Critical, Unresponsive	Impatient, Insensitive, Bad listener	Not attentive Does not complete the case
Irritating	Insensitivity, Impatience	Disorganization Violation of customs	Inefficiency Indecision	Routine Complexity
Under pressure	Submissive, Indecisive	Closed, Stubborn	Dictator Critic	Sarcastic Superficial
Decision- Making	Conference	Caution	Determination	Spontaneity
Fears	Sudden changes	Critique of personal achievements	Someone may take advantage of his fear	Loss of public recognition
Safety is achieved with help	Friendships	Preparations	Control	Jokes
Measures personal dignity by help	Compatibility, Contribution	Visibility, Accuracy	Results, Impact	Recognition, Compliments
Internal motives	Participation	Process	Victory	Show

Source: McKenna and Master, *FIRST AMONG EQUALS*, Free Press, 2002

8.4. Recruitment

Opportunities to assess the human capital of consultants:

- Employers can determine the quality of staff quite accurately, for example, by observing the work of an individual employee for a long time or comparing the results of his work and other employees.
- Human resources departments and management use the information obtained to determine the size of salaries, increase the number of employees in the position or the distribution of tasks and competencies.
- A third party outside the enterprise may take advantage of such relationships and obtain information on the level of human capital of other employees indirectly, for example from CVs.
- Competitors or HR consultants who are looking for experienced employees can get a picture of possible candidates.

Clients of companies can use, in addition to indirect and direct observation to assess the quality of consultants.

- The quality of human capital of consultants is manifested retrospectively, when in the future clients provide former consultants with work at their enterprises or these persons hold high positions at other enterprises.
- Consulting firms develop recommendations and concepts, usually in close collaboration with clients.
- Consultants work in the field with employees of the consulted company in mixed teams, often for several months. Here, clients can make a fairly accurate judgment about the quality of human capital of individual consultants.
- Repeated experience of working with different employees of the same consulting firm on different projects allows you to form a general idea of the quality of human capital of the whole company.

Implications for recruitment

- The mechanisms of personnel selection and remuneration of employees in consulting companies work according to certain standard schemes, which in the special literature are described as tools for managing information asymmetry between the employer and employees.

- An essential element of these incentive and staffing schemes are rigorous elimination qualifying tournaments, in which employees compete with each other at different hierarchical levels.
- The logic of these tournaments is that the winners at each level climb the hierarchical ladder, and the losers leave the company.
- Consultants are used as analysts, project managers and managers in the production process for clients directly on site. In such cases, the client easily conducts direct monitoring of their work. At these levels, both the consulting firm and the clients can obtain comparable information about the human capital of the consultants.
- Partners monitor the implementation of many projects and, in addition, monitor their employees, solve internal administrative tasks. Most of this work is done unnoticed, hidden from the eyes of customers.

Knowledge test

1. Describe the professional structure of the firm.
2. Does maintaining confidentiality apply to the basic rules for the group?
3. What 3 types of work distinguishes Master D.?
4. What is the difference between appeals to the project market such as "Brains" and "Gray"?
5. Why do human resources departments and company management use information obtained from employee monitoring?
6. Describe the concept of "behavioral indicator".
7. What features relate to the professional competence of the consultant?
8. Is the statement true: "A professional counselor often uses graphs or other visual aids to effectively classify and clearly display key numerical indicators as well as various aspects of the situation"?
9. Explain the essence and express your attitude to the "strict qualifying tournaments with elimination."
10. Do "Procedures" projects involve more senior staff than junior staff?

TOPIC 9

MANAGEMENT OF CONSULTING BUSINESS

Objective: to consider the management model and organizational structure of the consulting company

Questions for discussion:

- 9.1. Organizational structure of consulting companies
- 9.2. Company management model
- 9.3. KPMG control system

9.1. Organizational structure of consulting companies

The service model should be structured, well organized and understandable to employees and customers

The main functional areas of the consulting business:

- Administration / Management: forms the company's strategy, its composition and selects employees
- Marketing: attracting customers
- Finance: accounting for financial flows, budgeting
- Legal support - development of agreements and contracts
- Consulting services

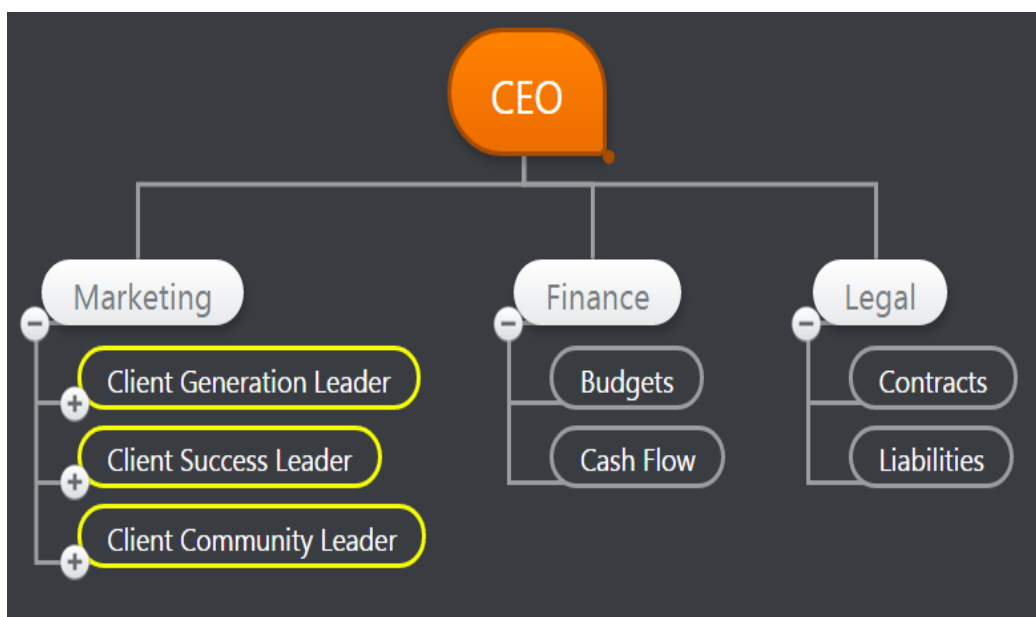


Fig. 9.1 – General functional structure of a consulting organization

Role of the director-general / managing partner

- Designing (building) a business that creates value
- Business forecasting: finding new growth opportunities
- ✓ What is the main problem we solve? For whom do we solve this? How are we going to solve it? Is everything done right?
- ✓ What partnership do we need in the next 2 years, 5 years, 10 years to fulfill our core mission?
- ✓ What size should we be? How much money should we earn?
- ✓ What kind of people do we need for every position in our company? Where do we find them?
- ✓ What is the policy for followers / successors to make the company exist forever?
- Operational / operational management: increasing the efficiency of operational activities:
 - ✓ What are our main priorities? How is performance measured?
 - ✓ How do employees work? Do they see a connection between their work and the end result?
 - ✓ Is the current customer base growing or shrinking? Why?
 - ✓ In which market segment can we become better / better? What are our plans for improvement?

Role of marketing

- Attracting potential clients and selecting consulting products for them.
- The combination of marketing and sales is a proposal for finding partners.
- Find the right audience.
- Many organizations distinguish two "departments" - marketing and sales, considering them as different business processes.

Questions to be answered by the client leader:

- Who is our BEST customer? Where can we find it?
- What is the best way to contact our BEST customer?
- Which method of attracting potential customers is the most successful?
- What is the most successful method of conducting sales (master class, free consultation, webinar)?

Customer Service Specialist (salesman, marketer):

- Monitors customer satisfaction
- Controls the process of concluding contracts.
- He is an expert in the selection of services
- Focused on customer feedback throughout the cooperation period

Questions to be answered by a customer service specialist:

- What is the probability of a high result of the consulting project?
- What stages of the consulting project are most attractive to the client?
- Why are some clients unable to implement the recommendations on their own?
- What is the customer satisfaction rating? What specific indicators are used to assess project effectiveness?
- How many new customers are attracted / old ones lost? Why?

Areas of marketing activities:

- External marketing: the promotion of the company and its services in the market, carried out through secondary marketing tactics, is the responsibility of marketers.
- Interactive marketing (F. Kotler's term) is the interaction of the direct seller of the service (consultant, partner) and the buyer. The client's perception of service quality depends on the effectiveness of this interaction. The desired result is achieved through the primary tactics of marketing communications. An active role belongs to service sellers, and the task of marketers - technical support of the interaction process.
- Both areas of marketing are aimed at overcoming the intangibility of the service. This purpose is to create a strong brand and maintain the company's image and various ways of materializing the service: contracts, reports, estimates, detailed comments, greeting cards.

Role of finance

Cash flow tracking (planned and current).

Questions for which the financial manager is responsible:

- How much money in the bank account?
- How much money in business (cash flow statement)?
- How much was spent on X this year?
- How much will we spend on Y next year?
- What specific costs go beyond the budget?

Role of legal service

- Ensures that the agreements are beneficial to both parties.
- Provides legal and therefore financial security of the company

Questions for which the head of the legal service is responsible:

- What permits, licenses or registrations do I need for business?
- Are there problems with compliance that affect business?
- Are there new laws affecting business?
- Is the agreement we are going to sign fair for us? Is this fair to our partners?

The structure of the pyramid "up and down". Typical roles of consultants:

- Shareholders. Senior partners / directors with 15 - 25 years of experience in the company, who manage projects and build relationships with clients. They also perform other management functions.
- Shareholders. The level of partners working in the company for 8-15 years and involved in solving conceptual problems. Provide recommendations, help structure the project. Both senior partners and partners are shareholders of the firm.
- Junior partners / associate partners / managers who work 7-10 years. In this role, consultants move from the typical role of consultant and employee status to the actual owner of the firm. This is the busiest period in a consultant's career, and many fail to achieve partner status. Junior partners build relationships with existing and new clients, manage several projects simultaneously.
- Project managers / interaction managers / managers / case group managers who have been working for the company for 3-7 years. They are responsible for the day-to-day management of the project and the team, working both in close collaboration with partners and consultants. Project managers are usually the first point of contact for clients because they work with the team on an ongoing basis. Depending on the scale of the project, project managers are rarely directly involved in it, as they are engaged in managing and assisting the team and clients, as well as preparing and conducting meetings.
- Consultants who work in the company for up to 4 years. They perform most of the analytical work and content production. They collect data, analyze it, visualize and present the results.
- Business analysts who work in the company for up to 3 years. Their role is similar to that of an assistant, but they work less autonomously, especially in the first months of their careers. Project managers often help guide their efforts by spending extra time discussing what to analyze, how to analyze, and how to visualize it. They usually work on certain parts of the problem and provide their results (usually analysis and PowerPoint) to the project manager or other

employee. Depending on their skills, they can move quickly to the next level of the hierarchy.

9.2. Company management model

Partnership is the most common form of consulting business management in developed countries.

Partnership as an organizational and legal form of doing business involves the material responsibility of partners to customers, and all their property. This form is gradually being abandoned.

Partnership as a form of government has historically evolved from a legal form. Each partner is engaged in a certain area as their own business. The partner is interested in finding and attracting customers in their field, and receives a certain percentage of profits. When the client is found and the contract is concluded, the partner appoints a project manager, and he forms a team of executives for the project. At the same time, the principle of "horizontal initiative" is equally common in large consulting companies, when partners lead areas for certain types of services (audit, tax consulting, etc.), and the principle of "vertical markets", when the partner leads the direction of providing services to companies in a particular sector of the economy (oil and gas sector, telecommunications, etc.).

Principles of management

- 1) A board of partners is elected, whose functions are the formation of long-term policy and strategic development. The council meets 3-4 times a year. It is not the governing body of the organization.
- 2) There is a managing partner who devotes a significant part (from 50 to 100%) of his time to executive work. This person is either elected by all partners or appointed by the board of partners.
- 3) Financial / administrative / executive director (manager) - "right hand" of the managing partner.
- 4) The Managing Partner heads the Executive Committee, which includes all (appointed) heads of various areas and units of the organization (part of the management group).
- 5) The Compensation Committee shall be formed of members of the Executive Committee of additional members directly elected or appointed by the Board.

Like public administration, these elements can be divided into three groups: the Council (sometimes all partners) - the legislature, whose responsibilities include the approval of general policy.

The managing partner together with the executive committee and the case manager is the executive branch. The Compensation Committee is the judiciary.

Characteristics of the control system:

- the availability of an electoral system increases the likelihood that people with the right skills have the appropriate authority, hold certain positions and work together as a team;
- the board as the highest executive committee provides the opportunity for "serious pressure" on partners who may not be good managers, but occupy important positions;
- political functions are effectively separated from executive functions, thus providing opportunities for people with different skills;
- clear personal responsibility of everyone, which eliminates the possibility of imposing additional responsibilities;
- the structure does not guarantee, but facilitates rapid decision-making;
- there is an extremely clear procedure for dismissing inefficient employees;
- the structure allows to establish clear purposes and responsibility for their achievement;
- the people responsible for carrying out executive functions within this system have time to implement them;
- there are mechanisms for expressing the dissatisfaction of those who are not included in the official hierarchy of power;
- managers have a mandate from the managed;

The main tasks of personnel management:

- correct determination of the required personnel structure of the company taking into account the specifics of the implemented projects;
- organization of effective division of employees into projects, ie ensuring the development and motivation of non-partner level employees;
- building an effective system of compensation, ie ensuring the development and motivation of partners;
- creating an effective knowledge management system that ensures the accumulation, storage and transfer of knowledge within the company.

- planning the structure and number of staff is an important function of the management of the consulting firm, the staff structure is determined by the nature of the projects implemented by the company, and, in turn, is one of the main factors of profitability.

9.3. KPMG control system (Klynveld Peat Marwick Goerdeler)

KPMG is a brand under which KPMG International Limited (KPMG International) member companies operate and provide professional services.

Each firm is a separate legal entity and together constitutes a global organization of KPMG.

In many parts of the world, regulated companies (such as audit and law firms) are required by law to be locally owned and independent.

KPMG firms cannot operate as multinational corporations and are usually owned and managed by residents. Each KPMG firm is responsible for its obligations. Firms affiliated with KPMG are members of or have other legal relationships with KPMG International, a British private limited liability company.

KPMG International acts as the coordinating body for KPMG member firms, but does not provide professional services to clients. Professional services to clients are provided exclusively by member firms.

Member firms are located in 147 countries. They employ 219,000 people.



Fig. 9.2 – KPMG management structure

The Global Board is the main governing and supervisory body of KPMG International. Main responsibilities: include approval of strategy, protection and development of the KPMG brand, as well as approval of policies and rules. It consists of a global chairman and chief executive officer, chairman of each of the three regions (North and South America, Asia-Pacific and Europe, the Middle East and Africa) and a number of senior partners of KPMG firms.

The Global Governance Team works under the supervision of the Global Council and other steering groups on key priorities, including the development of a global strategy and coherence between KPMG member firms, functions and sectors.

KPMG International's global board addresses high-level governance issues and facilitates discussions with and between member firms. It consists of representatives of 58 member firms.

The Global Council is supported by a number of committees, including the Executive Committee. A number of global steering groups support and encourage the implementation of a strategy focusing on audit quality, including the Global Audit Steering Group (GASG) and the Global Steering Group on Quality and Risk Management (GQRMSG).

KPMG International Committees

- Executive Committee: KPMG's vision and purpose; KPMG brand; strategy; coordinated marketing and service programs; promotion and implementation of global strategy and priorities.
- Management Committee:
 - ✓ assess and make recommendations for improving the leadership and management structure of KPMG International
 - ✓ recommendation of rules and regulations for the management of a participating firm for approval by the Global Board of Directors
 - ✓ development and implementation of a two-year Global Board evaluation process
 - ✓ oversight of succession planning, recommendation of candidates to the Global Council and the process of appointing a global chairman
 - ✓ approval of the remuneration of the global chairman and members of the global management team, as well as control over their annual performance evaluations.
- Investment Committee: control of strategic investments; promoting and monitoring the coordination of external unions that are expected to affect more than one country.
- Operations Committee: oversight of KPMG International's financial statements, budget and business planning; recommendations and control of

operating investments; promoting the implementation of fast-growing markets strategy.

- Global Quality and Risk Management Committee: oversees KPMG International's operations, resources, policies and regulations that are designed to improve and facilitate risk management decision-making by KPMG member firms, as well as to enhance and maintain consistency and quality services and products provided by KPMG member firms to their customers.
- Global Audit Quality Committee: Ensuring audit quality throughout KPMG's network and overseeing KPMG International's actions to improve and maintain the consistency and quality of audits conducted by KPMG member companies.
- Professional Liability Insurance Committee: recommends a professional liability insurance program in which member firms are required to participate for approval by the Global Council.
- Global management team. The Global Council delegates certain responsibilities to the Global Management Team. These responsibilities include developing a global strategy in collaboration with the Executive Committee. The Global Governance Team also supports member firms in their implementation of the global strategy and is responsible for ensuring that they are held accountable for their commitments. It is headed by a global chairman. It also includes the Global Chief Operating Officer, the Global Chief Administrative Officer, the heads of global functions and infrastructure, and the Chief Legal Adviser.
- The Global Head of Quality, Risk and Regulation is an executive member of senior management and is globally responsible for KPMG's quality control, risk management, ethics and compliance.
- The Global Steering Groups work under the supervision of the Global Steering Group in close collaboration with the regional leadership and the leadership of the member firms to:
 - ✓ establish and disseminate appropriate audit / quality / risk management policies
 - ✓ ensure effective and efficient risk management processes to improve audit quality
 - ✓ proactively identify and reduce critical risks to the network.
- Global Audit Management Group (Global Audit Steering Group (GASG)) is responsible for the implementation of KPMG's audit strategy by member firms, including audit quality standards. GASG works with GQRMSG

(Global Quality & Risk Management Steering Group) on quality and audit risks. GASG is led by a global audit manager and includes the audit officers of 10 large member firms, regional audit managers, the chief operating officer for global audit and a partner for global quality control and risk management.

- Global Audit Quality Steering Committee. GAQSC is headed by a global audit quality manager and includes: a global audit manager, a global head of quality, risk and regulation, regional audit quality managers, national audit quality managers from 10 major member firms, and a Global Service Center . International Standards Team Leader and Global Audit Quality Monitoring Team Leader.
- GAQSC is responsible for:
 - ✓ monitoring and stimulating progress in the implementation of global audit quality initiatives to improve the consistency and quality of audits across the network, including the quality control system
 - ✓ consideration of network-wide audit quality issues (including issues arising from quality control and regulatory requirements, as well as root cause analysis), with particular emphasis on those issues that arise in the 10 largest member firms
 - ✓ assessing and monitoring network progress on how audit quality issues are addressed by member firms and the network as a whole

Global Quality and Risk Management Steering Group (GQRMSG)

- GQRMSG is headed by the Global Head of Quality, Risk and Regulation and includes the Global Head of Audit Quality; Chief Operating Officer for Global Quality and Risk Management; global heads of audit, taxation and consulting; global partners in quality and risk management in the field of audit, taxation and consulting; Global Head of Independence; global head of human resources; Chief Legal Adviser; as well as risk management partners for each of the three regions and some global member firms.
- GQRMSG is responsible for defining quality and risk management policies and procedures for the network, as well as providing appropriate recommendations. They are documented in the Global Quality & Risk Management Manual (GQ & RM Manual), available to all member firms and their employees on the web platform. GQRMSG is responsible through the Quality Performance Review (QPR), the Risk Compliance Program (RCP), the Global Compliance Reviews (GCR), and the Quality and Risk Management Leaders. Leaders ARL) - for monitoring:

- ✓ compliance by the participating company with global policies, processes and systems for quality and risk management
- ✓ anticipating and reducing the significant risks of professional services faced by member firms
- ✓ performing professional services of member firms to ensure consistently high quality of work around the world.

Legal structure of the KPMG network

KPMG International is a legal entity independent of each member firm. KPMG International and its member firms are not a global partnership, a joint venture, and are not in a principal or agent relationship or partnership with each other. No member firm has the authority to bind or bind KPMG International or any other member firm to third parties, nor does KPMG International have such authority to enter into commitments or commitments of any kind. -which member firm.

Legal entities - "sublicensees" are not members of KPMG International but members of the KPMG network

The rights and obligations of the sublicensee as a KPMG member firm are the same as those of the participants

A Participant who is a party to a sublicensee's agreement with KPMG International is liable to KPMG International (but not to any other individual or entity) for the sublicensee's compliance with its obligations as a member firm of KPMG.

Knowledge test

1. Highlight the main functional areas of the consulting business.
2. Describe the main roles of the CEO.
3. What are the main tasks a marketer should perform when working with clients?
4. Describe the main areas of marketing activities.
5. Highlight the main roles of finance in the operation of consulting companies.
6. How are job roles in a consulting company classified according to work experience?
7. Name and describe the basic management model of a consulting company.
8. What are the basic principles of management of a consulting company?
9. How are powers and responsibilities delegated according to the principles of management of a consulting company?
10. Describe the main tasks of personnel management?

TOPIC 10

MARKETING AND PRICING IN CONSULTING

Objective: to broaden the horizons of consulting services marketing, pricing methods and customer engagement

Questions for discussion:

- 10.1. Features of marketing consulting services
- 10.2. Pricing in consulting
- 10.3 Pricing policy of leading consulting companies
- 10.4. Methods of payment for consulting services
- 10.5. Ways to offer consulting services

10.1. Features of marketing consulting services

The result of the marketing activities of the consulting company is the quantity and quality (innovation potential, profile and place of the firm in the industry) of clients with whom the consulting firms work.

To build a successful marketing activity, the consultant must find out the following points:

- ✓ what exactly the client wants to get as a result of counseling,
- ✓ whether it is possible to confirm in writing the client's competence and professionalism of the counselor, as most new clients will be guided by feedback from previous consumers of this consulting product.

Professionals should meet regularly with their clients to discuss their affairs, attend their meetings, conduct seminars, and provide small services.

Thus, the peculiarities of marketing activities of consulting firms are the personal participation of each consultant in this process, because it is in the process of consulting, interaction and cooperation with the client that the reputation of the firm is formed.

Marketing consulting services is a process designed to help clients learn about services, assess the ability of consultants to solve management problems, and clients - to buy a consulting product.

Marketing includes the following elements:

- determining the types of consulting products offered by the firm;
- analysis of the market situation of consulting services: potential market capacity, its boundaries, trends and prospects;

- market availability; level of competition;
- behavior of competitors;
- market segmentation, which includes: regional and sectoral segmentation of the consulting services market;
- research of needs of clients of each segment, identification of opportunities for satisfaction of these needs;

The choice of the target group of consumers (positioning), with which the firm works, needs to answer the following questions: with which clients does the firm want to work? what are their needs? what are the competitive advantages? what is the price matrix and differentiation of the offered services;

- in which segment is the firm trying to be located?
- system of promotion of consulting services, which is aimed at: formation of demand and sales promotion;
- identification of the most acceptable methods of sales promotion;
- organization of advertising campaigns;
- measures to form public opinion;
- personal sales;
- sales of consulting services, namely: development of methods to encourage clients; preparation of consulting proposals,
- customer retention, which includes: providing and maintaining customer feedback, maintaining

The competitive status of a consulting firm is a combination of consulting professionalism and marketing qualifications:

One of the main marketing tasks of consulting firms is to find a new product that could interest the client

Such a product will be in demand if it contains new original ideas that will promote corporate reproduction.

McKinsey directs significant resources to the development of intellectual capacity, conducting research on the expansion and globalization of the company.

This company holds in-house intellectual competitions, where about 150 teams of interns and junior consultants compete, striving to surpass each other in solving management problems.

10.2. Pricing in consulting

4 main forms of pricing for consulting services:

- 1) hourly payment;
- 2) fixed undifferentiated payment;
- 3) percentage of the value of the object of counseling or the result;
- 4) combined payment.

All these prices are market, ie set in the process of competition and negotiation. There are no national price lists for consulting services

* International organizations that hire consultants to provide consulting and technical assistance to companies in different countries usually set their own marginal rates for the payment of consultants. In the EU, this amount should not exceed \$ 620 per person-day (this amount usually does not include travel and transportation costs, which are paid extra)

Factors of price formation

1. Cost-based price

- Estimate your total consulting costs.
- Estimate other costs: telephone (mobile and regular), postage, stationery and printing, insurance, travel, research, and more.
- Costs associated with starting a business
- Assign a minimum price and profit margin
- Estimate how much the customer is actually willing to pay for yo

Note: you need to think about what part of the cost will allow you to reimburse the price set for your services.

“In the field of management consulting, firms, as a rule, set a price for their services, 2.2 times higher than the costs of consultants; it is believed that this allows the company to cover overheads and provides a good rate of return “ - Philip Kotler, Kotler Marketing. How to create, conquer and maintain the market ”

2. The price based on demand

Depends on the external realities of the market. Prices may vary, so you should analyze the entire range and make sure that you charge not only the lowest price from your entire range of services.

3. The price based on competition

Depends on "real rates" in the market of services. What fees do other consultants charge their clients? The price may depend on the nature of the task and the level of qualification.

4. Price based on marketing (or value)

You need to think about what your chosen price level will tell your customers about you. Will it improve the professional image you expect to create?

Too low price is worse than too high! It is much easier to lower the price during negotiations than to agree to raise it.

Local consultants have lower prices. International level is much more valued.

Price justification

A few rules:

- **Accuracy.** The amount should be presented in a specific figure. There may be prices for each stage or cost item.
- **Additional payments.** It is necessary to list the factors due to which some conditions may change.
- **Round numbers.** You should not charge a round sum for services. For example 995 pounds. Art. perceived by customers as much less than £ 1,000.
- **Range.** Sometimes it is difficult to determine the price of services in specific figures. The range of 10-12 thousand pounds. - quite an acceptable proposal, 6-12 thousand will be perceived as too vague - the spread is very large.
- **Individual approach.** Be careful in your statements, do not underestimate the price, experiment

10.3. Pricing policy of leading consulting companies

Consulting firms operating in higher market segments do not disclose the structure of their fees.

Consultants view their rates as one of their key competitive assets and manage the structure of their fees as a "trade secret".

Remuneration typically varies by region / client / service offering, so firms strictly control the structure of their fees to minimize the threat to reputation, public debate, or the need to review their fees with clients.

Highest rates: consulting firms Global Strategy - "big three" (McKinsey & Company, Bain & Company, BCG); strategic boutiques, elite companies of national / regional level.

Average market range:

Global functionalists Hay Group, Mercer and Willis Towers Watson (HR), FTI Consulting and Navigant (financial advice). Income per consultant ranges from \$ 300,000 to \$ 400,000 per year.

The Big Four - Deloitte, PwC, EY and KPMG - compete in the same range, but also offer lower fees in some service areas. The strategies and practices of their management consulting are at the top of their pay model. Lower hourly rates are paid for lower value-added services offered by other business units (eg accounting, auditing) or operational disciplines within IT consulting.

National / regional functionalists position themselves in terms of rates similar to the Big Four and their larger global counterparts, although their exact remuneration structure will depend on their reputation and track record, functional focus, and portfolio of services among other factors.

Small and medium-sized business players have comparable prices, but vary in size, from small local players to large medium-sized firms with thousands of employees.

The "medium-sized global accountants" include about 20 of the world's leading companies (except the "big four") – BDO, Baker Tilly, Grant Thornton, RSM and PKF.

Global technology firms focus their business model around IT consulting services and include players such as Atos, Accenture (with nearly 370,000 employees, one of the largest), Capgemini and CGI.

Independent contractors make up a large group of independent consultants working in the industry. Their annual fee income can range from less than \$ 50,000 per year (for operational support) to more than \$ 400,000 for management consulting / temporary services).

10.4. Methods of payment for consulting services

Hourly rate

Carried out on the basis of calculating the amount of working time that must be spent on the consulting project (in man-hours, -days, -months) * the cost of the consultant

Prices per unit of working time of the consultant are set by each consulting firm separately, but they based on reported statistics on the market for consulting services (such data are usually published by national associations of consultants or statistical authorities). According to 2020. The level of hourly wages, depending on

the qualifications of consultants and the size of consulting firms ranged from 21 (for research assistant) to 165 (for senior staff of consulting firms) dollars / hour

When determining the price based on hourly wages, the consulting firm estimates, which is the justification of the contract price for the client

The form of the estimate for consulting services at hourly payment:

$$C0 = C1 + C2 + C3 + C4 + C5$$

1. Number of research assistants x number of days x rate C1
2. Number of operating consultants x number of days x rate C2
3. Number of senior consultants x
x number of days x bid C3
4. Number of senior consultants (partners) x number of days x rate C4
5. Overheads during the project carried out by the consultant (travel, hotel payment, typing, etc.. C5

Fixed (undifferentiated) payment

- The consultant, having determined the amount of work and the time spent on them, calls the client the total amount of payment, but refers not to the calculation of man-days, but to other justifications.
- Services in other companies, tuition fees and more. In the case of process or training counseling, data on the cost of management seminars published in the economic press are used as a guide for the client.
- If the tuition fee for one person at the seminar is 100-150 dollars. During the working week (4-5 days), and 50 representatives of the client take part in joint work with the process consultant, the price of work of consultants will make 5-7,5 thousand dollars. An amount can be added for specific projects developed in the course of joint work of consultants and clients
- Lump sum payment, from the German word pauschal - taken as a whole. In English-speaking countries, the term Lump-Sum
- is sometimes used as an argument for references to world prices for consulting services.

% of the cost of the object of counseling or the result

The price is calculated as a share of the size of the trade agreement, the amount of investment or other projects carried out by the client with the support of consultants, or as a share of the economic effect obtained by the client (cost reduction, profit growth, etc.).

It is most often used for:

1. valuation of property (privatization, sale, etc.): 1-2% of the value of the property;
2. advising on the conclusion of contracts: 1-2% of its value in the simple content of the contract and 4-5% in the complex;
3. advice on attracting investment: 1-2% of the investment.

The pay-as-you-go method has usage limitations caused by the following issues:

1. How to correctly calculate the size of the effect?
2. How to determine in the overall economic effect of the enterprise the share that arose as a result of the work of consultants?
3. When to pay for the work of consultants, if a certain (often long) period of time may pass before the effect is obtained?

To address these issues, in addition to the high economic culture of the client, moral and psychological factors are also needed: mutual trust between the consultant and the client, their friendliness, etc.

Combined payment

The price of consulting services can also be defined as a combination of the 3 methods listed above. For example, a consultant may demand fairly high hourly rates, knowing that the results of the project are very important to the client, and the expected economic effect repeatedly covers all consulting costs. Or, as already mentioned, the consultant can calculate the cost of working time for his internal assessment of the cost of the project, and the client to report a fixed price, referring to analogues and other arguments.

The combination of hourly pay and fixed price is often used for subscription service, and the combination of fixed price and interest payment - when advising on a specific problem.

MBA & PhD Program Internship Salaries

- Accenture Strategy: \$30,000 + \$5,000 relocation. Up to \$80,000 tuition reimbursement for returning interns (\$50,000 after taxes)
- Bain & Company: \$32,000
- Boston Consulting Group (BCG): \$32,000 (Canada: C\$4000/week)
- Deloitte S&O: \$30,000 + full 2nd year MBA tuition for returning interns
- IQVIA Consulting Services: \$11,500/month + \$5,000 signing bonus
- Kearney: \$12,300/month
- KPMG: \$66/hour (\$99/hour for overtime)
- L.E.K. Consulting: \$28,125 (9 weeks) + up to \$25,000 tuition reimbursement for returning MBA interns
- McKinsey & Company: \$32,000. UK: £8,400 + up to £8,000 performance bonus + up to £5,000 relocation bonus
- NERA Economic Consulting: \$7,500/month + \$1,250 bonus
- Parthenon Group (EY): \$28,000 (\$2,800/week) + \$5,000 signing bonus
- Strategy&: \$13,750/month
- ZS Associates: \$11,500/month + \$5,000 signing bonus

Fig. 10.1– MBA and PhD Program Internship Salaries

Undergraduate & Master's Program Internship Salaries

- Accenture Strategy: \$32/hr (\$48/hr overtime) + \$2,500 signing bonus
- Bain & Company: \$15,000
- Booz Allen Hamilton: \$24/hr
- Boston Consulting Group (BCG): \$18,000
- Cornerstone Research: \$5,950/month
- Deloitte Consulting: \$35/hour + overtime. \$30.77/hr + overtime (Atlanta). C\$16,000 (Toronto)
- Huron Consulting: \$21/hour + \$2,000 signing bonus
- IQVIA Consulting Services: \$12,000
- Kearney: up to \$10,000 (Canada: C\$5,000) (Germany: up to €5,000)
- KPMG: \$17,000
- L.E.K. Consulting: \$12,000
- McKinsey & Company: \$15,000
- Mercer Management and HR Consulting: \$27/hr with \$1,000 housing assistance
- Oliver Wyman: \$11,750 + \$2500 signing bonus (9 weeks)
- Parthenon Group (EY): \$13,750 + \$47.60/hr overtime
- Strategy&: \$41/hour + overtime
- West Monroe Partners: \$28/hour
- ZS Associates: \$5,000/month

Fig. 10.2 – Undergraduate and Master`s Program Internship Salaries

10.5. Ways to offer consulting services

To begin with, you should understand the advantages and disadvantages of providing consulting services:

BENEFITS

1. High margin, close to 100%.
2. Duplicate product is also difficult to copy.
3. High customer loyalty if you really help.

DISADVANTAGES

1. Virtual product - no physical part. This complicates its perception by the client.
2. Long purchase cycle.
3. Low scalability due to the binding of the product to the personality of the consultant.

How to sell the consulting? You need to break down the stages of demand in the long run. For example, if you sell a "sales performance analysis", then 99% of your customers do not understand what you are offering. The product should be divided into 3 parts.

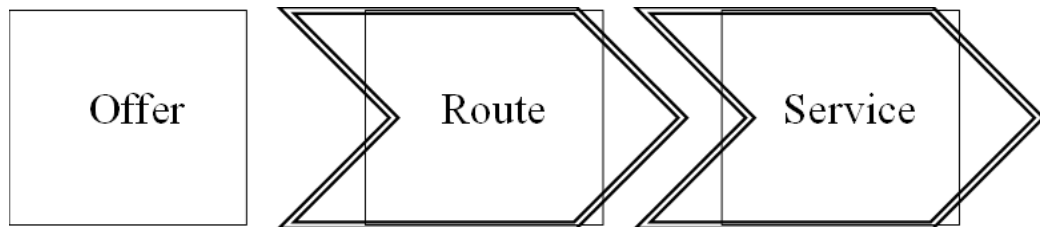


Fig. 10.3 – Three components of sells

Offer - this is an advertising post on FB, text on the site, performance from the stage, text in an advertising booklet. The offer must always accurately address the client's problem and must be written strictly in the client's language

A route is a short free session, questionnaire, series of letters, videos or any other material that helps the customer understand whether your products will help him or need something else.

Service - the expression in hours of pieces, times, the results obtained, which has a price

7 tips for effective sales consulting

1. Put yourself in the sales mindset

Find out what consulting strategies you can use to improve your sales, as well as how to distribute new tasks faster and more often. Make the process simple and start with qualification. Qualification is one of the first steps to successful counseling

2. Identify your potential customer needs

Qualification is about finding out what a customer needs, how your business can meet those needs, and how likely a customer is to use your services. The goal is

to make sure that there is a connection between your consulting services and what the client wants and can buy.

3. Meet the decision maker

To identify a potential customer and finally secure a deal, you need to find out a number of details. The easiest way to do this is to ask the customer. This seems obvious, but it's always best to start the sales process by first contacting a director who ensures that you're not selling to someone who can't afford to

Use the following questions to talk to your prospect:

- What is your client's current situation? What should they have?
- What would they like to see from the solution?
- How can your counseling service help them get from where they want to be to where they want to be?

4. Conduct a needs assessment

Questions asked during the qualification process are often referred to as a "needs assessment". Needs assessment begins with broad questions to determine a potential client's understanding of their own needs. As the conversation grows and develops, it should, of course, move on to discussing their specific needs.

5. Adjust your approach to presenting information to the customer

Once your prospect answers these (or similar) questions, he will provide you with information to adjust the pace of sales. Eventually, you will be able to win more deals and weed out projects that are not right for you. When you learn more about potential client budgets, it will help you calibrate the right level of consultation in your proposals.

6. Be honest and transparent

Qualification doesn't just stop there. This not only ensures that you move to more promising potential customers, but also attracts new prospects. Sharing your qualification process with your clients demonstrates honest and transparent business practices and gives them confidence from the start.

7. Build your pipeline

Using the online consulting job market, you can let potential customers know you're ready to work, save you time, and help build a pipeline of projects. By creating a professional profile in the online consulting market, hiring managers looking for independent talent can find you, learn about your skills and knowledge, and contact you about projects that may suit you. A great place to start is the MBO market, where you can find projects with leading companies in various fields.

Obstacles to the development of demand for consulting:

-The complexity of the macroeconomic situation and the decline in business activity;

- Lack of conscious need for consulting services;
- Fear of dependence on a consultant;
- Inability to adequately assess the usefulness of consulting services;
- Reluctance to pay for "intangible" services;
- Lack of appropriate culture and experience of communicating with an independent consultant;
- Fear of breach of privacy by the consultant;
- Distrust and lack of objective information about individual consulting firms and their work;
- Lack of guarantee of specific end results of the implementation of changes and the positive effect of counseling;
- Low solvency of potential customers.

Table 10.1

The degree of need for consulting	Conditional characteristics of consulting	Examples of consulting conclusions
Exceptional	The need for consulting is defined at the legislative level	Audit, evaluation consulting, certification, standardization
High	Consulting is needed to solve existing problems	Audit and related services, tax, accounting, arbitration consulting
	Consulting activities are aimed at optimizing business processes, increasing the level of profitability of the enterprise, reducing production costs	Management, financial, personnel, innovation, marketing, accounting consulting, it-consulting
Average	Consulting is aimed at the outlet of production and increase the level of management of the enterprise	
Low	Personnel testing, improving product quality, reorganizing the production system	Innovative, analytical consulting

Knowledge test

1. What are the features of marketing activities of consulting firms? And what is its result?
2. What elements of marketing are distinguished?
3. What is the competitive status of a consulting firm?
4. Describe the 4 main forms of pricing consulting services and describe each.
5. What do you know about price formation factors?
6. Describe the rules of price justification.
7. What do you know consulting companies in the mid-market range?
8. Describe the main features of hourly, fixed and combined payment.
9. What are the advantages and disadvantages of providing consulting services?
10. Describe the factors that deter buyers of consulting.

TOPIC 11

CONSULTING METHODOLOGY

Objective: to learn to apply methods of cognition in the process of counseling in terms of different types of consulting activities and with the involvement of appropriate information support.

Questions for discussion:

- 11.1. Methods of cognition in the consulting process
- 11.2. Types of consulting activities
- 11.3. Features of different types of consulting activities
- 11.4. Integrated and in-depth consulting
- 11.5. Coaching as a method of consulting
- 11.6. Information support of the consulting process
- 11.7. Legal support of the consulting process

11.1. Methods of cognition in the consultation process

Consulting activities are carried out using general and special methods. The counseling methodology covers all components of the counseling process - from problem formulation to documenting the results.

Accordingly, the consultation process is based on the use by the consultant of the following basic general **scientific methods**:

- **Analysis**, which includes the study of advisory
 - ✓ problem by imaginary or real
 - ✓ its division into constituent elements (individual functions
 - ✓ management, business processes or
 - ✓ activities). Each of the selected parts is analyzed separately within
 - ✓ within a single whole;
- **Synthesis**, which is the opposite of the previous
 - ✓ method and involves a combination of partial
 - ✓ characteristics of the problem to determine
 - ✓ the general condition of the enterprise or develop a final
 - ✓ consulting solution;
- **Comparison**, which involves the definition of distinctive and
 - ✓ common features of different processes, phenomena, objects. For example, the
 - ✓ comparison method is widely used in assessing
 - ✓ the competitive potential of an enterprise;

- **Concretization**, which involves studying the state of
 - ✓ the company, formulating a specific advisory
 - ✓ problem and providing recommendations, taking into account
 - ✓ the specific conditions of the client organization, the specifics of
 - ✓ market, etc .;
- **Simulation**, when the consultant instead of directly the client organization selects or creates a similar auxiliary object-substitute (model). Depending on the type of counseling, the specific counseling problem, the time allocated to counseling, as well as the ultimate goal of counseling, the subject of counseling can be studied using special methods:
- **Statistical methods:** statistical observation, data collection, classification and processing, analysis of statistical information. Such methods are used when it is necessary to determine and analyze the quantitative side of the client organization (compilation of a numerical database and their further processing for consulting).
- **Socio-psychological methods:** social regulation, psychological motivation, humanization of labor, etc. Such methods are used when necessary for the consultant to work with the staff of the client organization, and are also widely used in the regulation of conflict situations, the normalization of the psychological climate in the team;
- **Economic modeling:** a formalized description and quantitative expression of economic processes and phenomena using economic and mathematical methods, in order to reflect the real picture of the enterprise or its individual units in the simulated situations. In most cases, the practice of counseling is based on a combination of these methods of cognition, which allows you to systematically explore the features of counseling situations or problems.

11.2. Types of consulting activities

With the development of socio-economic relations that arise between enterprises and subjects of the external environment, there is a branching of problems and tasks that have to solve the modern manager. This leads to a wide variety of subject areas and features of counseling, which necessitates systematization of types of consulting activities.

- **expert consulting:** the consultant independently carries out diagnostics, development of decisions and recommendations on their implementation. The

client's role in such counseling is mainly to provide the counselor with access to the necessary information

- **project consulting:** has a targeted direction and is the implementation of specific projects in a particular area of internal activities (eg marketing project of the company to enter the market, the project of technical re-equipment of the enterprise, etc.).
- **counseling by reflection:** the consultant, after analyzing and diagnosing the "disease" of the company, gives management a picture of its own activities, then, using special techniques, helps the manager to go beyond this activity and observe it from the outside (this allows you to see and realize your own mistakes , and hence adjust them to taking into account what is seen);
- **process consulting:** consultants at all stages of the project actively interact with the client, encouraging him to express their ideas, understandings, suggestions, analyze problems and produce solutions. The role of consultants is mainly in collecting ideas, evaluating the decisions obtained in the process of joint work with the client, formulating recommendations;
- **training counseling:** the consultant not only collects ideas, analyzes solutions, but also forms the basis for their emergence, providing the client with relevant theoretical and practical information in the form of lectures, seminars, etc.
- **mutual learning counseling:** the counselor organizes a direct exchange of skills and achievements between managers.

This attitude to counseling often leads to negative consequences and dissatisfaction with the results of counseling projects: the client may not accept ready-made decisions if they are not made with him; some essential information cannot be obtained by the consultant outside the mode of active dialogue with the client.

11.3. Features of different types of consulting activities

Expert advice

In expert counseling, the counselor acts as a highly qualified specialist - an expert whose opinion is often not discussed. He independently diagnoses, develops solutions and recommendations for their implementation.

It is the client's responsibility to provide the consultant with the necessary working conditions and information, as well as the implementation of the consultant's advice and suggestions. Expert advice is provided in the following forms:

- advice, recommendation of the consultant,
- client's question - consultant's answer;

- consultant's statement - client's reaction and discussion;
- written report (review, project, analytical note)
- consultant
- rapid analysis of the situation using observation, interviews, written surveys and questionnaires, study of documents; special research programs, etc.

Process counseling

In process counseling, consultants at all stages of the project actively interact with the client, encouraging him to express their ideas, understandings, suggestions, analyze problems and make decisions with the help of consultants - this is within the measures and procedures proposed by the consultant.

The essence of process counseling can be reflected in the following provisions:

- counseling is seen as a process that
- is performed in a certain sequence of actions, using
- certain technologies, methods and tools;
- counseling is aimed at conducting systemic changes in the organization, is comprehensive and takes into account the specifics of the client.

Process counseling includes the following steps:

- Diagnosis of the problem,
- Identification of basic alternative actions to
- eliminate the problem: correct the deteriorating situation;
- improve the stable situation; creation of new
- development opportunities (transition to a new situation);
- Definition of criteria and restrictions for solving the problem;
- Development of a draft consulting decision;
- Implementation of the decision to eliminate problems.

Project consulting

Such counseling is targeted. It is the creation of specific projects in a particular internal area. Project consulting allows you to accumulate resources in one direction, provide targeted consulting, plan results and properly ensure their achievement.

Project consulting includes the main stages:

- Determining by the customer of consulting services the main needs, requirements, conditions and restrictions for further cooperation,
- Step-by-step preparation and approval
- of the consulting project; of the project,
- Participation in the project implementation under the conditions determined by
- the client.

The use of project consulting is appropriate in the following cases:

- the task that is defined and to be performed, according to the goals,
- the amount of required resources, complexity, duration of implementation is a project
- investment, innovation, marketing, production, etc .;
- the project can be done on its own, but it is necessary to optimize the project, reduce the level of risk.

11.4. Integrated and deep consulting

In-depth consulting is designed for long-term, measured over the years of cooperation between the consultant and the client. It involves the participation of a consultant in the strategic planning of the client, constant monitoring of the marketing environment, risk forecasting to prevent crises. It is based on long-term, trusting, mutually beneficial relations between the consultant and the client. A feature of in-depth consulting is the consideration of the organization as a developing system. At the same time, the consultant studies the company's development trends and offers the client new opportunities. Of particular importance at deep

Integrated consulting is characterized by the team principle of work (integration of efforts of different parties) with the task in the interests of a particular customer and the development of forms and methods of their solution. It is used, first of all, for performance of consulting works and services which have search character and differs in the clearly expressed innovative orientation.

The main principles of integrated consulting are:

- teamwork - the association of consultants of different specializations and methods of work in one team, as well as the involvement of client staff in the process of consulting and subsequent organizational changes,
- achievement of the main goal, as well as consideration of the organization as a socio-economic system;
- innovation - the use of new forms and methods of consulting, as well as innovation in solving customer problems.
- mandatory examination of the results perceived by the customer in the transition from one stage of the project to another. , competitive environment,
- the evolution of the organization, its potential, the presence of driving and deterrent forces, understanding of its mission;

11.5. Coaching as a method of counseling

Coaching is decision-focused, result-oriented and systematic collaboration, in which the coach helps to improve performance, increase life experience, self-study and personal growth. Coaching comes from sports coaching, closely related to applied psychology. In terms of the concept of knowledge management of the organization, coaching - is individual consulting aimed at improving the effectiveness of current human activities and its strategic development through the improvement of intelligence, acquisition and use of new specific knowledge and skills.

Classification of coaching

The difference between coaching and all types of counseling is the emphasis on the realization of the client's potential, his desire for improvement and development. This, in turn, requires continuous change, which is a rather difficult issue.

Table 11.1

Classification of coaching

1	Scope	-career - business coaching - personal effectiveness coaching - life coaching
2	Participants	-individual -group -corporate
3	Format	-eye -extramural

Basic concepts of coaching

Mentoring and coaching have common features, but there are some differences, namely:

- in contrast to mentoring, where the mentor is an employee of the organization where there is a need for training, the coach is an invited (external) specialist
- as opposed to a mentor, a coach is a professional consultant;

- coaching promotes the development of experienced employees, and mentoring is a tool for adapting new employees.
- in terms of staff hierarchy, mentoring is used more to train core and support staff, and coaching is applied to key professionals and managers.

The coaching process includes the following phases:

- Goal setting and clarification by the client.
- Checking reality, bringing goals in line with needs, opportunities, potential.
- Building a program and a detailed coaching plan.
- Implement the plan with the necessary changes and get some results.
- Control of results and formation of feedback connection.

11.6. Information support of the consultation process

Successful counseling is based on the prompt collection and processing of information on the nature and extent of the counsel's assistance to the client.

The main sources of information in consulting are:

1. published materials of the client organization (records, reports, publications are data stored in a form suitable for reading or conversion);
2. materials of consulting firms;
3. events and conditions (actions and accompanying circumstances that can be observed and that can record and formalize their characteristic information);
4. memory - all information stored in the memory of employees of the client organization or those who associated with it and may provide information useful to the consultant (facts, experience, opinions, beliefs, impressions, prejudices, conjectures);

Typical documents of the client organization, which form the information support of consulting, are the following:

- **Documents that describe the work of the client organization:** strategy formulation; methodical and procedural instructions; organizational schemes; job description; standards; chart of accounts; delegation of powers, etc .;
- **Documents describing the client's plans:** business long- and short-term plans; budgets; forecasts; statement of goals and objectives; minutes of boards of directors, etc .;
- **Documents characterizing the main indicators of the client organization:** quarterly and annual accounting and financial reporting;

paid invoices, tax and expense invoices, acts of work performed; documents certifying intellectual property rights, etc.

Customer's internal documentation and reports contain information about its resources, goals, plans, and performance, including data on production and equipment

Monitoring the activities of the organization and talking to key people are of particular importance in the information support of consulting. Visiting the client's office, observing employees at work and listening to their views provide information about how the organization actually works and what the relationship is between its employees. However, long conversations and observations of the organization's activities are beyond the capabilities of consultants, if the consultation process is given relatively little time.

Contacts established by consultants during their work with organizations and their clients are an important tool for information support. These contacts not only help to perform current tasks, but also determine the relationship that can be established with industry research and educational institutions, government agencies for statistics and control, information and financial services.

11.7. Legal support of the consulting process

Standard consulting agreement

- the most common (and often the most important) type of consulting agreement. This is a basic contract, which specifies the number of hours and the rate of payment, the amount of work performed and the final results. It can often include, but is not limited to, a variety of items such as cash and travel time.
- is a legal document that requires one party to provide consulting services to the other in exchange for compensation. The
- agreement defines the working relationship between the parties regarding the required services.

Components of a standard contract

The purpose of the contract is to give the two parties an understanding of how they will work together on the consultation project.

The contract shall document the services or work products to be provided and the general requirements for their provision, as well as the procedures and remedies in the event of a dispute. services to be provided; remuneration for work; terms of

invoicing and payment; qualifications or other requirements for staff; ownership of working products of the project; insurance claims; dispute resolution processes; warnings about damages or protection from liability; guarantees; and provisions on suspension or termination.

Description of services

- the services to be provided by the consultant are determined.
- If the process used to perform the service is not particularly important to the job, the description of the services will usually focus on the different work products or "results" that the consultant will provide under the contract.

Compensation

Contracts specify the terms of compensation, including the maximum amount of compensation, terms of payment and withholding (the amount withheld until final completion).

Typical compensation structures include the payment of a certain amount, which is paid once ("once") or periodic interim payments.

Other compensation options include periodic payments for work performed on the basis of actual time and materials, usually in an amount not exceeding the dollar amount.

Remuneration for time and materials may be based on a fixed schedule of remuneration and costs or may be actual costs multiplied by a fixed amount of **overhead and profit**.

Non-disclosure agreement (NDA) provides that any information encountered by the consultant in the course of the business should not be disclosed to a third party.

The NDA is usually a "unilateral agreement" because only the consultant must sign it.

If the consultant uses his own methods at work, both parties may have to sign agreements.

Agreement on the avoidance of competition (or clause) on the absence of competition it is an agreement that prohibits the consultant from working for any competitor of the employer.

This may be due to geography (for example, within 100 miles), time (for example, within 2 years after the termination of the relationship) or within the employer as a whole.

Non-competitive agreements may be interpreted differently in different countries

Agreement on the scope of work and results

- includes a specific list of results and deadlines, as well as other budget issues.
- may include any liability and legal issues relating to the work,

- any payment terms, especially if the transaction lasts more than a few weeks.

Open agreement

- it is a "blanket" agreement that provides flexibility (for both the consultant and the client) and allows the client to hire a consultant as needed.
- usually includes "monetary restrictions" and "validity".
- A perpetual contract is often used when an advance is provided in advance.

Knowledge test

1. Describe the main methods of general scientific methods on the basis of which the consultation process takes place.
2. What is the statistical method that is allocated for counseling?
3. Name and describe the main types of counseling.
4. What is the main purpose of expert counseling and what are its main forms?
5. What characterizes process counseling and what stages does it include?
6. What is the main difference between project consulting and in which cases it should be used?
7. Name and describe the basic principles of integrated consulting.
8. Define the concept of coaching.
9. Describe the legal support of the consulting process.
10. How does a workload agreement differ from an open agreement?

TOPIC 12

CONSULTING TECHNOLOGY

Objective: to determine the main phases and stages of the consultation process, taking into account the focus and prerequisites for the development of a consulting project.

Questions for discussion:

- 12.1. Main phases and stages of the consultation process
- 12.2. The focus of the head of the consulting firm
- 12.3. Classification of consulting projects
- 12.4. Development of a consulting project

12.1. The main phases and stages of the consultation process

Stage 1: first meeting The reason for the first contact, which leads to consulting interaction, can be given by one of the three parties:

- ✓ **Potential customer.** The feeling of having problems can be a reason to turn to anyone for help. This requires information on the available types of consulting services that can be used.
- ✓ **Potential consultant.** The reason for contact may be the search for new clients or the positive experience of the consultant in solving similar problems.
- ✓ **"Third party."** The client's need for help may be identified by someone else who knows the methods and resources of counseling. It can be a recommendation, a proposal, or a tripartite meeting.

Stage 2: Assistance in determining the need for change After establishing the first contact, the establishment of a working relationship begins, which covers a number of important research processes. The consultant helps the potential client to thoroughly investigate the problem, clarify its understanding and get a broader understanding of the reasons that led to its occurrence.

Stage 3: Study of readiness to make changes The consultant examines the willingness of the client organization to spend time and resources to solve the problem. The client organization, on the other hand, studies the capabilities and reliability of the potential consultant and decides whether he can be trusted.

Stage 4: Exploring the potential of working together Each party explores and tests the potential of an effective working relationship.

Stage 5: Determining the expected results In determining the potential employment relationship, it is important to establish what results should be considered necessary and sufficient for success. At this stage, it is easier for the internal consultant to identify the necessary changes and ways to achieve them. An external consultant can provide a more complete and objective description of the goals and the desired results.

Stage 6: Defining responsibilities At this stage, it is important to define the rights and responsibilities of each party and to enshrine these provisions in the contract for consulting services.

Stage 7: definition of time frame and accountability the contract specifies the timing of achieving the desired results and procedures for their evaluation. Terms can mean the end of the main stages on the basis of which the analysis will be carried out and the decision on continuation or termination of cooperation will be made.

Stage 8: Force field diagnostics Force field diagnostics is a model or method of identifying the forces that hinder the achievement of goals and the forces that contribute to it. In most cases, the client system cannot provide the consultant with opportunities to collect data and engage staff. The task of the consultant is a purposeful and thorough search for facts in order to find the causes of existing problems and formulate appropriate conclusions.

Stage 9: goal setting In order for the stated goals to be significant (motivated and achievable), both the client and the consultant must be clearly aware of the expected and possible results of the collaboration. Such awareness serves as a foundation for setting goals and planning further activities in accordance with them.

Stage 10: planning activities and their implementation The main thing in planning to achieve significant goals - to develop a procedure for each of them (determine what specifically needs to be done).

Stage 11: Successful implementation of activities The consultant helps the employees of the client organization to develop the skills necessary to increase the chances of successful completion of the planned activities. An effective consultant works with key specialists of the client system, coordinating their participation in the project.

Stage 12: Evaluation and feedback The use of appropriate procedures to encourage feedback and involve the necessary people in the evaluation process is an important component of the consultant's work during the implementation phase. Continuous assessment of the consequences of the implemented measures saves available resources.

Step 13: Monitoring actions and mobilizing additional resources Feedback is only useful when it is used to review objectives, work strategies, and possibly

decisions to mobilize additional resources and make changes to the division of responsibilities and roles.

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12.2. The focus of the head of the consulting firm

In the process of organizing consulting activities, the head of the company performs important management functions to address key issues of the organization. Areas in which such functions are performed are the so-called centers of attention of the head. Among the main centers of attention of the head of the consulting firm are the following:

1. **Competitive advantages.** A fundamental issue in choosing the strategy of consulting organizations is the definition of competitive advantage. They can be:

- special technical qualification;
- unique products;
- interdisciplinary approach;
- deep knowledge of the industrial sector;
- speed and reliability of services;
- adequate prices;
- good reputation;
- strong contacts with the public sector.

2. **General strategy.** The strategy should reflect changes in market technologies, financial situation, national and international policies. Consulting organizations can change and improve their strategy more flexibly than industrial enterprises, where the choice of products and technologies involves investment in fixed assets and the use of specialists who are difficult to reorient to other activities. The use of consultants with different technical education and activities increase the mobility of the organization.

3. *List and specifics of services.*

This focus focuses on positioning the company in a certain market segment. There are various alternatives for determining the list and specifics of consulting services (specialization of activities), namely:

- lack of clear specialization (a wide range of services without explicit definition of the company's differences in the market);
- specialization in solving typical problems of business and management;
- special methods and systems in management: in this case the consultant offers an approach to solving the problem, which is reflected in the form of special methods, models and management systems (systems for assessing the complexity of work, inventory management systems, market research models);
- specialization in counseling methodology: in this case, it is not the content or the end result of the counseling process that matters, but the method itself. The consultant offers the client a description of his methodological approach to problem identification, planning and implementation of changes.

These alternatives are not mutually exclusive, but can be combined in different ways. It is customary to supplement consulting with related services such as training of managers, development of materials for training, design and testing of products, business management, data processing and more.

4. Definition of basic clients. It is necessary to decide which clients the consulting company serves. Criteria for selecting basic customers are:

- size: small, medium, large;
- industry (one or more): transport, banking, energy, etc .;
- form of ownership: private, state, mixed ownership;
- geographical area: in different cities of the country; in other countries;
- transnational.

Small businesses usually serve local consulting organizations. However, many large consulting firms set up branches or departments focused on serving small businesses. Private consultants are interested in obtaining public contracts, but the optimal share of work with the public sector is 20-30%.

5. New products and research. Like any product designed to be marketed, professional services have a life cycle. They go through stages: design and development, testing, market entry, growth, maturity, saturation and decline. This process has a time dimension, as services that are not in demand need to be improved or replaced. Consulting organizations group services based on the following criteria: contribution to the company's profit, growth rate, development and marketing costs.

6. The size and growth rate of the organization. The size of the firm and its growth rate should correspond to the range of services offered, industry and geographical specialization, market conditions, current and potential level of competition, resources, ability to develop while maintaining and improving the quality of services.

7. Cooperation with colleagues. The cooperation agreement is becoming more popular. For example, one project may involve a business strategy consultant, a market research specialist, a quality manager, a technology transfer specialist and a trade law specialist. Some consultants prefer individual activities, but at the same time develop a network of technical contacts with other professionals, which allows them to implement complex projects, creating temporary creative teams.

12.3. Classification of consulting projects

A consulting project is a set of activities carried out with the participation of a management consultant and aimed at achieving the planned result in a particular area of activity of the enterprise or organization through:

- change of management approaches
- introduction of strategic planning system
- optimization of organizational structure
- introduction of new system of personnel motivation
- improvement of business processes
- improvement of quality of customer service optimization of operating costs
- identification and elimination of internal constraints in the development of the organization
- other methods to improve management.

It is advisable to classify consulting projects depending on the level of their innovation

Table 12.1

Position of the project participant	Type of project and its characteristics		
	Unique	Highly industrialized	Standart
Customer needs	Solving problems with new methods and technologies	Adaptation of consulting products to the specifics of the business	Introduction of standard methods and technologies
Suggestions of consultants	Innovative and unique ideas	Consulting solutions that adapt to the specifics of the activity and customer requirements	Standard technologies that have been tested when consulting other clients

Table 12.2

Consulting projects

Strategic	Financial	IT-projects	HR-projects
<p>implemented within the framework of strategic consulting and aimed at identifying the strategic idea of the company (defining its own customers, products and values offered), forming a vision of its own future, developing development projects and activities aimed at achieving strategic goals</p>	<p>implemented within the framework of financial consulting and aimed at solving practical problems of improving the financial condition of the client, managing cash flows, formation, distribution and use of profits, issuance of securities, etc .;</p>	<p>aim to develop and implement corporate information systems, production process management systems, installation and debugging of specialized hardware and software. Work on these projects includes comprehensive analytical research in the field of production of high-tech products and telecommunications, organization and conduct of relevant seminars for employees of the client company, the choice of adequate strategy.</p>	<p>in the implementation of which consultants focus their efforts on improving management efficiency, improving interaction between employees, forming effective teams, creating a corporate culture. Within the framework of such projects, measures are developed to improve relationships with clients, improve the skills of employees, create a creative atmosphere in the team.</p>

12.4. Development of a consulting project

Life cycle of a consulting project. The main task at the stage of project initiation is the preparation of a consulting proposal and formalization of the project.

At this stage there is:

- formation of the project group;
- preliminary diagnostics (in case of
- necessity);
- preparation of the consulting offer to the client (specification of tasks, definition results, coordination of key tasks of cooperation; formation of the previous composition of participants).

At the planning stage of the consulting project:

- 1) to form a common idea (both on the part of the client and on the part of consultants) about the content of cooperation, to agree on the parameters of results, which should become criteria for evaluating the effectiveness of interaction;
- 2) to structure and describe the main elements of consulting project;
- 3) to formalize the management system of consulting project, to define its team and organizational structure, principles of project team integration in the management matrix of the client organization;
- 4) to ensure the functioning of project management project and the interaction of all its participants.

Examples of consulting project

Fuel and energy complex enterprise

Objectives: Optimization of the organization of processes in the chain supplies of the enterprise with the aim of the best meet the specified requirements for implementation of orders specified in fulfillment of cost constraints

Solution:

- Diagnostics of the existing production logistics system (PLC).
- Analytical modeling. promising PLC. Definition optimal values of system parameters
- Development of recommendations for the organization planning processes and algorithms for plc.

Result:

- recommendations for eliminating the negative, the influence of restrictions.

- options for organizing the activities of the PLC, meeting the requirements of the strategy and taking into account natural limitations.

Branch: Manufacturing spare parts and components for automotive industry. This enterprise is a former Leningrad carburetor plant. It is part of the Sodruzhestvo North-West and produces spare parts and accessories for automotive industry.

Machine-building enterprise

Goals: Creation of an information system production management "Resource-Master" using technologies business engineering.

Solution:

- Development of an information model database structures and interfacing IS
- Description and improvement of key automated processes
- Creation of an electronic model and system electronic regulations ,Implementation of the control system production based on the RESOURCE system Master

Result:

- Stabilization of the control system production and decline in production and transaction costs.
- Manufacturing management based modern information technologies.

Branch: Mechanical engineering. The enterprise is the main producer of mining mining equipment: 45% of the products are supplied to coal mining enterprises, the same amount of equipment is intended for co-mining enterprises, and 10% falls on production of equipment for road construction. Currently, the company has the necessary technical potential and technological possibilities for self-design and manufacturing of complex engineering products. V the production program of the plant is more than 50 names of various equipment. Volumes are growing production of machines for the extraction and processing of potash ore and rock salt.

Gas industry enterprise

Goals: Improving the quality of group management of the Customer's companies based on optimization business models of a group of companies with using the integration resource and "Mutual assistance".

Solution:

- Organizational and functional model, key processes are highlighted.
- Described and optimized key logistics processes.

- A unified budgeting system has been built.
- Delivered modern management staff.
- Conducted strategic analysis and group development strategy formalized companies.
- A promising model has been formed organization of activities and developed the scheme of interaction between the companies of the group.

Industry: Logistics construction of gas pipelines. Intergas LLC is a management company. Analytical Center of the Group, acts as methodological center of the group, engaged in the development of promising ideas, implementation of approved ideas in the form of projects, the accumulation of a system of organizational knowledge group and the introduction of modern “The developed business model serves as the basis for the continuous improvement of the company's processes.

Agricultural enterprise

Goals: Further development of the Holding requires increasing the maturity of the control system, the transition of her company to a new level. appropriate for the scale of the business

Solution:

- Formalization of the strategic concept development of the Holding
- Formalization of corporate and business strategies.
- Development of a system of goals and performance indicators (KP) of systems and Holding processes
- Building and optimizing the overall systemic models of the Holding
- System and process design and optimization of the activities of enterprises, included in the Holding
- Building a unified system motivating company managers.

Result: Formed by Vision and General Holding development concept A system model was built and priority areas of optimization.

Industry: Agro-industrial group

Large holding under the management of the management company "SGB MANAGEMENT" consists of production companies, "HAPK" Green Agro "Gormolokozavo "Artemovskiy", "Primorskiy konditer", JSC and a number of others that successfully compete and develop their business as in the regional market, and going beyond it. In 2010 started construction investment project cattle-breeding complex of a new level, not "Which has analogues in the region, for 1800 milk herds for the production of natural raw materials for 'Further processing in the reconstructed dairy into high-quality dairy and fermented milk products. Further planned construction of the next stages of this complex. Trial of work in the field of

public administration. The experience and methodological approaches of the "Business Engineering Group" company have found application and in the public sector. By order of the Ministry of Economic Development Russia in 2005-2006 within the framework of the Federal Target Program "Electronic Russia" the company was the project "**Modeling the activities of government bodies, state and municipal organizations**" and developed administrative modeling software - GOS-Master), pecially designed for modeling the activity of organs authorities.

The idea of the project is to create a unified national organizational system, modeling in order to support the reorganization of state authorities and local government, as in the process of administrative reforms, and for the continuous improvement of their activities.

Using the developed methodology, pilot projects for modeling the activities of the federal executive body authorities (Ministry of Economic Development of Russia, Ministry of Transport of Russia), and authorities zonstituent entity of the Russian Federation (Yamalo-Nenets Autonomous Okrug, IAC Petersburg Administration), implemented (jointly with the State University Higher School of Economics) the project on the description and optimization of administrative processes that ensure provision of massive socially significant public services. In 2008 work using the methodology will continue in many 'Subjects of the Russian Federation.

Knowledge test

1. Describe the participants of the first stage of the consultation process.
2. What is the importance of the second stage of the consultation process?
3. At what stage of the consultation process is it easiest to identify the necessary changes and ways to achieve them?
4. At what stage are the rights and responsibilities of each party to the consultation process indicated?
5. Describe the concept of force field in the consultation process.
6. What are the main centers of attention of the head of a consulting firm?
7. Define the concept of consulting project.
8. Classify consulting projects depending on the level of their innovation.
9. Describe the life cycle of a consulting project.
10. What are the main tasks at the planning stage of the consulting project?

TOPIC 13

FEATURES OF CONSULTING OF DIFFERENT TYPES OF ENTERPRISES

Objective: to identify the features of counseling on the example of different types of enterprises and the problems consulted

Questions for discussion:

- 13.1. Models of counseling
- 13.2. Consulting of newly created enterprises
- 13.3. Advising on the growth of the enterprise
- 13.4. Advising companies in crisis
- 13.5. Consulting in change management

13.1. Counseling models

Counseling models differ in the degree of participation and efforts of external consultants and staff of the client organization at each stage of the consultation process.

Depending on the length of the consultant's stay in the client's organization, his participation in activating the innovative potential of the organization, as well as the client's costs for counseling and feedback with the consultant

There are three models of relationships:

- "expert-client",
- "doctor-patient"
- "cooperation"

Expert-client model

characterized by the involvement of consultants only at the stage of development of consulting recommendations, which allows, in some way, to minimize both the financial costs of the client and the length of stay of consultants in the client's organization.

Doctor-patient model

the consultant diagnoses the organization, identifies the client's problems and develops a set of measures that can solve them.

Model "cooperation"

the relationship of cooperation allows you to combine the efforts of the client and the consultant at all stages of counseling. Working together allows you to expand the competence of staff.

After defining the model of the relationship between the consultant and the client, it is necessary to determine the role of each of them. Appropriate behavioral roles of the consultant in the organization depend on the model of counseling, the specifics of the problem to be solved, the client's expectations and the characteristics of the organization as a whole.

The advocacy consultant tries to influence the client's system through propaganda. Propaganda can be positional or methodological.

The technical expert with the help of special knowledge and experience provides the client with appropriate services. As a rule, the client is responsible for achieving the goals of counseling.

The instructor and the teacher organizes training within the client's system, conducts trainings with or without separation from production or directly provides information of educational nature.

The problem-solving assistant complements the client's actions at the stages of perception, awareness and development of measures necessary to solve the problem.

The developer of alternatives can suggest several solutions to the problem and identify the associated risk for each of them. The consultant also determines the criteria for evaluating alternatives and develops strategies for implementing each of them.

The fact finder works with the client's system information. Its impact on the client's organization is through the study and processing of the information array, the selection of reliable and reliable data sources, the client's involvement in data collection, presentation of results and analysis of information to the client's management.

13.2. Consulting of newly created enterprises

The consultant is an advisor in advising start-ups. Counseling here takes place in the following key areas:

- Motivation for the analysis of which the consultant must determine the following:
 - ✓ the main cause of the client's risks;
 - ✓ the realism and objectivity of this reason; to make decisions (for example, family).
- Ability to diagnose:
 - ✓ the level of the client's experience in business in general and in the chosen field in particular;
 - ✓ the client's strengths and weaknesses;

- ✓ the support of the client by stakeholders.

An idea or project that involves consulting answers to the questions:

- What is the service or product?
- What market needs does he / she meet?
- How developed is the idea or project?
- Who are the company's customers?
- What market research has been conducted?
- What are the strengths of competitors?

Resources. It is planned to determine: availability and types of client resources;

Necessity and directions of funding

The difficulty of counseling is that there are no preliminary results that could be the basis for evaluation.

13.3. Advising on the growth of the enterprise

The consultant's relationship with the client is usually found in the following:

- advice on business in general or advice on specific areas of further development,
- assistance in preparing business proposals for customers;
- evaluation of business proposals according to various criteria.

For each of these roles, the consultant essentially assesses the abilities of the owner-manager through the evaluation of the enterprise.

The most effective roles of a consultant in such a situation will be:

- technical expert,
- trainer or evaluation expert;

A growing enterprise is a dynamic organization and needs to solve many problem situations quickly. Therefore, the consultant should objectively evaluate and suggest further directions of management's work on setting priorities and developing strategies. Important in this case is the company's potential for growth, which must be measured at each stage of development.

There is a wide range of factors that affect the growth of any business. **These are the so-called "three" P "growths":**

- productivity in the past and present;
- the company's potential for growth;
- project - a specific growth plan.

PRODUCTIVITY the enterprise is subject to the influence of external and internal factors.

- External factors: sales trends and profits from the product, customers, channels, industries; knowledge of the market, the latest marketing technologies, size and market share.
- Internal factors: sales volumes, their organization and productivity, market control; product price, promotion, delivery, packaging, etc.

POTENTIAL the enterprise is evaluated, taking into account the available resources and the efficiency of their use, namely:

- financial resources;
- types and efficiency of machinery and technologies;
- material and labor resources;
- intellectual capital, ability to innovate and implement innovation proposals;
- range and vital product cycle;
- management resources and time allocated to new development;
- adequacy of information and control systems;
- degree of professionalism and responsibility of the management team;
- adequacy of planning and budget development;
- degree of delegation, etc.

PROJECT

The company is evaluated in several stages.

Specific tasks and planned performance of the enterprise are evaluated;

- the market is analyzed according to the following criteria: the offered product or service; need and demand; evidence of acceptance of the price by clients; ability to carry out production under the specified production conditions; sufficiency of available clients; ability to enter the market; the ability to compete or outperform competitors,
- identifies the possible level of promotion and distribution;
- analyzes the company's capabilities and its obligations according to the following criteria: the need for new capabilities; compliance of current management skills and workforce with new needs; project management and the proposed level of resource provision; knowledge of possible risks,
- formulates a financial forecast for: the necessary additional funds; profits and losses; cash flow and financing; precautionary measures against unforeseen circumstances.

13.4. Advising companies in crisis

Anti-crisis consulting - a set of measures aimed at stabilizing the company's position, solving a set of problems aimed at significantly improving business efficiency.

The main task of crisis consulting:

- restoration of solvency, conducting financial recovery procedures for enterprises of various forms of ownership that have the risk of bankruptcy;
- development of a strategy to prevent crisis phenomena, preventing their recurrence in the future.

Crisis consulting should give the following **results**:

- identification and elimination of inefficient, unprofitable areas of economic activity, types of products, divisions (branches, offices),
- restructuring of accounts payable and receivable, assessment of refinancing opportunities, search for alternative sources of financing; enterprises and development of recommendations for its increase, reduction of costs.
- restructuring of the management system of the organization and its separate subsystems - quality management, innovations, investments, etc .; with diversification of activity, stimulation of demand for enterprise products, entry into new markets.
- optimization of business processes, increase of their efficiency.
- development of business plans of anti-crisis measures.

There are the following forms of crisis consulting:

1. Direct consulting of owners and managers of the business organization. As a rule, the top management of the company has a clear idea of how the business should be built. However, in a crisis situation, most of these ideas need to be reconsidered. There is a need to restructure the enterprise.

2. Implementation of certain consulting activities, such as:

- consultations on new problems,
- diagnostics of economic activity of the enterprise, its financial condition;
- definition of anti-crisis strategy;
- development of the plan of anti-crisis measures, assessment of its risks and further support of its implementation;
- support of enterprises in the implementation of the plan,
- development of preventive measures to prevent crises.

3. Anti-crisis reflexive games by the method of modeling collective activity with the participation of owners, leaders, managers and leading specialists.

At the same time, with the help of presentations, free discussion evaluates the current business of the company (model "As is") and builds a new business concept (model "As it should be"), able to ensure survival and further development in a crisis.

4. The use of **benchmarking methods** and assessment of the behavior of business partners, competitors of the customer organization in the current crisis, how their actions are applicable to it.

5. Development and implementation of company restructuring programs:

- restructuring of property (share capital),
- restructuring of the property complex;
- debt restructuring;
- management system restructuring.

13.5. Consulting in change management

The general concept of making changes to the client's system is formed by the consulting organization based on the scale and complexity of the problem.

Strategies for making changes to the organization:

The specialist's strategy is a way of development, according to which the management of the client organization invites an external consultant-specialist, who is given the task to plan changes.

When planning changes, the consultant assumes that the problem has already been diagnosed by the client.

It remains for the specialist consultant to trust the results of the research and build proposals according to the order.

Proposals developed by the consultant are submitted to the client's management for consideration, evaluated and approved.

+In the case of a positive assessment, the proposed plan of changes is implemented by the client independently in the form in which it was submitted by the consultant.

-In case of negative perception of the management's proposals, they will simply be rejected without any attempt to correct them.

The client and consultant **must follow the following rules:**

Rule 1. Take a double perspective. Everyone can have a double perspective - daily business and, at the same time, current initiatives to change the way business is conducted.

Rule 2. Give authority over both perspectives. In most organizations, the change management team is selected from middle managers.

Rule 3. Change management with a clear vision. In order for employees to be able to fulfill their responsibilities for doing business and changing businesses, they must have a clear and understandable picture of the desired future of the organization - a vision of changing the organization.

Rule 4. Management with two clear programs of action. The organization needs to be managed with two programs of action - one for doing business, the other for changing business.

Rule 5. Introduction of evaluation sheets. If a company has a list of important goals for doing business, it must evaluate the results of their achievement.

Rule 6. Management of results in two forums. The forum is a regular meeting of managers who are responsible for the results of the company's business. At the meeting, those managers who are responsible for the results should provide progress reports, evaluation letters and identify the next steps to achieve the goals.

Rule 7. Change management through capabilities. If a company intends to fulfill several items in the action program, it must take into account its capabilities through the growth of responsibilities.

Knowledge test

1. Name and describe the three models of cooperation between the consultant and the client.
2. Define the concept of motivation in advising representatives of start-ups.
3. What is the relationship between the consultant and the client who needs the consulting services of a growing company?
4. Describe the concept of three "P" as factors influencing the growth of any enterprise.
5. Describe the external and internal factors influencing the productivity of the enterprise.
6. What resources can be used to assess the potential of the enterprise?
7. What stages can determine the company's project?
8. Define and describe the main tasks, results and forms of crisis consulting.
9. What strategies according to the general concept of making changes to the client's system can be identified?
10. What are the rules to follow when providing change management advice?

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