
ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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STATE OF UKRAINIAN CONSULTANCY MARKET

Abstract. *The paper analyzes current trends and perspectives of consultancy services in Ukraine. Changes in the economy create as threats as well as opportunities for Ukrainian business. In turn, support from foreign partners and unsatisfied demand for consulting services from the government can provide a new impulse for the development of the consulting industry.*

Keywords: *consulting, consulting services, reforms, crisis, development, business, company, state.*

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СТАН УКРАЇНСЬКОГО РИНКУ КОНСУЛЬТУВАННЯ

Анотація. *У статті проаналізовано сучасні тенденції та перспективи консультаційних послуг в Україні. Зміни в економіці створюють як загрози, так і можливості для українського бізнесу. У свою чергу, підтримка з боку іноземних партнерів і незадоволеність попиту на консалтингові послуги з боку держави може дати новий імпульс для розвитку консалтингової індустрії.*

Ключові слова: *консалтинг, консалтингові послуги, реформи, криза, розвиток, бізнес, компанія, держава.*

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СОСТОЯНИЕ УКРАИНСКОГО РЫНКА КОНСУЛЬТИРОВАНИЯ

Аннотация. *В статье проанализированы современные тенденции и перспективы консультационных услуг в Украине. Изменения в экономике создают как угрозы, так и возможности для украинского бизнеса. В свою очередь, поддержка со стороны иностранных партнеров и неудовлетворенность спроса на консалтинговые услуги со стороны государства может дать новый импульс для развития консалтинговой индустрии.*

Ключевые слова: *консалтинг, консалтинговые услуги, реформы, кризис, развитие, бизнес, компания, государство.*

Statement of the problem. Consulting services in the Ukrainian market appeared relatively recently, but every year the industry prospects are constantly improving. Ukrainian market opening to foreign companies and domestic producers out to the world markets transform consulting services sector in the service used on daily basis. Therefore, consulting needs new impetus for the development as economic activity and as an industry.

Analysis of recent research. Theoretical and practical aspects of the specific consulting activities presented in the works of local and foreign scientists as Armbruster T., G. Butyrin, A. Weiss, W. Verba, L. Greiner, M. Kubr, B. Kurnov, N. Lahotska, G. Lippit, K. Makhem, C. McKenna, A. Posadskiy, Y. Chernov, F. Czerniawska, T. Sheremet and others.

Previously unsolved aspects of the general problem. The most important reason for the rapid development of consulting and increased demand for consulting services in the global market are: the general trend of business globalization, which contributes equally in demand for consulting services among multinational corporations capturing new markets, and in the newly created companies that hope to gain positions in the global market; the use of ideas and possibilities of consultant as a competitive advantage in the market struggle; the need for the introduction of information technologies that greatly improve the performance [1].

The increasing openness of world markets, requires from companies implementation of the latest

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approaches to doing business. In turn, the evolution and growth of Ukrainian enterprises entails the involvement of third-party experts to optimize business processes, strategic development and implementation of IT technologies.

The development of Ukrainian consulting market began with the first "wave" of privatization, national producers entering world markets and foreign companies entering Ukrainian market. If during the first stage, mostly big consulting companies entered the market, eventually Ukrainian consultants began to appear. In recent times, even government agencies and companies are increasingly using the services of consultants and actively involve representatives of the consulting business to the reform of the state.

Current conditions in which the Ukrainian economy finds itself are extremely difficult. But at the same time, these conditions created a unique environment for qualitative transformation of enterprises to bring business practices to international standards. Therefore, Ukrainian consultants have the potential to become "locomotive" that take Ukrainian business out of "the abyss".

Objective of the research. The purpose of the article is to analyze the situation and problems of the consulting services market in Ukraine and identifying key areas to ensure its further development.

Main results of research. Consulting - is a process through which individuals or firms help clients achieve the results set. Assistance can take the form of information, advice, or even directly perform a specific job [2].

Consulting is a relatively new activity in the post-soviet space, which emerged after the collapse of the USSR and was caused by the need for knowledge of modern methods of management of enterprises in the new environment. Unfortunately, business professionals and qualified personnel with management skills were scarce. This opportunity was not long in coming, large international consulting companies benefited from this scarcity, and entered the Ukrainian market, serving and building their existed business customers - large foreign manufacturers of consumer goods, trade and industrial companies. Along with the service for their foreign partners and by the almost complete absence of competition from local consultants, international consulting companies have begun to actively establish cooperation with potentially promising Ukrainian enterprises. This cooperation with major international consultants Ukrainian enterprises continues to this day, despite the narrowing of the gap between the level of knowledge and experience in Ukrainian and foreign consultants.

The reasons for this state of affairs may be several. First, large international consultancies have on the side a history of, in some cases, more than 100 years, and their reputation of companies that have established consulting industry - and are industry leaders today. Secondly, consultants greatly affect the creation of the modern science of management, marketing and strategy, and therefore able to be first to offer its customers the latest developments in management. Thirdly, international consulting companies have access to the best business practices in each area of interest to the client, and they can easily implement solutions that have been worked out in other countries or in competitor client. Fourth, large consulting companies have huge budgets to attract the best professionals and university graduates and promote its brand.

Market segmentation of consulting services in Ukraine is as follows [3]:

According to key services:

Tax and legal consulting (30% of the market);

Information consulting (21% of the market);

Financial consulting (17% of the market);

Strategic Consulting (13% of the market);

HR-consulting (11% of the market);

Operational consulting services (8% market share).

According to key clients:

Metals, chemicals, food processing;

Telecommunications, construction and the financial sector;

Trade.

By geographic areas:

84% of consulting companies in terms of sales are in Kiev.

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In its work, the consultants use a variety of approaches and concepts of management. Among them, improve productivity, improve profitability, reduce costs, lean manufacturing, business process reengineering, strategic transformation, supply chain optimization, benchmarking, integration companies after M&A synergy, transformational outsourcing, quality management and many others. Today, global consultancy market is estimated at about 200 billion US dollars. Consulting services are used by most companies in the "Fortune 500" list.

The main motive for the use of consulting by the company is expectation of positive economic effect, and the specific reasons (demand) for the use of this service are determined by specific prerequisites of each company. The most typical prerequisites are:

- inability to use their own staff to complete and objective assessment of the situation (audit of marketing and management);
- need of skill and expertise for special one-time events (search for market opportunities, develop strategies, reconstruction of enterprises, examination of business projects);
- possession of alternative objective opinion in solving complex and significant problems (all types of diversification);
- unreasonableness of holding highly paid specialist for special measures of constantly-recurring nature (development of advertising campaigns);
- training while working with a consultant on a particular project;
- need for operational decision-making on issues of constantly periodic nature (constant changes in the company organization and industrial nature);
- preliminary discussion of problems concerning personnel and selection of one of several options.

In a crisis, problems plague the different sectors of economy of Ukraine. Consulting services market is no exception. Consulting provides business infrastructure, that is why in difficult financial and economic conditions, spending on outside advisors are often the first to dramatically reduced. This was the case after the fall of the market during the crisis of 2007-2008 [4]. Many companies have virtually stopped the orders of marketing research, business valuation, corporate culture development, training etc. But at the same time services of costs optimization and anti-crisis measures increased their popularity.

If before the crisis demand of consulting company was associated with the development the concepts for clients and evaluation of a new projects, during the critical economic period at the forefront comes audit of ongoing projects in the new realities of reconception and subsequent sale of unprofitable assets. If, appeal to the consulting company before the crisis were related to the selection of the most attractive and potentially profitable assets, now - with the assessment of usefulness of certain business units and feasibility of idle assets.

The most popular in times of crisis are services in HR-consulting and cost reduction, which create a stable core demand for consulting services. This is due to the fact that in times of crisis, many companies are forced to cut staff. This in turn requires its evaluation and determination of the least efficient units. During the crisis by increasing utility bills is also becoming popular service efficiency audit of complex ownership and management of real estate and energy management that optimizes costs, cash flow and stabilize revenues of the business.

Today, the consulting market of Ukraine successfully running those companies that have managed to turn out excellent reputation and establish close links with major domestic and foreign customers. Also, the consulting company that diversified portfolio, are more likely to hold a fall in demand for their services.

Environmental factors affecting, in particular, the consulting market are sudden and lead to unexpected consequences. Thus, due to sanctions imposed on Russia by the European Union and the United States, representative offices of foreign consulting companies became endangered, because of the threat of economic response. Thus, analytical publication Firmconsulting in its information newsletter warns of delay or suspend recruitment process in Ukrainian and Russian offices of major consultancies. And accordingly advised to weigh the risks of decision about employment in the offices of consulting companies in Ukraine and Russia [5].

On the other hand, European Bank for Reconstruction and Development (EBRD) supports the de-

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velopment of advisory services in Ukraine. Business Advisory Services Programme of EBRD provides micro, small and medium enterprises (MSMEs) access to a wide range of consulting services and promotes projects with local consultants in terms of cost sharing. The project provides direct assistance to improve enterprise efficiency, combined with systemic measures for market development to create a sustainable and commercially-viable infrastructure to support MSMEs in the countries where the EBRD operates [6]. Group of support for Small and Medium Enterprises (SME) of the Bank provides grants to pay 70% of the cost of consultants, which hire SME-enterprise. Budget for such grants in 2015 is planned of 1.5 million Euro [7].

Today, consulting companies have unique opportunities due to the signing of an association agreement with the European Union and the need to reform the public administration and the economy. Thus, the State Agency for Investment and National Projects of Ukraine held a meeting with leading consulting companies in the world - Deloitte, PwC, KPMG. According to the head of the office, specialists from largest consulting companies in the world during the regular sessions will provide advice and initiate ideas on how to improve the implementation of national projects to attract investors. In addition, the experts of "Big Four" will provide suggestions on necessary changes in law to improve investment climate in Ukraine [8].

Cooperation of major consultancies with Ukrainian government and state enterprises began several years ago. Thus, in 2011 the railway monopoly of Ukraine started cooperation with AT Kearney consultancy to develop target market model of railway services in Ukraine. These studies were undertaken to identify and further implement the strategy and model railway reform in Ukraine. In particular, were analyzed already undertaken model railway reform in other countries and determined the best way to Ukraine. According to the research, the main problems for the railways in Ukraine were aging assets and deficits to update them. According to experts, the reform - is the only way to attract investment into the sector [9].

Another example of the involvement of recognized consulting firms is the creation in 2011 of the consortium, which includes the Fund "Effective management" company, «The Boston Consulting Group» (BCG) and research organizations such as the Institute of Economics and Forecasting NASU, Razumkov Centre, Institute for Scientific Research socioeconomic city Development, Center for Urban Development and Architecture of the city and the Institute of Demographic and social Research NAS for development of Kyiv city strategy by 2025 [10].

Ambitious attraction of the international consultants is a partnership of the State Agency for Investment and National Projects of Ukraine (new energy, a new quality of life, new infrastructure, Olympic Hope - 2022; Agroperspektiva) with the "Big Four" (EY, Deloitte, PWC, KPMG) [11].

There are many examples of collaboration of consulting firms with government agencies and state enterprises, but in all instances the tendency is to attract foreign and most prestigious consultants. However actual results of consulting companies interventions are still not known. This could indicate one of the most important and most difficult problems of consulting business in general - the problem of implementation. Consultants can explore and discover almost all of the problems that exist in a particular area and develop steps for implementing measures to achieve these objectives. But implementation of these measures requires immediate advisers involved and, most importantly, the desire of management to do these steps. Otherwise, the advice of consultants will be "shelved" and taxpayers' money will be wasted.

The trend of foreign consultants involvement in government points out that there is unmet demand for skilled professionals, which in turn enables young Ukrainian consulting companies to express themselves.

However, the main causes of the relatively low demand for consulting services in Ukraine remain:

- difficult macroeconomic situation and the general decline in business activity;
- low purchasing power of customers;
- failure to appreciate the usefulness of consulting services;
- no guarantee of specific results and benefits of consulting;
- difficulty of obtaining objective information on consulting firms and their capabilities [12].

Among the existing threats and adverse conditions, it is possible to find and use opportunities. This

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confirms managing partner of Ukrainian office of EY company (previously - Ernst & Young), Alex Kredisov. So he said, most likely in the next few years to do business in Ukraine will be difficult. However, you can expect some stabilization, and thus prepare for a possible revival of the market. EY is running multiple programs to prepare for negotiations with investors (selected over 20 promising companies that are prepared for sale), opened direction associated with using Ukrainian businesses to use the advantages of trade agreement with the EU. Recently also enhanced areas of legal and consulting services. Many of the competitors because of the crisis faced a lack of projects in consulting and significantly reduced its market share. EY also took the opportunity to built up its presence and has become the largest supplier of consulting services in Ukraine. In the immediate future the company expects a significant increase in demand in the field of tax consulting and tax risk management. It is obvious that there is still a lot of tax issues in our country due to not quite transparent methods. If the announced reforms to fight corruption and improve the business environment to be effective and practice of opaque decisions on tax goes into oblivion - there will be an increase of demand in the segment of corporate taxation and legal services [13].

Conclusions. Economic crisis is both challenges and opportunities. Ukrainian consulting business has unique opportunities to express themselves through their customers real results and effective government reform. Support of international partners and wish of professional consultants to join the consulting sector reforms give Ukraine a great chance. However, Ukrainian companies must also provide "credibility" to consultants and understand that they go together to one goal and the their joint success depends on the willingness of owners and managers to change and their willingness to work closely together with consultants.

Consequently, consulting market development should provide basic needs of competition and matching of Ukrainian business to international standards. In modern terms it is not fashionable whim companies who have extra money and real prerequisite survival of the country.

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