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## **CONSULTING ACTIVITIES OF INTERNATIONAL COMPANIES**

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### **КОНСАЛТИНГОВА ДІЯЛЬНІСТЬ МІЖНАРОДНИХ КОМПАНІЙ**

*The article analyzes the features of consulting activities of international companies. It is noted that modern economic trends are formed in the context of the knowledge economy, which has become the dominant characteristic of all socially and economically developed countries.*

*One of the prerequisites for the development of the intellectual potential of the country's enterprises is the formation of an effective organizational and economic mechanism for consulting companies, which should help increase the competitiveness of customers by improving the quality of consulting services.*

*The purpose of the study is to analyze the features of development and operation of international consulting companies in the global economy.*

*Consulting is important given the development of the modern business environment both in Ukraine and in the world as a whole. This is one of the most dynamic activities that is developing rapidly. The authors emphasize that the peculiarities of the functioning of the management consulting market in general are determined by the specifics of the product itself - a consulting service, an intellectual product that remains at the disposal of the client after the consultation.*

*The article highlights the factors that cause the growth of demand for consulting services. The criteria for classification of consulting services are outlined.*

*There is a "Big Four" of consulting companies around the world. In total, there are about 1720 companies in the world specializing in management consulting. The article presents the results of the analysis of the services structure offered by the 40 largest management consulting firms.*

*It is emphasized that one of the important sources of development of international consulting companies is an intellectual resource, which is expressed in the ability to generate ideas, use internal resources, ability to innovate, maintain a competitive position, optimal use of the business entity and more. Thus, the factors that determine the success of a consultant in an international*

*consulting company are identified. It is emphasized that the specific conditions of international consulting activities dictate certain features that affect the personnel management system.*

*In conclusion, we can say that consulting is a systematized set of knowledge on the provision of high quality consulting services by consulting companies to customers. Intellectual knowledge may not be the property of the company, but it takes the form of renting or leasing from staff. The purpose of the consulting company is their accumulation and development, so the basis of personnel policy of the consulting company is the method of corporate knowledge management.*

*В статті проаналізовано особливості консалтингової діяльності міжнародних компаній. Зазначено, що сучасні економічні тенденції формуються в контексті економіки знань, яка стала домінуючою характеристикою всіх соціально та економічно розвинених країн світу.*

*Однією з передумов розвитку інтелектуального потенціалу підприємств країни є формування ефективного організаційно-економічного механізму консалтингового забезпечення компаній, який має сприяти підвищенню конкурентоспроможності підприємств-замовників на основі підвищення якості надання консалтингових послуг.*

*Метою дослідження є аналіз особливостей розвитку та функціонування міжнародних консалтингових компаній в умовах глобальної економіки.*

*Консалтинг має важливе значення з огляду на розвиток сучасного бізнес-середовища як в Україні, так і у світі загалом. Це один з найбільш динамічних видів діяльності, що розвивається швидкими темпами. Автори наголошують, що особливості функціонування ринку управлінського консультування в цілому визначаються специфікою самого товару – консалтингової послуги, інтелектуального продукту, що залишається у розпорядженні клієнта після завершення консультування.*

*В статті виділено фактори, що обумовлюють зростання попиту на консалтингові послуги. Окреслено критерії класифікації консалтингових послуг.*

*Існує «Велика четвірка» консалтингових компаній світу. Загалом у світі нараховується близько 1720 фірм, що спеціалізуються у сфері управлінського консалтингу. В статті представлено результати аналізу структури послуг, що пропонуються 40 найбільшими управлінськими консалтинговими фірмами.*

*Підкреслено, що одне з важливих джерел розвитку міжнародних консалтингових компаній – інтелектуальний ресурс, що виражається у здатності генерувати ідеї, використанні внутрішніх ресурсів, здатності до інновацій, утримуванні конкурентних позицій, оптимальному використанні суб'єкта господарювання тощо. Отже, виділено фактори, що визначають успіх консультанта у міжнародній консалтинговій компанії. Наголошено, що специфічні умови міжнародної консалтингової діяльності диктують певні особливості, що впливають на систему управління персоналом.*

*Як висновок, можна зазначити, що консалтинг – це систематизована сукупність знань з надання високоякісних консалтингових послуг консалтинговими компаніями підприємствам-замовникам. Інтелектуальне знання не може бути власністю компанії, однак має форму оренди чи лізингу у персоналу. Мета діяльності консалтингової компанії – їх акумулювання та розвиток, тому в основу кадрової політики консалтингової компанії покладена методика управління корпоративним знанням.*

**Key words:** *consulting; international companies; intellectual resource; business environment; consulting services.*

**Ключові слова:** *консалтинг; міжнародні компанії; інтелектуальний ресурс; бізнес-середовище; консалтингові послуги.*

**Problem statement.** In the context of economic processes globalization, increasing international technological competition, accelerating the pace of scientific and technological development, economic growth is directly related to the scientific and technological process and the intellectualization of the main factors of production. Modern economic trends are formed in the context of the knowledge economy, which has become the dominant characteristic of all socially and economically developed countries. Thus, in the leading countries of the global economy, the share of new knowledge implemented in technology, equipment and production organization is 70 – 85% of GDP growth.

Taking into account modern world trends, the development of the knowledge economy in the country is directly related to the generation of new knowledge and ensuring their transfer to the activities of national enterprises. After all, the latest knowledge, along with scientific and technological innovations and the intellectual level of staff characterize the readiness of the enterprise to develop innovations, namely – the development of its intellectual potential.

One of the prerequisites for the development of the intellectual potential of the country's enterprises is the formation of an effective organizational and economic mechanism for consulting companies, which should help increase the competitiveness of customers by improving the quality of consulting services.

**Analysis of recent research and publications.** The works of well-known foreign economists: Brian Eastwood, Matthias Kipping, Stewart E. Cooper, Joe O'Mahoney, Richard Newton are devoted to the development of consulting services market in the context of modern economic trends.

Consulting is important given the development of the modern business environment both in Ukraine and in the world as a whole. This is one of the most dynamic activities that is developing rapidly.

At the same time, the issues of international consulting support of enterprises in the context of increasing their profitability and competitiveness remain insufficiently developed. The relevance and practical importance of these problems have necessitated certain research in this area.

**The purpose of the study** is to analyze the features of development and operation of international consulting companies in the global economy.

**Presenting main material.** Consulting can be interpreted as a type of activity, the main task of which is the analysis, justification of prospects for the development and use of scientific, technical and organizational and economic innovations, taking into account the subject area and customer problems. That is, consulting is providing assistance in the implementation of specialized advice that stimulates the solution of problems to optimize the activities of the organization in a particular external environment.

The content of the concept of “consulting” should be considered as a systematic set of knowledge on the provision of high quality consulting services by consulting companies to customers. The main task of consulting companies is to provide consulting services to the management of client companies, as well as the development and implementation of projects to maintain and develop their competitive advantages.

Peculiarities of the functioning of the management consulting market in general are determined by the specifics of the product itself – a consulting service, an intellectual product that remains at the disposal of the client after the completion of consulting.

Most experts who study the consulting market, believe that the demand for counseling is due primarily [1]:

- the current workload of managers of firms, which prevents them from independently solving global development problems and crisis problems of the company;
- the desire to obtain an independent assessment of cases in the organization;
- the need to constantly improve the efficiency of production and business in conditions of fierce competition and complication of management problems;
- integration into the world economic society, internationalization of requirements and standards;
- the need to initiate radical changes in the organization;
- overcoming stereotypes of solving existing problems;
- training of personnel in new management technologies.

The uniqueness of the consulting service lies in its apparent intangibility, invisibility and, as a rule, in the absence of a complete material form before its sale. Therefore, identical consulting products made by two consulting firms may differ not only in form but also have different development methodology and content. Therefore, the client can assess the quality of the service provided to him either immediately after the consultation process, or after some time.

There are many classifications of consulting activities. The modern set of consulting services in the West originated in the 60's, which are called the “golden age of consulting”. The European Directory of Management Consultants currently identifies 84 types of consulting services, which are grouped into 8 groups.

There are two main types of classification of consulting services [2]:

- subject classification (from the point of view of the consulting subject);
- methodological classification (in terms of the counseling method).

Subject classification is more common because it is more understandable to consumers of consulting services. According to it, consulting services are divided depending on the sections (elements) of management to which they are directed: general management, financial management, production management, etc.

Accordingly, the methodological classification is professionally focused on consultants depending on the methods of their work, the classifiers of which are expert, procedural and educational counseling [2]. It should be noted that the classifications published by national and international associations of consultants often combine subject and methodological approaches, although focusing more on the subject.

Consider the classification of consulting services in more detail.

1. Management consulting. The content of management consulting is to help managers solve management problems.

Diagnosis of the state of the enterprise is the initial stage of the process of management consulting. This type of service is in relatively constant demand in different countries [6, p. 64].

2. Investment consulting.

One of the basic types of investment consulting is fundraising. The most promising type of consulting services is project management.

3. Auditing. An audit is an independent verification of accounting, accounting of primary documentation and other information about the financial and economic activities of the enterprise in order to determine the compliance of their reporting, accounting, its completeness and compliance with applicable law and regulations.

4. Stock consulting – one of the stable consulting markets. A fundamentally new type of stock consulting is consulting services for intangible assets [6, p.125].

5. Quality management. Most developing countries are in the early stages of implementing global quality standards, but companies are growing to implement and certify ISO 9000. One of the most important prerequisites for understanding the content and importance of the quality system – extensive information about it, the availability of professional knowledge of managers [5].

6. Engineering involves the provision on the basis of a contract for engineering services by one party to another complex or certain types of services of production, commercial and scientific and technical nature.

7. Information and technology consulting. Due to the growing demand for information technology, this type of service is becoming increasingly important. New and very promising are services for business process modeling and their reengineering, which is focused on a radical restructuring of all activities of the enterprise.

8. Marketing consulting. Marketing research should be delegated only to specialists who have the appropriate training and experience.

9. Advertising and public relations. The purpose of this type of service is to create in the public imagination a positive and at the same time special image of a product or company. Consulting in the field of election technologies can be considered a promising subspecies [3, p. 247].

10. Personnel consulting (recruitment) is a service for the selection and evaluation of personnel. Personnel consulting is one of the most common types of services in many countries.

11. Training. Training counseling is a standard service that used to be called “management training” [4].

12. Security of the organization. The economic security of the enterprise is to ensure the security of economic relations, the development of the economic potential of the company, improving the welfare of all its employees and the formation of the foundations of firm’s protection from various dangers and threats.

13. Legal consulting is one of the main components of consulting and professional services in general. Lawyers provide services both in the form of advice and direct management of their clients. They can also provide expert opinions on the compliance of an action or document with legal norms.

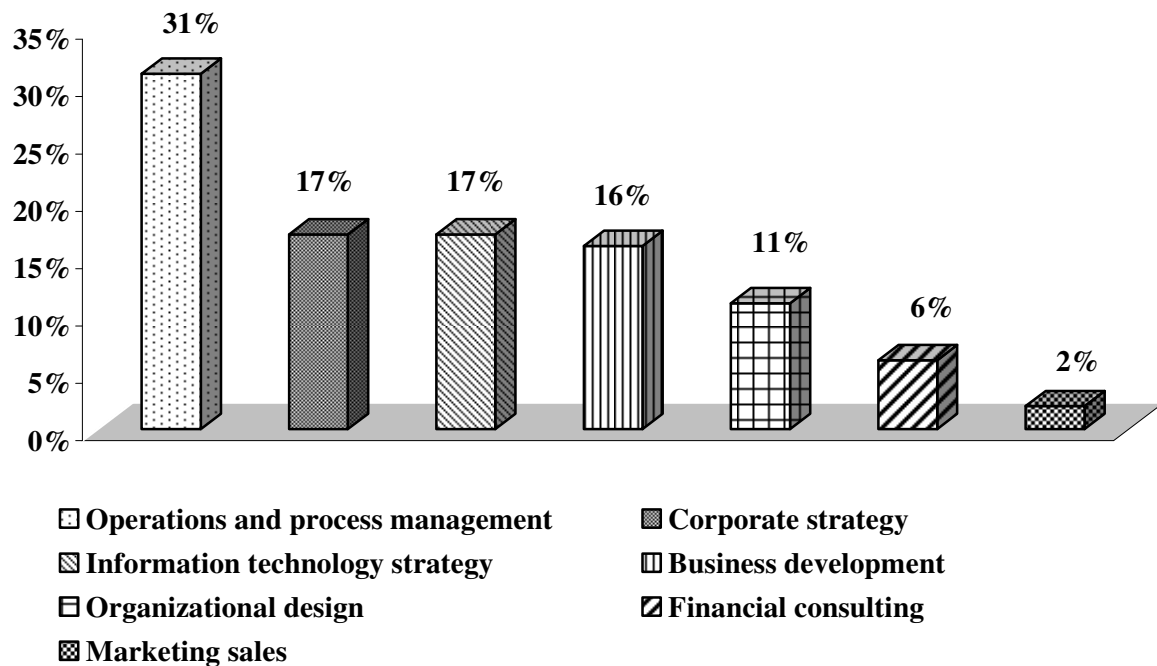
Over the last ten years, a large number of small specialized firms have appeared on the world market of consulting services, especially in the field of information services and e-commerce.

Today, the market for consulting services is estimated at almost 110 billion dollars. The United States has an annual growth potential of about 15-20% over the past few years. In the early 2000s, about 18,000 consultants were employed in the field of management consulting, now the number of specialists is about 700,000 people, excluding consultants dealing only with information technology and personnel management [5].

There is a “Big Four” of consulting companies around the world. The “Big Four” are the four largest companies in the world that provide auditing and consulting services (the “Big Four”). The Big Four list includes PricewaterhouseCoopers, Deloitte, Ernst & Young and KPMG. The total income of the “Big Four” is estimated at 65 billion dollars and their staff numbers about 500,000 people. It should be noted that in the audit sector, they occupy a completely dominant position – for every dollar earned in the industry about 80 cents is accounted for by these companies [5].

In total, there are about 1720 companies in the world specializing in management consulting. According to the parameters of the number of specialists and the volume of annual turnover of services, 40 companies from the above can be considered large, 180 companies – medium, and 1500 companies – small. The world market of management consulting services is divided as follows: 40 largest consulting firms serve 66% of the market, 180 medium-sized firms – 25%, 1500 small firms – 9% [6, p. 72].

The results of the analysis of the services structure offered by the 40 largest management consulting firms are presented in Fig. 1.



**Fig. 1. Analysis of the consulting services structure [7]**

In general, today consulting remains one of the most dynamically developing industries. This is especially true in those areas of consulting where advanced information technology is used. Those companies that specialize in traditional services will gradually be pushed out of the market.

Consulting firms, as well as manufacturing companies, use the concept of strategic development of their company and the technique of strategic planning. However, the perception of corporate strategy only as a field of application of professional knowledge has recently disappeared among consultants. The view of strategic development as useful for a consulting organization is becoming more and more widespread, although the term “strategy” is not always used.

This approach is due to the following changes in the environment:

- rapid development of management consulting over the past 10 years;
- increase in the number of management consultants, which contributed to the emergence of competition in this area;
- orientation of consulting firms on the market and the consumer, use of aggressive marketing of services.

The size and growth rate of an international consulting firm depends entirely on the size of its market and the range of services offered. It is also known that the overall growth strategy should be based on the internal resources of the organization, taking into account its prospects and competitive advantages.

World experience in providing consulting services shows that in many cases the size of the consulting firm is stabilized in order to maintain a coherent team of specialists who are able to provide a professional and market effect to the company. But adhering to such a strategy has its time limits. The staff is aging, its skills are losing relevance, and gaining knowledge in the field of modern management science requires considerable costs. In such situation, the firm may limit the range of its services to those that require the work of experienced personnel.

One of the important sources of development of international consulting companies is an intellectual resource, which is expressed in the ability to generate ideas, use of internal resources, ability to innovate, maintain a competitive position, optimal use of the business entity, etc. The main task of the consulting company is to transform its own intellectual capital into intellectual assets of the client company. The success of this process primarily depends on the quality of management and the level of organizational knowledge of the company. The knowledge source of the consulting company is a unique staff. Given that knowledge can not be owned by the company, and their purchase may take the form of rent or lease from the staff, an important aspect of the consulting company is their accumulation, generation and creation with subsequent transfer for use. This is achieved by an effective personnel policy using the methodology of organizational knowledge management.

The success of a consultant in an international consulting company, above all, depends on the ability to persuade and tact at work. With the acquisition of practical skills as a consultant, the company makes efforts to develop key intellectual abilities and cultivates the professional personal qualities of the future consultant:

1. Intellectual abilities. In the learning process, the young specialist practices the application of theoretical knowledge, bringing their application to automatism. Acquires the ability to observe, summarize, select and evaluate information. The junior specialist learns to give logical arguments and quickly identify the problem and find methods to solve it. There is a tendency to think creatively, synthesize and generalize material.

2. The ability to understand people and work with them. As junior professionals work in conjunction with experienced counselors, they gain experience of a psychological approach to working with clients, ie gain the ability to

assess human response and act in accordance with it, cultivate patience, develop confidence and respect, learn to adhere to ethical standards.

3. The ability to understand people. One of the levers of the consultant's effective work is the ability to listen and perceive information for further analytical consideration. Young employees learn to conduct written and oral interviews, to involve clients in cooperation, the ability to persuade.

4. Intellectual and emotional maturity. Junior specialists gain experience. They become independent in their conclusions, able to withstand external pressure. They become balanced, learn self-control and develop flexibility and adaptability to rapidly changing conditions.

5. Personal persistence and initiative. The work of a consultant requires self-confidence, entrepreneurial spirit and initiative, because solving the problems of the organization is impossible without their use.

6. Ethics and honesty. Clients of consulting companies require honest and ethical treatment. The young specialist needs to be taught to express a sincere desire to help, to realize the limits of personal competence, to admit mistakes and to identify positive moments in case of failure.

7. Physical and mental health. The specifics of consulting work require consultants around the clock. In addition to working directly with the client, mental and analytical activities should be constant to improve the professional level. Therefore, in the process of practical activities, the junior specialist gets used to the overtime load and learns to tolerate specific working and living conditions.

The consulting business is an intellectually rich business, so the qualification, level of professional training are significantly higher than the average level in the field of services and need constant improvement in accordance with the latest experience. Educational and intellectual levels should provide not only the opportunity to master the basic knowledge, but also the search for ways of long-term development. An important aspect of personnel management is its motivation. Needs are constantly changing, so we can not expect that the motivation that was effective will be effective in the future. With the development of the consultant's personality, the potential opportunities and needs for self-expression expand. Thus, the process of motivating a consultant has an individual approach.

The specific conditions of international consulting activities dictate certain features that affect the personnel management system:

- educational, intellectual, qualification levels of staff are much higher than the average in the field of services;
- effective and long-term consulting activities on the world market are possible only if the optimal use of intellectual, creative, educational potential of each specialist-employee;
- it is impossible to use the means of influence associated with the formal control of staff activities, as highly intelligent activities are difficult to effectively control, and, consequently, it is impossible to build a formal system of rewards or punishments;
- low dependence of staff on the firm and high dependence of the firm on staff – this ratio significantly reduces the possibility of pressure on employees by management.

**Conclusions.** Thus, consulting is a systematized set of knowledge on the provision of high-quality consulting services by consulting companies to customer companies based on the transfer of the accumulated amount of knowledge and experience of professional consultants to customer companies. Consulting is a method of introducing the latest knowledge into the economy.

Based on the analysis of the global structure of consulting services, it was found that the main suppliers are the largest consulting companies, including the companies of the “Big Four”.

Intellectual knowledge may not be the property of the company, but it takes the form of renting or leasing from the staff. The purpose of the consulting company is their accumulation and development, so the basis of personnel policy of the consulting company is the method of corporate knowledge management. A promising method of attracting and creating knowledge is “direct investment”, which consists in recruiting highly qualified employees with further investment in the development of their intellectual potential.

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