



World Scientific News

An International Scientific Journal

WSN 145 (2020) 168-179

EISSN 2392-2192

Consulting services market of Uzbekistan

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ABSTRACT

This paper investigates consulting services, the essence of consulting, theoretical aspects of consulting. Furthermore, the paper investigates approaches to consulting services, as well as types of consulting, including classification of consulting services by FEACO. Moreover, the article reveals the need for consulting, that is, in what conditions enterprises and managers turn to consulting services, the role and importance of consulting services in the terms of modernization of the economy. In addition, the article describes an analysis of the services market of Uzbekistan, the structure of the services market, examined the share of consulting services in the services market of Uzbekistan.

Keywords: Consulting, service market of Uzbekistan, types of consulting

1. INTRODUCTION

Now, more than ever, the world proves to be a place of endless and fast change. In almost every country, professional business support is a necessary element of market infrastructure. This support is provided through a set of professional services.

Reforms carried out in the economy of Uzbekistan require the rapid and comprehensive development of the service sector. One of the priority tasks is the accelerated development of the services sector, increasing the role and contribution of services to the formation of GDP, cardinal changes in the structure of services, primarily due to the introduction of high-tech types of services.

The service market plays an important role in the country's economy. The development of the country, its integration into the global economy requires an expansion of the range of services, especially in those sectors and industries that determine the functioning of a market economy (Verba Veronika A., 2013).

Development of the national economy depends on a significant number of factors of exogenous and endogenous nature (Serhii Shkarlet, 2018). Modernization of a market economy requires the constant implementation of innovation by each business entity in order to achieve competitiveness. The development of the services market in the face of increasing competition requires not only information and new knowledge about the market, but also the use of consulting services.

Consulting currently occupies an important place in the economy of any country. Consulting industry keeps evolving by the appearance of new players and services on the market.

2. THEORETICAL ASPECTS OF CONSULTING

The theoretical aspects of the field of consulting services are the subject of numerous works by foreign scientists, as well as practitioners in the field of consulting: Kubr Milan, Peter Block, Fritz Steele, Peter Drucker, Philip Kotler.

Well-known marketing theorist Theodore Levitt states: "There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries (Koji Wakabayashi, 2005). Everybody is in service." P. Kotler continues this idea: "In the end, everything should come down to the services sector; the customer who purchases the goods actually buys the services that this goods offer him." (Marek Prymon, 2014). Stan Rapp and Thomas L. Collins write: "Customers do not purchase 'things' as much as they purchase services or benefits to satisfy needs."

According to M. Kubr, professional consulting is a service or method that provides the client with practical advice and assistance.

F. Steele describes the consultation as follows: "By the consultation process I mean any form of assistance regarding the content, process or structure of a task or series of tasks in which the consultant is not responsible for the task, but helps those who are responsible for it." According to P. Block, the consultant is the person who is trying to change or improve the situation, but does not directly participate in the implementation of the action.

Consulting is a professional support provided by consultants to managers and heads of various organizations to analyze their activities and development problems, as well as to provide informed advice and solutions (Ştefan Mantea, 2017).

Consulting is carried out on a commercial basis by suppliers of consulting services. Tough competition conditions place high demands on the quality and effectiveness of consulting services and stimulate customer service (Alexandre Momparler, 2015).

Consulting refers to management recommendations provided by external consultants on a wide range of financial, legal, technological, technical and expert activities. That is, consulting is a set of services that help the management system achieve its goals (Alison S. Munsch, 2016).

Indeed, in a market economy, consulting is a form of entrepreneurship. Consulting is a paid service in the form of information and recommendations that allow the client to increase the efficiency of business (Fig. 1).



Figure 1. Essence of consulting (Google)

The goal of consulting is to increase the level of business efficiency, which is one of the key factors of successful change in a profitable business (Branko Mihailovic, 2016). The range of problems solved by consulting is very wide, in addition, the specialization of companies providing consulting services can be different: from a narrow one, limited to any one direction of consulting services (for example, accounting services, audit), to the widest covering a full range of services in this scope.

The need for consulting arises when there is a need to understand what inhibits the development of the company and in which direction the company should develop (Zivojin B. Prokopovic, 2012).

The starting point for the development of consulting in the world is considered to be the beginning of the 20th century, when powerful technological progress necessitated a revision of the approach to the organization of enterprises, its management and structure. There was a catastrophic lack of information, new knowledge and skills in large business, that could help restructure in accordance with the new conditions dictated by the market. The first consultants appeared in these years: Frederick W. Taylor, Harrington Emerson and Arthur D. Little, whose work in the field of scientific organization of labor and production efficiency brought them world fame. In 1914, Edwin Buz organized the business research service, which became one of the first consulting companies in the world – “Booz Allen Hamilton” (Renato Lopes da Costa, 2014).

To date, in countries with developed market economies, consulting has become an integral part and its most important element, maintaining at a high level the functioning of its infrastructure (N. A. Kharitonova, 2014). This is a huge and powerful market, the volumes of which are quite large and comparable with other areas of business. Sometimes the income of a consulting company exceeds the income of customers.

In developed countries, attracting consultants to solve certain problems in the company is considered not only necessary, which indicates a high level of business reputation, but also a usual thing, the norm. The vast majority of serious economic, managerial and even social decisions are made exclusively with the assistance of external consultants (Nenad Balazin, 2013). The situation in countries with developing economies is somewhat different, due to the not so rich history of the consulting services market. However, the existence of a market economy, albeit in a somewhat backward form, inevitably leads to an understanding of the need for the existence of such a field as consulting.

3. TYPES OF CONSULTING AND CONSULTING PROCESS

The main specific subject of consulting is the production and sale of a product called ‘consulting service’. This process is carried out through the interaction of the subject and the object of consulting. The subject is a consultant, the object is a client (client’s organization and its problems, tasks and processes) (Lars Schweizer, 2009).

In international practice, three approaches to consulting services are distinguished:

- process / project,
- expert,
- training (Tab.1).

Depending on the specific tasks, combinations of these three approaches can be applied at various stages.

Table 1. Approaches to consulting.

Process	Expert	Training
The features of process / project consulting are the joint work of the consultant with the staff and management of the customer company. This interaction comes down to the development and implementation of solutions to optimize the processes in the company, necessary to achieve specific goals.	This approach to consulting services involves the development of solutions and recommendations for the implementation after diagnosis in the customer company. Moreover, the role of the client is reduced only to providing the consultant with the necessary information (access to the information) to assess the situation.	In training consulting, the role of a consultant is reduced to providing the client with the necessary theoretical and / or practical information in the form of seminars, lectures, trainings, and methodological manuals.

As for the types of consulting services, a standard list of consulting types does not exist. Moreover, different consulting companies differently classify the main types or areas of consulting services, guided by their own experience. The international associations of consultants do not have a unified classification, but common features can be found in everyone (Răzvan Cătalın Dobrea, 2017). According to experts, at present, nine main groups / types of consulting services can be distinguished:

- Management consultant,
- Financial advisory consultant,
- Strategy consultant,
- Legal consultant,
- Marketing consultant,
- IT consultant,
- HR consultant,
- Operations consultant.

As defined by the European Federation of Management Consultancies Associations (FEACO), “management consulting is the provision of independent advice and assistance on management issues, including the identification and assessment of problems and opportunities, recommendations for appropriate measures and assistance in the implementation of these measures.” (Răzvan Cătalin Dobrea, 2017). In the Survey of the European management consultancy 2017/2018, 7 groups of consulting services were identified (Fig. 2).

Strategy: these activities support organisations in analysing and redefining their strategies, improving their business operations and optimising their corporate and business planning, business modelling, market analysis and strategy development. It also includes governance of major organisation redesigns, including company-wide transformation/restructuring programmes and strategic advisory in major financial transactions (M&A, IPO).

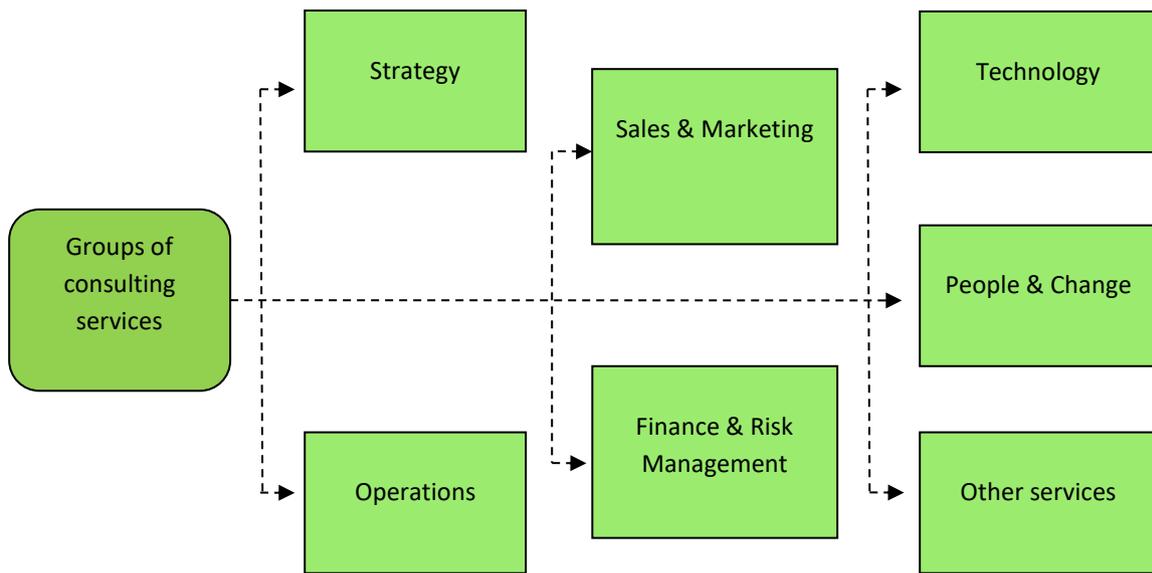


Figure 2. Groups of consulting services

Operations: these activities are related to the integration of business solutions through business process re-engineering; customer/supplier relations management; turnaround/cost reduction; purchasing & supply chain management, including manufacturing, research and development, product development and logistics.

Sales & Marketing: these activities aim to evaluate and redesign Sales & Marketing activities in terms of customer insight and relationship management, sales and channel management, product portfolio management and branding, and digital marketing.

Finance & Risk Management: these activities support organisations in analysing and redefining their planning, budgeting and performance management models and improving their capabilities in measuring and optimising enterprise risks (credit, market, operational, environmental, quality). They also support addressing regulatory requirements and developing compliance management.

People & Change: these activities support organisations in dealing with the effects that change has on the human element of the organisation (Change Management), which also includes Human Resources (HR) Consulting, targeting the improvement of the ‘people’ element of an organisation through HR strategies, performance measurement, benefits, compensations and retirement schemes, talent development programmes and executive coaching.

Technology: these activities support organisations in evaluating their IT strategies with the objective of aligning technology with business processes. These services include strategic support for decisions related to the planning and implementation of new technologies for business applications, including IT Network & Security and Data Centre architecture.

Other Services: these activities include a variety of complementary professional services to management consultancy projects, such as training, market studies, outplacement, executive selection and recruitment.

Consulting can also be defined as an intervention designed to change a set of more or less satisfactory conditions, or take advantage of an opportunity with the goal of improving. The consultancy activity is an extremely complex, participatory activity that involves the interaction between two factors: the consultant service provider and their beneficiary (Ştefan Mantea, 2017).

Consultants do not perform these abovementioned functions themselves, but develop recommendations for their implementation. Recommendations – the most potent marketing weapon in consultancy (Cristina Dacu, 2011). Consultants advise managers how to carry out general management, administration, financial management, implementation of information technology and other functions (Leonid Gitelman, 2017).

Contribution from the consultants is their ability to give a neutral and insightful opinion on the organization’s different ideas, investigations or analyses. Consulting can have a positive impact on business performance (Yoon Hae Oh, 2015).

Consultants and their teams have to properly identify and understand the impact of each project success factors in to improve performance and increase project success rate. In this way, the chances of achieving project objectives could increase substantially considering the classical constraints of time, resources and budget (Eduard Ceptureanu, 2017).

For the development of consulting services, a detailed study of many theoretical and practical issues related to the study of the mechanisms for developing this type of service and their implementation at specific economic facilities is required. It should also be emphasized that the regulatory framework of consulting activity in Uzbekistan is not developed, which at the moment is not regulated by the law that defines the nature, principles of providing consulting services to the end consumer and the operating procedure of consulting companies.

In general, the process of implementing consulting activities is as follows (Fig. 2).

Initial stage. In this phase, the consultant begins work with the client and the foundations of all subsequent work are determined. It usually includes:

- discussing what the client would like to change in the organization and determining how the consultant can help the client,
- clarification of the actions of the consultant and client,
- preparation of a task plan based on a preliminary analysis of the problem,
- negotiating and reaching agreement on the terms of the contract for consulting.

Diagnostics. The second phase is a deep diagnosis of the problem being solved, based on a thorough study and analysis of primary materials. During this period, the parties determine what changes are necessary. The results are summarized and then a decision is made how to orient the work of the client's team on the proposed activities in order to solve the problem and get the expected benefits. Some solutions may appear already during diagnosis.

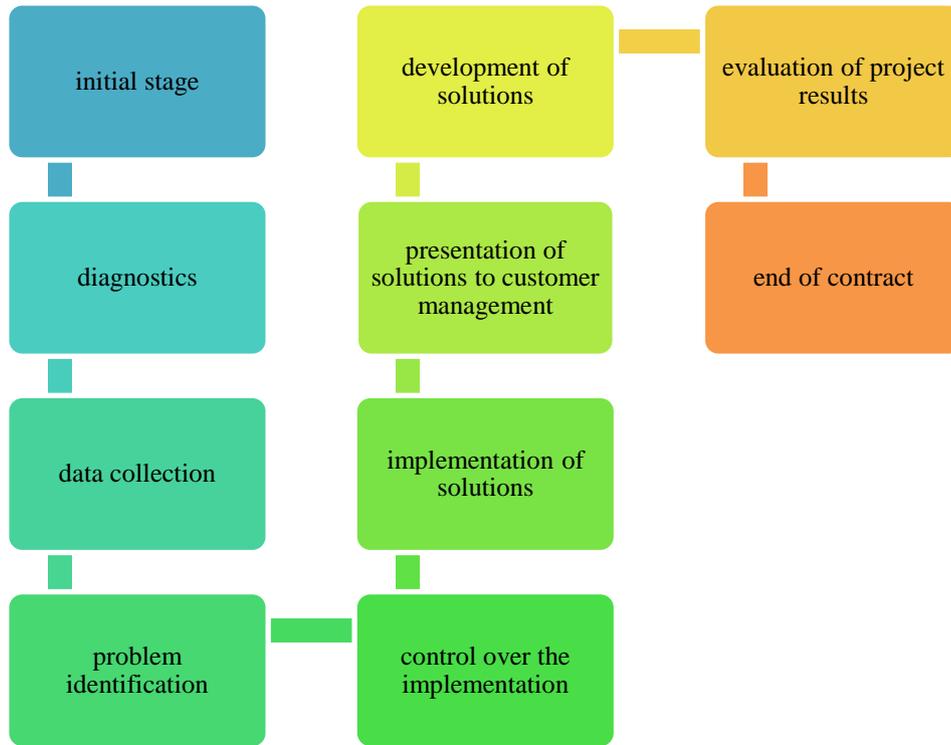


Figure 3. Consulting process

Development of solutions / Action planning. The goal of the third phase is to find the correct, comprehensive solution to the problem. This phase includes work on alternative solutions, their assessment, development of a plan for implementing changes and providing the client with proposals for making a final decision. The choice of approaches is very wide, especially if the client is actively involved in the work. An important aspect of action planning is the development of strategies and tactics for implementing change. It is important, for example, to take into account the reaction from the staff, to calculate all the necessary financial and material resources.

Implementation of solutions. In this phase of the consulting, the correctness and feasibility of the proposals prepared by the consultant in cooperation with the client is carefully checked. Intended changes are becoming a reality. Here new problems and difficulties may arise, incorrect proposals or planning errors come to light. Resistance to changes can differ significantly from what was expected at the stage of diagnosis and planning. It may be necessary to adjust the initial project and action plan.

Completion. The final phase of the consulting process includes several operations. The work of the consultant during the assignment, the methods used, the innovations introduced, as

well as the results obtained should be evaluated both by the client and the consulting organization. At this time, final reports are submitted and accepted. Settlement takes place in accordance with mutual obligations. If there is interest in continuing cooperation, negotiations are ongoing regarding future work. After completion of all these operations, the consultant leaves the client, and the consulting task or project is completed by mutual agreement.

Providing consulting for successful implementation of a project usually include a wide variety of criteria. However, in the simplest terms, the success can be considered to incorporate four basic issues. A project is generally considered to be successfully implemented if: a) it is finished in time (time criterion); b) the cost does not exceed the planned budget (monetary criterion); c) achieve all the goals initially set (efficacy criterion); d) it is accepted and used by the customers for whom the project is intended (customer satisfaction) (Eduard Ceptureanu, 2017).

4. ANALYSIS OF THE CONSULTING MARKET OF UZBEKISTAN

The level of development in the field of services reflects the population's quality of life and the degree of its prosperity. The service market excels with its unpredictability and its considerable segmentation, i.e. it is strongly oriented toward a certain group of customers (Svetla Tzvetkova, 2018).

The main difference between the domestic and Western practice of consulting services is that in Uzbekistan, the management of organizations resorts to consulting services when the problem of imperfection of business processes or inefficiency of production activity becomes significant. Western practice of consulting services is based on the principle of preventing a problem even before it finds itself, which determines the prevalence and applicability of consulting services in all areas of economic activity.

The consulting system in Uzbekistan is only developing, but there are already quite a lot of competent companies with a good reputation that can provide a whole range of management services both in the field of consulting, audit, financial analysis and cash flow management of enterprises, as well as in HR management areas. Most often, large specialists are attracted as consultants on specific issues in Uzbekistan, as a rule, having a scientific degree and public recognition. However, it is still quite difficult to quickly find a good consultant on a particular problem in Uzbekistan, since this market is only gaining momentum, although the prospects for its development are quite obvious.

Evidence of this in Uzbekistan is currently of particular development and value is acquired by intellectual human labor, the division of which creates a huge number of specialties and professions that require special scientific training, a large number of jobs, a high degree of integration of joint human efforts and the growth of social welfare. These trends are directly related to services and management, which leads to its accelerated growth relative to other areas of human activity. It is characterized by higher profits than industrial and agricultural sectors of the economy.

At the same time, the list of services is constantly expanding. As of January 1, 2020, the total number of operating enterprises and organizations in the republic reached 398.1 thousand units. In total, 262.0 thousand units were involved in the services sector. As of January 1, 2020, the share of enterprises and organizations operating in the service sector amounted to 65.8%. Over the period under review, the share of enterprises and organizations engaged in industry

reached 17.7%, in construction - 9.1% and, only 7.4% operates in agriculture, forestry and fisheries (Fig. 4).

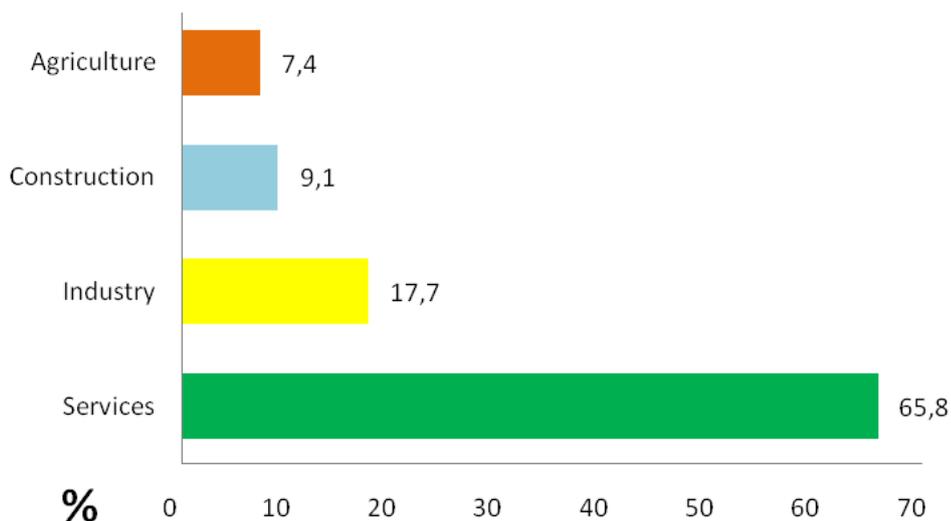


Figure 4. The structure of enterprises as of January 1, 2020

Of particular importance in the state economic policy is given to the development of modern types of services, for example, such as information and communication types of services (mobile communications, Internet, digital television), as well as modern types of financial services (banking services, leasing, insurance, audit, consulting). A factor in the growth of market services rendered in relation to 2018 is an increase in the volume of such types of services as financial (154.6%), transport services (105.6%), communication services (108.0%) and trade services (105.1%), educational services (106.8%) (Fig. 5).

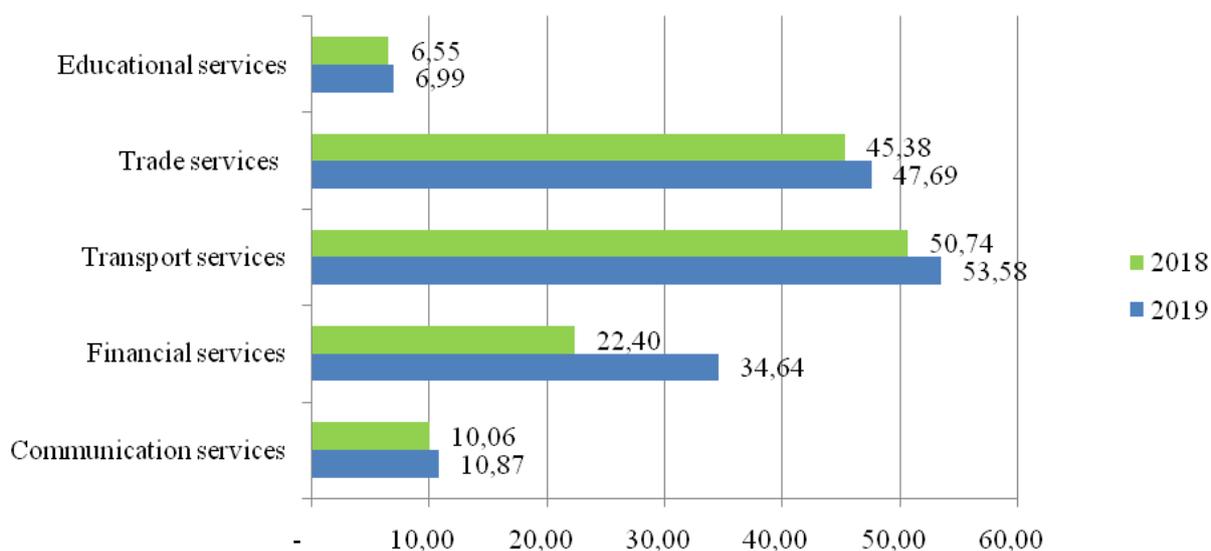


Figure 5. Services growth rate for 2019 to the previous year (in trillion Uzbek soums)

World experience shows that today professional consultants are able to help solve a managerial problem of any type in an organization of any size and character. If new problems and needs arise, without a doubt, a specialist consultant will certainly appear who will try to become an expert in this new area. World experience shows that today professional consultants are able to help solve a managerial problem of any type in an organization of any size and character (Thomas Gehrig, 2010). If new problems and needs arise, without a doubt, a specialist consultant will certainly appear who will try to become an expert in this new area.

5. CONCLUSIONS

Consulting is a professional support provided by consultants to managers and heads of various organizations to analyze their activities and development problems, as well as to provide informed advice and solutions. Consulting is carried out on a commercial basis by suppliers of consulting services.

Tough competition conditions place high demands on the quality and effectiveness of consulting services and stimulate customer service (Adeline A. Pacia, 2015). In this regard, for the development of the consulting services market in Uzbekistan, the activities of a consulting company providing a wide range of services should be subject to a number of requirements, the main of which are the following:

- the consultant / consulting company must possess the proven technology for solving problems and the necessary skills in formulating an organizational diagnosis, strategic planning, using information systems, as well as methods for analyzing and forecasting the economic situation, diagnosing the general production situation, establishing contacts,
- must have a learning effect on clients,
- implementation of activities such as partnerships with leading foreign consultants to ensure the integration of local consultants in international projects,
- in order to accumulate, analyze, process and use the experience gained, the consultant / consulting company must work with many clients.

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