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EVALUATION OF THE MARKET OF CONSULTING SERVICES OF UKRAINE IN THE CONDITIONS OF CHANGES

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Abstract

This study analyzes the market of consulting services in Ukraine under conditions of change. It covers such aspects as the concept and legal framework that regulates the provision of consulting services, the scope of the consulting market and the problems that arise in the conduct of consulting activities. The situation on the Ukrainian market is highlighted in comparison with world standards, in particular with the participation of global players. The main characteristics of the world market are observed in the Ukrainian market of consulting services, since the majority of it consists of companies that are representatives of large international players. However, a difficult problem is the lack of proper regulation of the legal definition of the relevant activity, which makes it difficult to carry out statistical accounting of enterprises in this sector. It is worth noting that competition continues to grow in the modern global consulting market, which leads to the departure of some small and medium-sized firms.

Key words: *consulting, consulting services, market of consulting services, consulting company, changes.*

Introduction

The consulting services market of Ukraine is experiencing significant changes due to the geopolitical situation, economic instability, the COVID-19 pandemic and full-scale war. These factors force Ukrainian enterprises to adapt to new business conditions, which leads to an increase in demand for consulting services.

Formulation of the problem

The market of consulting services of Ukraine is experiencing significant changes related to the geopolitical situation, economic instability and technological innovations. In 2022, the market volume was 53,620,000 EUR, which is 10% less than in 2021. This decline is due to the full-scale war that began in February 2022.

The war significantly affected the consulting market. Many consulting companies were forced to suspend their activities or close altogether. On the other hand, there is a new demand for consulting services related to war risks, crisis management and business recovery.

The economic crisis caused by the war also has a negative impact on the consulting market. Enterprises are cutting costs, including on consulting services.

Technological innovations also affect the consulting market. New consulting services related to digital transformation, artificial intelligence, blockchain and other technologies are emerging.

The growing demand for consulting services causes the transformation of auditing, legal and evaluation companies into commercial associations that provide a comprehensive range of services.

In the conditions of these changes, there is a need for an updated assessment of the market of consulting services in order to understand its current state, trends and prospects for development.

Analysis of recent research and publications

Problems and prospects, the main theoretical and methodological principles of the formation of the Ukrainian consulting services market are explored in their works by N. R. Stasyuk, V. Onyshchenko, O. Vasiliev, A. Nimkovich, V. S. Raikin, and O. V. Makara. and other.

The purpose of this study is to evaluate the market of consulting services of Ukraine in the conditions of changes, as well as to identify key trends and factors affecting the development of the market.

Presenting main material

Consulting as a specific type of economic activity arose at the beginning of the 20th century, when technological progress required new knowledge and skills for success in a competitive environment. Enterprises could not generate this knowledge on their own, so consulting firms appeared.

The first consulting service was founded by U. Booz in 1914 (Booz Allen Hamilton). By the 30s of the 20th century, consulting was formed as a separate industry.

It became clear that without strategic, marketing and personnel planning it is impossible to develop business productively.

Not only business structures, but also states became interested in consulting, because the knowledge of consultants in certain areas became the key to success.

In 1926, the company McKinsey&Company appeared, founded by J. McKinsey and E.T. Carney, which became one of the most famous consulting companies in the world [1, p. 184].

Consulting is the provision of consulting and information support services in various fields of economic activity. It can be not only in the field of jurisprudence, finance or management, but also in the technical field.

CTEA-2010 contains whole groups of activities that can be considered consulting, for example:

• Consulting on commercial activity and management (70.22);

• Consulting on informatization issues (62.02);

• Activities in the field of accounting and auditing; tax consultancy (69.20);

• Marketing consultations (included in 73.11);

• Medical consultation and treatment in the field of general medicine provided by general practitioners (includes 86.21) [2].

Since most areas of consulting do not require licensing, it is quite difficult to reliably estimate the size of the consulting sector and its share in the economy of Ukraine. The lack of reliable information about the market of consulting services creates problems both for the consultants themselves and for their potential clients.

The lack of data on the number of operators on the market, types of consulting products, their characteristics, the cost of consulting services, the effectiveness of consulting companies makes it difficult for potential consumers to navigate the market and creates conditions for poor-quality competition [3].

Currently, the following types of consulting services are offered on the domestic market:

– IT consulting.

– Financial consulting.

– Legal consulting.

– Marketing consulting.

– Evaluation activity.

– Management consulting.
– Production consulting and others.

The market of consulting services is actively developing and has significant potential for further growth. This is primarily due to the use of IT technologies that allow consultants to provide more efficient and effective services.

Table 1 shows the main indicators of the volume of implementation of consulting services in Ukraine for 2018–2022.

Table 1

The volume of realized consulting services, thousands of EUR [4]

	CTEA-2010	**2018**	**2019**	**2020**	**2021**	**2022**
Activities in the field of accounting and auditing; tax consulting	69.2	1,090	1,295	1,198	1,258	1,302
Activities of the main departments (head offices); management consulting	70	8,000	9,706	10,833	11,742	12,014
Management consulting	70.2	1,652	1,960	2,278	2,389	2,464
Activities in the fields of architecture and engineering, provision of technical consulting services	71.1	7,894	9,518	11,222	11,908	12,404,000
Research of the market situation and identification of public opinion	73.2	1,279	1,480	1,684	1,730	1,762
Other professional, scientific and technical activities	74.9	3,378	3,930	4,494	4,644	4,778
Provision of other information services	63.9	6,629	7,980	9,364	9,944	10,356
Provision of auxiliary commercial services	82.9	12,168	14,000	15,844	16,289	16,478
Together with consulting services	–	18,215	20,950	21,687	22,389	22,803

The total volume of implemented consulting services in Ukraine during 2018–2022 was constantly growing. In 2022, it was 16,478,000 EUR, which is 26.3% more than in 2018.

The highest rate of growth in the volume of consulting services was observed in 2019 – by 17.9%. This was facilitated by favorable macroeconomic indicators, such as GDP growth, stabilization of the political situation, and a decrease in the MJU discount rate. Also, the growth of the needs of Ukrainian enterprises in consulting support is connected with the strengthening of competition, the complication of tax legislation. The largest share in the structure of the consulting services market in 2022 was occupied by activities in the field of accounting and auditing; tax consulting – 14.56%.

As of 2022, there were about 1,000 consulting companies in Ukraine. According to the main ratings, the leaders of the Ukrainian market include: Deloitte Ernst & Young, KPMG, PwC, McKinsey & Company. These companies have considerable experience in the Ukrainian market, offer a wide range of consulting services and have a high reputation. The "Big Four" are the dominant force in the global consulting services market, accounting for about 35% of the global market.

Table 2

"Big Four" in the global market of consulting services, 2021 [5, 6, 7, 8]

	Total revenues, billion euros	**Income from consulting, billion euros**	**Market share,%**	**Number of employees, persons**
Deloitte	41,71	15,86	11,5	330
PwC	35,69	14,01	10,1	330
EY	30,22	12,16	8,8	330
KPMG	30,01	13,39	9,6	330

Deloitte is the leader of the "Big Four" in terms of total revenue, consulting revenue and number of employees. The company has offices in 150 countries around the world and serves a wide range of clients, including private companies, government agencies and non-profit organizations. In May 2020 (London, Great Britain), the authoritative European Tax Awards rating from the international tax publication International Tax Review (ITR) recognized Deloitte in Ukraine as the best national company providing professional services in the field of taxation in 2020. The main selection criteria have traditionally been the scale of the deal, value, complexity, innovativeness and impact of the projects completed in 2019 [8].

Ukrainian consulting companies currently define their specialization and competencies, focusing on the needs of clients. The level of development of consulting in the country is assessed by the rate of market growth and the share of the consulting sector in GDP.

In Europe, over the past 10 years, the share of consulting business in GDP has increased from 0.24% to 0.66%. The highest figures are in Great Britain (1.02%), Germany (0.88%) and Spain (0.76%). According to the estimates of the magazine "Expert Ukraine", the capacity of the Ukrainian consulting market tends to grow by 10% annually [9].

At this stage, the share of the consulting sector in Ukraine's GDP is still significantly lower than in European countries, but has potential for growth.

Ukrainian consulting companies are recommended to define their specialization and competences, focusing on the needs of clients, as well as to use the latest technologies, such as BigData and machine learning, to increase competitiveness.

Conclusion

Thus, the total volume of consulting services provided in Ukraine for 2022 can be estimated at EUR 16,478,000, which is 26.3% more than in 2018. Since most areas of consulting do not require licensing, it is quite difficult to reliably estimate the size of the consulting sector and its share in the economy of Ukraine.

As of 2022, there were about 1,000 consulting companies in Ukraine. In particular, representatives of leading consulting firms that are leaders in the consulting business, including the Big Four.

The market of consulting services in Ukraine has a lot in common with the world market, because a significant part of it is occupied by representative offices of large international companies.

However, there is a significant problem: the lack of a clear legal definition of consulting activity. This complicates statistical reporting and prevents a clear outline of the structure and directions of cooperation between Ukrainian companies and consultants.

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