

## Chapter 28

# International Applications of Knowledge Intensive Services of Management and IT Consulting in Transitional Countries

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### ABSTRACT

*Management and Information Technology (IT) consulting, both in Ukraine and in Serbia, are still in their developmental stages. Most problems they meet are due to a lack of managerial and restructuring experience in a free-market economy. However, significant innovation as well as necessary managerial education and IT infrastructure improvement have been achieved to make them affordable and attractive to a large range of organizations in these economies in transition. Their historical development, current trends, segments of activity, implementation areas, challenges and problems usually met in business practice, and a number of cases and managerial implications of their possible solutions are discussed in this chapter.*

### INTRODUCTION

Knowledge-intensive services, such as managerial and IT consulting, constitute a significant sector of the economy (with about 30% of the US workforce engaged in them). The companies in these industries are in critical need of better

management tools to improve their performance, because achieving higher levels of productivity and efficiency in them has been particularly difficult, due to the operations requiring high service product customization, fairly loosely structured delivery processes, and significant involvement of the customers, demanding cost-effectiveness,

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high-quality solutions, and application of new technologies.

In the transition from centralized to free-market economies since early 1990s, businesses development had largely been under the stress of converting state-owned enterprises to private ones. Throughout the years of “perestroika”, many companies faced challenges of managing old, inefficient processes, inadequate for competing under free-market conditions. The breakup of federations of the Soviet Union and Yugoslavia deepened these, already crumbling economies, by creating separate independent countries, thus requiring firms to establish economic ties with multiple states, while relying on the latest technological innovations.

This gave space to the development of management and IT consulting. The body of academic literature has generated limited guidance regarding little-researched knowledge-intensive service industry in non-US, less developed countries. Ukraine and Serbia, as examples of states that recently became independent, lagging behind in economic development, but with fast developing service sector, have a lot in common.

## **MANAGEMENT CONSULTING SERVICES IN UKRAINE AND IN SERBIA**

Managerial consulting is still in its infancy in most East-European countries in transition, such as Ukraine and Serbia. Typically, company’s management seeks help from professional consultants in two cases: in order to restructure the firm’s management system or to lead the organization out of the crisis-situation.

The management turns to a consultant’s services mostly for the following reasons (Fuxman, 1997; 2003):

1. To solve general, global problems occurring in the crisis-situation, as the management

occupied with daily operations cannot concentrate on those larger-scale problems.

2. To obtain an objective evaluation of the company’s present situation from an independent expert.
3. To receive an objective managerial advice in a complex market situation, when ever-increasing competition is present.
4. To initialize the restructuring of the firm.
5. To get an objective evaluation of the firm’s economic and financial status, in order to improve the company’s financial management.
6. To introduce a new information support system, based on some new management technology.
7. To develop solutions to the crisis as well as to discover and solve related problems.

The growth of the consulting business in these two countries can be attributed mainly to the fact that managers turn to the consultants only when in crisis. Since more and more firms are experiencing crisis-situations (especially in the period of global financial and economic crisis), and managers are incapable of solving problems themselves, management consulting has become the primary choice. The requests from consultants by Ukrainian and Serbian top managers are quite specific, as they expect the consultants to:

1. formulate the problem,
2. solve it,
3. monitor the implementation of the solution,
4. retain responsibility for the results, and
5. evaluate the efficiency of the proposed solution.

The top management usually assumes only the control function, so that if a consultant does not follow the above steps, the chances of the consultant’s suggestions to be actually applied are minimal, as the top management may lose the willingness to implement the reforms and either cannot or does not want to solve new problems

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