



Distorting Economic Balance and its Consequences on the Regional Market of Consulting Services

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ABSTRACT

At the present time on the background of the stagnation of the professional consulting services market, the potential capacity of this market is rather sufficient to be attractive for investments. On the basis of the survey according to the representative selection of consulting companies and representatives of small and medium-sized business of the South-East of the Republic of Tatarstan, the spread between the demand and the supply on the regional market of consulting services was revealed. The market of consulting services in Almetyevsk was analyzed. Based on the obtained results, offers on using the potential of the regional market of consulting services and decreasing the stable “spread” between the demand and the supply were presented.

Keywords: Consulting, Machine-Building Enterprises, Marketing Strategy, Immersed Pumping Machinery, External Markets

JEL Classifications: L10, M31, L64, L84

1. INTRODUCTION

The area of services is a quickly developing sector of the modern economy. The developing market required creating and then expanding the area of professional services (Goncharov, 2006). The most essential changes on the services market are related to the transformation of the demand for consulting services. The need in them is realized more and more (Magomedov, 2010).

Defining a stable “spread” between the demand and the supply on the regional market of consulting services.

The market economy gravitates toward the balance, i.e., equation of the competitive strengths-demand and the supply. This state is achieved due to equalizing the number of goods and services consumers want to acquire with the number manufacturers strive to sell. At the initial stage of the research, on the basis of the public resources, an aggregative list of consulting firms of Almetyevsk

was formed and corrected taking into account the experts’ opinion (Iudina et al., 2016). The goal of the research is to confirm the need of owners and hired managers of enterprises of small and medium-sized business of the South-East of the Republic of Tatarstan (SERT) in professional consulting assistance for business.

2. METHODOLOGY

The essence of consulting lies in temporary strengthening of the enterprise management system when solving some serious problems by involving qualified unbiased specialists who can look at these problems sideways, and taking into account the experience of solving such problems with other enterprises (Voložhanin and Voložhanina, 2013).

It is positive that consulting provides the entrepreneur (consumer) with the deficit management resource at the required time and in the required volume, under the hiring conditions and without

need to pay for preparing and maintaining the specialist on the staff. The position of the service provider forms the supply of consulting services.

It is still early to talk about the balance on the market of consulting services of the city of Almet'yevsk because it is possible to observe a stable "spread" between the demand and the supply. There are vivid problems. The first one is related to the actual (quantitative) incompliance of the demand for consulting services (the consumer needs) and supply of the consulting product (the supplier is ready). The second one goes from the different perception of consulting by suppliers (they are ready, but under specific conditions) and consumers (they need it, but free of charge).

In order to confirm this conclusion, let's analyze the demand and the supply on the market of consulting services.

The supply of consulting services is formed under the impact of two factors:

1. Demand from potential customers
2. Knowledge and skills of consultants.

Not so long ago a lot of investors considered consultants' services to be a senseless waste of money (Lomakina, 2009). The service provider must have sufficient knowledge and skills to study resources of the company, results of its activity, and management policy in order to define its weaknesses and strengths, and key problems (Elmashev, 1989). However, the quality of services provided by firms from Almet'yevsk is not high: Low reputation as a consequence of low professionalism of consultants, the backwardness of business mentality of entrepreneurs, and the lack of strategic directionality in their development. It characterizes the local market of consulting services.

It is offered to carry out the survey according to a specific (the most successful) selection for the purpose of describing "the portrait" of the supply on the regional market of consulting. Besides, it is offered to conduct another survey according to the representative selection of enterprises of small and medium-sized business of the SERT. It is also offered to classify them according to groups (sectors). This approach will allow to reveal the demand for services and its elasticity.

2.1. Analysis of the Research Results

The analysis of surveying representatives of consulting services in the Almet'yevsk city showed the general opinion that the supply "follows the demand," but it cannot form it yet.

The decrease in the "spread" between the demand and the supply is observed only in the area of legal and accounting consulting services, because financial and legal consulting was traditionally considered as demanded areas of consulting. In information technology (IT) consulting there is a good potential capacity of the market. On the other hand, this capacity is limited by quantitative parameters of the supply and its quality.

While grouping consulting companies according to types of the rendered services, the following correlation was obtained:

- About 30% of companies-financial consulting
- About 25% of companies-IT consulting, and
- 15-18% of companies-legal and technical consulting.

It is possible to note that in the future the increase in the "spread" between demand and the supply will not be observed in these areas of consulting.

Consumers of services form the demand. The data of the survey of the city entrepreneurs predictably show that there is a deficit (about 80%) of professional management competences. The analysis confirms that every fifth entrepreneur of the city of Almet'yevsk personally experienced the efficiency of consulting. It strengthens potential demand for it. There is an increased interest to separate services that can solve the customer's specific tasks.

Studying the survey of potential customers of consulting services showed the dominance of interest in financial consulting and audit (16.87%), then legal and marketing consulting is demanded (13.25% each). The next ones are business estimation (objects, personnel, and potential), and production and technical consulting (10.84% each). Business displayed the least interest in personnel consulting (2.41%-4 persons of the surveyed) and management consulting (4.82%). Taxation consulting remains demanded although there are no obvious tendencies to its increase. Marketing consulting in the city of Almet'yevsk is not represented at all. There is no market at all, and there is even nobody to create it (the supply is restricted).

When stagnation is outlined in economy, the market of consulting services in countries with the developed market economy displays an increase: Companies actively search for ways to strengthen their positions and ways to develop. That is why they contact consultants for strategic management, marketing, and taxation planning services more often. By now the stagnation of the market has not caused such effect, and the main demand is brightly expressed only in the area of legal and accounting consulting services.

2.2. Defining the "Spread" on the Market of Consulting Services

A stable "spread" between the demand and the supply on the market of consulting services in the city of Almet'yevsk is confirmed by the result of researching surveys of both services providers and their potential consumers. In the future it is possible to decrease the "spread" because the demand is mainly formed not under the impact of the price factor but depending on the potential profit for the consumer that hypothetically can be obtained due to acquiring the service.

Obviously, the need to maintain business will make the corporate sector more thoroughly approach expenditures planning and decrease in expenses, and postpone for some time plans related to the external aid (i.e., consulting companies).

It is necessary to let consumers understand that consulting is an intensive professional help provided on the time basis for managers and organizations with solving their tasks, as well as to let consumers realize two important moments:

- Firstly, solving tasks of the enterprise is the result of the joint activity of the enterprise and consultant
- Secondly, upon the project completion the consultant not only avoids building-in the customer's structure and maintains the independent position in relation to him but also guarantees informational safety of the customer for his part.

Consequently, it is possible to state that there is definite potential of "entering" and development (that very "spread" between demand and the supply) on the market of consulting services of the city of Almet'yevsk. There is the considerable potential of entering sub-markets of the legal and financial consulting. There is small potential of the IT consulting market. However, this potential is greatly limited by the quality of future services. As the number of non-professional consulting services grows in the arithmetic progression, the potential capacity of the market will decrease in the geometrical progression.

2.3. Detailing the "Spread" according to Groups

Let's consider detailing of the "spread" according to the groups (sectors). Let's visualize the results of the survey and opinions of representatives of consulting companies ("supply"), as well as owners and managers of enterprises of small and medium-sized business of the city of Altemievsk ("demand").

It is important to understand the great importance of the sector of small and medium-sized business that provides an opportunity to make energetic breakthrough in social and economic development. Peculiarities of the small business include the ability to accelerated implementation of investments, high turnover of funds, and active innovational activity that contributes to the accelerated development of various areas of economy. Small business is focused on the market, faster reacts to its changes, reveals needs in the goods required by the society, and satisfies demand for it (Meliakova, 2005).

"The spread" assumes the violation of the balance between the supply and demand. However, this state of the market will not necessarily be achieved by a perfect combination of quantitative parameters of sellers and buyers. The situation characterized by the opposite dynamics of the demand and the supply is possible.

3. RESULTS

The research results showed that identically (proportionally) unsatisfactory state of the demand and the supply could characterize their balanced state.

1. The lack of management consulting supply did not predetermine the relevant level of the demand for it (Efremov, 2003). The need in this type of consulting is on the low level, because only 16% of the surveyed entrepreneurs and managers displayed interest in it. The level of the "spread" between the demand and the supply of management consulting is defined as low.
2. The area of the activity of the representative of estimation consulting can be characterized by monopole state. That is why the level of supply is estimated as low. Since 50% of the entrepreneurs and managers displayed interest in this type of

consulting services, it is possible to judge about the excess of the demand over the supply. The balanced state is peculiar of financial consulting because both high supply and extensive demand for it are observed. Taxation consulting is prioritized. It can help in issues related to planning and optimizing taxation policy of the organization (Schwarz, 2015).

3. IT consulting, which is mainly focused on large corporate companies, displays high supply on the market. On the market the need in IT services is lower than its supply. It is reflected on the violation of the market balance. The divergence of these conclusions is based on the fact that the demand for IT services was estimated according to opinions of other members of the market, and the main customers include corporate customers.
4. The only area of consulting where the income dynamics is positive is training consulting (corporate business training). This fact shows the increased attention of customers to these services. The dynamics and level of the demand and the supply of training consulting are in tandem. It stipulates their balanced interrelation.
5. The refusal of the only representative of personnel consulting to participate in the survey on revealing problems of the consulting services market does not allow to fully estimate the reasons of low supply in this area. Besides, little interest in personnel consulting services was displayed by business representatives. Relations in the Russian selection of personnel are established on the basis of the specificity of the approach to creating organizational structures: Engineering manpower, management-according to the clannish system, and operating personnel-according to the unified system of selection. Mutually low state of the demand and the supply is expressed by the balanced state in this area.
6. Visually in legal consulting ideal (unified) correlation of the demand and the supply is observed. However, it does not exclude problems related to the quality of legal services provision. In this type of consulting it is impossible to estimate the real number of "players" on the market who render legal services. It is caused by the formation of the niche of sellers in non-official shady economy that cannot be processed statistically (Krol and Purtova, 2007).
7. Marketing consulting is in the most critical state (to be more exact, there is no marketing consulting). The demand for marketing services has potential nature but the supply in this area would not provide actual demand. The need in the aid on selling products and marketing researches is realized, but the fear of low quality of the rendered services is rather high. In its turn this fear on the part of the current demand and high transaction expenditures make this area unattractive for the supply and restrains its development.
8. In the area of technical consulting it is impossible to state about forming the profile of orders under the impact of the demand and the supply laws. The balanced state in this area of consulting is provided by the availability of companies that solve problems of specific consumers. This fact excludes the notion of the competitive fight and other "spontaneous" laws of the market economy. That is why little need in technical consulting is almost entirely satisfied. It provides the state of balance of the demand and the supply. Any demand arising in this segment will be immediately filled with the aid of the

company that was specially established and most probably affiliated with the parent company that is the demand bearer. The demand for expert services is gradually (very slowly and only subject to the relevant demand of consulting companies) supplemented with the demand for processual consulting (Tslaf, 2011).

Thus, detailing “the demand” between the demand and the supply on the market of the city of Altemievsk does not contribute to considerable optimism even subject to real demand for separate services.

4. DISCUSSION OF THE RESEARCH RESULTS

Offers on using the potential of the regional market of consulting services. Today the consulting market of the city of Almeteyevsk is not attractive for any significant investments. There is also no point to liquidate the companies that operate on this market if their income does not decrease, and they have a basic serious contract, or the customers’ base.

It is reasonable to enter this market only under condition of the occurrence of vivid features of overcoming the economic stagnation and recession. In addition to improvement of general macro-economic indicators (growth of the internal product, investments inflow, etc.) on the regional market, such features may include the occurrence of large-scale projects, successful lobbying of interests of regional “anchor” corporations.

In this case it is necessary to form the market from far off by attracting famous personalities, i.e., distinguished charismatic consultants who have real results (“before” - “after” - it was easy to do).

It is necessary to focus on the fact that consulting can really become useful for potential customers. It is necessary to show that consulting can help to solve not only strategic tasks but also the current problems, including those related to unfavorable environment and worsening market situation. Consulting services are urgent when implementing any project (Posadskiy and Hainish, 2010).

Today under conditions of the worsening macroeconomic situation, a lot of companies strive for decreasing their expenditures in spite of the fact that expenditures in business are resources for creating the value. A lot of companies even try not to think about the possibility to solve a number of problems related to economy with the aid of consulting services. They consider it to be a paradox because there is a stereotype perception of consulting and outsourcing as the prerogative of rich entities. It is reasonable to constantly demonstrate examples of high quality solving of negative (crisis) situations of customers.

Often willing to discuss their specific problems, potential customers think that consulting may offer only common universal solutions. It is necessary to show real examples of solving specific

problems of customers to potential clients. Herewith, it is desirable to involve customers’ companies for the demonstration. These are users of consulting products who must estimate the effect of the interrelation in the consulting format (Shohov, 2009). This is the only way when consulting companies can form reputation and goodwill.

Earlier or later every company undergoes a crisis of its development that lies in the use of new sources of efficiency in strategic work (Prigozhin, 2006). For a number of reasons (payment incapacity, low informedness, etc.) managers, being even in need for consulting services, find it difficult to select a consultant. Probably they have no time to look for a competent consultant and they search for him on an intuitive and casual basis. It is reasonable to work out the procedure of selection (choosing) of consultants for large urban projects under maximum level of the customer’s involvement (Marinko, 2013).

It is necessary to systematically demonstrate results of the interrelation of subjects of small and medium-sized business with consulting firms, because the role of consulting in the development of small and medium-sized entrepreneurship is important (Kaluzhnova and Mrochkovskiy, 2013).

The ability to implement consumers’ wishes better and faster than competitors is a key to successful sales and long-term relations with customers (Garifullina et al., 2013). Under modern conditions the business needs continuous comprehensive consulting rather separate consulting services on various functions (Beliaeva, 2009).

There is high probability that the company will get an additional effect in the form of the prestige increase as a consequence of using consulting services (sufficient funds and well-developed business culture). Herewith, it is necessary to provide the presence at the event of a wide circle of potentially interested visitors and mass media.

Not always managers of small or medium-sized business entities can correlate expenditures and results of the consultants’ work, and correctly use their services. It is rather easy to correct tactical actions. However, the change of the incorrectly selected strategy comes with considerable financial and other losses (Ashirova, 2012). It causes cost-based consulting and growth of the customers’ distrust. At the stage related to forming the name, consulting companies must perform “post-sale” servicing of the customer to cover expenditures, i.e., without earning profit from it.

5. CONCLUSION

It is offered to conduct a cycle of seminars with the participation of entrepreneurs of the city and managers of organizations together with the city services agencies (Administration, Trade and Commerce Chamber, Social Insurance Fund, etc.) to perform explanatory work. It will be helpful both for the consumers of consulting services and their providers. Participation of the city services agencies will allow to emphasize the importance of the event. It is possible to carry out roundtable discussions with representatives of consulting firms or include the consulting block

in events of higher educational establishments. Positive effect is created if city students-future entrepreneurs and managers-obtain knowledge about the prospects of consulting. Conduction of an all-city contest on defining the best consulting firms and providing them with diplomas and wide media coverage will also allow to attract attention of the services consumers. The requirement of the consumers is high quality servicing. It means that it is necessary to constantly increase the qualification of consulting experts and provide the activity with the confirming documents. The creation of the local consulting rating can be taken into account in case of voluntary certification, and have another more or less substantiated preferences.

Thus, we can see that the demand for consulting services in the city of Almet'yevsk is rather specific. Perspectives in terms of forming a stable demand are not large, and are mainly defined by macro-economy (level of competition on sectorial markets, payment ability of enterprises) and global political processes.

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