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## THE DEVELOPMENT OF THE CONSULTING INDUSTRY IN CHINA

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Together with the present situation regarding the consulting in China, some of the development trends as well as existing problems affecting the industry are analyzed. A special attention is paid to the sphere of organizational human capital. Distinctive features as well as traditional and new activities of the management consulting market in China are identified and some suggestions in order to improve the situation are made.

*Keywords:* consulting industry; management consulting; consulting market; human capital; eco-system.

## РАЗВИТИЕ КОНСАЛТИНГА В КИТАЕ

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Наряду с текущей ситуацией в области консалтинга в Китае, анализируются некоторые тенденции развития, а также существующие проблемы, оказывающие влияние на данную отрасль. Особое внимание уделяется сфере человеческого капитала организаций. Определены отличительные черты, а также традиционные и новые виды деятельности рынка управленческого консалтинга в Китае и предложены некоторые меры по улучшению ситуации.

*Ключевые слова:* индустрия консалтинга; управленческий консалтинг; рынок консалтинга; человеческий капитал; эко-система.

In recent years, China's consulting industry has made great achievements and its overall scale is increasing. The number of advisory institutions is growing and the marketization is improving. Moreover, the scale of consulting practitioners with the proportion of those with higher education and the degree of specialization are continuously increasing. The assets of consulting firms have been continuously increasing, consulting income has been rising year by year, and social benefits have become increasingly prominent.

Nevertheless, China's consulting industry also has some shortcomings. Compared with the traditional labor-intensive industries, consulting is a knowledge-intensive industry, which pays attention to the accumulation of experience, and therefore it is difficult to achieve a qualitative leap in a short time. Restricted by the overall development level of the national economy, some enterprises lack in funds, and unable or not willing to invest in consulting agencies to help the development of enterprises. The traditional consulting industry in China is a kind of social welfare undertakings, and its funds are directly from the national administrative appropriations, usually free or low cost services, and therefore the social and economic benefits of consulting services cannot be reflected reasonably.

Alongside with economy development foreign-funded and private «information consultation» and «market research» companies appeared in China in the early 1990s, providing standardized consulting services for enterprises, whereas in the mid-1990s, foreign management consulting firms entered into China massively, such as McKinsey, Andersen, Roland Berger, BCG, Gallup and Price Waterhouse Coopers, since then, the management consulting industry has started the stage of professional development [1, p. 128]. Some domestic management consulting firms emerged in the late 1990s, such as Pilot, Han Consulting, Bexcel Management, GEI, allpku, and Shidai Ruicheng [1, p. 128]. At the beginning of the 21st century, the management consulting industry involves the most advanced management tools and models as well as modern IT technical means, providing comprehensive and systematic services for enterprises.

China's management consulting market in 2019 occupied the 6th position among the countries of the world (the USA, United Kingdom, Germany, Australia and France were the leaders) [2]. For example, the top five institutions on the list of «China's Top 50 Management Consultants 2019» were: Beijing Huaxia Keystone Enterprise Management Consulting Co.,

Ltd., Beijing Xinsuo Consulting Co., Ltd., Shanghai Junzhi Enterprise Management Co., Ltd., Shanghai Huacai Management Consulting Co., Ltd., and Guangzhou Zhongda Management Consulting Co., Ltd.

So, the management consulting industry in China began to develop only in the 1990s, when foreign corporations started investing in China and has grown 5.8 % per year on average between 2016 and 2021 (has increased faster than the economy overall) [3]. The increase in FDI in China in 2020 (together with the global decrease by 42 % [4]) also promotes the situation on the consulting market. All in all management consulting in China market size, measured by revenue, in 2021 is 33.8 bn US Dollars, whereas the size of the above-mentioned market in the world leader – the USA – 241.6 bn US Dollars [5].

In general, Chinese management consulting institutes could be classified into the following three kinds by their scales and operating features. 1. Consulting firms (have a certain scale with clear product lines and adopt corporate operation), which can be further divided into comprehensive consulting companies, professional consulting companies and consulting companies specialized in a certain industry. 2. Studios: often have an intermediate scale and consists of about 30 employees and are featured by their dependence on a certain capable person, expert or boss or expert. 3. Private consulting teams, which mainly consist of less than 10 people (this kind of consulting firms accounts for an exceptionally large portion in the market) [1].

Let us consider some of the important trends in the sphere of consulting in the context of organizational human capital:

1) from 2012 to 2019, the overall trend of the total number of employees in the sphere of consulting has been basically flat, while the total number of professionals has maintained a slight upward trend;

2) project income decreased slightly and per capita performance improved steadily; the average project income showed a small downward trend; per capita efficiency has achieved steady growth for five consecutive years since 2015;

3) the number of highly educated consultants increased, but the quantity of professional titles is still insufficient; the number of master's and doctoral degrees increased by 19 %, accounting for 44 % of the total staff; those with bachelor's degrees fell by 7% to 39 % of the total: the number of college students and those below fell by 12 %, accounting for 17 % of the total sum.

4) in terms of professional titles, the number of people with CMC (international registered management consultant) or senior titles accounted for 54 %; the quantity of associate consultants without professional titles accounted for 46 %;

5) if we consider the age structure, consultants under the age of 30 accounted for 42 %; middle-aged consultants aged 30 to 50 accounted for 55 %; senior advisers aged 50 and over accounted for 3 %.

Among the traditional consulting fields (strategy and planning, finance and tax and risk, group management and control, human resources, lean management, process reengineering, standardization, information and integration, brand and marketing, corporate culture, etc.) there are some emerging fields, including big data and enterprise cloud, intelligent manufacturing, investment and financing and equity incentive, intellectual property evaluation, industrial park construction and management, government consulting and energy conservation and environmental protection. Traditional consulting still takes the first place, while intelligent services are on the rise.

A relatively large quantity of institutional services takes the traditional management consulting field as their main business scope, while quite a small number take the emerging field as their main business scope. Traditional consulting fields such as strategy and planning account for 18 % of the total business volume, ranking at the top of the business volume. The

sphere of finance, taxation and risk brings 12 %; the control activities account for 10 %; human resources, lean management, investment and financing account for 8 % respectively; standardization, informatization and marketing management each account for 7 %; corporate culture accounts for 5 %. The business services such as big data processing and intelligent manufacturing, industrial park management, account for 3 % each, and government consulting, energy conservation and environmental protection, bring only 2 %.

The overall situation on the management consulting market in China could be characterized by the following main features. First, the total operating income and the entry threshold are at a new high, and the per capita performance indicators are rising steadily. Second, the number of businesses increased significantly. Third, human resources are characterized by high education, younger age and low professional titles, and they are in urgent need of professional skills training. Fourth, business services are exploring new areas, but they are still concentrated in the traditional consulting field. Fifth, there are more than 10 mature enterprises established for more than 20 years, and 19 consulting institutions have been listed for five consecutive years, which constitute the leading brands in China's consulting industry.

In general Chinese companies still focus more on business than on management. Among the topical problems China's consulting industry faces are: lack of supporting infrastructure, qualified personnel, legislative norms and provisions as well as information platforms for cooperation and knowledge exchange.

Based on the analysis of the current situation of China's consulting, we have found out that the industry was created not so long ago, and therefore it is not a mature industry still, the management system has not been fully established, the market doesn't completely accept user demand, combined with the scattered and small local consulting companies. Overall, industry lacks in core competitiveness, especially when facing the strong international competition.

In order to improve the sphere of consulting in China it is necessary to take into consideration different spheres: intellectual property rights, talent strategies, industry competition, focus on national features and cultural issues, standardization, etc. So, to make consulting industry a real support for the national innovation system it is vital to form a special favorable eco-system, namely the institutional conditions, for its development.

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