



Consultancy Services In India Growth and SWOT Analysis

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Abstract

India has inherent competitiveness and export potential in many skills based and labour intensive services. Healthcare, education, professional, R&D, consultancy, printing and publishing and entertainment services are some sectors with great export potential. India has advantages in various services incidental to manufacturing and R&D and can bring transformational efficiency to manufacturing. With the structure of manufacturing in many countries, including India, becoming more and more sophisticated, there is an increasing “servicification” of manufacturing. Better services will improve the competitiveness of manufacturing sector. Literature Review of the relevant studies have been enclosed. This review has tried to focus on the current consultancy and management services of India, the Government Initiatives, Export Performance of Indian Service Sector, SWOT Analysis covers the consultancy opportunities of India in CIS region, South-east Asia region and East-African region, Recommendations and Action Plans.

Keywords: *Management Consultancy Services, Indian consultancy Industry and its size, Export Performance, SWOT Analysis.*

Introduction

The services sector has emerged a prominent one in India in terms of its contribution to national and state incomes, trade flows and FDI inflows. This sector contributes around 58 per cent towards the GDP and 28 per cent to employment. In trade terms, it contributes 25 per cent to total trade, around 35 per cent to exports and 20 per cent to imports. The single most important contributor to India’s services exports is the IT/ITES sector. India has inherent competitiveness and export potential in many skills based and labour intensive services. Healthcare, education, professional, R&D, consultancy, printing and publishing and entertainment services are some sectors with great export potential. India has advantages in various services incidental to manufacturing and R&D and can bring transformational efficiency to manufacturing. With the structure of manufacturing in many countries, including

India, becoming more and more sophisticated, there is an increasing ‘servicification’ of manufacturing. Better services will improve the competitiveness of manufacturing sector.

India has been globally recognized for its fast paced development. The service sector has been growing at a fast pace and now contributes more than 50% to the GDP.

Management consultancy includes services contracted for and provided to organizations by specially trained and qualified persons, who assist in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.

Engineering consultancy is defined as application of physical laws and principles of Engineering (The application of scientific principles to practical ends as the design, construction, and operation of efficient and



economical structures, equipment and systems) to a broad range of activities in the areas of construction, manufacturing, mining, transportation and environment.

Types of Consultancy Organisations

Since the origin of consultancy, the firms have been characterized by diverse functional areas such as engineering, accounting, law, or banking. Consulting organizations are generally classified as Management consultancy organizations, Engineering consultancy organizations and Others which include Legal consultancy organizations, Socio Economic consultancy organizations and Financial consultancy organizations.

Clients

Most consultancy assignments originate with the request from the client. A useful technique for identifying the real decision-maker early in the project is to propose several reasonable outcomes for the client's problem.

The response to these reasonable ideas indicates whether or not the consultant is dealing with the real client, the decision-maker. In consulting sector, the clients are broadly classified into different categories i.e. Government institutions, funding agencies (Bilateral Agencies and Multilateral Agencies), corporate clients and others like Non Government organisations.

Drivers for Consulting Services

The demand for consulting services tends to increase with the economic development of the country. The requirement for consultancy services stems from a diverse range of clients, largely governed by the large corporate sector and the Government in various forms, viz, country, institutions, bilateral / multilateral agencies.

Review of literature

Consultancy is the practice of helping organisations to improve their performance, usually by analysing existing organisational problems and developing plans for improvement. Organisations may draw upon the services of management consultants for a number of reasons, these include the desire

to gain external, objective advice about a problem, or to draw upon the expertise of the consultant. Chapman (1998) suggests that the role of a consultant can vary depending on the situation and nature of the problem with Blundson (2002) suggesting that consultancy is needed when managers are aware that there is a problem within their organisation, but are not sure of what they need to do to fix the problem. Further to this therefore is the suggestion that the consultant should provide a 'sense of control' within a situation, thereby "assisting them in the relief of any anxieties" (Blundson, 2002).

There appears to be disagreement within the literature regarding the extent to which the consultant should be involved in the implementation of the solution. For example, Steele (1975) describes consultancy as "any form of providing help on the content, process, or structure of a task or series of tasks, where the consultant is not actually responsible for doing the task itself, but is helping those who are". However a later definition from Kakabadse (1986) describes consultation as "continued development of the organisation by helping to diagnose problem areas, generate new strategies, implement solutions and review the continuous progress of change and development".

The literature also highlights disagreement about the extent to which a consultant should be considered a specialist service. For example, Greiner and Metzger (1983) describe consultancy as "an advisory service contracted for and provided by organisations by specially trained and qualified persons" whereas this term is not seen in other definitions (e.g. Kubr, 1996) due to the fact that not all consultants are specifically trained.

Overall therefore from reading the literature related to consultancy, it appears that there is no single definitive description of exactly what activities a consultant undertakes. However, there are a number of differing models / methodologies which can be drawn



upon to provide a framework in which consultancy work can take place. A selection of these methods will be discussed further in this review.

Rationale of the Study

Management consultancy includes services contracted for and provided to organizations by specially trained and qualified persons, who assist in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions. The main objective of the study is only to review the Literature on the Management Consultancy services and its growth in India to promote the exports of India through conceptual and technical Skills of Indians.

Research Methodology

Studies were identified through search from 2010-16. By the thorough review of study different authors use different methods i.e. collection of Primary and secondary data through Qualitative and Quantitative Techniques for explaining and measuring India's Management Consultancy services and growth within different countries.

Indian Consultancy Industry

After Independence, the Indian Government had focused on investment in core industrial sector and infrastructure. The investment in these sectors attracted various construction and engineering companies to explore the business opportunities and contribute their expertise in these sectors. Domain experts were required who could provide their core skill and competence in designing and building the core industry, dams, roads, buildings etc.

Over the years, as the Indian industry started maturing, the Indian consulting industry also started expanding, not only in terms of size, but also in terms of the service offerings. Over the period, specialist consulting advice was being sought by clients in India and this opened the opportunity for a number of specialist

organizations to draw on their specialist knowledge base and resources to meet the demand for specialist consulting services.

Size of the Consultancy sector in India

The development of consultancy capabilities and business is directly proportional to growth in economic and industrial development. Due to the nature of the industry, getting accurate estimates of its size is difficult. It is estimated that the consultancy business in India engages about 100,000 persons in about 5000 consulting firms. According to estimates, the current size of the consulting industry in India is about Rs. 10,000 crores including exports and is expected to grow at a CAGR of approximate 25% in the next few years.

Sectoral Coverage / Services

The nature of consultancy services varies in its content and extent. The Reserve Bank of India classified management and engineering services under other Business Services. As per WTO Classification, which is indicated in their publication 'India's invisibles'. Given the recent spurt in contributions from the services sector, efforts are underway to provide accurate estimates of the services industry size, however such efforts may not offer the expected results, since the consulting industry by nature is very diverse and encompasses a wide array of services and sectors. Many of the services and sectors overlap and it is not possible for accurate estimation.

Export Performance of the Indian Consulting Industry

An analysis of the consultancy contracts secured by Indian project overseas has been carried out by Exim Bank of India. As per the analysis, the geographical dispersion of contracts secured during 2015-2016 indicates that consultancy contracts were secured largely in West Asia which accounted for 49% number wise and 56% value wise followed by South East Asia and Pacific & South Asia. South East Asia constituted 32% both by number and by



value whereas South Asia was 18% number wise and 16% value wise. According to the 2015 data of the Federation of Indian Export Organizations (FIEO), India's share in global trade in services was about 1.5%. India's share of consultancy exports is about 0.75% of global trade in services.

Competitiveness of Indian Consultancy Exports

International firms are larger in size and operate across countries which give them market access to these countries and also the opportunity to tap the market for consulting business. However Indian consulting organisations are growing with great pace to compete with international organizations.

Local presence in the countries benefits multinational organisations in liaising with clients in these countries with sustained business development resulting better prospecting record with large expenditure on business development when compared to Indian firms who largely depend on proactive business development in these countries at low business development cost.

Government Initiatives

In the recent period, the trade policy in India reflects the strategic importance of India's comparative advantage of trade in services. The services sector has been identified as a thrust sector for trade policy. The Foreign Trade Policy, 2015-2020 has announced the setting up of Services Export Promotion Council to map opportunities for key services in import markets and to develop strategic market access programme.

Some of the key initiatives of the government in promoting exports of consultancy services are through Market Development Assistance (MDA), Market Access Initiative (MAI) scheme, proactive EXIM Policy and EXIM Bank schemes.

Government also provides exemption on service tax for export of consultancy services. However due to lack of clarity in

the provisions in the present notification, consultancy export may be affected.

Income tax exemption under section 80 'O' need to be reinstated to enhance consultancy export.

SWOT Analysis

Strengths and Weaknesses of Indian Consulting Industry

The major strengths of Indian consulting organizations include professional competence, low cost structure, diverse capabilities, high adaptability and quick learning capability of Indian consultants.

The major weaknesses of Indian consulting organizations, which has hindered the export growth of consulting sector in the country, are low quality assurance, low local presence overseas, low equity base, lack of market intelligence, low level of R&D.

Consulting Opportunities in Commonwealth of Independent States (CIS)

After the break-up of erstwhile Union of Soviet Socialist Republics (USSR), the Commonwealth of Independent States (CIS) was created in December 1991. The CIS unites the countries of Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Emerging from the controlled soviet economy, the CIS countries are united in their quest for economic development.

Considering the consulting opportunities which would follow economic development initiatives in the region, this region has been selected for a study of the export potential for consulting services. For purpose of this study, two countries i.e. Kazakhstan and Turkmenistan have been selected and studied in details. The country profiles of both the countries are given in the following section.

Kazakhstan

Kazakhstan is a member of the CIS and an erstwhile member of the USSR. The capital of the country is Astana. Kazakhstan was one of the earliest and vigorous reformers



among the countries of the former Soviet Union. In 2015 Kazakhstan's estimated GDP was US\$30.8 billion, an increase of 9 % over 2014. Per capita GDP was US\$1,794. Services contributed 54.8 %, industry 37.8 %, and agriculture 7.4 % to the GDP in 2016. According to 2016 estimates, the state revenues are US\$8.67 billion and expenditure is US\$8.968 billion.

Kazakhstan's current rate of inflation is 6.9 %, slightly higher than the 2016 rate of 6 %. The sectors, which show maximum potential for consultancy services in Kazakhstan, are Geology and Mining Transportation, Telecommunication, Tourism Sector, Urban Development Sector, Health Sector and Energy Sector.

Turkmenistan

Turkmenistan, southwest of the former Soviet republics of Central Asia, is located on the eastern shore of the Caspian Sea. In the early 2000s, the contribution of Turkmenistan's state-run agriculture sector to Gross Domestic Product (GDP) has increased under close state supervision. The sectors which show maximum potential for consultancy services in Turkmenistan, include Geology and Mining, Construction, Health, Urban Development and Agriculture.

Consulting Opportunities in Southeast Asia Region

Southeast Asia is located on the equator, which means almost the entire region falls within the humid tropics and covers an area of about 4,100,000 square kilometers. For purpose of this study, two countries i.e. Indonesia and Vietnam have been selected and studied in detail. The country profiles of both the countries are given in the following section.

Vietnam

Vietnam is located in Southeast Asia, bordered by the Gulf of Tonkin and the South China Sea to the east, China to the north, Laos and Cambodia to the west, and the Gulf of Thailand to the south. In 2016, Vietnam's GDP was US\$227.2 billion. The national GDP has shown impressive growth

and Vietnam is one of the fast growing economies in the region. Vietnam's economy is expanding at an annual rate of more than 7 % and is one of the fastest growing in the world. Agriculture had the dominant contribution in the overall GDP of the country. Its contribution has progressively decreased over the years with manufacturing taking the lead followed by services and agriculture.

The sectors, which show maximum potential for consultancy services in Vietnam, are Manufacturing (textile and garments), Energy (Power), Geology and Mining (Oil and gas), Agriculture and Rural Development, Transportation (Highways) and Tourism.

Indonesia

Indonesia is located in Southeast Asia. It lies between the Indian and Pacific oceans and between the continents of Asia and Australia, south of Malaysia and the Philippines, and northwest of Australia.

In 2016, the GDP was US\$ 827 billion with average annual growth of around 5 %. Over the last three years, Indonesia has made remarkable progress in achieving macroeconomic stability, in reducing the economy's vulnerability, and in restoring external viability.

The sectors, which show maximum potential for consultancy services in Indonesia, include Geology and Mining (Oil and Gas), Manufacturing (Petroleum, Pharmaceuticals), Agriculture and rural development, Transportation (Ports and Railways) and Telecommunication.

Consulting Opportunities in East African Region

East Africa includes Kenya, Tanzania, Uganda, Rwanda, Ethiopia and Burundi. Geographically, the region is well known for its magnificent physical features. The region is witnessing economic development initiatives at various levels in a number of countries.

Considering the potential for consulting opportunities Ethiopia and Uganda have



been selected for the study. The country profiles of both the countries are given in the following section.

Uganda

Uganda is located in the heart of Sub Saharan Africa with one fifth of its area covered with fresh water (Lake Victoria).

In 2016, the GDP of Uganda was US\$ 7.7 billion, with a real GDP growth of 5.9%. Sector wise contribution to the GDP in 2016 was 38.8% in Agriculture and allied sector, 19.5% in Industry and 41.7% in services.

The sectors, which show maximum potential for consultancy services in Uganda, are Infrastructure, Energy, Education & IT enabled services, Agriculture and Rural Development, Manufacturing sector, Health and Demography, Geology and Mining, Transportation, Energy and Information Technology.

Ethiopia

Ethiopia is located in eastern Africa in the southern Red Sea region. It borders Sudan on the west, Eritrea on the north, Djibouti and Somalia on the east, and Kenya on the south. The sectors, which show maximum potential for consultancy services in Ethiopia, are Agriculture and Rural Development, Tourism, Manufacturing sector, Geology and Mining, Transportation sector, Energy, Water Management, Telecommunication, Construction and Health. Recommendations and Action Plan

Growth potential for consulting services is envisaged to be high in South East Asian and East African countries as these countries are pursuing fast track development plans across diverse sectors. In the CIS countries, although all of them have development agenda, they are comparatively not as fast paced as the east African countries and the development potential is limited to a few sectors. The key strategies and action able plans are broadly categorised into four following categories:

- Market understanding includes conducting field based exploratory studies in the target

markets, creation of database of local consultants, setting up the mechanism for gathering market intelligence.

- Promotion includes organizing “Consultancy Trade Marts (CTM)” in the target countries, organizing delegations of Indian industry to target countries, creating awareness of Indian consulting capabilities within the Indian Embassies in these countries, Tax benefits, identify and empower a nodal agency for sustainable promotion of Indian consulting business and developing closer ties with bilateral and multilateral institutions.

- Focused marketing includes strategic alliances with local consulting firms, creation of Consultancy Development Fund (CDF) and merger & acquisition.

- Quality assurance includes appointment of a regulator for quality assurance.

Conclusion

This study concludes that International firms are larger in size and operate across countries which give them market access to these countries and also the opportunity to tap the market for consulting business. However Indian consulting organizations are growing with great pace to compete with international organizations. Growth potential for consulting services in India is envisaged to be high in South East Asian and East African countries as these countries are pursuing fast track development plans across diverse sectors. In the CIS countries, although all of them have development agenda, they are comparatively not as fast paced as the east African countries and the development potential is limited to a few sectors.

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