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VALUE CREATION NETWORKS AND PRICES FOR CONSULTING SERVICES: THEORETICAL FRAMEWORKS AND MODELS

The article outlines the theoretical aspects of the network approach to value creation and consulting services pricing. The authors ground the comprehensive nature and the role of consulting networks in consulting service value creation. The theoretical frameworks of the model of a branch inter-service network of value creation and the consulting complex pricing are explained.

Keywords: intellectual services; internal and external consulting; service value; pricing in consulting.

JEL classification: L84; L85; D46.

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МЕРЕЖІ СТВОРЕННЯ ЦІННОСТІ ТА ЦІНИ КОНСАЛТИНГОВИХ ПОСЛУГ: ТЕОРЕТИЧНІ ЗАСАДИ ТА МОДЕЛІ

У статті розкрито теоретичні аспекти мережевого підходу до надання консалтингових послуг та визначення їх цінності і ціни. Обґрунтовано комплексний характер консалтингової послуги, роль мереж консалтингу у формуванні її цінності. Представлено теоретичні засади моделі галузевої міжпослужбової мережі формування цінності і ціни консалтингового комплексу.

Ключові слова: інтелектуальні послуги; зовнішній та внутрішній консалтинг; цінність послуги; ціноутворення в консалтингу.

Рис. 1. Табл. 1. Літ. 12.

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СЕТИ СОЗДАНИЯ ЦЕННОСТИ И ЦЕНЫ КОНСАЛТИНГОВЫХ УСЛУГ: ТЕОРЕТИЧЕСКИЕ ОСНОВЫ И МОДЕЛИ

В статье раскрыты теоретические аспекты сетевого подхода к предоставлению консалтинговых услуг и формированию их ценности и цены. Обоснованы комплексный характер консалтинговой услуги, роль сетей консалтинга в формировании ее ценности. Представлены теоретические основы модели отраслевой межуслуговой сети формирования ценности и цены консалтингового комплекса.

Ключевые слова: интеллектуальные услуги; внешний и внутренний консалтинг; ценность услуги; ценообразование в консалтинге.

Problem setting. Intellectual services are the result of interaction of various participants in the process of production and providing intellectual services as bearers of professional knowledge and information. Consulting being a specific channel of providing business entities with intellectual resources is an important component of intellectual services sector. Nowadays, value creation of consulting services assumes a network character and becomes apparent in the form of value approach to services pricing.

Recent research and publications analysis. Different aspects of intellectual services have been analyzed by H. Havrysh (2011), N. Miroshnychenko (2009), Yu. Zabrodin (2006); approaches to pricing in consulting have been researched by E. Baich (2006), P. Block (2007). The value chain by M. Porter (1985) is the methodological basis for the principles of value creation and pricing. Issues of value creation

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on the basis of value chain have been analyzed by O. Levchenko and V. Chernov (2012), I. Penkova and O. Koroliiov (2007), V. Repin (2005), N. Tarnavska and R. Syvak (2010).

Unresolved issues. At present, the network approach to value creation and pricing of consulting services has not been thoroughly theoretically substantiated.

The article's purpose is to outline the theoretical frameworks of the network approach application to production and consulting services provision substantiating the model of a branch inter-service network of value creation and pricing of a consulting complex.

Key research findings. Consulting services are professional actions of consultants mostly in economics and management aimed at assisting clients in solution of problems with functioning and business development. General characteristics of non-material services, which comprise intangibility, inseparability, perishability, inconsistency, heterogeneity, and non-ownership, as well as specific characteristics containing inseparability from a customer, impossibility of replication, possibility for storing, necessity for agreed determination of customer legal capacities on application of knowledge and information gained in the process of consulting are inherent to consulting.

The main components of the consulting service value consisting of utility and exchange value are shown in Table 1.

The consulting service value is formed by perceived quality, internal and external characteristics, monetary price, non-monetary price, time, training effect, and innovativeness. In the process of consulting the service value can vary, since its particular components can enhance or deteriorate, new characteristics can emerge etc. Firstly, consultant – customer relationships, which last a certain time period, directly influence the formation of professionalism and reputation of a customer and can be the factor of change of an estimate of absolutely non-material consulting service quality as well as external characteristics of its value. Secondly, on the one hand, there is a possibility for emerging need to specify and change an estimate of benefits expected as a result of professional advice application in the process of consulting. On the other hand, consulting service can assume internal characteristics, which were not considered in the initial estimation of its value. Changes of a time period on providing a consulting service, its non-monetary and monetary prices, training effect, and the level of innovativeness are also possible. Consequently, consulting service value is not stable. It can vary during the whole period of consulting.

Consulting service value should be expressed by a price. Its valuable components, according to its economic nature, is a customer payment for providing a consulting service, the perceived value of which is higher than that of rivals acting in the same sector of consulting market. From their point of view, it is a consulting firm profit from providing customers with better services as compared to other consultants. Leaders of the consulting market, services of which are highly evaluated by customers, apply the value model of price comprising an intellectual rent or a knowledge rent as additional profit. This profit is based on the possession of the most qualitative and productive intellectual resources providing consulting firms and their services with high levels of reputation and innovativeness.

Table 1. Consulting service value, compiled by the authors

The main components	Definition
Perceived quality	Evaluation of non-material consulting service quality by potential consumers. Evaluation criteria are consultant reputation, responses and recommendations of previous customers, information gained in the process of introductory meetings and negotiations, a model of business communication etc.
Internally peculiar characteristics	Benefits, expected to be gained as a result of consulting. They can be direct ones (basic) related to implementation of professional advice and indirect ones (complementary, auxiliary). For instance, direct benefits, expected by a customer as a result of implementation of a consulting project on optimization of quantity and staffing structure, can include salary saving, decrease of production costs, profit increase. Indirect benefits include the enhancement of interpersonal relationships, overcoming conflicts etc.
External characteristics	Characteristics of a consultant and a firm comprise business reputation, location, office outfitting, a consultant image as an independent professional, behavior style, communication culture etc.
Monetary price	A service, the price of which is adequate to an estimate of its quality is valuable for a customer. In the consulting field the correlation "price – quality" transforms into the correlation "price – perceived quality". A customer choice would depend on customer's apprehension of such a correlation: 1) if a price is lower than the perceived quality of a consulting service, it can be a factor of a higher estimate of service's value, since a customer obtain a service at a price being lower than a service is worth as well as a factor of a lower estimate of a consulting service and rejection of it, since low price can indicate low quality; 2) a price, which is higher than the perceived price of a consulting service from the customer's point of view, can cause the lack of confidence in a consultant and the proposed solution. This can result in lower estimate of the service value
Non-monetary price as a component of perceived quality	It includes non-monetary expenses and customer's expenses related to consulting, namely time expenses for collection and providing a consultant with requested information, distraction of staff from the main activity because of the necessity for their connection with the consultant, psychological problems related to the need for providing consultant with confidential information, consultant's presence in a company etc. The non-monetary price depends on the chosen model of consulting, frequency, and durability of contacts between a consultant and a customer
Time	Professional advice should be given and received in proper time, i.e. when it is extremely required by a customer. Basing on the classification of value of services in time (Haksever et al., 2002: 130): a) value at this moment and for a short time period; b) value at this moment and for an uncertain time period; c) value in the future for a restricted time period; d) value in the future for an uncertain time period – the value of operative consulting services may be defined as the value "at this moment and for a short time period", the value of innovative and strategic consulting services – as the value "in the future for a restricted time period"
Training effect	Receiving professional assistance regarding the solution of economic problems, a customer simultaneously gains essential special knowledge and to a certain extent saves financial resources and time, which would be needed in the case of traditional educational services
Innovativeness	An extent of novelty of a proposed solution to customer's problems. An approach to a problem, developed ways and methods of problem solution can be innovative to a certain extent. Consulting service innovativeness directly influences the evaluation of the service's value by a customer. Taking into consideration innovative product characteristics being inherent to an intellectual product, the intellectual product of economic consulting can be an object of innovative activity of a customer aimed at achievement of a qualitatively new level of efficiency and competitiveness. In this case, purchasing a consulting service is an important stage of innovative process aimed at the implementation of organizational and managerial innovations

A distinctive feature of consulting services is their comprehensiveness, which can be internal and external and is the basis for consulting complex creation as an aggregate of:

1) basic and complementary (auxiliary) consulting services – internal comprehensiveness;

2) intellectual services: consulting, educational, scientific and technological ones – external comprehensiveness.

Creation of internal and external consulting complexes is based on the network principle of management, which consists in creation (involvement), development, and coordination of activities of consulting process autonomous units combined by horizontal interrelations and obligations, activities of which are aimed by a network integrator at the achievement of general goal. It is worth mentioning that network structures conform to consulting services' nature and provide effective implementation of services' functions as a specific channel for providing business entities with professional knowledge and information. The network principle of consulting services management enables optimally combination and use of resources of network members thus decreasing transformation and transaction costs.

The network principle of management is applied at interrelated levels, namely at:

- internal organizational level consisting in creation of internal networks in an organization on the basis of task and project teams formation, activities of which result in creation of internal consulting complex;

- an inter-organizational level – network interrelations of entities providing: a) similar or different services; b) consulting as well as educational, scientific and technological and other intellectual services. A result of activities of inter-organizational network members is the creation of external consulting complex.

On the one hand, general organizational principles, i.e. single purpose, independent members, voluntary relations, possibility for several leaders, and integrated levels, are inherent to the inter-organizational networks in the consulting sector (Sheresheva, 2006: 114). On the other hand, they differ from each other in goals, tasks they are created to solve, structure, contents, levels, and models of interaction between members etc.

The external consulting complex is formed on the basis of branch inter-service networks, which consist of intellectual services producers. Moreover, branch network can combine producers of one commodity type (branch internal service networks) as well as producers of various commodity types (branch inter-service networks). Inter-organizational branch consulting networks are partnership, which expend sources of knowledge and gaining information, conduce to strengthening competitive positions of members at the intellectual services market, assume the joint usage of new technologies, giving professional advices and consultations. Their main purpose is the creation of qualitative and competitive intellectual product, that is to say external consulting complex.

The branch internal service consulting networks can be organized as strategic networks (alliances) and value creation chains.

Strategic networks are horizontal organizations acting in the same segment of the consulting service market, aimed at strengthening their competitive positions,

costs decrease, use of additional knowledge sources, and implementation of new technologies for providing services.

Strategic networks rest upon the cooperation of rivals, activities which are coordinated in order to achieve their particular long-term goals. For instance, consulting firms create strategic networks for the development and promotion of new services, creation, and execution of a joint consulting projects.

The branch inter-service networks providing the creation of external consulting complex value are effective forms of interaction between organizations providing various types of intellectual services. There is a need to emphasize that, firstly, development of theoretical frameworks for consulting complex value creation is based on the methodological basis of the value chain by M. Porter. According to this methodology, a company, forming product value, performs some functions such as inbound logistics, operations, outbound logistics, marketing and sales, service, support activities (Porter, 1985). The abovementioned concept defines a company within information economy as a self-creating element of a value creation network (Penkova and Koroliov, 2007: 222). Secondly, "long-term cooperation of partners, which possess in general equivalent rights and place along the value creation chain, servicing specific markets of customers' orders", is a peculiar property of the branch inter-service consulting networks (Sheresheva, 2006: 177–178). The above-mentioned networks are based on vertical integration of members acting at different stages of value creation of a final product, i.e. the consulting complex.

The model of the branch inter-service network of external consulting complex value creation is presented in Figure 1.

The proposed model encompasses peculiar properties such as:

- diversification of consulting activity on the basis of cooperation between producers of various intellectual services;
- orientation on the formation of consulting complexes of basic and complementary intellectual services;
- branch level of partner interaction, which does not fall outside the scope of intellectual services sector;
- horizontal structure: value creation is based not on vertical (along the value creation chain), but on horizontal integration of network members, i.e. producers of various types of intellectual services, which form the consulting complex;
- the existence of a single dominating (focal) organization, which manages the joint process of value creation for consumers. As (Sheresheva, 2006: 181) notes, "a focal company "extracts" the best competencies from the currently existing value creation chain and integrates products and services in the form of a single portfolio. Consumers can choose those competencies, which maximally meet their requests";
- a consumer is a specific member of the network. A consumer's estimate of marketing complex value directly influences its price.

The proposed interaction between network partners is aimed at the formation of each component of the consulting service value, namely:

- creation of the consulting complex of basic and complementary services conduces to a higher estimate of professional consultation quality (perceived quality);
- network interaction enables enhancing reputation of partners being the most important criterion for the consulting service value (external characteristics);

- efforts combination of network partners aimed at the formation of internally peculiar characteristics of the consulting service value consisting in the possibility of receiving basic and complementary intellectual services;
- saving expanses and productivity increase for network partners are the background for consulting service pricing conforming to perceived quality (monetary price);
- a network reduces risks and losses of a purchaser related to the search and receiving basic and complementary intellectual services (non-monetary price);
- application of a network source of a consulting service saves time of consumers on search and estimation and conduces to receiving service in proper time (the time factor);
- the network model of providing consulting service strengthens the training effect;
- application of the consulting complex as a result of network interaction of professionals proposing intellectual services enables receiving new knowledge and become proficient in innovative methods of doing business etc.

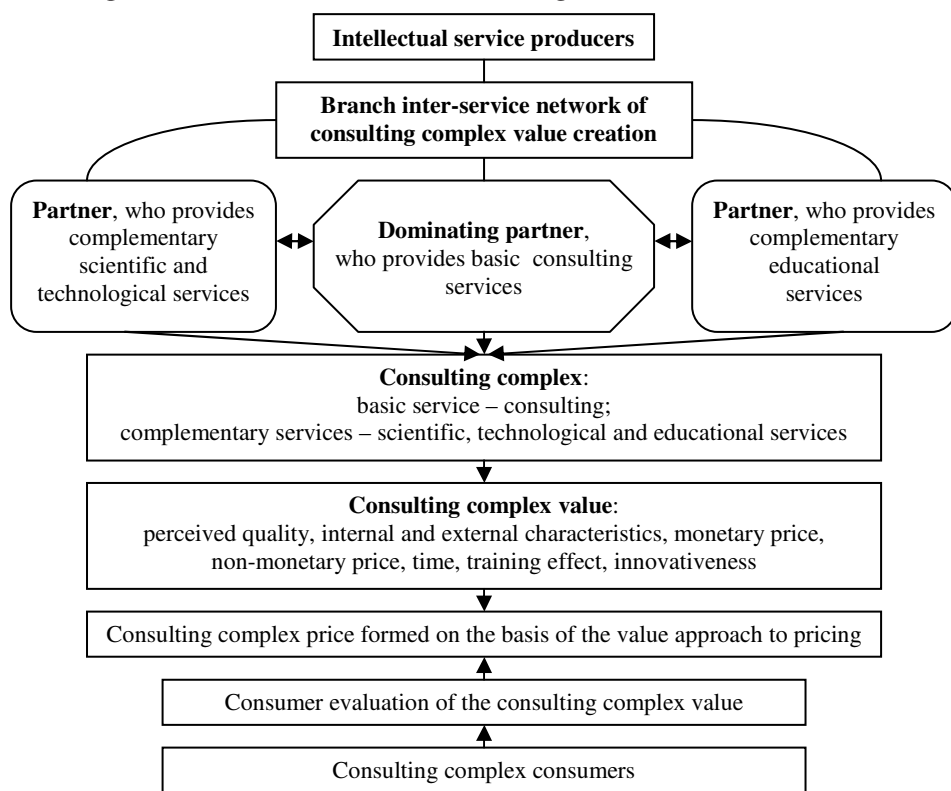


Figure 1. Model of the branch inter-service network of value creation and pricing of the external consulting complex, authors'

Conclusions. Implementation of the proposed model of the branch inter-service network of consulting complex value creation, firstly, enhances the level of the perceived quality of a service and the general estimate of its value, promotes the deve-

lopment of new segments of the intellectual service market, increasing competitive positions in traditional segments, extending knowledge and customer databases, reduces transaction costs, saves resources, since a consulting firm as a dominating member of the network does not need to create own departments for complementary intellectual services. Secondly, this model increases the benefits from a consulting service for consumers and, as a result, increases their value. Thirdly, this model can be effective for organizing all types of intellectual services on the basis of the network principle of management.

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