

## The main elements and factors of the development of the concept of knowledge management in the context of business consulting

### Glavni elementi i faktori razvoja koncepta menadžmenta znanja u kontekstu poslovnog konsaltinga

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#### Abstract

*The modern economy has imposed challenges that require ongoing knowledge management. This is of particular importance in the consulting sector, which must have advanced knowledge and be able to transfer it to clients. However, this topic is still insufficiently researched, especially in Serbia, which is why this research aimed to provide a theoretical insight into this topic supported by a statistical analysis of the results obtained from a survey of Serbian consultants. The results showed that the consulting sector in Serbia is still developing, but consultants are aware that today knowledge is the main capital and knowledge management is one of the primary conditions for achieving a competitive advantage. The research also showed that the relationship between knowledge management and consulting is a complex topic that opens up space for numerous and diverse research.*

**Keywords :** management, knowledge, consulting, learning, strategy

#### Sažetak

*Savremena ekonomija je nametnula izazove koji zahtevaju stalno upravljanje znanjem. To je od posebne važnosti u konsalting sektoru koji mora da ima napredna znanja i bude sposoban da ih prenese na klijente. Međutim, ova tema je i dalje nedovoljno istražena, posebno u Srbiji, zbog čega je ovo istraživanje imalo za cilj da pruži teorijski uvid u u ovu temu potkrepljen statističkom analizom rezultata dobijenih anketom srpskih konsultanata. Rezultati su pokazali da se konsalting sektor u Srbiji još uvek razvija, ali da su konsultanti svesni da je znanje danas glavni kapital preduzeća, a menadžment znanja jedan od osnovnih uslova za postizanje konkurentne prednosti. Istraživanje je pokazalo i da je odnos menadžmenta znanja i konsaltinga kompleksna tema koja otvara prostor za brojna i raznovrsna istraživanja.*

**Ključne reči:** menadžment, znanje, konsalting, učenje, strategija

### 1. Introduction


Since the 1920s, the knowledge economy has had a growing influence on the whole world (Mosonyi et al., 2020). According to research, the impact of globalization, together with the growth of market uncertainty, have led to the fact that organizations become more and more intensive and depend more and more on their innovative knowledge in creating value (Đurić et al., 2014). Knowledge is now becoming the main strategic resource that replaces former factors of production such as traditional labor force, capital and land as the basic resource of the company, reduces business risk and enables rapid business growth and creation of a competitive advantage on the market (Dželetović et al.,

2016; Nonaka et al., 2000). The great importance of knowledge in the modern economy is also reflected in the fact that today's most successful global companies invest up to 20 times more in intellectual capital than in material assets, because knowledge and human resources today represent the main sources of long-term competitive advantage on the market (Beriwala & Singla, 2022 ; Đurić et al., 2014; Wong & Aspinwall, 2005).

As a result, there is an increased demand for external, specialized competencies related to management in the business environment, so that consulting companies that sell the knowledge of their employees record the fastest growth and today represent an important factor in the overall economic growth of the country in which they

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operate and the whole world (Mosonyi et al., 2020). One striking example comes from recent trends in Great Britain, where in the 15 years before the 2008 recession, the management consulting industry grew at an average rate of nearly 16%, with exceptional peaks of 36% in 1996 and 27% in 2005., even as UK gross domestic product growth averaged just 3% per year, while in 2021 the UK consulting sector employed 88,000 people, was worth £14.4 billion and grew by 18% (MCA, 2023). In Europe, an average growth of 11.5% was achieved in the consulting sector in 2021, although at the same time the gross domestic product decreased by about 5% due to the consequences of the corona virus pandemic, and the employment rate, which in this sector is on average, had a similar trend amounted to 4.2%, while the total employment rate in Europe was – 0.5% (FEACO, 2022). Also, industry reports show that about a quarter of management consulting activities are related to innovation, whether it is to support product research and development or to facilitate their implementation and integration.

Accordingly, the business world in the era of industrial revolution 4.0 has entered the era of knowledge-based business that is constantly developing with the help of consultants, modern information technologies and various knowledge management systems (Beriwala & Singla, 2022). However, in order for consulting firms to be able to constantly create new structures based on knowledge, to remain innovative, they must constantly develop their knowledge and new areas of their business practice (Cerruti et al., 2019). For this reason, recently an increasing number of researchers are dealing with the concept of knowledge management, emphasizing its very significant role in the possible solution of business problems of contemporary organizations (Tešić et al., 2013). In addition, the exponential growth in the field of management consulting, which by 2018/2019 generated revenue of 634 billion US dollars and employed more than 4.3 million people worldwide (Mosonyi et al., 2020), dramatically increased academic interest in management consulting.

However, although the dominant role that the creation, preservation and use of knowledge play in economic development at the macroeconomic level is taken quite seriously, the central role of knowledge in the management of individual firms is a relatively recent topic that has not been sufficiently researched (Cerruti et al., 2019) or studied. in foreign countries that differ in characteristics from the Republic of Serbia (Resimić, 2020), which gives special significance to this research. Previous studies have looked at management consulting as an industry and practice through the lens of institutional theories, such as institutional entrepreneurship, transaction costs of external consulting, and theories of professional service organizations (Armbrüster, 2006; Kipping & Kirkpatrick, 2013). Despite this, knowledge management remains one of the main challenges of modern companies (Dunford, 2000; Ambos & Schlegelmilch, 2009), and management consulting is still an under-researched field, especially since modern business practice is constantly changing in accordance

with changes in the environment (Mosonyi et al. al., 2020), and in Serbia it is used insufficiently and sometimes incorrectly (Predić et al., 2011).

Accordingly, the goal of this research is to expand theoretical knowledge about management consulting, observing it through the prism of the concept of knowledge management, which implies the identification of knowledge requirements and gaps between the creation, storage, sharing and application of knowledge in order to enable the company to achieve innovations knowledge, competitive advantage and constant income streams. The goal of the research is to provide empirical evidence regarding this topic and help Serbian consulting companies to improve the concept of knowledge management and their business results, and also the knowledge and results of other companies in Serbia. This is of particular importance because the majority of Serbian companies are small and medium-sized companies that lack adequate management skills to develop further, where management consulting with the application of the concept of knowledge management can significantly help them achieve their business goals.

Therefore, two key research topics are knowledge management and management consulting. Management consulting is seen as a service, process and one of the sources for acquiring practical managerial knowledge and skills as organizational abilities that should be continuously improved. The connection and mutual influence of consulting and the concept of knowledge management are also studied through the analysis of its elements, such as acquisition, preservation, sharing and application of knowledge, and influencing factors, such as technology, strategy, personnel, culture and society. In this way, research provides an answer to the challenges posed by an increasingly complex business environment characterized by an increasing scope of globalization, increased competition and a compressed life cycle of products and services, which consequently leads to information overload for senior management and an increasing need to acquire new knowledge. The research also provides empirical evidence about these two concepts in Serbia, which is of particular importance considering the lack of research on this topic in our country, on the one hand, and the rapid growth of the consulting sector and the need for their services on our market, on the other sides. Therefore, this research has both a theoretical and a practical contribution.

## **2. The concept and significance of knowledge management and management consulting**

The term "knowledge management" or knowledge management (KM) represents a set of processes that are developed within the organization to determine, create, collect, store, maintain, measure and disseminate knowledge in the organization (Davenport & Prusak, 1998). Through the integration of knowledge, which is extracted from the experiences of employees, internal processes that have been accumulated over time and the specifics of the organization compared to competitors, new organizational, collective knowledge is created

(Ristić & Ristić, 2012), which is a key source of competitive advantage and superior business performance. organization (Dželetović et al., 2016). The essence of KM is to ensure that employees acquire the knowledge and skills they need, when they need them and where they need them (Beriwala & Singla, 2022).

At the same time, the organization possesses two types of knowledge. Explicit knowledge can be easily spoken, formulated in sentences, entered into drawings, written documents and products, for example in the form of a technical specification, draft or standardized design (Tešić et al., 2013). It is expressed in formal language and can be easily taken over and incorporated through the education process, but also transferred from individual to individual in the form of information through their communication (Stover, 2004; Ristić & Ristić, 2012). On the other hand, tacit, silent or experiential knowledge is related to the senses, is in people's heads and is created by the personal experience of the individual, so it contains intangible elements, such as: personal belief, instincts, values and acquired skills (Dixon, 2000). From the company's point of view, experiential knowledge is the personal (original) knowledge of all its employees that is not easy to collect, share and use, because it consists of mental models, beliefs and perspectives that cannot be easily articulated and shared (Dželetović et al., 2016). If used, this form of knowledge brings new value and represents a significant element of competitive advantage (Tešić et al., 2013), while in the opposite case it reduces the productivity and efficiency of the company and thus threatens the achievement of its business goals and strategy (Chilton & Bloodgood, 2008).

Therefore, regardless of whether knowledge is intangible, fluid, personal, intangible, invisible and immeasurable or formalized through organizational processes, the goal is to constantly develop (Beriwala & Singla, 2022). Accordingly, KM represents a systemic organizational process by which employees' tacit and explicit knowledge is created, acquired, organized and transferred so that other employees can use it and become more efficient and productive in their work (Tešić et al., 2013). In order to achieve this, knowledge management should combine three elements: people, processes and technologies (Dželetović et al., 2016), that is, it should be viewed as an interdisciplinary business process focused on continuous organizational learning (Mihajlović & Dašić, 2014). Although the creation and sharing of knowledge has always been crucial for business development, in today's knowledge economy it is crucial for creating a long-term competitive advantage (Beriwala & Singla, 2022). A modern organization is one that learns, remembers and acts in the best possible way based on available information and knowledge (Đorđević-Boljanović, 2009). This organization encourages learning and knowledge generation at all levels and develops capabilities for continuous learning, knowledge-based innovation, adaptation to changes and knowledge management through constant adoption and mutual exchange of knowledge (Đurić et al., 2014; Senge, 2003). The term "management consulting" (*Management Consulting* - MC) is usually described as providing

assistance in a broader sense (Furusten, 2009). Although there is no generally accepted definition (Fincham & Clark, 2002; Glückler & Armbrüster, 2003), it is seen as the process of providing consulting services in the field of management on a contractual basis by specially trained and qualified persons who, in an independent and objective manner, identify and analyze management problems in the client organization, and then recommend solutions for these problems and provide assistance in their implementation (Mihailović, 2008). The epitome of these organizations are consulting companies whose main advantage is the highly sophisticated and intensive knowledge, expertise and competence of their staff (Kipping & Kirkpatrick, 2013). Consultants are experts who have access to a knowledge base from a specific field of practice and are capable of developing solutions for various problems in that field. In addition to qualified workers who perform work of a mostly intellectual nature, consulting companies are also characterized by constant innovations based on knowledge that enable them to achieve a competitive advantage, create a network of experts from various fields and intensively use, transfer and develop knowledge (Cerruti et al., 2019; Dunford, 2000). Consultants play four main roles in innovation, as they are information sources, standard setters, knowledge brokers and knowledge integrators (Armbrüster, 2006).

The main goal of knowledge management is to develop explicit knowledge, to turn tacit knowledge into explicit knowledge and to continuously upgrade both types of knowledge (Nonaka, 2007), while the simultaneous existence and complementary application of these types of knowledge represent the core of organizational competence in modern management consulting (Werr & Sternberg, 2003). Therefore, given that KM plays a key role in MC, and that constant changes in the environment require constant improvement of these processes, consulting firms must accept a new way of thinking that implies constant changes in their business practice (Ambos & Schlegelmilch, 2009). They should also have an organizational culture that encourages learning and innovation and use various theoretical models for creating and sharing knowledge and a wide range of technologies for increasing knowledge and performance (Schwartz et al., 2000; Asheim & Coenen, 2005; Tešić et al., 2013). Although the approach to MC has changed over time, and currently two theoretical perspectives of management consulting exist in parallel, functionalist and critical (Mosonyi et al., 2020), there is a consensus about the key roles of MC in providing expert advice or enabling change (Kipping & Kirkpatrick, 2013). In addition, there is widespread recognition of its contribution in providing legitimacy to client decisions based on perceived independence and credibility.

However, despite numerous researches in the last twenty years, consulting services as a phenomenon are still not sufficiently examined (Sturdy, 2011). Previous research is mostly divided by area, conducted in certain countries or related to certain consulting firms (Armbrüster, 2006; Kipping & Kirkpatrick, 2013). Also, mostly narrative reviews are encountered in the literature that are informal and implicit in their methodology, because they explain

only certain points, for example the relationship between the nature of knowledge and professionalization, differences between countries, growth limitations and the like, but without a comprehensive approach to this area (Cerruti et al., 2019). In addition, previous studies on this topic in the field of consulting mainly dealt with the practice of consultants, the nature of their business tasks, the values they create for their clients and the ways in which consulting companies are organized and managed (Mosonyi et al., 2020). Therefore, there is still a lack of empirical studies that investigate individual elements and factors that influence KM in the field of consulting, especially since MC is far from a homogeneous phenomenon. Accordingly, this research combined these two concepts in order to gain new knowledge of importance for theory and practice.

### **3. Elements of the concept of knowledge management in the field of business consulting**

Basically, KM includes organizational processes that require a synergistic combination of data and information processing capacity, information technology and innovative capacity of people, where a consultant can help to use them in an optimal relationship (Werr & Stjernberg, 2003). The knowledge we focus on is general knowledge that employees learn by performing organizational, in this case consulting, work (Dixon, 2000). The most important thing is that knowledge is used efficiently when making decisions. In this sense, consultants should direct the management of the company to which they provide advisory services to the concept of knowledge management in order to obtain the necessary information in a short period of time that will enable everyone to make the best decisions regarding the market, products and services, planning activities and other actions that are important for the success of the company (Mihailović, 2008). Therefore, the general goal of knowledge management is to connect those who need knowledge with sources of knowledge in the organization and to coordinate the transfer of that knowledge. The concrete goal of knowledge management is the process of determining and analyzing the available knowledge in order to fulfill the set business goals of the organization. To achieve both goals, the help of a consultant can be valuable, especially since knowledge management enables the achievement of four business goals: competencies, productivity, innovation and viability (Resimić, 2020). In order to achieve this, it is necessary to view all business processes as knowledge processes in which the five elements of the knowledge management concept are used in a coordinated manner: creation, acquisition, preservation, sharing and application of knowledge (Ristić & Ristić, 2012).

The creation of knowledge is a continuous process in which new content is developed or the existing one is changed within the tacit and explicit knowledge of the organization, thereby acquiring a new context, a new view of the world and new knowledge (Nonaka et al., 2000). This process has four interrelated phases: socialization (tacit knowledge to tacit knowledge), externalization (tacit to explicit knowledge), combination (explicit to explicit

knowledge) and internalization (explicit knowledge to tacit knowledge). Therefore, the creation of organizational knowledge is an evolutionary process within the framework of broader, collective reasoning in organizations, whereby the entire organization must share a common orientation towards knowledge management, which requires the coordination of teams and knowledge transfer, i.e. the development of "visions of knowledge" that arise from conversations and rhetoric in organizations and inspire them (Giroux & Taylor, 2002). Organizations must also effectively promote the knowledge and skills of employees, which includes proactively identifying desired content, inspiring people to contribute ideas, and combining and integrating knowledge to improve enterprise efficiency (Davenport & Prusak, 1998).

The sole purpose of a company that creates knowledge is constant innovation in the process of adapting to a dynamic and complex environment through the creation, dissemination and implementation of knowledge in products, services and technologies (Nonaka, 2007). In order to acquire the necessary knowledge, managers should rely on appropriate sources and ask the right questions. The role of consultants is invaluable here, because in today's conditions of fierce competition, which challenge traditional ways of solving problems, the focus is not on finding the right answers, but on asking the right questions (Džunić et al., 2012). However, according to research, companies often obtain the necessary information from less reliable sources than from professional consultants, so the usefulness, quality and reliability of this information is lower (Predić et al., 2011). The reasons for this are: prejudice, unavailability, high prices, poor communication, educational gap and the like. Therefore, the most useful information is the least available, while the least useful and least reliable information is the most available.

The created and acquired knowledge then needs to be preserved in an appropriate form, such as personal experience, routine, organizational culture, management systems and databases, for which modern technologies are most often used (Alavi & Tiwana, 2002). The next step is knowledge sharing, which involves identifying and using existing and available knowledge to solve specific tasks, add value to production, promote services and make companies win and create new knowledge (Chen, 2011). Knowledge sharing in consulting companies is the main means for gaining basic competitiveness, conquering the market and discovering, developing and transferring new useful knowledge based on experience with client companies and their problems and projects (Beriwala & Singla, 2022). In this way, knowledge flows, a new set of skills is acquired and constant innovation of knowledge, skills and abilities is encouraged (Džunić et al., 2012).

Finally, the application of knowledge implies the actualization of knowledge for adjusting the strategic direction, solving business problems, improving efficiency, reducing costs, and the like (Davenport & Prusak, 1998). It is especially important that consultants, like trainers, are able to extract tacit knowledge from associates and use it optimally in the organization's

development strategy. Consultants should know how to help in applying knowledge management concepts, designing knowledge management systems, as well as applying business intelligence tools and technologies that enable more efficient and effective solving of management problems at all decision-making levels (Tešić et al., 2013). Knowledge is also the ability to define the situation and act accordingly, as well as to turn tacit knowledge into useful, applied knowledge, which brings new value and represents a significant element of the company's competitive advantage (Dželetović et al., 2016).

Therefore, KM helps organizations to learn what the individual knows, what others in the organization know and what the organization knows, but also to acquire knowledge held by other companies, for example consultants, stakeholders and external experts, which creates new knowledge through innovations, new ideas and developing existing connections between knowledge inside and outside the company (Nonaka, 2007). However, in the process of KM in consulting, various problems can arise, such as lack of trust, unreliability of information, misunderstanding of the need to acquire new knowledge, lack of interest and commitment of employees and managers, lack of financial resources and the like (Armbrüster, 2006; Chen, 2011); Krivokapić & Čudanov, 2016). For example, employees sometimes do not know what knowledge they should acquire and share or are reluctant to share information and knowledge with others, and it also happens that managers are not sure of the outcome of consulting services or see the high fee of a consultant as a cost and not an investment. Problems also arise due to the challenges of modern technologies, such as data security and privacy.

#### **4. Factors influencing the development of the concept of knowledge management**

It is crucially important for consultants to understand the processual nature of the concept of knowledge management. At the center is the process itself, which begins with finding and collecting ideas and knowledge, and ends with adapting and applying knowledge to new situations (Mašić & Đorđević Boljanović, 2008). Human and social factors should also be taken into account and adequately addressed in order for tacit knowledge transfer to take place successfully, and it is necessary to create a favorable environment for the spread, transformation, creation and application of tacit knowledge (Chilton & Bloodgood, 2008). Various methods and tools for knowledge management can be used for these needs, such as: benchmarking, brainstorming, audit of the learning process, knowledge clusters, collaborative virtual workspaces, knowledge mapping and the like (APO, 2022). Five key factors that influence KM in consulting should also be taken into account: technology, strategy, personnel, culture and society (Mihajlović & Dašić, 2014).

With the development of information and communication technologies, the process of knowledge management has been greatly facilitated, starting with the collection of

knowledge, through storage, systematization, improvement and acceleration of knowledge sharing that can be used to solve various problems (Chen, 2011). The information system for knowledge management encourages both the collection and exchange of tacit knowledge and joint learning regardless of the organizational and locational limitations of employees with efficient and effective data processing and distribution, and data storage and decision support technologies empower employees to become knowledge workers who are able to bring correct decisions and solve problems (Beriwala & Singla, 2022). In addition, collaborative technologies offer various opportunities for the development of efficient solutions for the problems of linking knowledge and consulting (Asheim & Coenen, 2005). However, for successful results, the organization should be trained to apply modern technologies and be ready for constant changes, thereby eliminating the fear of mistakes and lack of trust, with the fact that excessive use of technologies can be counterproductive, as it leads to employee alienation, less informal communication and dissatisfaction due to such a situation (Tešić et al., 2013).

The knowledge management strategy sets the criteria for selecting the knowledge that the company plans to pursue and the tactics of its collection and sharing. The focus is on: determining critical knowledge; identifying resources of critical knowledge; deciding who should have what information and when they should know it; and deciding who implements the chosen knowledge management strategy (Tešić et al., 2013). Strategy is also a key factor in helping organizations maintain a competitive advantage in changing environments. Therefore, when company leaders lack an idea of where the company should go and what to do, consultants can help with knowledge and advice in creating, implementing and translating strategy into operational and tactical decisions and activities. In order to carry out these activities successfully, it is necessary for leaders or consultants to be familiar with all processes in the organization, for which process mapping with resources, results, dynamics and other elements that can be a source of new knowledge can be used (Mihajlović & Dašić, 2014).

The choice of the right personnel who will deal with knowledge management is also crucial. First of all, the organization must always strive to attract professional and highly talented individuals and create adequate employment, development and retention policies. In addition, it is necessary to create a motivational vision, promote cohesiveness and inspire all employees to contribute to the desired business results (Dželetović et al., 2016). The role of consultants in these processes can be crucial, especially since today people are the key resource of every company and the decisive factor in the creation, sharing or application of knowledge (Resimić, 2020). It follows from this that an appropriate organizational culture should be created that encourages the acquisition and sharing of knowledge, which is one of the most important conditions for successful KM, because people usually keep knowledge thinking that they will lose their position if they share it with others (Tešić et al., 2013). Important aspects of a knowledge-oriented culture

include openness, trust, cooperation and good interpersonal relations that motivate individuals to implement knowledge management practices (Bock et al., 2005).

Important for KM are stimulating social processes in which knowledge is recognized as useful and valuable in the organizational context, and the social learning model offers a more balanced relationship between client and consultant (Lilja & Poufelt, 2001). In addition, with the transition from the information society to the knowledge society, which is accompanied by the digital transformation of business, new sources, methods and tools of knowledge management are created, such as social networks, blogs and enterprise networking, which create completely new opportunities for the further development of knowledge management (Mihajlović & Dašić, 2014).

## 5. Development of knowledge management and consulting in the Republic of Serbia

The consulting sector in the Republic of Serbia records constant growth, but its potential is still underutilized compared to other, especially Western, countries. The largest number of consulting organizations in Serbia are small and medium-sized enterprises that provide services in various areas of management, such as: human resources management (17%), projects (7%) and quality (14%), marketing services (13%), company consolidation (11%), reorganization and rationalization of companies (9%), strategic planning (8%) and others (UPKS, 2010). The most important drivers of the development of the consulting sector and the market in Serbia are their managerial knowledge and skills related to business activities related to the transition of the economy, such as market liberalization, reorganization and privatization of state-owned enterprises, expansion to foreign markets, project activities and the like (Mihailović et al., 2021), but also the accelerated development of the sector of small and medium enterprises, which are their most frequent clients (Predić et al., 2011). The majority of consultants point out that their primary goal is to satisfy the needs of their clients, which is the basis for evaluating their success, but they also mostly agree that clients are often unaware of the usefulness of their services, which is why they believe that the consulting market in Serbia is still underdeveloped (UPKS, 2010). This view is also shared by the International Council of Business Consulting Institutes, whose National Consulting Index for Serbia is 0.0211, which ranks Serbia in 30th place out of a total of 50 member countries around the world (CMC Global, 2021). The best ranked countries are: New Zealand (0.5399), Australia (0.4923), Great Britain (0.4403), the Netherlands (0.4394) and the USA (0.4074), and from the surrounding area Croatia (0.0322), Bulgaria (0.0312) and Romania (0.0277) (CMC Global, 2021).

Nevertheless, users of consulting services in Serbia believe that this sector is sufficiently developed and are mostly satisfied with consulting services (UPKS, 2010). The need for this type of service is often felt by small and medium-sized enterprises, whose owners, who are usually

also managers, have the necessary operational and professional knowledge, but not the managerial skills they need for the further development of the enterprise (Predić et al., 2011). According to research by the National Agency for Regional Development (NARR, 2011), they are most often aware of the knowledge and skills they need to develop, but are ready to hire consultants only in certain areas, such as: marketing (46%), finance, accounting and taxes (41%), conquering foreign markets (39%), introducing new technologies (36%) and quality systems (35%), business planning (34%) and human resource management (31%). However, while some studies have shown that Serbian companies are aware of the importance and usefulness of hiring consultants, but that the lack of financial resources prevents them from using this type of service to a greater extent (Krivokapić & Čudanov, 2016), other studies have shown that they are ready to they hire consultants only for services whose effects they can see in the short term, but that the consultants often do not have sufficiently developed capacities and knowledge to cover the needs of these companies (Mihailović et al., 2016).

Nevertheless, if we take into account that in 2019 the value of the global consulting industry was 45 billion dollars, and that the expected average growth rate of this sector in the following periods is 5.52% (Mordor Intelligence, 2023), as well as that there is all greater need and demand for this type of services on the Serbian market (Mihailović et al., 2021; Krivokapić & Čudanov, 2016), one can expect a faster growth of the consulting sector in Serbia and, consequently, a significant improvement in the performance of Serbian companies, especially in these areas more and more multinational consulting companies are present (CMC Global, 2021). This research can also give an incentive to the wider use of knowledge management and consulting in Serbia through raising awareness of the importance of applying these two concepts and a detailed consideration of their most important elements and factors.

## 6. Research on the role and importance of knowledge management in consulting firms in the Republic of Serbia

### 6.1. Research methodology

The research in the paper was conducted by surveying owners, managers and employees of consulting companies in the Republic of Serbia during October 2022. The survey was sent electronically. For this purpose, a questionnaire was created with 15 statements, where they are divided into three groups. The first group consists of statements that are aimed at analyzing the characteristics of employees in consulting companies (four statements). The second group consists of statements aimed at examining respondents' views on the relationship between consulting companies and clients, as well as on the factors that influence the success of these relationships (four statements). The third part, which consists of 7 statements, is aimed at examining the future directions of the development of consulting services on the market. Respondents give answers to the defined statements in the

form of a five-point Likert scale as follows: I do not agree at all = 1, I do not agree = 2, I neither agree nor disagree = 3, I agree = 4 and I completely agree = 5. Also, the questionnaire also consists of questions about the respondents, such as gender, age, level of education and length of work experience in the profession.

The survey was filled out by 96 respondents, of which three surveys were filled in incorrectly and one survey was incomplete, so that the final sample included a total of 92 respondents. The collected answers of the respondents were processed into a statistical software package in SPSS 21.0. In addition to descriptive statistical analysis, the paper also used non-parametric tests for comparing groups. Namely, the *Mann-Whitney U test* was used to determine whether there are differences in the attitudes of male and female respondents, or the *Kruskal-Wallis test* to determine differences between respondents of different ages, levels of education and years of experience.

**6.2. Research results**

As shown in Table 1, out of 92 respondents there were 56 men (60.87%) and 36 women (39.13%) who are mostly aged 30-49 years (51.09%) and have been working for 1-5 years (39.13%) or more than 5 years in this profession (45.65%). The majority of respondents graduated from college (53.26%), followed by respondents with a master's or doctorate degree (18.48%), high school (16.30%) and high school (11.96%).

**Table 1.** Demographic structure of the sample (n=92)

	N	%
<i>Gender</i>		
Male	56	60.87
Woman	36	39.13
<i>Years of age</i>		
18-29 years old	21	22.83
30-49 years	47	51.09
Over 50 years	24	26.09
<i>Degree of education</i>		
High school	11	11.96
College	15	4.30
Faculty	49	53.26
Master / Doctor of Science	17	18.48
<i>Length of service</i>		
Less than 1 year	14	15.22
1-5 years	36	39.13
Over 5 years	42	45.65

Source: Authors' calculation

Table 2 shows the results of a descriptive analysis of respondents' attitudes regarding the characteristics of employees in consulting. Respondents believe that the most significant characteristic of employees is that they are ready to acquire new knowledge (SV = 4.50). Also, it follows that their frequent fluctuations lead to a weakening of the efficiency of the knowledge management process (SV = 4.20) and that the human virtues of consultants are neglected in relation to their managerial knowledge and skills (4.03). Respondents showed the lowest degree of agreement with the statement that employees should be additionally motivated (AS = 4.00). This can occur as a consequence of the fact that they are employed

**Table 2.** Characteristics of employees in consulting companies

	Mean value (SV)	Median (M)	Standard deviation	Minimum value (Min.)	Maximum value (Max.)
Employees are ready to acquire new knowledge.	4.50	5.00	0.763	1	5
Frequent turnover of employees weakens the efficiency of the knowledge management process.	4.20	4.00	0.867	1	5
The human virtues of consultants are neglected in relation to their managerial knowledge and skills.	4.03	4.00	0.977	1	5
Employees should be additionally motivated to share more knowledge through the provision of consulting services.	4.00	4.00	0.877	1	5

Source: Authors' calculation

Table 3 shows a descriptive analysis of respondents' views on the relationship between consulting companies and clients, as well as the factors that influence the success of these relationships. Respondents believe that the success of consulting services mostly depends on the trust between the consultant and the client (SV = 4.15). It also follows that the cause of the failure of these services is due to resistance to changes and unwillingness to learn on the part of the client (SV = 4.11), as well as the client's fear of asking for help in matters they do not know (SV = 3.95). The respondents expressed the lowest degree of agreement with the statement that too much counseling can be contradictory (SV = 3.55).

Table 4 shows a descriptive analysis of respondents' views on the perspective of consulting services. Respondents believe that in the future, greater cooperation should be established between consulting companies, on the one hand, and faculties and institutes, on the other hand, all with the aim of developing management knowledge (SV = 4.33). Therefore, it can be concluded that employees in the consulting sector are aware of the importance of adequate knowledge management, primarily for the purpose of improving their knowledge and skills, which they will then share with their clients and in this way contribute to the acquisition, dissemination and application of new knowledge while constantly encouraging innovation in domain of knowledge. Also,

respondents had a high degree of agreement with the statements that awareness should be raised about the importance of knowledge management at the level of the consulting firm and the client (SV = 4.33) and that methods for measuring the effects of consulting services

should be improved in the future (4.29). Respondents had the lowest degree of agreement with the statement that artificial intelligence should be used to a greater extent in the consulting process (SV = 2.98).

**Table 3.** Success of consulting services and relationship with clients

	Mean value (SV)	Median (M)	Standard deviation	Minimum value (Min.)	Maximum value (Max.)
Trust between the consultant and the client is a crucial factor in the success of consulting services .	4.15	4.00	0.971	1	5
The reason for the failure of consulting services is often resistance to changes and unwillingness to learn on the part of clients .	4.11	4.00	0.977	1	5
I observe in clients the fear of expressing the need to ask for help in matters they do not know, which is reflected in the lack of consulting services.	3.95	4.00	0.869	1	5
Too much counseling can be counterproductive.	3.55	3.50	1.270	1	5

Source: Authors' calculation

**Table 4 .** Perspectives of consulting services

	Mean value (SV)	Median (M)	Standard deviation	Minimum value (Min.)	Maximum value (Max.)
Faculties and institutes should collaborate more with consulting firms in order to develop knowledge management.	4,43	5,00	0,927	1	5
We need to raise awareness of the importance of knowledge management at the level of our company and clients.	4,33	4,00	0,758	1	5
The methods of measuring the effects of consulting services should be improved.	4,29	4,00	0,778	1	5
You should specialize more in certain areas of consulting.	4,21	4,00	1,011	1	5
I should specialize my services to a greater extent in accordance with my competences.	3,98	4,00	1,027	1	5
I should deal more with strategy development and implementation, and less with operational consulting management.	3,52	4,00	1,032	1	5
Artificial intelligence should be used to a greater extent in the consulting process.	2,98	3,00	1,309	1	5

Source: Authors' calculation

**Table 5.** Results of the Mann-Whitney U test

	Men	Women	Mann-Whitney U	Wilcoxon W	Z	p
Characteristics of employees in consulting companies	4.25	4.00	804,000	1470,000	-1,662	0.096
Success of consulting services and relationship with clients	4.00	3.75	963,500	1629,500	-0.361	0.718
Perspectives of consulting services	4.00	3.85	880,500	1546,500	-1.025	0.305

Source: Authors' calculation

As stated in the research methodology, the Mann-Whitney U test was applied to determine whether there are differences in the attitudes of male and female respondents. Applying this test, it was determined that there are no statistically significant differences between male and female respondents regarding the characteristics of employees in consulting companies, the success of

consulting services and the relationship with clients, as well as the perspectives of consulting services ( $r > 0.05$ ) (Table 5).

Also, using the Kruskal-Wallis test, it was determined that there are no statistically significant differences between respondents of different ages (Table 6), that is, between



respondents of different levels of education (Table 7) regarding the characteristics of employees in consulting companies, the success of consulting services and the relationship with clients, as well as perspectives of consulting services ( $r > 0.05$ ).

When it comes to respondents with different lengths of service, it was established that there is a statistically significant difference in their attitudes regarding the characteristics of employees working in consulting companies (Table 8). Using the Mann-Whitney U test, it was determined that respondents with a length of service of 1 to 5 years are statistically significantly different from

respondents who have worked for less than a year, that is, who have worked for more than 5 years. The presence of a statistically significant difference between the values of employee characteristics was recorded between respondents who have worked for less than a year ( $M = 4.5$ ) and respondents who have worked for 1 to 5 years ( $M = 4.00$ ), and this difference is of medium intensity. ( $U = 117,000$ ,  $z = -2,977$ ,  $p = 0,014$ ;  $r = 0,42$ ). The difference between the values of employee characteristics between respondents who work for less than a year and more than 5 years, that is, respondents who work from 1 to 5 years and more than 5 years are not statistically significant.

**Table 6. Results of the Kruskal-Wallis test (age of subjects)**

	18-29	30-49	50 and more	$\chi^2$	r
Characteristics of employees in consulting companies	4.2500	4.2500	4.0000	5,483	0.064
Success of consulting services and relationship with clients	3.7500	3.7500	4.2500	6,190	0.055
Perspectives of consulting services	4.0000	3.8571	3.8571	3,092	0.213

Source: Authors' calculation

**Table 7. Results of the Kruskal-Wallis test (level of education of the respondent)**

	Medium	College	Faculty	Master's/doctorate	$\chi^2$	r
Characteristics of employees in consulting companies	4.0000	4.2500	4.2500	4.2500	2.238	0.542
Success of consulting services and relationship with clients	3.5000	3.5000	4.0000	4.0000	7.011	0.072
Perspectives of consulting services	3.7143	4.0000	3.8571	4.0000	6.401	0.094

Source: Authors' calculation

**Table 8. Results of the Kruskal-Wallis test (length of work experience)**

	Less than 1 year	1-5 years	More than 5 years	$\chi^2$	p
Characteristics of employees in consulting companies	4.5000	4.0000	4.2500	8,853	0.014
Success of consulting services and relationship with clients	3.7500	3.7500	4.0000	6,004	0.052
Perspectives of consulting services	4.1429	3.8571	4.0000	0.787	0.657

Source: Authors' calculation

## 7. Conclusion

The modern economy has imposed new challenges that first of all require the constant acquisition and management of knowledge, which today is becoming the main basis for achieving a competitive advantage. For this reason, the demand for the services of consulting companies, which, in addition to having advanced knowledge and skills, must also be capable of transferring them to their clients, primarily small and medium-sized companies that lack managerial knowledge and skills, is growing. In this sense, the main elements of knowledge management - creation, acquisition, preservation, sharing and application of knowledge directly influence the quality of consulting services, which requires the strategic implementation of the concept of knowledge management in the field of business consulting. The goal is for consultants, as leaders or trainers, to find a way to "extract" tacit knowledge from the employees of the company they advise and turn it into explicit, useful knowledge that will be the source of their competitive advantage.

However, despite the exponential growth of the consulting sector and the need for their services, this topic is still insufficiently researched, especially in Serbia, where the consulting sector is still developing and limited to certain services. The research established that employees in

consulting companies in the Republic of Serbia are aware of the necessity of acquiring and developing knowledge, and the level of cooperation between these companies and faculties and institutes should be increased. The management of these companies should strive to keep employed workers in the company for a longer period of time, because frequent fluctuations can have a negative impact on the business. Also, consulting companies should strive to increase trust between consultants and clients, as this will increase the success of the services provided. It was established that gender, level of education and age of respondents do not affect the attitudes about the characteristics of employees in consulting companies, their success and relationship with clients, as well as perspectives. Also, it was determined that the years of service of the respondents do not affect the attitude about the success of consulting services and the relationship with clients and prospects. On the other hand, it was established that there is a statistically significant difference between respondents who work for less than a year and respondents who work from one to five years in terms of the characteristics of employees in these companies.

Thanks to this research, Serbian companies can see the great importance of knowledge management in today's business environment, as well as the connection between the elements of the concept of knowledge management

and the phases of the consulting process, which will enable them to achieve synergistic effects from the application of these two concepts. The results of this research can also serve as a basis for redefining the mission and work program of certain consulting organizations in Serbia, creating more appropriate local and regional development strategies and for completing the legal regulations regarding the mandatory application and development of the concept of knowledge management in the field of business consulting. Although this research made a step towards a more comprehensive consideration of knowledge management and mapping the path of the relationship between knowledge management and consulting, it also showed that the relationship between knowledge management and consulting is a complex topic that opens up space for future specialized research related to certain elements and phases of management that will additionally contribute to the development of this important theoretical and practical field.

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