

## **BUSINESS CONSULTING AS A FACTOR OF KNOWLEDGE IMPROVEMENT IN HUMAN RESOURCES MANAGEMENT**

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**Abstract:** This paper investigates the role of business consulting in the creation and transfer of business knowledge to human resources in companies. Consulting interventions are focused on the effective management of the client's knowledge organization. The goal of launching a knowledge management initiative is to improve the performance of the organization and individuals through the identification, adoption, evaluation and transfer of knowledge. The model of creative management is based on the philosophical assumption that the real world, which surrounds modern organizations, is dynamic, turbulent and changeable and that, as such, it requires organizations and their management to perform complex activities. These activities require Serbian managers not only to solve problems caused by uncertainty, but also to recognize and take advantage of new business opportunities. During business consulting projects, employees can be engaged in a number of learning activities, but it is crucial to transfer new business knowledge to real business activities. In the realization of the research task, desk research of data that is predominantly related to: business consulting, human resources management, measuring changes in skills and knowledge during consulting interventions, creative management, etc. was used. When analyzing this area, it is necessary to focus on motivating employees to generate their knowledge. Namely, employees must be acquainted with certain standards, technical conditions and production norms, etc. It is necessary to create the atmosphere of a learning company, ie. form trained and creative people from employees. It is wrong to view employees only as executors of work orders. An instructive example is Japanese companies, which are characterized by above-average productivity, where the so-called bottom-up initiative in collecting ideas and decision-making, which in further work leads to high motivation of workers. The introduction of changes requires employees in the organization to acquire new knowledge, gather more information, cope with new tasks, improve their skills, and often change their work habits, values and attitudes. This includes changes in people: in management and employees, their abilities, motivation, behavior and efficiency at work. It also includes changes in organizational culture: changes in values, established customs, information relations, influence, management style. The results of the research show that the team work of managers, consultants and employees contributes to the constitution of knowledge-based management, ready for the challenges of modern business. Experience in team work is important for holders of creative management, since it is based on the formation of top management teams. To help with human resources, managers, relying on behavioral science, can use a number of methods that facilitate development and change in individuals, groups, or businesses to manage toward a goal.

**Keywords:** Business consulting, human resource management, knowledge management, creative management, knowledge transfer.

### **1. INTRODUCTION**

The topic for this paper was imposed, among other things, by the latest opportunities in Serbia, in its economy. Namely, the Serbian economy found itself quite surprised, almost completely unprepared for what was inevitably waiting for it in the period of transformation. In the conditions of the new economy, the intellectual potential takes not only the leading, but the key role (Orčić & Gajić, 2020, p. 315). In a competitive environment, in order to survive, companies must constantly change and develop.

Survival and development imply investing efforts in reevaluation and reaffirmation of competitive advantages of companies and their positions in the market. In order to achieve that, both large and well-known companies of world renown in the developed market of Europe hire well-known consulting companies to help, allocating significant funds for that. The Serbian economy inevitably had to take that path, because that is the only path that leads it to join the economy of the European community, and that means survival, stabilization and development.

Namely, today, in the new economic and geopolitical circumstances, in the era of globalism, each individual country has a difficult task to stand out in some way and to position itself economically and politically on that basis (Radnović, & Ilić, 2020, p. 259).

The creation of business-attractive companies initiates the need for consulting. Consulting organizations help companies achieve their goals, solve problems related to business and management, identify and take advantage of new opportunities, increase their knowledge and apply the proposed changes in practice. The domestic economy lacks knowledge in the field of business planning, which is necessary when opening small and medium enterprises. The essence of the necessary changes can be defined as a new entrepreneurial society that encourages risk-taking and creates new entrepreneurial knowledge. Investing in employees is one of the basic preconditions for successful business of the company through the acquisition of new knowledge, upgrading the existing and developing the skills necessary to perform a specific job (Nikolić, Marković-Blagojević & Jerotijević, 2019, p. 45).

This paper claims to point out many issues related to this issue, initiate their solution, inform those who should be interested in the role and importance of consulting, ways to use it - all that could contribute to some benefits and improve the economy, including proposing solutions.

## 2. MATERIALS AND METHODS

In the realization of the research task, desk research of data that is predominantly related to: business consulting, human resources management, measuring changes in skills and knowledge during consulting interventions, creative management, etc. was used. This research implies using data from the official resources: Association of Management Consultants of Serbia, the professional and scientific literature and internal documentation. By combination of the quoted research methods can get as more reliable as possible response to the key questions which arose within the analysis of the role of business consulting in improving knowledge of human resources management.

## 3. RESULTS AND DISCUSSIONS

### 3.1. Business Consulting

An analysis of the relevant literature indicates that throughout history, many organizations, with the help of external experts, have significantly improved their business performance, overcome the problems they encountered, and become stable business systems (Krivokapić & Čudanov, 2016, p. 13). Consulting is a specific activity of helping company managers to solve business problems for which they do not have enough expertise, knowledge and experience. In modern market economies, and especially in those that strive to build market mechanisms, consulting is the result of the need for adequate and timely information, which has become a key factor in business success. Domestic companies operated in non-market conditions and did not produce professional and dynamic managers who successfully manage change. The necessity of a comprehensive transformation requires knowledge of specific activities and interventions that are the catalyst for building efficient market economy enterprises. Namely, knowledge-based competitive advantage is a prerequisite for economic prosperity in the global economy (Kovačević, 2019, p. 31).

Business consulting is a professional assistance in identifying, diagnosing and solving problems related to various areas and aspects of business and enterprise management (Mihailović & Radosavljević, 2020, p. 1). It enables the transfer of a successful management system from one company to another or from one organization to another. Changes are the main reason for the existence of consulting. In our conditions, we are talking about radical and multidimensional changes that affect the ownership of the company, its business, market, organizational design and construction of financing.

The consulting service is a recommendation of an appropriate measure, as well as assistance in the implementation of that recommendation, which is the result of research, identification and analysis of problems in a particular company. A consultant is a professional who provides consulting services. His education and experience, in combination with a realistic and complete acquaintance with the specific situation, enable the provision of adequate assistance to the company. The engagement of consultants is motivated by the situation in the company, which can be characterized as unsatisfactory and, at the same time, there is a realistic prospect that it can be improved.

Employees are one of the basic strategic resources of the organization. The process of recruitment and selection of staff has a very important role in human resource management, which seeks to provide the organization with motivated and competent staff (Karabašević, et al., 2018, p. 145). The research conducted by the Association of Business Consultants of Serbia just shows that the most frequently offered services are in the field human resource management (17%), general business consulting (9%), management systems quality (14%), marketing, advertising and public relations (13%), general financial consulting (9%), strategic business planning (8%), information technology (7%), project management (7%) and feasibility studies (7%) (ABCS, p. 9). Using the method of the Consultant's Score Card we evaluated the benefits of management consulting. Surveyed managers gave the highest grade to the access of specialist knowledge and best practices (average grade 4.5) (Table 1) (Mihailović, Popović, & Radosavljević, 2020, p. 144).

**Table 1. Benefits of management consulting**

<b>Benefits of management consulting</b>	<b>Average grade</b>
Access to specialist knowledge and best practise	4.5
The process of implementation is easier	4.1
You get the opinion of the unbiased external observer	3.6
Learning through the process of management consulting	3.2
You get the temporary intensive professional services	2.9

Note: 1 - minimum rating; 5 - maximum rating

Source: Mihailović, B., Popović, V. & Radosavljević K. (2020). Consulting as a factor of improving the educational potentials of managers in Serbia. *Limes plus*, (3), 131-155.

In addition to the need for consulting activities in areas in which managers are not sufficiently skilled, consultants can be hired for one-time and additional, but very sensitive business activities such as introducing a new product, penetrating a foreign market or fighting aggressive competition. At the same time, the help of consulting organizations may be needed in a situation when the company's management is burdened with numerous activities, which is the case with diversified companies, when the existing real management capacities do not provide simultaneous optimization of business activities (Cvijanović, Mihailović, & Vukotić, 2016, p. 10).

### **3.2. Human Resource Management**

Human resource management strategy is currently considered one of the most important elements of corporate strategy, mainly because its main goal is to work with people as the most important capital of any organization (Vrchota & Řehoř, 2019, p. 299). Human resource management is a business function that deals with the management of relationships between groups of people in their capacity as employees, employers and managers. Inevitably, this process can raise questions about what the responsibilities and rights of each party are in this relationship, as well as what constitutes a fair relationship. Personnel management has an ethical basis and deals with the practical consequences of human behavior. The management of the company should constantly work on a compromise between meeting the needs of employees and economic effects, while taking into account the quality of services that are placed in its competence by the founders (Stanković, Pečić, & Ostojić, 2018, p. 431).

The choice of one person instead of another for a particular job is usually based on individual abilities and characteristics. In a large number of examples, there are procedures and techniques for determining and measuring the characteristics and abilities required to perform a particular job. The main techniques for selecting workers are testing and interviewing.

Testing refers to the research of knowledge, abilities and skills of candidates and their behavior on the basis of which future work performance is predicted. The trend is to apply performance tests (measuring existing skills and knowledge) rather than ability tests (measuring potential). Managers have realized that it is not easy to get the "right" person whose profile fits the job description and that it is therefore necessary to test the relationship of real needs with workforce planning and employee training programs. It could be said that the ability of an organization to initiate and implement activities and processes of 'exploitation' of existing and the creation of new knowledge are among the key factors in creating the competitive advantage of organizations (Dželetović, et al., 2016, p.118).

It is increasingly understood that there are great benefits to planning the development of workers and managers. There is a growing interest in professional planning and staff development, organizational development and other programs to help people improve their business lives and achieve greater job fulfillment.

During the job evaluation, the management must consult with the trade union as well as with the individual workers. Representatives of union workers are an important factor in decision-making, such as benefits or redundancies. There are a number of job assessment techniques, depending on the job being considered. Some of their elements are: business ranking schemes, job classifications, scoring systems, factor comparison and final assessment.

Experience has shown that performance estimates are more accurate as performance levels increase. However, experience also shows that performance appraisals used in a large number of organizations are usually not objective measures but subjective assessments made by supervisors. Evaluations must be linked to actual performance, with supervisors (or other evaluators) being trained to use performance appraisal techniques. The quality of the assessment depends on the set: organizational, group and individual goals.

Interviewing is a useful diagnostic tool, but it also has a number of shortcomings as a predictor of future performance. Managers must be aware of the need for basic and planned training in this technique, and it is therefore necessary to be familiar with the limitations associated with this method.

Professional planning and training. Professional planning and training is receiving attention in an increasing number of organizations, so managers must be prepared to deal with problems such as determining the main directions of professional planning and training, which are divided into different categories of employees.

### 3.3. Measuring learning with the help of formal tests

Modern business emphasizes the importance of intellectual property and knowledge as key factors that contribute to achieving competitive advantage (Miletić, Trajković, & Mrdak, 2021, p. 165). The fact is that shifting the focus towards creativity and innovation requires an increasing fund of knowledge. However, it is not enough for an economic entity not only to possess knowledge, but also to use and exchange it effectively (Mitrović, 2020, p. 13). The process by which the degree, scope and quality of certain forms of behavior have occurred and developed is called evaluation. It is very common to evaluate the results using tests, before and after the intervention. Improved assessment in tests shows a change in the skills, knowledge or attitudes of the participants that contribute to the success of the consulting project. In the United States, there was a marked increase in the use of tests during the 1990s. The principles of application of tests are very similar to those for the design and implementation of questionnaires and surveys. The criterion test is a test of goals with predetermined overall grades. Criteria tests carefully measure the described objectives for the learning components in a consulting project. In criteria tests, the interest lies in whether the participant in the consulting meets a certain minimum standard, and not how the participant ranks among others. The primary concern is to measure, report and analyze the performance of participants in relation to learning objectives. Consultancy work starts from conditions that are considered to be unsatisfactory, and which, according to expert estimates, can be repaired; ideally, ends with what is perceived as an improvement (improvement, refinement) (Mihailović & Brzaković, 2018, p. 5).

Table 2 explores the reporting format based on criterion testing. This format helps to explain how criterion tests are applied in performance appraisal efforts. Four participants completed the learning component with three measured objectives corresponding to each module. Actual test scores are recorded and a minimum acceptable standard is indicated. For example, in the first goal, the fourth participant received a passing grade on a test that has no numerical value and is simply marked with passed or failed.

**Table 2. Reporting format based on criterion testing**

	Goal 1 P/F	Score	Goal 2	P/F	Score	Goal 3	P/F	Total Passed	Minimum standard	Total Score: Rating
Participant 1	P	4	10	F	87	90	F	1	2 of 3	F
Participant 2	F	12	10	P	110	90	P	2	2 of 2	P
Participant 3	P	10	19	P	100	90	P	3	2 of 3	P
Participant 4	P	14	10	P	88	90	F	2	2 of 3	P
In total	3 P			3 P			2 P	8 P		3 P
	1 F			1 F			2 F	1 F		1 F

Source: Philips, J. (2000): The consultant's scorecard: tracking results and bottom-line impact of consulting projects, McGraw-Hill Companies, Inc., p. 124.

The same participant achieved the second goal with a grade of 14 (10 is the minimum passing grade). The participant had a grade of 88 on goal 3, but did not pass, because the standard is 90. In total, participant no. 4 satisfies the learning component. The column on the far right shows a minimum pass standard that is at least two of the three goals. The fourth participant achieved two goals, ie. required minimum.

In order to provide conditions for successful learning of employees throughout the working life, modern theorists close to the andragogical approach recognize the need to reform formal education (schools), axiomatically emphasizing the need for continuous training, ie the need for continuous lifelong education and learning, and enabling their satisfying (Bralić, 2016, p. 29).

### 3.4. The role of business consulting in creative management

Knowledge management is not a new concept, but has been structured relatively recently (Mašić, et al., p. 127). Creative management, in accordance with current trends in the organizational environment, defines the management process, the functions of individual managers in the process and the attributes of those managers who are part of the top management team. Creative thinking is based on creating ideas and evaluating them. All ideas are important, and "crazy" ideas are especially encouraged, since it is a question of quantity, not quality, in the first phase of thinking. This is how a large number of ideas were obtained, because old ideas encourage new ones. There are the following techniques of creative thinking (Živanović, 1994, p. 39):

- Brainstorming. The brainstorming method allows the researcher to hear a large number of ideas in a short time. 6-12 people from the governing body participate in the BS session. Each idea is recorded, encouraged and evaluated in order to facilitate a concrete solution to the problem. Up to 200 ideas can be heard, the duration of BS is from 1 to 2 hours.
- Synectics. This technique is similar to brainstorming. 9 members are participating in the session. The procedure is as follows: The client presents the problems in the company, and expects the participants to help him solve, so that they will present their opinions and suggestions. After that, the client considers the proposals and states what he likes and what he does not. The participants further consider the problem and so the process continues until good solutions are found.

Any technique to use, according to the same source, it is necessary for the consultant to adhere to the following rules: 1. Postpone the trial - do not criticize any idea too soon; 2. Let your imagination run wild - free expression of imaginative ideas will give better results; 3. Quantity - the more "crazy" ideas, the better the results; 4. Cross-cutting ideas - a rule that allows the consultant to combine ideas with participants in solving problems and to improve them.

#### 4. CONCLUSIONS

Continuous learning, competent management and the formation and transfer of knowledge are important aspects of a modern economy. Firms are aware of the need to introduce management models and organizational solutions that help operationalize ideas.

The collaboration of consultants and managers is beneficial to both. Namely, consultants collect information about the organization and its business, which enriches the business experience, and thus strengthens business competence. On the other hand, managerial skills and abilities are developed, which all together lead to solving business problems.

The role of the consultant is to introduce the manager to a new perspective of looking at the problem, which the manager, due to his full involvement in it, could not notice and objectively look at. The consultant, however, observes the problem from a desirable distance, which leads to objectivity in the diagnosis. In process consulting, the objectivity of the consultant overrides the subjectivity of the manager, who, after several cycles of diagnosis and meetings, will become objective himself.

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