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Risk Management in Consulting

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Abstract

The paper deals with the essence of consulting, the risks most often encountered in the activities of consulting companies. Moreover, the article notes the importance and methods of risk management, and the paper also presents proposals for improving risk management in the consulting business.

Keywords*: service, consulting, risks, risk management, risk management methods, risk indicator system.*

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1. INTRODUCTION

In order to increase the share of the service sector in the country's economy, to fully utilize the existing opportunities in the service sector in the regions, to solve urgent problematic issues related to expanding the types and improving the quality of services in Uzbekistan, it is planned to expand the market for consulting services[1].

The range of tasks solved by consulting is very wide, moreover, the specialization of companies providing consulting services can be different: from narrow, limited to one direction of consulting services (for example, accounting services, audit), to the widest, covering the full range services in this area.

2. THEORETICAL ASPECTS

Consulting is a paid service in the form of information and advice that allows the client to improve the efficiency of its business.

Consulting activities are carried out by consulting service providers on a commercial basis. Strong competitive conditions place high demands on the quality and efficiency of consulting services and encourage the service to focus on the interests of the client.

3. ANALYSIS AND RESULTS

No activity is without risk. Risk is defined as the possibility that an event will occur that adversely affects the achievement of an objective. Uncertainty, therefore, is a key aspect of risk. And consulting is no exception. There are the following groups of risks inherent in consulting services:

- ✓ dissatisfied clients;
- ✓ data breaches;
- ✓ unpredictable markets;
- ✓ property damage or loss;
- ✓ employee issues.

Even with effective communication and clear agreements, unhappy clients are going to happen. Client dissatisfaction has plenty of potential roots in the consulting industry, such as:

- ✓ cost overruns;
- ✓ missed deadlines;
- ✓ miscommunication;
- ✓ misrepresentation;
- ✓ strategy or planning issues;
- ✓ financial limitations;
- ✓ failure to deliver on expectations.

[1]Order of the President of the Republic of Uzbekistan "О мерах по ускоренному развитию сферы услуг"(On measures for the accelerated development of the service sector) dated May 11, 2021 under registration number ПП-5113

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Many consulting companies gain access to essential data to troubleshoot workflow or procedural issues. Naturally, there's a significant amount of shared information. Plus, most consulting firms store client data on their computers.

It's crucial to use the best cybersecurity practices by thoroughly reviewing the security protocol of any technology service provider.

A delicate balance exists between finding new clients and nurturing current ones. Monitoring the dynamics of new vversus current clients is a tricky feat – but necessary.

Additionally, no one can predict a market's climate from one moment to the next. From late-paying clients to unplanned costs to irregular business, unpredictability is a genuine concern. Such is the nature of running a business.

Consulting companies also face property theft regarding their office space, supplies, inventory, equipment, and more. Damage to tangible assets could cause a massive pause in business operations, so consulting firms avoid these setbacks fervently.

Consulting service is the result of intellectual work.Consulting services is exceptionally vulnerable to human error and employee issues.In other words, this group of risks is due to the personal qualities of the company's personnel, such as lack of experience, professionalism, violation of standards of professional behavior and ethics.

One of the most difficult areas, like any business, also in consulting companies is associated with risk management. The inability to assess potential risks and offer effective ways to overcome them reduces the competitiveness of any business. But it should be noted that the risk is an additional chance of profit. It is the optimal combination of risk and return that is the main goal of risk management. The risk management process includes the identification, analysis of risks and decision-making aimed at reducing the likelihood of risks and minimizing losses. Commonly used basic risk management methods include the following:

- ✓ risk aversion;
- ✓ risk reduction;
- ✓ risk transfer;
- ✓ risk acceptance.

The choice of a specific method of risk management is carried out depending on the specific situation.

Due to the fact that at the present stage more attention is paid to the risk management process, a number of generally recognized standards and approaches to risk management have been developed in world practice. One method of risk assessment and management can be considered a system of risk indicators.

Key risk indicators are indicators that allow predicting and evaluating the likelihood of a risk (risk event) occurring. The system of key risk indicators is a comprehensive monitoring tool that allows to get a complete picture of the operational risk profile.

4. CONCLUSIONS

In conclusion, it can be notedthat in order to minimize the risks associated with the implementation of consulting activities, it is necessary to train employees to support identity

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management and handle access credentials correctly. Moreover, a consulting company must have proven problem-solving technology and the necessary skills in formulating an organizational diagnosis, strategic planning, using information systems, as well as methods of analyzing and forecasting the economic situation, diagnosing the general production situation, establishing contacts. For risk management, it would also be appropriate to use a system of risk indicators. Since when using a system of key risk indicators, risks are not simply identified or measured, an analysis of the consulting company's exposure to a specific risk in dynamics is carried out, which also makes it possible to identify the ineffectiveness of the applied controls and measures aimed at reducing risks.

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