

Developing the Business Strategy for a Consulting Company



Irina Anatolievna Kiseleva, Natalia Alekseevna Sadovnikova, Mikhail Vladimirovich Karmanov, Vladimir Ivanovich Kuznetsov, Mikhail Samuilovich Gasparian

Abstract: The global experience of leading companies indicates that successful development of a firm – in particular, of a consulting firm – and improvement of its performance are impossible without a properly formulated strategy as a set of measures aimed at achieving a certain goal. The relevance of this article lies in the fact that operation of any enterprise is accompanied by risks, which necessitates formation and application of a business strategy within the competences of various departments. Attempts to research and develop the business strategy for a consulting company are made in this article. The current businesses are run in a highly competitive environment. Taking adequate decisions requires a deep, comprehensive assessment of the situation and a reliable forecast of the outcome. The key stages of developing a business strategy for a consulting company are identified, possible alternatives to the strategic choice are defined, measures to monitor the implementation of strategic decisions are found, and foreign and Russian examples of building the business strategy for a consulting company are provided.

Index Terms: consulting, business, services, strategy.

I. INTRODUCTION

Consulting is a special professional field with a purpose to provide assistance in content, process or structure of a problem, where a consultant is not directly responsible for solving that problem. Consulting as a business emerged in Russia in the 90s. A large number of organizational forms emerged, legislation changed, and technologies developed at a high speed over the years. These factors have become prerequisites for the development of consulting services, so much necessary during crisis [1]-[4]. Successful development of a firm – in particular, of a consulting firm – and improvement of its performance are impossible without a properly formulated strategy as a set of measures aimed at

achieving a certain goal.

II. METHODS

Methods of cognition, retrospective and documentary analysis, as well as synthesis, generalization, and systematization were used in this article.

III. RESULTS

Based on the analysis of consulting companies' operation, some proposals have been made to develop an efficient strategy for the consulting company development. An organizational and economic mechanism for evaluating possible alternatives to a strategic choice has been proposed. Practical advice on developing the strategy for a consulting company has been given. Examples of building a strategy for a consulting company in Russia and abroad have been reviewed.

IV. THEORETICAL BASIS OF CONSULTING AND DEVELOPMENT OF ITS STRATEGY

Top 10 Russian consulting companies by annual revenue were the following ones in 2017 (Table I):

Revised Manuscript Received on 30 July 2019.

* Correspondence Author

Irina Anatolievna Kiseleva*, Plekhanov Russian University of Economics, Moscow, Russian Federation.

Natalia Alekseevna Sadovnikova, Plekhanov Russian University of Economics, Moscow, Russian Federation.

Mikhail Vladimirovich Karmanov, Plekhanov Russian University of Economics, Moscow, Russian Federation.

Vladimir Ivanovich Kuznetsov, Plekhanov Russian University of Economics, Moscow, Russian Federation.

Mikhail Samuilovich Gasparian, Plekhanov Russian University of Economics, Moscow, Russian Federation.

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Table I. Chart of Russian consulting companies' distribution by annual revenue

No.	Company name	Annual revenue, thous. rub.	Annual increase, %	Specialization
1.	LANIT	11 768 590	-7.1	IT
2.	Compulink	8 536 196	6.4	IT
3.	CROC	7 140 692	8.2	IT
4.	AT Consulting	7 026 448	15.3	IT
5.	PwC	6 892 907	6.4	Audit, risk analysis and management, HR
6.	SC Technoserv	4 739 700	-	IT
7.	I-teco	4 196 980	4.7	IT
8.	KPMG	4 085 484	12.6	Tax and finance
9.	RSM Rus	3 755 259	-	Audit, IFRS
10.	AKG 2K	3 529 287	6.3	Audit, IFRS

Demand for a particular area of consulting is most often uneven: businesses need consultancy services in various fields of activity during the company development and changing market conditions. The division by fields is conditional. Most companies operate in several fields at the same time.

However, the division into fields of activity is still present when calculating the statistics of the consulting business. The growth rates of consulting revenue for 2017 by fields (in %) are presented below (Fig. 1):

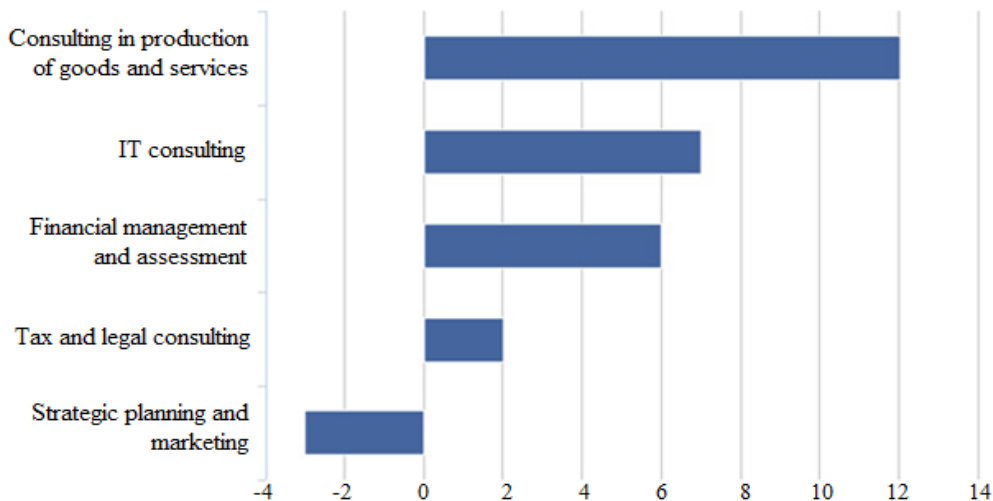


Fig. 1. Growth rates of consulting revenue for 2017

Each company strives to be unique and more popular among the firms on the market. A corporate culture and business strategy are formed for these purposes. Focus on the strategic development of consulting companies, as well as on strategic planning, has recently become very popular [5]-[8].

This approach can be explained by some changes in the environment:

- rapid improvement of management consulting over the past decade;
- increasing number of management consultants, which has resulted in the competition development in this area; and
- focus of consulting firms on the market and consumers, use of aggressive marketing techniques.

As such, each consulting firm faces a problem of maintaining its position in the market and changing its level of competence and the ratio of the set of proposals to the needs of clients.

The idea behind the strategic planning is to distribute the own resource base of a company or enterprise among the fields with the greatest development.

A consulting company focuses on a standardized system of producing and providing services, as well as the use of some methodological approaches in the diagnosis, analysis, and

development of methods for finding solutions. Obviously, clients will not be satisfied with standardized sets of services or problem solutions, and an individual approach to each client plays a big role in this case. This means that the system based on standard sets of services and solutions can bring an incredible success to the consulting firm in the market due to a creative and nonstandard approach of consultants.

- Consulting in production of goods and services
- IT consulting
- Financial management and assessment
- Tax and legal consulting
- Strategic planning and marketing

V. STAGES OF DEVELOPING THE STRATEGY FOR A CONSULTING COMPANY

The product life cycle model should be applied to ensure the company's success in the consulting services market, as well as their efficient presentation.

The peculiarity in the range of services provided by consulting companies lies with variability of the fields of their activities, each of them belonging to different stages of the life cycle. Such state of affairs suggests the development of a personal marketing strategy that would satisfy the requirements of the relevant activity of the agency [9]-[11]. In other words, the use of a single strategy is not possible for the promotion of various services. Due to the above, each company should develop an individual action plan for each client. Based on this, it can be stated that the plan for developing a strategy for the activities of a consulting organization at the same time is implemented at two levels: an organizational level and a level of providing a service for a specific client. Overall, the method of developing a strategy for a consulting company includes nine stages.

Stage 1. Situational analysis

This analysis is required for assessing the internal state of affairs in the company and its potential in a particular field, as well as the opportunities and threats of the environment at the macro and micro level using SWOT analysis (Table II).

Table II. SWOT analysis

	Positive impact	Negative impact
Internal environment	Strengths	Weaknesses
External environment	Opportunities	Threats

Stage 2. Definition of goals.

Based on the opinions of multiple active consultants [12], [13], the main objectives of consulting are the following ones:

- profit maximization;
- increasing the presence in the market or maintaining and strengthening positions;
- attracting new clients and forming an updated client base; and
- reasonable representation of the organization in the market in a competitive environment, assistance in image building.

There are scientific opinions about the feasibility of planning and setting the company's strategic goals for a 5-year term but on the basis of their regular revision (at least once every six months) [14]-[16]. Sometimes the firm management cannot set goals for a long-term period for some reason – in this case, it makes sense to limit the period to two years and only then proceed to a long-term planning.

Stage 3. Definition of the range of services provided.

There are various combinations of services at this stage, since consulting measures can be aimed at a wide range of customer needs.

Stage 4. Attracting clients consuming consulting services.

This stage requires to think over and conduct communication activities aimed at a large circle of people, such as advertising, subscription emails, etc. Moreover, it makes sense to revise previous contacts of the consulting company.

Stage 5. Research of customer needs.

This stage involves situational analysis. To find an individual approach to the client and create favorable conditions for solving a specific problem, consultants need to

study the needs, manners, and usual ways of the customer's communication.

Stage 6. Development of individual strategies for developing client relationships.

This stage is required for clarification and consolidation of the set of services, pricing and communication strategy relating to a specific customer.

Stages 7 and 8. Elaboration of strategies, assessment of customer satisfaction, and evaluation of financial results.

Stage 9. Strategy application, improvement of its quality and widening the range of the consulting company.

All stages of the strategy development for a consulting company are required and consistent for the implementation of efficient operation. Moreover, they help assess the situation on the market and the influence of external factors, as well as develop and maintain good relations between the client and the consulting agency.

VI. DEFINING A STRATEGIC CHOICE OF A CONSULTING FIRM

A strategic choice of a consulting company, represented by a set of actions and planned for a long-term period, is related to important fields of internal and external activities of the organization [17], [18]. However, it must also be noted that the adopted consulting strategy should be adjusted based on the scientific and technological progress and changes in external factors. One of the main stages in the company's business strategy development is to limit its range of services provided. The theory of strategic planning suggests finding the nature and range of services provided by a consulting firm for these purposes [19], [20]. The strategy has several alternatives from this standpoint:

Strategy of providing consulting services No. 1.

Services can be divided into functional and subject areas of intervention. A consulting firm opting for this alternative provides its services based on the following classification (Fig. 2).

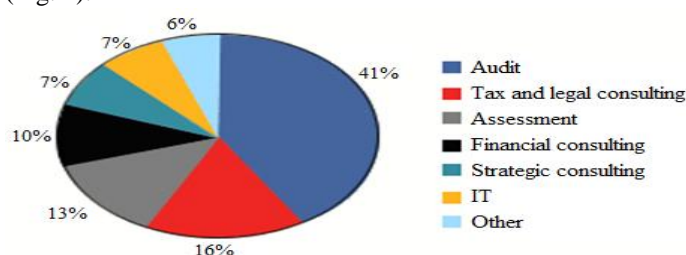


Fig. 2. Classification of consulting services

Delinquent This model is one of the most common classifications but also one of the most primitive ones. This definition of its own range of services reveals little to the customer about the firm, its consultants, and the specifics of their professional methodological approaches. However, such a strategy is rather difficult to implement for the company, because there is a likelihood of a wide range of problems associated with various activities.



Strategy of providing consulting services No. 2.

The classification of services is based on problematic criteria in this alternative. This means that consultants provide assistance in solving problems associated with saving resources, rationalizing the direction of information flows, identifying opportunities for enterprise restructuring, and changing ownership forms.

Strategy of providing consulting services No. 3.

Consultants focus the attention of probable customers not on the content and results of consulting but rather on the methods of solving a problem and the ability of the client to use certain methods of diagnostics, analysis, and development of alternative solutions to problems.

As such, the firm offers not a service itself, but a solution algorithm. The contract between the consultant and the customer requires the customer to agree not only with the consultant's terms of the cooperation and payment, but also with the consultation method.

Professional consulting applies combined strategies that enable the consultant to immediately announce both the problem area of assistance and the algorithm for solving the problem.

The next but no less important structural block of the strategic choice of a consulting firm is the definition of basic clients.

The company needs to determine its current market segment to get started. The consumer plane of a consulting firm can be viewed from certain positions, for instance:

- provision of services to organizations of various sizes (small, medium, large, giant),
- cooperation with enterprises of specific or different industries (transport, construction, power, etc.), and
- finding solutions for companies of any ownership (private, public, mixed).

Moreover, the firm should limit the proportion of state and public organizations in its consumer circle. For instance, some foreign consulting companies have limited the share of the state consumer sector to 20 – 30%. However, this choice should be reasoned and based on the conditions of the market where the organization operates.

VII. IMPLEMENTATION OF THE STRATEGY AND CONTROL OVER THE IMPLEMENTATION OF MANAGERIAL DECISIONS

Strategic management has a system of approaches. A consulting firm makes an expedient decision regarding the strategy and the subsequent control over its implementation at the final stage of a systematic approach to the strategic management [21].

The strategic decision is made by the head of the company after the diagnostic and analytical work. However, it may happen that the obtained information is not sufficient for a strategic choice. In this case, the decision should be postponed. Several alternative solutions can be adopted with the stipulation that only one of them is maintained after the situation has been clarified.

The purpose of the firm's strategic choice is to develop a coherent strategy that would coordinate all activities of the organization.

It is advisable to use the management skills of consultants in the development of their own company's strategy. This can be implemented through the creation of working groups for the development of a common special project.

Some consulting firms consider it appropriate to have a strategic plan for 3 – 5 years. In this case, strategic decisions should be presented as clearly as possible, with digital and control materials being added. During the subsequent follow-up, it is assumed that the current decisions and actions must correlate with the adopted strategy. However, sometimes the strategy is either ignored or not applied for some reason.

Deviations from the strategy can indicate flexibility of the market situation. Neglecting a strategic decision, many consultants can accept tasks in an uncharacteristic industry or country if they are confident that their competence corresponds to the level of the task complexity.

If deviations from the strategy are frequent and significant, the strategy may have been chosen incorrectly or outdated. In this case, it must be revised. Besides, the strategy is regularly revised and coordinated with the requirements of the time under normal conditions as well.

VIII. FOREIGN AND RUSSIAN EXAMPLES OF BUILDING THE STRATEGY OF A CONSULTING COMPANY

A. Foreign experience (KPMG) [22]

KPMG is one of the leaders in the international consulting services market and is one of the "Big Four" audit and consulting companies.

The main goal of this company can be defined as assistance in increasing the business value, as well as coordinating shareholders and managers in solving key problems.

The main KPMG activities are the following ones:

- Finding the best solutions in the context of market instability and other external factors influencing the company's business. Based on this, consultants can assist in the development of a business strategy, analysis and modeling of access to new markets, etc.
- Assistance to shareholders and managers in making strategic decisions.
- Development of guidance on reducing costs and increasing the company productivity, namely helping clients in creating a system, controlling losses, optimizing their headcount and organizational structure, proposing methods to reduce costs in a long run, and improving the company's management system.

Consulting company KPMG is working with companies from the financial and consumer sectors, industrial markets and the infrastructure construction sector, where KPMG contributes to the development of both international and Russian projects.

Moreover, not only business consultants, but also narrow focus specialized experts (lawyers, financial and tax consultants) and technical specialists (engineers) participate in the development of multidirectional consulting projects.



This combination of experts allows to offer efficient and practical advice in solving problems to customers.

B. Russian experience (CROC) [23]

CROC is one of the leaders among Russian consulting companies. This company provides consulting services in IT – a very popular field in Russia.

The main goal of CROC is to assist companies in increasing the attractiveness and efficiency of their activities through IT tools. IT audits resulting in the formation of the key tasks solutions are carried out for this purpose.

On this basis, the following main activities of CROC can be singled out:

- Creating conditions for maintaining the continuity of business processes and company operation in IT,
- Maintaining and increasing the efficiency of IT infrastructure, and
- Reducing the costs of maintenance and development of comprehensive infrastructure.

CROC is focused both on federal services – for example, the Unified Medical Information and Analytical System (UMIAS) and the Federal Antimonopoly Service – and on corporate clients, such as Hoff, M-video, and Ingosstrakh.

CROC is the only company in the country that possesses the highest status of all the leaders on the global IT market, cooperates with more than 270 contractors for the production of equipment and software, and periodically revises and improves its technology and partner portfolio. This approach helps it find a comprehensive solution that combines the infrastructure part with the automation of business processes.

IX. CONCLUSION

It can be concluded that the efficient strategic planning plays one of the main roles in the enterprise management system.

Besides, having studied the theoretical foundations of strategy development, the authors believe that its main goal at an enterprise is the efficient development of a company in a changing environment and competitiveness. The amount of financial losses is inversely proportional to the company's performance, which makes the formation of the right strategy one of the main ways to improve the economic performance of organizations.

The chosen strategy of the firm should be adjusted according to the requirements of innovation processes and changes in the environment. A consulting firm has priority positions in comparison with industrial enterprises in terms of sensitivity and flexibility to the dynamics of external conditions.

The consulting business develops very rapidly both abroad and in Russia, and therefore the development of an efficient strategy is vital for the company's existence, since the experience of leading companies proves that the stability of business development and increasing its efficiency are impossible without the active use of the chosen development strategy as a main part of the company management system.

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