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ANALYTICAL TOOLS FOR CONSULTING COMPANY'S DEVELOPMENT STRATEGY FORMATION: SELECTION AND OPTIMIZATION

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ABSTRACT

In this paper the different analytical methods of strategic management were summarized as one analytical stage of the whole strategy formation process. The best practice of managers which was described in different research was reviewed and developed in terms to get more quick and suitable management tools for small and medium sized consulting companies. SWOT-analysis was used to estimate basic quality factors, which influence on the company. EFAS, IFAS, SFAS methods were used and supplemented by adding the reference data for consulting companies. Visualization with using a bubble chart was proposed for EFAS, IFAS, SFAS results interpretation with the possibility of considering company's dynamic changes. The stakeholders' analysis was proposed to use as a part of analytical stage of development strategy formation process for consulting companies. This type of analysis was improved by using the 5-scored scale estimation as a risk-management tool. That would help to build a stakeholders' map for further visualization. As a result, the level of strategy objectiveness will be increased, total spent time will be decreased and the strong analytical background for further strategy formation process will be achieved.

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Introduction. The issue of strategy formation is relevant for different sized companies. All aspects of this process are actual for managers as clear understanding of each formation stage can help to get the successful winning strategy. Thus, on the background of the rapid information technology progress the analysis of information may become a very useful tool to correctly estimate the current company's position and the main future trends of society's development before making any decision of moving forward. The quality and reliability of any strategic decision strongly depend on the quality of inputs. As and the results of the analysis. According to some research [16], analytics can be also a success factor which can increase the value of company's business. Among the main benefits of a well-done analytical job the strategic decision-making process and the knowledge of consumer can be strongly improved, operating costs can be decreased while sales can be grown up.

Material and Methods. The purpose of this paper is to present the results of investigation in the field of strategy management. The analytical stage of consulting companies' strategy formation process was described and developed. Main methods were used such as graphical method, SWOT-analysis, methods of Internal Factors Analysis Summary, External Factors Analysis Summary, Strategic Factor Analysis Summary, deduction and induction.

The problem of chosen the most popular management tool was investigated by different researchers [6; 4; 12].

Results. As the general result of these investigations the two groups of the most widely used tools could be formed: traditional such as different types of matrix analysis and modern such as graphical analysis using modern information technologies tools. SWOT-analysis is the most popular among traditional analysis. But it lacks numbers and quantity characteristics. That makes it suitable for different private companies but increases the subjectivity of the output (Table 1).

Table 1. SWOT-analysis for a small-sized consulting company

Strengths	**Weakness**
Experience in Subject	Small number of permanent customers
Portfolio	Lack of Financial Resources
Licenses	low level of customer payment culture
Membership in profile associations and unions	Small development costs
Reference letters	Small marketing costs
Absence of claims	Small publicity costs
Own working methodologies	Small innovative costs
	Small personnel
Opportunities	**Threats**
Globalization	Worse legislation, additional restrictions appearance
Applying information technologies	New market players appearance
International interaction	Average industry profitability falling
Creation links with Publicity and other stakeholders	Company's technological aging of business processes
Merger & Acquisition participation	

The EFAS (External Factors Analysis Summary), IFAS (Internal Factors Analysis Summary) and SFAS (Strategic Factor Analysis Summary) [5; 10; 13] are seems to solve the problem with quantity characteristics but input information, which could be useful for strategic decision-making, usually is private. One more drawback of SWOT-analysis is the absence of comparison with competitors. This could be improved with M. Porter's analysis and benchmarking but both methods require input quantity data which is also private for the most private small and medium sized companies.

So, using the results of expert survey, which was conducted among the consulting companies [8], the Modified Matrix for Consulting of External Factors Analysis Summary - MMC EFAS, Modified Matrix for Consulting of Internal Factors Analysis Summary - MMC IFAS could be proposed by author in this paper (table 2 and table 3).

Table 2. Modified Matrix for Consulting of External Factors Analysis Summary (MMC EFAS)

№	**External Factors**	**Weight of the Factor, which is measured by the Strategist (a)**	**Expert Weight of the Factor (a_{exp}) [8]**	**Expert Summary Score of the Factor (S_{exp}) [8]**	**Weighted Factor Value (FV = a * S_{exp})**	**Comments**
1	**2**	**3**	**4**	**5**	**6**	**7**
Opportunities						
1	Globalization	10%	0.20	8.00	0.80	indicators for assessing the sustainability of development
2	Applying information technologies	15%	0.28	14.00	2.10	indicators for assessing the sustainability of development
3	International interaction	10%	-0.04	15.00	1.50	indicators for assessing the sustainability of development
4	Creation links with Publicity and other stakeholders	5%	-0.04	5.00	0.25	indicators for assessing the sustainability of development
5	Merger & Acquisition participation	15%	-0.08	7.00	1.05	financial indicators (market value)
Total Opportunities Estimation:					**5.70**	

Continuation of table 2

1	2	3	4	5	6	7
Threats						
1	Worse legislation, additional restrictions appearance	15%	-0.12	-2.00	-0.30	indicators for assessing the sustainability of development
2	New market players appearance	10%	-0.16	-18.00	-1.80	compliance with the goals and objectives of the competitive strategy
3	Average industry profitability falling	15%	0.41	-12.00	-1.80	Financial indicators
4	Company's technological aging of business processes	5%	-0.28	-14.00	-0.70	a factor like the possibilities is accepted with the opposite sign
Total Threats Estimation:					**-4.60**	
MMC EFAS TOTAL SCORE					**1.10**	

(Proposed by the Author)

The "Weight of the Factor, which is measured by the Strategist" should be set directly by the decision-maker considering reference data from the 5th column. It may differ in any thus adding the Strategist's personal estimation. "Expert Weight of the Factor" and "Expert Summary Score of the Factor" are received empirically and should be taken from the research [8]. "Expert Summary Score of the Factor" should be taken as a negative meaning. MMC EFAS total score should be estimated as a sum of total opportunities and threats estimations.

As SWOT-analysis may contain factors which are not listed directly in research [8] the additional table (table 3) can be used or simply comments can be applied at the column 7 of table 2.

Table 3. Additional information for MMC EFAS

Indicator [8]	Group of Indicators [3]	#	External Strategic FACTORS
Research and Innovation costs	indicators for assessing the sustainability of development	1	Globalization
information technologies costs	indicators for assessing the sustainability of development	2	Applying information technologies
International partners	indicators for assessing the sustainability of development	3	International interaction
Links with Publicity and other stakeholders	indicators for assessing the sustainability of development	4	Creation links with Publicity and other stakeholders
Market value +- development costs	Financial indicators	5	Merger & Acquisition participation
Society development costs	indicators for assessing the sustainability of development	6	Worse legislation, additional restrictions appearance
Personal market position +- membership	compliance with the goals and objectives of the competitive strategy	7	New market players appearance
Net profit	Financial indicators	8	Average industry profitability falling
Information technologies costs	a factor like the possibilities is accepted with the opposite sign	9	Company's technological aging of business processes

The MMC EFAS total score as 1.10 can be interpretated as the favorable company's external environment.

For making the Modified Matrix for Consulting company of Internal Factors Analysis Summary MMC IFAS (table 4) the analogic algorithm as described for MMC EFAS can be used.

Table 4. Modified Matrix for Consulting of Internal Factors Analysis Summary (MMC IFAS)

№	Internal Factors	Weight of the Factor, which is measured by the Strategist (a)	Expert Weight of the Factor (a_{exp}) [8]	Expert Summary Score of the Factor (S_{exp}) [8]	Weighted Factor Value (FV = a * S_{exp})	Comments
1	**2**	**3**	**4**	**5**	**6**	**7**
Strengths						
1	Experience in Subject	15%	-0.08	6.00	0.90	indicators of competitive strategy evaluation
2	Portfolio	10%	-0.04	3.00	0.3	indicators of competitive strategy evaluation
3	Licenses	10%	0.04	7.00	0.70	indicators of competitive strategy evaluation
4	Membership in profile associations and unions	5%	-0.16	12.00	0.60	indicators for assessing the sustainability of development
5	Reference letters	10%	0.08	12.00	1.20	indicators of competitive strategy evaluation
6	Absence of claims	3%	-0.08	2.00	0.06	indicators of competitive strategy evaluation
7	Own working methodologies	10%	0.00	10.00	1.00	indicators of competitive strategy evaluation
Total Strengths Estimation:					**4.76**	
Weakness						
1	Small number of permanent customers	10%	0.48	-20.00	-2.00	indicators of competitive strategy evaluation
2	Lack of Financial Resources	10%	0.36	-14.00	-1.40	financial indicators (net profit)
3	low level of customer payment culture	2%	-0.36	-9.00	-0.18	financial indicators (profitability of each project)
4	Small development costs	5%	0.44	-17.00	-0.85	indicators for assessing the sustainability of development
5	Small marketing costs	2%	-0.16	0.00	0.00	indicators of competitive strategy evaluation
6	Small publicity costs	1%	-0.28	0.00	0.00	indicators of competitive strategy evaluation
7	Small innovative costs	5%	0.20	-8.00	-0.40	indicators for assessing the sustainability of development
8	Small personnel	2%	-0.08	-5.00	-0.10	financial indicators (the share of staff salaries in the cost of the project)
Total weakness Estimation:					**-4.93**	
MMC IFAS TOTAL SCORE					**-0.17**	

(Proposed by the Author)

Detailed factors can be separated into additional table (table 5).

Table 5. Additional information for MMC EFAS

Indicator [8]	Group of Indicators [3]	#	Internal Strategic FACTORS
1	**2**	**3**	**4**
Experience in Subject	indicators of competitive strategy evaluation	1	Experience in Subject
Portfolio	indicators of competitive strategy evaluation	2	Portfolio
Licenses	indicators of competitive strategy evaluation	3	Licenses
Membership in profile associations and unions	indicators for assessing the sustainability of development	4	Membership in profile associations and unions
Reference letters	indicators of competitive strategy evaluation	5	Reference letters
Absence of claims	indicators of competitive strategy evaluation	6	Absence of claims
Own working methodologies	indicators of competitive strategy evaluation	7	Own working methodologies

Continuation of table 5

1	2	3	4
Number of permanent customers	indicators of competitive strategy evaluation	8	Small number of permanent customers
Net profit	financial indicators (net profit)	9	Lack of Financial Resources
Profitability of each project	financial indicators (profitability of each project)	10	low level of customer payment culture
Development costs	indicators for assessing the sustainability of development	11	Small development costs
Marketing costs	indicators of competitive strategy evaluation	12	Small marketing costs
Publicity costs	indicators of competitive strategy evaluation	13	Small publicity costs
Innovative costs	indicators for assessing the sustainability of development	14	Small innovative costs
The share of staff salaries in the cost of the project	financial indicators (the share of staff salaries in the cost of the project)	15	Small personnel

The MMC IFAS total score as -0.17 can be interpretated as the necessity to improve some internal factors, for example, to increase resources.

Next step is compilation the results of MMC EFAS (table 2) and MMC IFAS (table 4) into one complex table of MMS SFAS (table 6), which can be used for further visualization.

Table 6. Total results for MMC SFAS

Type of Analysis	**Strategic Factors' group**	**Summary Strategic Factors' group Estimation***	**Total Score***
MMC EFAS	Opportunities (O)	5.70	1.10
	Threats (T)	-4.60	
MMC IFAS	Strengths (S)	4.76	-0.17
	Weakness (W)	-4.93	
TOTAL SFAS**		**0.93**	**0.93**

* - from the table 2 and table 4

** - SFAS total score = MMC EFAS total score + MMC IFAS total score

In general, it can be made a conclusion that the analyzed consulting company should use its favorable external opportunities by improving its internal environment. But using only table data makes hard to estimate the level general positive and negative factors (fig. 1). Correct results of this estimation could help to take int account the life stage of the company.

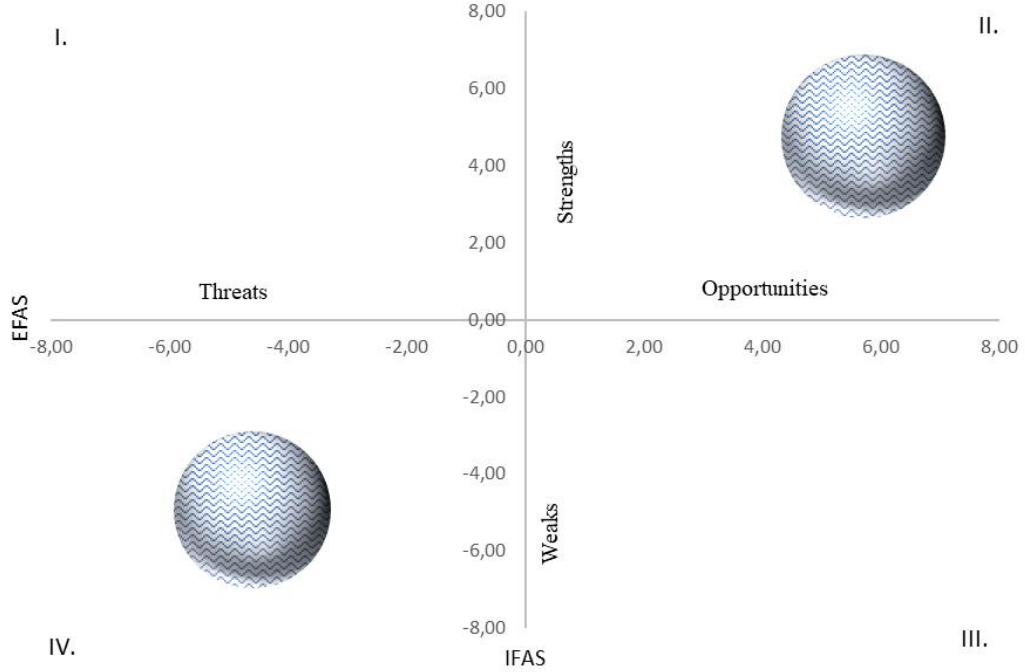

Fig. 1. Bubble chart for MMS SFAS results [Proposed by the Author]

So, comparing the size of two bubbles in positive (B_p) and negative (B_n) quadrants its can be said that company has almost equal opportunity as for successful development as for the failure. Thus, the bigger is positive bubble (B_P) the more chance for success has the company. But also, this can help to understand company's life-stage (table 7).

Table 7. Variants of quadrants bubbles comparison (MMC IFAS)

Indicator	Variants		
	$B_p > B_n$	$B_p \approx B_n$ ($B_p = B_n$)	$B_p < B_n$
Risks of successful strategy implementation	low	medium	high
Level of uncertainty	low	high	low
Probability of success provided the current situation persists	75%-100%	50%	0%-25%
The need for additional use of management tools	ні	так	так
Company's life-stage	Seeds, Start-Up, Growth	Maturity	Decline

(Proposed by the Author on the base of table 6, figure 1 and [1; 2; 9; 13;14])

So, in case the company made its MMC SFAS in 2010 and it received the summary positive factors estimation (opportunities + strengths) B_{p2010} = 13.15 and summary negative factors estimation (threats + weakness) B_{n2010} = 5.8 the comparing results chart can be done (fig.2).

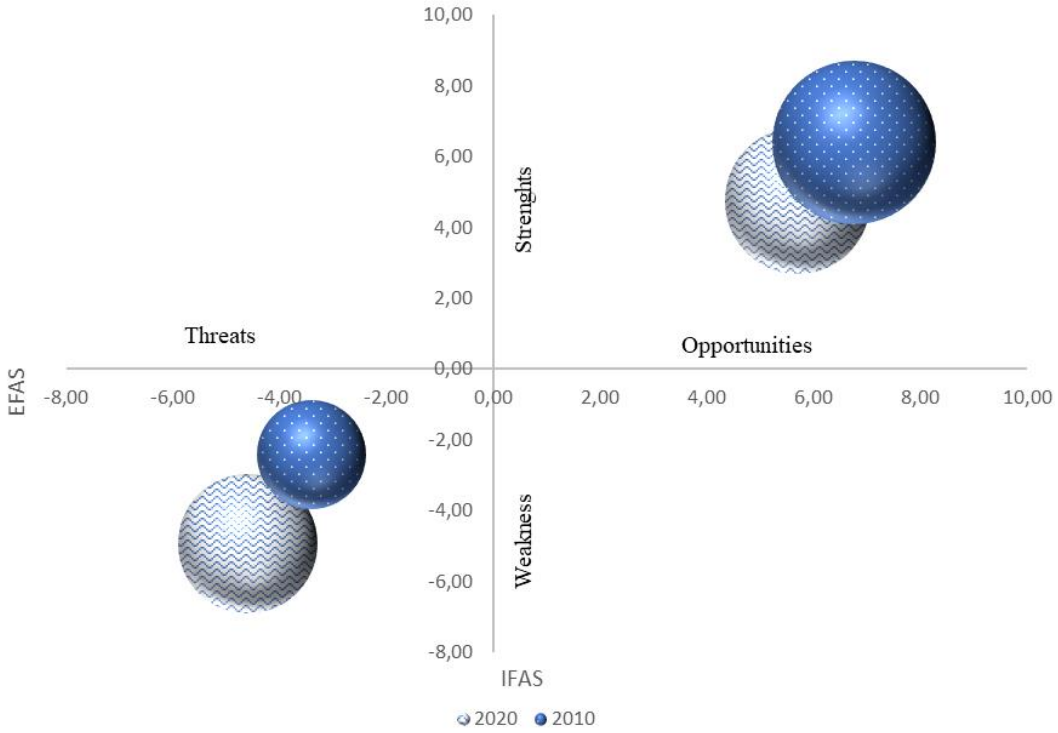

Fig. 2. Dynamic bubble chart for MMS SFAS results [Proposed by the Author]

In 2010 positive factors strongly predominated comparing to negative ones. Thus, the conclusion about company's seed-growth life-stage can be made and proper decisions can be done.

The described MMC IFAS, MMC EFAS and MMC SFAS also could be completed with the stakeholder analysis [7]. The AA1000 Stakeholder Engagement Standard [15] can be used as a basic statement with quality characteristics for stakeholder's estimation. So, the decision-maker may choose any characteristics. But for further visualization the quantity data are also required.

In this paper it is proposed to use the 5-score system [14], where the 1 score will mean the minimal power (white color), 3 scores – medium power (light color) and 5 scores – maximal power (dark color). So, taking the list of main stakeholders from previous research [7] the basic heat table for visualization can be constructed (table 8).

Table 8. Consulting Company's Stakeholders heat table

Consulting Company's Stakeholders	Influence Power	Dependence from the Company
Consumers	5	3
Competitors	5	1
Media	1	1
"Green" organizations	1	1
Authorities	3	1
Working staff	5	5
Management	5	5
Owner	5	3

The petal chart (fig.3) is proposed for creating a stakeholders map no the base of data from the table 8.

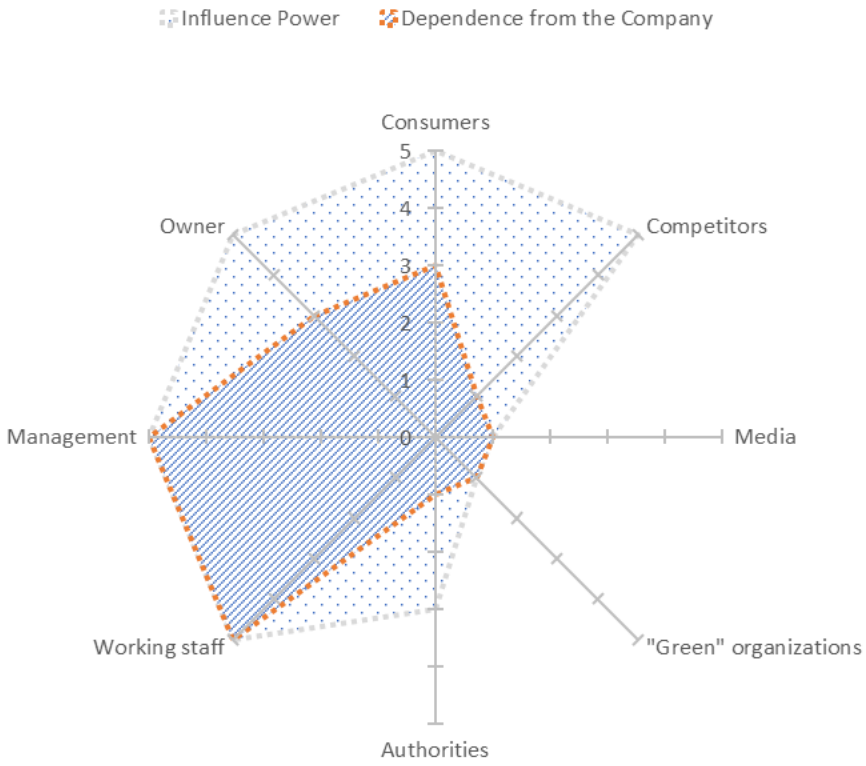

Fig. 3. Stakeholders map for consulting company [Made by the Author on the base of table 8]

So, the company has a low market power in quite opposite to its stakeholders.

Discussion. Thus, the problem of choice the most effective management tools is always actual and have different approaches for solving. But in any case, for decision-maker it is important to possess as actual quality information as quantity data, which in the most cases are private. Also, it is necessary to consider the industry specific and the size of a company. That is why different research and expert opinions should be studied before creating a perfect practical tool for certain company.

Conclusions. The proposed analytical management tools combine the results of different investigations in specific consulting industry. The problem of getting quantitative characteristic for applying modern analytic tools is proposed to be solved. Using industry experts' estimations can help to improve the most popular analytical tools and combining them with elements of risk-management in the part of using probability scales can also help to choose the correct way of further company's development. This could help to diagnostic the company's life stage for quick and correct further strategy formation process.

By using the whole scope of proposals, the objective strategic evaluation of current company's position can be received as a successful result of analytical stage of development strategy formation process for consulting companies. But a lot of factors, which any strategist put in the basic scope of the analysis still can be investigated by other researchers.

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