

BUSINESS CONSULTING IN RUSSIA

Business Development Plan for Company X

Abstract

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Title of publication Business Consulting in Russia Business Development Plan for Company X		
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<p>Abstract</p> <p>In 2014, the first sanctions against Russia were imposed because of the conflict between Russia and Western countries during the Ukraine crisis. These sanctions initiated an economic crisis in Russia, led to countersanctions from Russia against Western countries and the USA and caused changes in the import and export policies between Russia and Western countries. As a result, the Russian market became less attractive to foreign investors what has influenced the business performance of Company X. Company X is a consulting firm helping foreign companies to set up and run their business in Russia.</p> <p>The major objective of this study was to create a business development plan for Company X, so the company can operate successfully in Russia's complicated market environment and attract more customers. Another objective of the thesis was to analyze the market of business consulting in Russia and identify its key trends.</p> <p>The theoretical part of the work explains the major changes in Russian economy, describes the attractiveness of Russian market to foreign investors, analyzes the Russian business consulting market and introduces Company X. It also presents SOSTAC® planning model based on which the marketing plan for Company X was designed.</p> <p>In the empirical part the author carried out qualitative research by conducting semi-structured in-depth interviews with Company X representatives. The author asked open-ended questions in order to gain a deeper understanding of the subject and obtain the professional opinions of business consulting experts.</p> <p>The theoretical and the empirical parts contain the business development plan for Company X which answers the main research question. The development plan is based on desk research and data collected during the interviews with experts. The development strategy is presented as a clear action plan with recommendations from the author. The main conclusion regarding business consulting market in Russia is that the business consulting market is growing and there is a demand for business consulting services in Russia but competition among consulting firms is becoming more intense.</p> <p>The research results can be implemented by Company X as a part of its development strategy in order to attract new clients and strengthen its brand name. The findings and the business development plan can be also modified and applied by other consulting firms in the market.</p>		
Keywords Business consulting, development plan, B2B marketing, SOSTAC®		

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1 INTRODUCTION

This introduction chapter introduces reader to the background of the research and the overview of the thesis framework. The first part explains thesis background stating the prerequisites for the research. The following chapter familiarizes the reader with the thesis objectives, research questions and limitations. Furthermore, the chapter describes theoretical framework of the research, research methodology and data collection methods. Finally, the last chapter explains thesis structure.

1.1 Thesis Background

During 2014-2019 Russian market faced many challenges due to the unstable political and economic situation in the country. Political conflicts with Western countries led to changes in international trade policies due to the sanctions against Russian Federation and its reciprocal cross-sanctions. As a result, because of new limitations in import and export policies, many foreign companies had to leave Russian market or reduce their operations there.

Import Substitution Policy

In 2013-2014 Russian government started the implementation of the import substitution policy which restricts or limits import of goods in certain industries like agriculture, automobile production, pharmaceuticals, etc. Import substitution is regulated by the Federal Law dated 05.04.2013 No. 44-FZ "On the contract system in the field of procurement of goods, work, services to meet state and municipal needs". It is also regulated by other acts and resolutions that were issued by the Government of the Russian Federation. Even though Russian Government started the program of import substitution in 2013, key amendments were introduced in 2014 after the USA imposed first sanctions against Russia (on March 17, 2020). The following resolutions were introduced afterwards:

- Mechanical engineering - Resolution No. 656 of 14/07/2014;
- Light industry - Resolution No. 791 of 08/11/2014;
- Software - Resolution No. 1236 of 16/11/2015;
- Products of defense importance – Resolution No. 9 of 14/01/2017;
- Products of the machine tool industry that are of defense importance - Resolution No. 239 of 07/03/2019.

(TASS 2020.)

Consequently, in order to continue business operations in Russia, many companies in these industries now have to set their production facilities on the territory of the Russian

Federation in order to sell their products in Russia. As a result, 30% of foreign companies left Russian market, as allocation of production facilities in Russia was not economically feasible for them.

Devaluation of the Russian Ruble

Another challenge for the Russian economy during the last 5 years has been the devaluation of the Russian ruble. At the end of 2014, the ruble depreciated in dollars by 72.2% (from 32.66 rubles as of January 1, 2014 to 56.24 rubles as of January 1, 2015 with its maximum of 79.46 rubles in January 2016) and in the euros by 51.7% (from 45.06 up to 68.37 rubles with maximum ratio 100 rubles in December 2015).

In the first half of 2014, the changes in the exchange rate of the ruble were caused by political crisis in Ukraine and then by the sanctions imposed against Russia by the United States of America and other countries. In fall the key reason of the depreciation of the ruble was the reduction of oil prices: from 107\$ per barrel of Brent crude in August 2014 to 60\$ in December. Moreover, in December one more reason for the depreciation of the ruble was the speculation in the foreign exchange market.

As it is seen on Figure 1, before the crisis and political events in 2014 Russian ruble did not face serious fluctuations in the exchange rates. However, after instability in Ukraine and the sanctions, the price of the dollar in the rubles dramatically increased from 33 rubles up to 79 rubles, resulting in 230% fall of the price of the ruble to the dollar.



Figure 1 Russian ruble against the US dollar 2010-2020 (Trading Economics 2020)

As a result, the changes in the exchange rates and the drop of oil and gas prices made Russian market more unstable and less attractive to the foreign investors and companies.

Company X Introduction

Company X is a consulting firm which helps foreign organizations to set up their business in Russia. The company offers services in the following areas: accounting, legal, taxes and HR. Since the company was founded 2017, the company has been facing tight competition in the local market due to a large number of consulting firms in the region and decreased quantity of foreign companies operating in Russia and the North-West region. As a result, Company X faced stagnation in an expansion of its customer base, as during the first half-year of 2019 the company managed to conclude contracts with only two new clients. This performance negatively influenced the profitability of the company and decreased its market share. Thus, in order to attract more customers, Company X not only has to overcome the competition by implementing a successful marketing strategy but also needs to motivate foreign companies to set up their business and operations in Russia.

The author of the research has completed a seven-month internship in Company X and was facing these challenges daily. The observation of these difficulties in the company motivated the author to analyze current trends of Russian consulting market and create an effective business development strategy in order to attract more customers to Company X and strengthen its company brand name.

1.2 Thesis Objectives, Research Questions and Limitations

Research question is the major question around which author centers the research. It helps the author to focus the study on a particular topic and guides him during the research process. The research question is related to the research problem and objectives and can help to determine the research methodology and data collection methods. The thesis or a study can have only one or also more than one research question. (GMU Writing Center 2018.)

This thesis is aimed at the creation of a business development plan for a Russian consulting firm Company X in order to increase the number of customers and improve its brand recognition. Another goal is to analyze the current trends and features of Russian market of business consulting services. These two objectives are strongly connected to each other as only by analyzing both internal state of the company and the market the firm is operating at, an effective development strategy for Company X can be designed.

In this study the main research question is as following:

How can the business development strategy for Company X be improved so that the company attracts new customers and strengthens its brand name?

In order to cover all areas of the research and keep the focus of the research, the additional sub-questions are necessary (Research Rundowns 2009).

Therefore, the following sub-questions were identified for the research:

Which political and economic changes influenced the attractiveness of Russian market to foreign investors?

What are the major trends of business consulting market in Russia?

What is the competitive advantage of Company X?

There are several limitations that can be applied to the research. Firstly, the research is narrowed down to the creation of development strategy for Company X. Thus, the study outcomes and marketing strategies are created based on the analysis of Company X and can be effectively applied only by Company X. Other consulting firms can utilize the research results as a part of their own marketing strategy and apply them in order to attract more customers, but the solution is not tailored for their specific case.

Secondly, Company X decided to stay anonymous and conceal its brand name for this research. This is due to the fact that the study can contain internal data of the company which Company X does not want to be publicly available and be uploaded to the open internet sources.

Thirdly, the qualitative research part also has limitations since interviews are one of the key data collection methods. Because of natural reasons, Company X protects not only its name but also its trade secret and all other internal data which company representatives are not willing to be publicly available. It is also important to mention that for both interviewer and interviewee English is not a native language and there was a risk of miscommunication during the interview process.

1.3 Theoretical Framework

Theoretical framework of a study consists of concepts, their detailed definitions and existing theories related to the particular research. Theoretical framework is aimed at the demonstrating of understanding of concepts and theory in the study and helping reader to understand the topic deeper. (Dickenson 2018.)

Theoretical framework of this thesis is aimed at familiarizing reader with the characteristics of the major trends of Russian economy and providing information on the features of the local consulting market. It is also designed to familiarize reader with theoretical background of the business development plan.

Chapter 2 describes major political, economic and legal factors which changed the attractiveness of Russian market to foreign investors. The author highlighted four key aspects: sanctions and countersanctions, import substitution policy, economic indicators and localization of production. The second part of the chapter describes and analyzes the market of business consulting services in Russia and highlights its major trends.

Chapter 3 presents theoretical background for the business development plan for Company X. SOSTAC® marketing planning model was chosen for designing the marketing strategy for Company X. The chapter describes every step of the business development strategy planning and presents tools used for company and market analyses – SWOT model and Porter`s Five Forces.

Chapter 4 introduces to reader Company X. In this chapter the author included information on the types of consulting services the company provides, its management structure and team, vision and values, target customers and its current difficulties.

1.4 Research Methodology and Data Collection

This sub-chapter describes the research methodology and data collection methods applied in the empirical part of the research. The chapter covers research approach, methodology, data collection methods and types of sources used.

There are two key research approaches: deductive and inductive. When applying deductive approach, the researcher develops general statements or main theory and, after collecting and analyzing data, designs a specific conclusion. In inductive approach the theories and major statements are developed after conducting the research. (Walliman 2011, 17.) The author has chosen inductive approach for the study due to the necessity to develop theories and general statements based on the collected and analyzed data.

There are two key research methodologies: quantitative and qualitative. Quantitative research is based on the collecting and analyzing numerical data using various statistical inferences and mathematical methods. The purpose of quantitative research is to test hypothesis, generalize results and answer questions like “How many?”, “How much?”, “How often?”. When conducting qualitative research, qualitative textual data is collected. Qualitative research is aimed at gaining an understanding of the underlying reasons and

explaining the phenomena in order to generate a hypothesis or a theory. Qualitative research helps to answer following questions: “Why?”, “How?” and “What kind?”. (Greener 2008, 79.) Qualitative research method was chosen for the study because the research is aimed at gaining deeper understanding of the subject and the data will be collected by conducting personal interviews.

As it is stated in the previous paragraph, the author has chosen qualitative research method. There are several qualitative data collection methods:

- Individual interview;
- Group interview;
- Desk research;
- Survey;
- Focus group;
- Observation;
- Action Research.

(Saunders, Lewis & Thornhill 2009, 48.)

There are two methods of collecting qualitative data used in the research: individual interview and desk research. Individual interview is a source of primary data. Interview was chosen because author wanted to collect and analyze professional opinions of business consulting experts from Company X in order to apply their expertise in the process of designing of the business development strategy for the case company. Desk research, a source of secondary data, was used to gather data on current economic and political climate in Russia and on current trends of business consulting market in Russia.

1.5 Thesis Structure

This chapter presents the whole structure of the study. The main parts of the research are presented in Figure 2 below.

The thesis consists of seven chapters. The first chapter explains the background of the research, its objectives and limitations, states the research question and sub-questions, describes research methodology and data collection methods. The second chapter gives reader insights on the economic environment in Russia, analyzes the business consulting market in Russia and gives theoretical background for designing business development plan. The third chapter describes business development strategies and explains SOSTAC® marketing planning model which is used to create the framework for the business development recommendations for Company X. The fourth chapter introduces the

reader Company X for which the empirical part is designed. The fifth chapter is a part of the empirical research – it contains information on the interviews conducted by the author and its analysis. The sixth chapter provides the reader with recommendations for business development of Company X in accordance with SOSTAC® model in order to attract new customers and strengthen company brand name. Chapter number seven answers the research question and sub-questions stated in the first chapter and presents study outcomes.

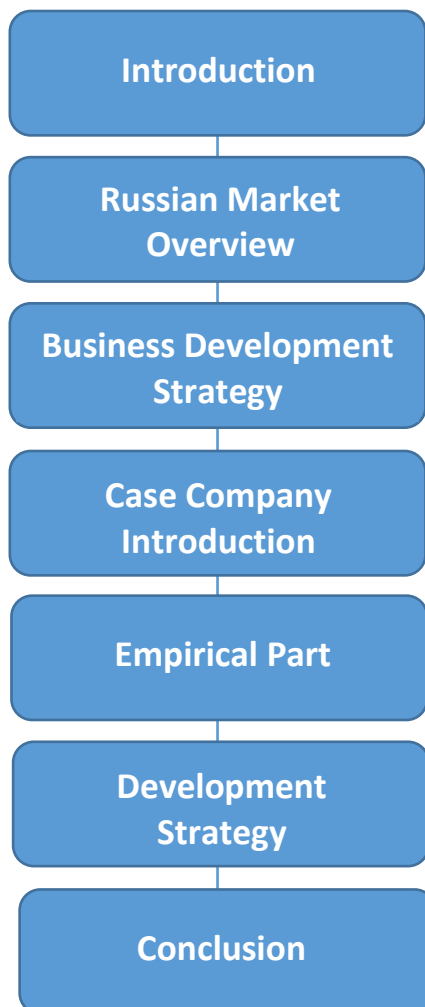


Figure 2 Thesis structure

2 RUSSIAN MARKET OVERVIEW

This chapter familiarizes the reader with the major trends and challenges of Russian economy and introduces key factors influencing the presence of foreign companies in Russia. The reason why author describes the economic and political situation in Russia and focuses on Russian market attractiveness for foreign companies is because Company X is working only with foreign firms which are entering or operating in the Russian market. Thus, the interest of foreign investors in Russian market directly influences the number of potential clients for Company X. The chapter also describes business consultancy market trends in Russia.

2.1 Imposed Sanctions and Countersanctions

In September 2014 economic sanctions were imposed against Russia. These sanctions were primarily related to the oil and gas industries, financial and banking sectors, as well as the military-industrial complex. For instance, the United States tightened restrictions on access to the capital market for six major banks of the Russian Federation. At the same time, the European Union prohibited European companies to provide help in the exploration and production of oil to Russian partners. Moreover, Western countries increased customs duties and limited export of goods produced in Russia and Crimea to the European Union, the United States of America and Ukraine. In addition, personal sanctions were introduced against certain companies and persons of the Russian Federation, as well as a ban on investment projects and equipment supplies for two new entities of Russian Federation: Crimea and Sevastopol. The sanctions were imposed by the United States of America, the European Union, Australia, Canada, the UK and Japan. Later Montenegro, Iceland and Albania, as well as Liechtenstein, Norway and Ukraine joined the EU sanctions package. (Korhonen 2018.)

Russian government responded to the sanctions by imposing countersanctions and embargo. Firstly, the Russian Foreign Ministry published a list of officials and members of the US Congress who cannot enter the Russian Federation anymore. Then, Russia limited the import of several goods from countries that have imposed sanctions. Russian President Vladimir Putin signed a decree on the application of certain special economic measures to limit import of certain goods. The corresponding list included beef, pork, fruits, poultry, cheeses and dairy products, nuts and other products. The List of Agricultural Products, Raw Materials and Foods, the country of origin of which is the United States of America, European Union countries, Canada, Australia, the United Kingdom and Norway, was approved. Later Russian government limited government purchases of

foreign consumer goods. Among them was foreign textile, clothes, underwear, leather, fur products and shoes. Finally, Russia extended the food embargo to Albania, Montenegro, Iceland, Liechtenstein and Ukraine. (Ria news 2015.)

Economic Indicators

In the end of 2014, the imposed sanctions and the drop of the world oil prices negatively influenced Russian ruble exchange rates and Russian GDP value.

Figure 3 represents Crude oil prices during 2010-2020. In 2014 the International Energy Agency (IEA) lowered its forecast for world oil consumption what caused a dramatic decrease of the oil prices worldwide. Other reasons of these price changes were increased oil mining in the United States of America and Saudi Arabia, as well as OPEC countries decision not to reduce oil quotas. Starting with 107.75 US dollars per barrel in the beginning of 2014, the prices dropped by almost 50% resulting in 50 US dollars per barrel, followed by even more serious decrease down to 27.5 US dollars per barrel in January 2016. (TASS 2016.)



Figure 3 Crude oil prices USD/BBL 2010-2020 (Trading Economies 2020)

Since oil and natural resources are one of the key economic drivers in Russian Federation, the correlation between Russian ruble and oil prices is very high. Thus, the drop in

the oil price has immediately influenced domestic exchange rates (as it is represented in Figure 1), economic development in the country and GDP value. (TASS 2020.)

In accordance with Figure 4, in the beginning of 2014 the value of Gross Domestic Product in Russian Federation was 202,060 billion US dollars and after all political events and drop in oil prices in 2014 the GDP fell down by almost 40% resulting in 1,363.6 billion US dollars in 2015. The record minimum was in 2016 – 1,282.7 billion dollars. (Trading Economies 2020.)

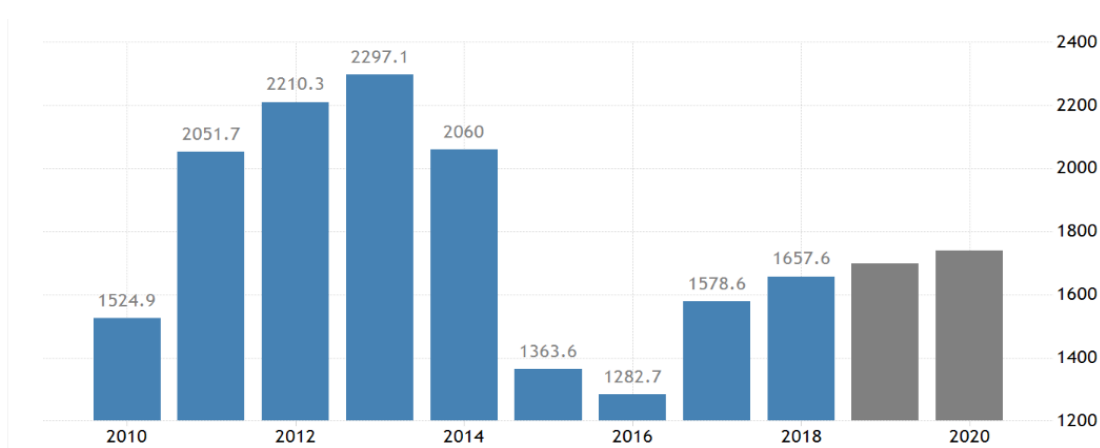


Figure 4 Gross Domestic Product in Russia (billion USD) 2010-2020 (Trading Economies 2020)

As a result, the fall in the oil prices and the economic sanctions led to a slowdown in economic growth and low GDP value in Russia, caused an economic crisis and made significant changes in the structure of Russia's external debt. Due to the sanctions, Russian market lost about 6.3 billion dollars. All these events made Russian market less attractive to foreign investments due to unstable economic situation, decrease of bargaining power of the population and limitations of running business in Russia. (Korhonen 2018.)

In addition, the countersanctions became the prerequisites for the introduction of import substitution policy which is presented in the following sub-chapter.

2.2 Import Substitution Policy

As it is explained in the previous sub-chapter, in the beginning of 2014, due to the events in the Crimea and the east of Ukraine, a political crisis between Russia and Western countries started. After a number of Western countries introduced economic sanctions against Russia, Russian government responded by entering countersanctions – embargo.

This restriction includes countries such as the United States of America, Canada, Norway, EU countries and Australia. These economic sanctions and countersanctions became the prerequisites for implementation of import substitution policy in Russia not only in agricultural sector (as a part of food embargo), but also in many other industries. (Matveeva 2016.)

Key sectors for implementation of import substitution policy are:

- Agriculture (meat, fish, dairy products);
- Automotive industry;
- Pharmaceuticals and medical industry;
- Oil and gas;
- Textile;
- Software.

(Matveeva 2016.)

As a result, companies operating in the above-mentioned industries have to ensure that their business operations in Russia comply with the new legislation. One of the key challenges for these foreign companies is the fact that specific goods from these industries cannot be imported from the EU and other countries under restrictions. The only way to sell these goods on the Russian market is to place production facilities on the territory of the Russian Federation and produce the products with “Made in Russia” label. However, majority of the companies are not ready to place their production facilities in Russia, as localization requires high investment and Russia must be a key target market for these companies. Otherwise, settlement of production facilities is not economically feasible. Moreover, due to unstable economic environment, many foreign companies find Russian market very risky and decrease their business activities there. (Matveeva 2016.)

2.3 Localization of Production

Localization of production is a relocation or expansion of production to another country. Russian government actively supports localization of production by setting Special Economic Zones with taxation benefits and by offering Special Investment Contracts (SPIC). (Leschenko 2019.)

Foreign entrepreneurs believe that localization of production contributes to the success. In some cases, localization of production in Russia can be more profitable than import of

goods, as companies can take part in state tenders, be closer to the potential and current customers, easier adopt to the market changes. Moreover, companies can avoid currency fluctuations. However, on the other hand, the initial investment into setting up production abroad requires large budget. Another challenge for placing production in Russia is the restrictions on certain import of components, materials and ingredients necessary for the production. The only way to overcome this challenge is to find alternative components produced by local companies or localize their production in Russia as well. (Kotlyarova 2017.)

Around 400 foreign companies localized their production facilities in Russia during last few years. Many companies are using benefits offered by Russian government to foreign companies: Special Investment Contracts, Special Economic Zones and other support. As a result, such companies like Rockwool, Berlin-Chemie and Woerwag Pharma localized their production in Russia. However, overall presence of foreign companies and foreign trade in Russian companies decreased by 38% compared to the period before sanctions. (Ria news 2015.)

2.4 Market of Business Consulting Services in Russia

Increased competition and the reduction of the business product life cycle are the major trends of Russian market which are increasing the demand for consulting services. The dynamics of the consulting market, its contribution to GDP, as well as the observed changes in its individual segments confirm the growing importance of consulting services. (Al-Nsur 2016.)

The consulting market in Russia began to develop in the 1990s. At that time only 20 agencies were providing consulting services in Russia. In 2019, the number of consulting firms in Russia grew up to over 3,000. (Kuklina 2019.)

Over the past 8 years, the consulting services market has grown by 73%. In accordance with statistics of the RBK+ rating agency, the total consulting market in Russia in 2014 amounted to 116.4 billion rubles and up to 126 billion rubles during 2015. In 2018 the revenue in business consulting segment reached its maximum of 138 billion Russian rubles. Consequently, the market of business consulting in Russia is growing and more firms are using the services of business consultants. (RBK+ 2017.)

Consulting services are mainly used by large enterprises and companies with international presence and large number of operations in Russia and abroad. Such companies are capable to invite consultants for the provision of IT services, software maintenance and support, personnel assessment and training, management consulting and legal support on an

ongoing basis. SME (Small/Medium Enterprises) hire external consultants for conducting only the most important services - accounting and legal outsourcing or other niche services (in order to solve a narrow specific problem). Another segment of clients is foreign companies (both enterprise-level and SME) which are entering or have recently entered Russian market and want to delegate their back-office operations to a trusted local consulting partner. The major industries the clients are coming from are metallurgy, pharmaceuticals and agriculture. (RBK+ 2017.)

Another important trend is the decrease of prices for consulting services due to reducing solvency of local companies. However, despite the fall in prices for the services, due to the increasing demand for consulting services the revenues of the consulting firms are still growing. As a result, many new consulting companies and individual consultants are entering the market because of always growing demand on professional consulting services and ease of opening consulting business in Russia. (Al-Nsur 2016.)

2.5 The Structure of the Russian Consulting Market

The consulting services market in Russia is divided into several areas: IT consulting, management and strategy, HR, investment and valuation, tax and legal, finance and accounting. The following sub-chapters describe the major trends of consulting services in these areas in more detailed.

IT Consulting

IT consulting is designed to provide the necessary protection and security in the field of computer technology. IT consultants help to implement modern technologies, install new software, protect the data, ensure services availability and deploy updates to the infrastructure. (Kuzmina 2014.)

According to the RBK+ research, in 2015, IT consulting occupied 59% of the entire consulting services market. By 2017, this share was already 67.3%. The reason for such rapid growth is that due to import substitution policy many enterprises are switching to cheaper domestic software products and they need professional consultants who can deploy them to their infrastructure. Moreover, there is a high demand for IT consulting services because of the need to implement and maintain computer programs which are now a necessary driver of any business. Many companies are moving towards virtualization and usage of clouds, so they need professional IT specialists who could implement these projects successfully. (RBK+ 2017.)

Strategic and Management Consulting

Management consulting is focused on the achieving positive dynamics of the key performance indicators of the company, overcoming the crisis, reducing enterprise costs and building successful management structure within a company. Management consulting companies determine the strengths of the business and its competitive advantages, reduce current expenses, design development strategy, give of recommendations on how to eliminate existing problems. (Kuzmina 2014.)

In 2015 this sphere accounted for 5% of the domestic consulting market and in 2017 the share decreased down to 2.5%. The market share size reduced due to the unstable economic situation and the decreased solvency of Russian companies. (RBK+ 2017.)

HR Consulting

HR consulting services solve personnel issues and manage the hiring processes. The main task of HR consultant is to use the human resources in the most efficient way and help companies to hire best specialists. (Kuzmina 2014.)

HR segment occupies 2.5% of the total structure of the consulting market, but there is a steady upward trend. In 2017, the consulting market in the field of personnel management increased by 52.9% and became the leader in terms of the growth temp. The demand for HR consulting is increasing due to the shortage of engineers and workers capable to work with modern equipment, so training and requalification of the employees is needed. (RBK+ 2017.)

Investment and Valuation Consulting

An investment consultant determines the benefits of investing money, calculates the performance indicators of an investment project. These consultants help to choose a brokerage company, draw up an investment portfolio or an investment plan. Valuation specialists help to evaluate and prepare business appraisals. (Kuzmina 2014.)

This segment of consulting industry is growing - by the end of 2017 it grew up to 5.8% of the of the total consulting services market due to the increased activities in M&A sector. (RBK+ 2017.)

Tax and Legal Consulting

This direction has always been a popular service in consulting market in Russia due to the high pressure of tax authorities and business and always changing legislation. In 2015 this segment occupied 5% of the total revenue structure of the consulting business but in 2017 the market share increased up to 6.8%. The increase of the market share is caused by the growth of importance of the tax compliance, high pressure from the tax authorities and the

need to implement information exchange between countries in accordance with legal standards. (RBK+ 2017.)

Financial Management Consulting, Accounting and Auditing

The key services provided by financial consultants are accounting and auditing services. Professional accountants are taking care of bookkeeping, budgeting and reporting to the tax authorities. Accounting consulting is especially popular in small businesses, where it is unprofitable to maintain an internal accountant. (Kuzmina 2014.)

Other responsibilities of financial consultants are to check the financial statements of the company, analyze current expenses and evaluate profitability indicators. Financial specialists analyze financial risks of the company, give recommendations for the most efficient distribution of financial resources. They also consult on insurance and help in controversial financial situations. (Kuzmina 2014.)

RBK+ highlights the uneven changes in this segment. In 2015, financial management consulting sector occupied 18% of the total consulting market. In the beginning of 2018, the size in the overall structure decreased to 13.3%. The reason for these changes is the increased control over the activities of audit companies and strengthening of the legislation in auditing due to numerous revokes of banking licenses and the detection of poor-quality audit. (RBK+ 2017.)

To summarize, Figure 5 illustrates the structure of Russian business consulting market in 2017.



Figure 5 Structure of business consulting market in Russia in 2017 (RBC+ 2017)

Summary

To sum up, these are the major trends of business consulting market in Russia:

- In general, the demand for business consulting services is growing;
- Key users of consulting services are: large enterprises, SMB companies (for specific services), foreign companies operating in Russian market (business setup and back office);
- Majority of clients operate in metallurgical, pharmaceutical and agricultural industries;
- The prices of consulting services are decreasing;
- The competition is tightening (many new consulting firms and individual consultants enter the market);
- IT consulting is the largest and the most fast-growing segment of the business consulting market;
- Decreased demand for accounting and auditing services because of increased control over the activities of audit companies and strengthening of the legislation in the segment;
- Popularity of HR, tax, legal consulting and valuation services is growing;
- Less Russian companies can afford management consulting due to the decreased solvency.

3 BUSINESS DEVELOPMENT STRATEGY

This chapter familiarizes the reader with theoretical framework of the study.

In order to design a successful business development strategy, an effective business planning model must be chosen. For this research author has chosen SOSTAC® model which consists of the following steps: situation analysis, objectives, strategy, tactics, actions and control. Each of these steps are presented in the following sub-chapter.

SOSTAC® Model

SOSTAC® is a universal, modern and effective approach for developing a marketing plan or a business development plan. The model was created in 1990s by Paul Smith and nowadays is widely used around the world by large and small companies. (Smith 2004, 32.)

SOSTAC® is an abbreviation where each letter is a specific operation and an important stage in the development of a strategy:

S - situation analysis;

O – objectives;

S – strategy;

T – tactics;

A – actions;

C – control.

(Smith 2004, 35.)

The overview of SOSTAC® model is demonstrated in the Figure 6. Each of these steps are described in the following sub-chapters.



Figure 6 SOSTAC® Planning Model (adapted from Smith 2004)

Situation Analysis

The main purpose of the analysis of the current situation is to get a clear idea of the state of the business and the market. The situation is to be analyzed from two perspectives: internally and externally, what means that it is important to analyze not only current state of the company but also the market where the company is operating. (Chaffey 2015.)

The company analysis will be conducted using SWOT framework. SWOT is aimed at evaluating both internal and external environment of an organization. SWOT is an abbreviation of four factors: Strengths, Weaknesses, Opportunities and Threats. (Foong 2007.)

The external situation will be analyzed with the Porter's Five Forces model which is aimed at the describing market conditions and competitive environment. There are five key areas of analysis: the threat of new entrants, the threat of substitute products, bargaining power of customers, bargaining power of suppliers and rivalry within the industry. (Porter 1979.)

Objectives

The second stage is identifying the objectives and the goals. Objectives are the results the company wants to achieve. (Pickton 2005, 415.)

In order to identify the key objectives for the development of Company X, the author got back to the research question. The research question is aimed at the design of a business development plan in order to attract new customers and strengthen company brand name.

Thus, the objective of the marketing plan is the attraction of new customers and strengthening Company X brand name.

Strategy

Strategy explains how the stated objectives will be achieved. After all the basic data is collected and analyzed, it is necessary to determine the growth points - areas that can give the maximum effect when achieving the strategy objectives. (Pickton 2005, 54.)

In order to design strategy, during the interview the author identified these growth points by asking company representatives about the most effective marketing channels for Company X. Consequently, the strategy is designed in accordance with the best marketing practices of the company.

Tactics

Tactics contain action plan and specific tools to achieve the goals of the marketing plan. The tactics should align with the chosen strategy (Pickton 2005).

Author presents business development tactics by designing recommendations for the concrete marketing actions and events which Company X should organize in order to attract more customers and strengthen its brand name.

Action

Action part of the model contains a detailed action plan with assigned responsibilities, timeframes and budget (Pickton 2005).

The author designs the action plan for Company X using Gantt Chart. Gantt Chart is a project planning tool that is aimed at structuring the tasks for a specific project. It identifies the necessary activities, timeframes and regularity for each of them. (Durfee 2008.)

Control

Control is the last step in SOSTAC® planning model. It helps to measure how effective the project is, to track the progress of the plan implementations and to evaluate the project outcomes. (Pickton 2005.)

Author sets concrete measurable goals and Key Performance Indicators for this business development plan. These KPIs are aligned in accordance with the general objectives of the plan – attracting new customers and strengthening company brand name.

The detailed SOSTAC® development plan for Company X is described in Chapter 6.

4 CASE COMPANY INTRODUCTION

Company X is a business consulting firm founded in autumn 2017. With headquarters in Saint-Petersburg and its second office in Moscow, the company is focused on helping foreign companies to set up and maintain their business in Russia.

Company X is providing consulting services in the following areas:

- Accounting and payroll;
- Legal and tax;
- HR and personnel;
- Business setup;
- Localization support;
- Management services.

With such a diverse portfolio of services, Company X is able to provide support at every step of the business set-up process in Russia, starting from choosing the most successful market entry strategy to maintenance of the company in Russia. The services vary from legal support and bookkeeping to office sublease, secretary services and outsourcing of management positions.

The mission of the company is clearly stated on Company X website:

We strive to offer client-oriented, tailor-made and flexible solutions. We work with a small number of clients, which guarantees unrivaled communication and efficient responses to all tasks and queries.

The values of Company X are also presented on its website:

our client is always the top priority;

we offer tailor made solutions to fit our clients' needs;

we treat everyone with respect;

we work professionally and go the extra mile;

we act efficiently and effectively.

As of November 2019, the number of employees in Company X is 20 specialists. Majority of them are accounting and legal specialists. Each of them speaks at least one foreign

language, the most common ones are English and German. Some employees have degrees from European universities and experience of working abroad.

The founder and CEO of the Company X was born in Switzerland and moved to Russia in 2009. During these years he was working in several consulting firms in Saint-Petersburg and in 2017 opened his own company. Due to the fact that CEO of the company has Swiss roots, the key target countries for Company X are Switzerland, Germany and Austria.

The key industries Company X is having clients from are: pharmaceutical, food production, machinery, non-profit organizations and automobile industry. The major countries the client companies are coming from Germany, Switzerland, Italy and Spain.

Company X is a member in a few local business associations. These memberships are an essential part of company current business development model. Being a member of various business associations, Company X has access to the latest news of the various industries, can participate in different business events and seminars with hundreds of foreign company representatives. These associations are not only a great platform for awareness about latest trends and laws, but also a good platform for networking and search of new clients. Company X is a member of the following associations: Association of European Business, German Chamber of Commerce (AHK) and Italian Assembly GIM-Unimpresa.

More detailed and structured analysis of the Company X using SWOT analysis tool is presented in Chapter 6.

In November 2019 the total amount of current clients of Company X equaled to 30. However, in the beginning of 2019, Company X was providing consulting services to 31 clients. In the first quarter of 2019 three contracts were terminated due to the fact that clients decided either to stop operating in the Russian market or hired a full-time specialist and did not need consulting services anymore. At the same time, during first and second quarter of 2019 only 2 new clients have signed the contracts with Company X.

The reason why 2019 has not been successful in terms of attracting new clients is because the Company X does not have a structured marketing plan based on preliminary research. Despite the fact that there is a business development team which is organizing various marketing projects, those efforts have not been effective enough. As it was found out during the interview with Company X representatives, the reason of the inefficiency of these projects is the fact that this marketing strategy is not structured in accordance with common project management tools, the results are not analyzed properly and the

decisions are made without any preliminary research. Consequently, Company X needs a detailed and well-organized business development plan with in-depth research behind it. The company has to be able not only to implement the project but also to have concrete KPI metrics in order to analyze whether the business development project was successful.

The following chapters will present a structured business development strategy based on SOSTAC® model with qualitative research.

5 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter familiarizes reader with empirical part of the research. The chapter describes the interview structure and design, followed by the data acquisition process and detailed interview analysis.

5.1 Interview Structure

In order to collect all the necessary data and information to answer the research question, author has organized an in-depth interview with Company X representatives.

In-depth interview is a method of qualitative research in the form of a one-on-one conversation with a pre-prepared script. The method is designed to study the respondents' perspectives on discussed idea or object, to identify the respondent's attitude to the topic under discussion, to clarify in detail the motivation for his actions. Like focus groups, this is a direct method of obtaining information, but in-depth interviews allow to discuss problems in a deeper and in a more detailed way than in focus group. The conversation usually takes place more freely, because the respondent's statements are not affected by answers of other participants. (Boyce 2006.)

The use of a particular type of interview depends on the objectives of the study, the chosen research strategy and the resources available to the researcher. There are three types of interviews depending on the degree of standardization of the questions: structured, semi-structured and unstructured. A structured interview is conducted using a strict set of questions in accordance with the pre-written plan of questions or questionnaires. In case of semi-structured interview, the interviewer has a set of major questions and topics to be discussed but the questions and the structure of the interview can be changed depending on the answers of the interviewee. When unstructured interview is conducted, the researcher does not have a pre-compiled list of questions, but he must clearly understand which topics should be discussed. The researcher generates questions based on the respondent answers. (Silverman 2013.)

Author of the study decided to conduct semi-structured type of interview in the research as new interesting and important topics may arise during the interview. Since the interview was organized with the experts of the consulting industry, the author wanted to have an in-depth interview with ability to adopt the interview process to the answers of the interviewees and gain better understanding of the topic.

5.2 Interview Design

There are clear steps a researcher must follow when conducting an in-depth interview:

1. Identifying of the goals and the research question;
2. Selecting interviewees based on interview goals;
3. Choosing method and mode;
4. Selecting record method;
5. Preparing interview guide and list of questions;
6. Choosing right time, location;
7. Run pilot interview;
8. Conducting an in-depth interview;
9. Analysis of the results.

(Roller 2015.)

The research is aimed at the creation of the development strategy for Company X in order to attract new clients and strengthen company brand name. Consequently, in order to design successful marketing plan, an in-depth interview is necessary to understand company current situation, its competitive advantage and possible ways of company development. By conducting in-depth interviews with experts of business consulting, author collected primary data which was significant for the research since based on this data the business development plan was designed.

The author invited two company representatives to the interviews. These two representatives were chosen because they are the members of business development team in Company X and wanted to have their input into the creation of a new business development plan which they can implement in the future. Both interviewees have more than 10 years of experience in business consulting and author believes that their expertise will help to understand the subject deeply.

As it is stated in the previous sub-chapter, author has chosen semi-structured interview. This structure was chosen because author wanted to have flexible agenda of the interview in order to be able to design new questions in accordance with the answers of the interviewees, follow the flow of the conversation and let the respondents give detailed answers to the questions. The interview mode was personal in order to create more comfortable atmosphere for the interviewees and avoid any problems with mobile or internet connection which could negatively influence the conversation flow and the quality of the interview.

As a recording mode, author has chosen tape record. The reason for choosing of this recording mode is reliability and simplicity of use. The Dictaphone embedded into the

smartphone is not reliable enough since the recording process can be interrupted by an unexpected call or SMS which could influence the quality of the recording.

After that, author designed the interview guide containing key objectives for the interview. The guide also contained 8 core questions for the interviewees with additional sub-questions. The full list of major questions can be found in the Appendices. Author generated open-ended questions in order to initiate interesting discussion and detailed responses. As mentioned above, the interviewees have vast experience in business consulting and author wanted to motivate the company representatives to give detailed comprehensive answers and share professional opinions on the subject.

Author did not organize a pilot interview because selected interviewees had limited time for the interviews and the author decided that it would be beneficial to use all given time for the official major interview.

While conducting the interview, all information was recorded. The analysis of this information is presented in the following chapters.

5.3 Data Acquisition

Before starting to conduct the research, author started selecting potential interviewees for the thesis among his ex-colleagues. Author shared the topic and key concept of the research with the potential interviewees. Company representatives believed that the study has high value for the future development of the company and were glad to participate in the research and give in-depth interview.

The interview was scheduled on 14th November 2019 for both participants in the office of the Company X. Two interview sessions were conducted separately.

As it is explained in the previous chapter, author of the study chose open-ended questions in order not to limit the interviewees in expressing their opinions and sharing their experience. During the interview author had deep discussions with the interviewees since the company representatives were asked open-ended questions and author was able to ask insightful questions thanks to the work experience in the Company X. This dialogue gave author a deeper understanding of company's vision for the future and expectations from the research. The average time per each interview with company representatives was one hour. The interview was conducted in English language with all interviewees since all participants speak English fluently and author wanted to avoid information distortion when doing translation from Russian to English.

In accordance with the information in previous chapter, author used tape to record the interview process. Moreover, author was making notes on the paper during the dialogue in order to remember most important theses and write down key ideas and new questions to the company representatives. The interviewees were informed about the recoding process and gave their permission to be recorded on the condition that the results will be anonymous, the records will be heard and used only by the author for research purposes only.

The interviewees knew the study objectives and were understanding the value of the research for business before the interview, as author had preliminary discussions with company representatives regarding the research process and the role of Company X in this process. However, author explained thesis objectives in more detailed in the beginning of the interview.

5.4 Data Analysis

This chapter presents and analyses information gathered during the in-depth interview process with Company X representatives. The number of questions asked during the interview process was larger than the number of questions analyzed in this chapter. This is due to the fact that answers to some questions were not relevant for this study or contained duplicated information. The key ideas and statements from the answers of the interviewees were written down, united and transferred into the key statements presented further.

The first question author asked was: “How could you describe the current state of the company?”. The sub-questions were “What are the major difficulties Company X is facing now?” and “What is the current situation with the clients?”.

We are facing difficulties in obtaining new clients – this year has not been successful in terms of attracting new customers. This is happening due to the decreased number of potential clients and permanently growing number of competitors. Another reason is the fact that some of clients decide to leave Russian market or limit their business activities here because of new sanctions, tightening of legislation for foreign investments and unstable economic situation. Even though our current number of customers ensures profitability of the business, we are ambitious and want to continue growing. We are working in complicated market conditions and need to have effective marketing instruments.

In accordance with the expert opinion of Company X representatives, the major challenge for the company at the present time is to attract new clients despite complicated market

conditions. Changing legislation for foreign companies, growing competition and limited number of potential clients are the major external difficulties the company is facing now.

The second question author asked during the in-depth interview was: “How could you evaluate current state of business consulting market in Russia?” The sub question to the interviewees was: “What are the major threats consulting firms are facing now?” and “What are the most perspective trends of the market?”. The question was asked in order to understand what the biggest challenges and growth opportunities for Company X are.

Even though the market of business consulting is growing, our niche faces the stagnation because we are working with foreign companies only and the number of companies which want to enter Russian market has significantly decreased. Now our mission is not only to compete for the companies that already operate in Russia but also to convince foreign investors that Russian market is attractive. Foreign customers are searching for a partner with proven expertise whom they can trust since he is their major guide to Russia. IT is the most promising industry in Russia and we believe that “IT is the new oil”.

Based on the answers of company representatives the following conclusions can be made.

- Company X is operating in a highly competitive market and has to target not only companies that already intend to enter Russian market but also to motivate foreign companies consider Russian market;
- Clients need trustworthy partner with proven expertise;
- IT is one of the most perspective trends now.

The third question was designed to explore the most effective marketing channels for Company X. The answer to this question can help to choose the most effective strategy and tactics for the business development plan. The interviewer asked: “According to your experience, what are the most effective marketing channels for Company X?”. In order to make the question clearer, the sub-question “What is the most effective way to interest customers?” was asked.

Personal talk. The easiest way to get clients` interest and make them trust us is to prove that we are professionals who are able to identify their problems and then convince them that we have enough expertise to solve these problems. Each client`s case is unique, and customers seek for tailored approach. We are tailoring our solutions and always ready to solve any problem a customer might have. In order to

prove that we are experts and explain customers how we can solve their specific problem, we need to have a personal conversation. We enjoy organizing business events for current and potential clients, as this is the great opportunity to talk to clients personally and demonstrate our expertise. Also networking and word of mouth work very good for us.

Based on the answers of the interviewees, the following conclusions can be made. Firstly, consultants prefer to talk to potential customers personally. Secondly, business events, word of mouth and networking are one of the major marketing channels. Thirdly, consultants have to prove their expertise since the customers expect professional tailored solutions.

Next question “What is the competitive advantage of Company X?” was asked by the author in order to answer one of the research sub-questions stated in the first chapter. This information is also relevant for conducting SWOT analysis. The answers of the interviewees are presented below.

Consultants. Our expertise, our knowledge of the features of both foreign and local legislation and vast experience in various industries helps us to overcome our competitors. The prices are higher compared to the prices of competitors, but we guarantee excellent and quick results. Moreover, we are a close-knot team of experts who has been working together before Company X was founded, so we always help each other and have true team spirit. Other companies do not have such a solid team with so diverse background. We have vast portfolio of clients whom we helped to enter Russian market or localize their production here – we know all the aspects of business setup processes in Russia. We are also proud that we have wide range of products and always create tailored solutions.

Thus, according to the answers of the experts, the major competitive advantages of Company X are the solid team with diverse background in different industries, expertise in business setup process in Russia, wide range of services and solutions tailored to the needs of every customer.

The following question was aimed at identifying key countries Company X prefers to work with. Author asked the following question: “Since Company X is working with clients from abroad, which countries, in your opinion, are the most perspective to work with?”. With information on the target countries for Company X, the author will be able to focus on the most perspective markets and design an effective marketing strategy among named regions.

Majority of our clients are coming from Switzerland and Germany since we have connections with many local companies and speak local language. We would like to strengthen our relationship with Austria and Italy. When working with Austria, we can apply our experience gained by consulting German and Swiss companies. There are many textile and clothing companies in Italy that are interested in Russian market, but we need to find a way to reach them and prove that we can become their trusted partner in Russia.

Consequently, the target markets for Company X are Switzerland, Germany, Italy and Austria.

The last question was designed to ensure that the researcher clearly understands the needs of Company X and its expectations on the outcomes of the research. By identifying company expectations and major problems Company X wants to solve, the author can tailor the business development plan in accordance with the needs of the company and increase the value of the study for the business. The question was: "What do you expect from the research?" with sub-question "Which kind of development strategy do you want the author to design?". The answers of company representatives contained following statements:

We want to understand how to structure and implement our marketing activities. Company X has expertise, budget and desire to grow but does not know which steps to make to be attractive for the clients and how to get more business contacts. We know how to solve clients` problems but we do not know how to let them know who we are and what we can do for them.

Consequently, the company representatives need a well-structured development plan that can help company to be attractive for its potential clients. Moreover, company representatives want to have a possibility to prove their expertise and have a place to talk personally to the clients and expand its network of business contacts.

6 BUSINESS DEVELOPMENT PLAN

This chapter contains business development plan for Company X that was designed based on the data analysis results from previous chapters. The development plan is aligned with SOSTAC® model which major concepts and steps are described in the third chapter of the study.

6.1 Situation Analysis

In accordance with SOSTAC® model, the first step when designing a marketing plan is to conduct the analysis of the current situation of the company and the environment where the company operates.

SWOT Analysis

According to the theory explained in the third chapter, SWOT model is used to analyze Company X current situation from both internal and external perspectives. The results are based on the data analysis in previous chapters and presented in Figure 7 below.

First, the strengths of Company X are described.

In accordance with the data collected during interview process, team is one of the core strengths of Company X. The consultants have international work experience among various industries, true team spirit, knowledge of Western culture, languages and legislation. Company X also has considerable expertise in business setup processes in Russia. Another competitive advantage is the wide range of services the company offers to its clients. Company's consulting services are not narrowed down to one specialization and the company can provide a foreign firm with full support of its business processes in Russia, starting from guidance during the market entry processes to the full business maintenance. Due to the fact the company does not have a fixed list of services provided and thanks to the professionalism of the consultants, Company X is always ready to create tailored solutions to solve the most complicated and complex problems of its customers. Finally, the offices of the company are located in two largest cities in Russia – Saint-Petersburg and Moscow where majority of the clients are located as well. It simplifies the communication with the customers and gives an opportunity to participate in various local business events where potential clients can be met.

The next step of SWOT analysis is the analysis of company weaknesses.

One of the major weaknesses of Company X is high prices. As company representatives explained during the interview, the competitors of Company X charge less for similar

consulting services. Another weakness is the absence of a marketing department or marketing specialist in Company X and there are no professionals who could develop effective marketing strategy for the company. Even though there is an informal business development team in Company X, the members of the team do not have any marketing background and cannot run effective marketing projects.

The following paragraphs describe analysis of external factors: opportunities and threats.

There are three opportunities for Company X in business consulting market in Russia. Firstly, the increasing demand for IT consulting services. As it is stated above, IT consulting occupies 67% of total consulting market and continues to grow. Secondly, legal and tax consulting are the growing areas in the market and Company X can attract more potential clients by marketing tax and legal services more actively. Thirdly, according to the information gathered during the interviews, Italy and Austria are the major potential markets for Company X. There are any textile and clothes companies in Italy which are interested in entering Russian market. Company X can also organize a successful partnership with companies in Austria thanks to its vast experience with Germany and Switzerland where the culture, language and legislation is similar to Austrian.

There are several threats at the market of business consulting market in Russia which Company X is facing. Firstly, the demand for financial and accounting consulting is decreasing due to changes in the legislation of auditing services. As in was explained before, accounting is the most popular service Company X is providing to its clients. Secondly, due to unstable economic and political situation in Russia, less foreign companies are entering Russian market. As a result, Company X has less potential clients and has to target companies that are operating abroad and have not decided to enter Russia yet. Thirdly, the customers of the business consulting services have lower bargaining power and, as result, the prices for consulting services are decreasing. As it is stated before, the prices for Company X services is higher than the prices of its competitors, so company has either to add value to their products or decrease the prices. Finally, the competition is intense in the market and company must ensure that its development strategy is effective enough and that consultants provide high-quality services, so the company can overcome the competition.

<p>Strengths</p> <ul style="list-style-type: none"> • Professional team with international experience; • Expertise within different industries; • Vast range of services; • Tailored solutions; • Offices in two largest cities in Russia 	<p>Weaknesses</p> <ul style="list-style-type: none"> • No marketing department; • High prices
<p>Opportunities</p> <ul style="list-style-type: none"> • IT consulting; • Tax and legal consulting; • Italian and Austrian companies 	<p>Threats</p> <ul style="list-style-type: none"> • Reduction of demand for accounting services; • Less foreign companies want to enter Russian market; • Decreasing prices for business consulting services; • Tight competition

Figure 7 SWOT analysis of Company X

To sum up, Company X is operating in challenging market conditions. However, it has enough resources and strengths to overcome tight competition and cope with decreased number of potential clients by creating an effective business development strategy which will help company to focus on the most perspective areas and improve weaknesses.

Porter's Five Forces

One of the methods to analyze the environment Company X is operating at is to analyze the market using Porter's Five Forces analysis model. The outcomes of the analysis are presented in the Figure 8.

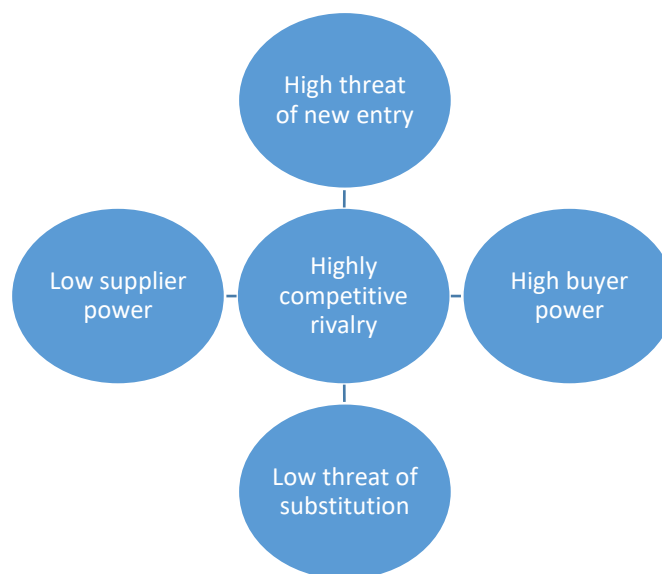


Figure 8 Porter's Five Forces analysis of Russian business consulting industry (adapted from Porter 1979)

Highly competitive rivalry

The consulting companies in Russia exist in a competitive environment. This is due to the fact that the demand for business consulting services has been growing intensively during last years and many new consulting companies and individual consultants entered the market because of potential profitability of this business. Moreover, since Company X is working only with foreign firms, the company faces even tighter competition, as the number of new entrants to the Russian market is growing very slowly.

Low supplier power

Since consulting firms do not work with many suppliers, the suppliers have low supplier power in this market. The key suppliers for consulting firms are IT support, office rental and courier services. All these suppliers and service providers can be easily switched, as there are a lot of companies providing the same services with similar price.

High buyer power

Even though the demand consulting services is growing, the buyers have high power in the business consulting market in Russia. This is due to the fact that number of consulting firms and private consultants is growing as well and customers can switch to other service providers easily. Another reason is that it is common that Russian consulting firms do not have fixed price lists for their services and the consultants charge based on hourly rates,

the customers are tend to bargain for lower price or try to find consultants who will do the same work cheaper and quicker.

Low threat of substitution

There is a low threat of substitution in business consulting due to the fact that there is no analogue technology or service that could help foreign companies enter Russian market and support their business there by delivering accounting, legal and HR services.

High threat of new entry

Opening a consulting firm does not request large budget, there are no strict legal limitations and it takes about two weeks to register a new consulting firm in Russia. The process of registration of an individual consultant is even easier and requires very low costs. Thus, the threat of the new entry to the Russian market is high.

6.2 Objectives

Company X objectives align with the goals stated in the research question. Thus, the major objective for Company X is to attract new customers and strengthen its brand name. The objective is measurable, achievable and can be put in the timeframes.

6.3 Strategy

In accordance with the results of the analysis of the interview, the most effective marketing channels for Company X are networking, personal communication with the potential customers and word of mouth. Thus, the whole business development strategy should be aimed at creating conditions for networking and motivating clients to share their positive experience of Company X services. The second objective of the business development plan is to strengthen Company X brand name. As it was discussed during interviews, most of all customers value the professionalism and expertise of the consultants and their ability to solve any kind of problem. Consequently, the strategy also aims at proving the high professionalism of the consultants, their ability to create tailored solutions for any problem and at the demonstrating their experience within various industries, so the potential customers could see Company X as their trusted partner in Russia.

6.4 Tactics

For the tactics part of Company X business development strategy, author designs a set of the recommendations on various marketing and business development activities that can help the company to attract new customers and strengthen its brand name. The tactics

are based on the strategy designed for the Company X, thus tactics has to align within the key strategies: creation of conditions for networking and for demonstration of the expertise of the consultants.

The following parts present a set of recommendations for Company X which design the action plan.

Business Events

In accordance with the answers gathered during interviews, events for current and potential clients are one of the most effective marketing channels for Company X. These business seminars do not only prove the expertise of consultants of the company but also strengthen company brand name. The participants see the Company X as a team of professionals who are ready to share their knowledge and do not charge for every advice they give.

The major disadvantage of this tactic is a need for a large budget to cover all following expenses: catering, business trips to Moscow for speakers, printed materials.

However, thanks to the physical presence of the speakers and participants, these business seminars become a great platform for networking. After the official part Company X can offer snacks and drinks to the participants and company representatives will be able to talk to the guests personally, exchange their professional expertise and discuss future potential projects in a less formal environment.

Company X is recommended to organize business events once in a quartal. Such regularity will ensure that the company is in the public eye, help to prove the expertise of the consultants and will not be a serious financial burden. The topics for these seminars should align with market trends, newest laws and challenges which foreign investors face in Russia. The suggested topics are: GDPR, licensing, marketing, import/export to Eurasian Economic Union, IT security. It is not recommended to organize events during August and December since in August majority of office workers are on vacation and December is one of the busiest months of the year.

Webinars

Webinars are a more efficient alternative to the events and have several advantages. Firstly, webinars require less expenses, as they require only active subscription to the platform for webinars.

Secondly, by organizing the webinars the company can target not only local companies which have local representatives in Saint-Petersburg and Moscow but also other cities in

Russia and companies worldwide, including firms in Italy and Austria. As it is explained in the previous chapters of the research, Company X has to target not only companies that are already present on the Russian market but also attract companies that have not entered the market yet and can have doubts regarding the profitability and the riskiness of such projects.

Finally, webinars are more convenient in terms of time. Company does not have to spend time organizing the place for the event and all participants can join webinar from any comfortable location. Recorded webinars can be sent to clients who could not attend the live stream.

During webinars the speakers will be able to demonstrate their deep knowledge of the subject, answer the questions of the participants and prove their expertise, so that the attendants will see Company X as a trustworthy partner with professionals who can solve business problems effectively.

Author recommends Company X to organize webinars once in a quarter as well. Even though webinars are easier to organize compared to business seminars, they require serious preparation from the speakers which might not align with the current work tasks and duties. The suggested topics can match the topics for business seminars. However, in order to increase attractiveness of Russian market to foreign companies, Company X can organize webinars on the benefits of running business in Russia, possible market entry modes and Special Investment Contracts (SPIC) which can increase the attractiveness of the Russian market in the eyes of participating companies.

Conferences and Exhibitions

International conferences and exhibitions are a great platform to meet new companies and potential clients. By attending large industrial events, Company X will be able to expand its network of business contacts, meet new potential clients that operate in their preferred industries, talk to company representatives personally and get insights on the market trends and updates by participating in various sessions. Moreover, the participation in these exhibitions is usually free of charge or at a very low cost.

Another way of participation in such international conferences is to apply for participating as a speaker. Even though the preparation to the performance require a lot of effort, this is a good way to strengthen company brand name, prove the expertise of the consultants and use word of mouth marketing channel. However, the list of speakers and the agenda of the event can be formed in advance and the organizers might not be able to invite additional speaker to the event.

The recommended list of exhibitions to attend during 2020:

January – Pharma.2020;

May – International IT forum;

August – Automatization of production;

December - ROSPROM (Russian Industrial Forum).

A more detailed plan is presented in the following sub-chapter.

Business Associations

According to the data gathered during interview, Italy is one of the target markets of Company X. Thus, author recommends Company X to join the Italian-Russian Chamber of Commerce (CCIR) – the organization that unites over 100 Russian and Italian companies.

Members of the Italian-Russian Chamber of Commerce can participate in various business events and meetings organized by the Chamber of Commerce. Since there are over 60 Italian members in this organization, such events organized by the Chamber of Commerce is a good platform for networking and talking to the potential clients. All members have access to the database of various Italian companies and company can use their contacts in order to invite them to various business events and seminars. As a result, Company X can invite more Italian companies to its webinars and local events. Moreover, the Chamber of Commerce promotes services of its clients and this is a great chance for Company X to market its consulting services among Italian members in order to increase brand awareness and attract more clients. The prices for the membership start from 1.400 Euro per year.

New Product

Another way to attract new clients by targeting a larger segment of potential customers is to create new product that will satisfy the needs of a larger amount of companies. In the previous chapters and interview it was stated that IT consulting is a very fast-growing sphere. Companies, entering Russian market also need IT support in addition to the accounting or legal consulting services. Thus, the author suggests adding a new product – IT support and IT consulting services in order to satisfy wider range of needs of its current and potential customers. Launching IT support services in the product portfolio will let the company to offer more complex and advanced solutions to its customers. The author recommends launching IT support services by signing a partnership agreement with one or a few local and trusted IT support providers. Even though the revenue from such

partnership will be relatively small, the value of Company X services will be higher and will make the solutions of Company X more complex and more attractive to its potential customers.

Another way to start providing clients with IT support is to hire an IT consultant who will be serving the infrastructure of the clients on their premises.

6.5 Actions

The following timetable was designed based on the Gantt Chart which is presented in Table 1. The events and the activities are scheduled with frequency which will be effective in terms of marketing but will not require large investments per each quarter.

Table 1 Action plan for Company X (adapted from Gantt 2018)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Events			x			x				x		
Webinars		x		x			x		x		x	
Exhibitions*	x				x			x				x
Joining CCIR	x											
New product						x						

*Company X is recommended to participate as a speaker at one of the exhibitions or conferences once a year.

6.6 Control

As it is stated in the third chapter, control is an essential part of SOSTAC® model that helps to measure how effective the project is and to track the progress. Author suggests following KPI targets for the project:

- Increase the number of clients by 2 per quarter (8 per year);
- Increase the amount of the participants at the events and webinars by 5 % per quarter.

The suggested KPIs are based on two factors. Firstly, the numbers must guarantee sustainable growth of the company and the number of new clients. Secondly, the results must be realistic and correspond to the amount of marketing activities without setting unachievable goals. The KPIs recommended by the author will provide company with steady growth of the number of clients and strengthening its brand name by attracting new participants to its events.

7 CONCLUSION

This chapter is the finalizing chapter of the thesis that presents brief overview of the study by answering the research question and the sub-questions. All the answers are based on the research conducted in previous chapter. The answers to the research questions are presented in the first sub-chapter. Second sub-chapter evaluates the study within validity and reliability. Last chapter contains recommendations for further improvement.

7.1 Answers to the Research Questions

The author answers the research sub-questions before giving the answer to the main research question.

Which political and economic changes influenced the attractiveness of Russian market to foreign investors?

There are two major factors that have changed the attractiveness of Russian market to foreign investors.

Firstly, the sanctions imposed by European countries, the United States, Australia, Switzerland, Norway and Japan and countersanctions towards these countries became the major prerequisite for the changes in Russian economy. As a consequence, Russian economy experienced the decline in oil prices, depreciation of the Russian ruble, decrease of bargaining power of local consumers and overall unstable economic and political environment in the country. Therefore, foreign companies consider Russia as a risky market for their business operations.

Secondly, the introduction of import substitution policy made Russian market less popular among foreign investors, as many companies are not ready to localize their production facilities in Russia in order to be compliant with the local legislation.

What are the major trends of business consulting market in Russia?

The main trends of market of business consulting in Russia are:

- The demand for business consulting services is increasing;
- Major types clients of business consulting services: large enterprises, SMB companies (for specific services), foreign companies operating in Russian market (need business setup services and back office);
- Majority of clients operate in metallurgical, pharmaceutical and agricultural industries;

- The prices of consulting services are decreasing;
- The competition is becoming more intense (many new consulting firms and individual consultants enter the market);
- IT consulting is the largest and the most fast-growing segment of the business consulting market;
- Decreased demand for accounting and auditing services because of increased control over the activities of audit companies and strengthening of the legislation in the segment;
- Popularity of HR, tax, legal consulting and valuation services is growing;
- Less Russian companies can afford management consulting due to decreased solvency.

What is the competitive advantage of Company X?

The major competitive advantage of Company X is its solid team of professionals with vast experience within different industries which has knowledge of local and foreign legislation and markets and proven expertise in business set up processes in Russia.

Other competitive advantages of Company X align with company strengths:

- Vast range of services;
- Tailored solutions;
- Offices in two largest cities in Russia.

After answering the research sub-questions, the author is able to give the answer to the main research question:

How can the business development strategy for Company X be improved so that the company attracts new customers and strengthens its brand name?

The author of the study has designed a set of recommendations which Company X should follow in order to attract more customers and strengthen its brand name. The recommendations were included to the business development plan which is tailored in accordance with Company X needs, market conditions and resources available. This effective business development plan, described in Chapter 6, is a marketing strategy for Company X which will help to attract new customers and strengthen its brand name. This business development plan is presented as the answer to the research question. The strategy is focused on the creation of conditions for networking and opportunities to demonstrate the expertise of the consultants.

In accordance with the findings, the company should implement the following marketing activities:

- Organize business events and seminars for clients locally;
- Webinars on international level;
- Participate in the industrial exhibitions;
- Join the Italian-Russian Chamber of Commerce;
- Introduce new service – IT consulting.

The author recommends implementing these activities in accordance with the action plan presented in Chapter 6.

7.2 Validity and Reliability

The concepts of validity and reliability of the research are aimed at the evaluation of the quality of the conducted research and clarify if the results are credible (Golafshani 2003).

Validity of the study measures the credibility of the research conclusions and tests accuracy of data collection and data analyses (Golafshani 2003). In order to make valid conclusions, author conducted the in-depth personal interviews with company representatives. The interview process was recorded using Dictaphone in order to avoid any data loss and the gathered data was analyzed and interpreted very precisely. Consequently, the data was collected and analyzed accurately what proves the validity of the research.

Reliability is the concept used to measure the level of consistency with which the data was collected (Golafshani 2003). The author conducted semi-structured interview, what means that there was a set of questions prepared in advance and which the author applied to every interviewee. However, some new questions were generated during the interview process, in accordance with the answers of the interviewees. These changes were made in order to gain better understanding of the subject, have more resultative discussion and collect more useful data. Therefore, these additional questions did not influence the research consistency and the research is approved to be reliable. Moreover, the interviews were organized with experts of the industry and, consequently, their answers are highly reliable.

7.3 Suggestions for Further Research

After conducting the research, the author found an uncovered research topic that can be studied by other researchers.

The topic is related to the digital marketing strategy of consulting companies. Due to the absence of practical experience and expertise in digital marketing and social media marketing, the author did not conduct any research on that topic. Digital marketing is an essential part of any business nowadays and every consulting company should have its own digital marketing strategy.

8 SUMMARY

The main objective of the study was to analyze the business consulting market in Russia and design a business development plan for Company X. The study was aimed at conducting a desk research on the economic and political environment in Russia, the reasons of the decreased interest of foreign investors in the local market and analyzing the major trends of the business consulting services market. And, based on this research and interviews with business consulting experts, the final goal was to design a business development strategy for Company X, so the company can operate in the complicated market conditions successfully.

Theoretically, the thesis contains analysis of the economic and political atmosphere in Russia and presents the desk research results on the major trends of the business consulting market. The study also provides information on SOSTAC® business planning model and explains how the model was implemented in the empirical part. Moreover, the research explains SWOT framework, Porter`s Five Forces model and Gantt Chart.

Empirically, qualitative research was done by conducting semi-structured interviews with Company X representatives. As a result, a business development plan was designed for Company X, which answers the research question of the study.

To sum up, the theoretical framework was designed precisely, the data was collected and analyzed accurately and the concrete actions for the successful business development were proposed to Company X. Consequently, the answers to the research questions and sub-questions are presented. The research findings are valid and credible. The author recommends Company X to implement the designed business development plan in order to operate in the complicated market conditions successfully.

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APPENDICES

APPENDIX: The list of questions for the interview with Company X representatives.

1. How could you describe the current state of the company? What are the major difficulties Company X is facing now? How is the current situation with the clients?
2. How could you evaluate current state of business consulting market in Russia? What are the major threats consulting firms are facing now? What are the most perspective trends of the market?
3. According to your experience, what are the most effective marketing channels for Company X? What is the most effective way to get customers interest?
4. What is Company X competitive advantage?
5. How strong is company brand name at the current moment?
6. Since Company X is working with clients from abroad, which countries, in your opinion, are the most perspective to work with?
7. How do you see the future of the company if the market environment does not change?
8. What are your expectations from the research? Which kind of development strategy do you want the author to design?