

## White Paper

# The Consultant's Toolbox



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*It can be confusing for a consultant first starting out to just dive in and begin taking on clients without the tools to help understand how to frame their client's problem to best identify proper solutions. An independent consultant looks at financial concerns and business concerns for their client. Each has a set of tools to help analyze current state against future state. To deliver successful results to your clients, these tools are of the more common and are shared with you to use as you interact with your business clients and put into action 'future state' solutions.*

## Table of Contents

<i>The 3C's Strategy Model</i>	2
<i>Porter's Five Forces</i>	2
<i>The SWOT Tool</i>	2
<i>The SWOT Matrix</i>	3
<i>The PEST Analysis</i>	3
<i>The BCG Growth – Share Matrix</i>	3
<i>The Business Model Canvas</i>	4
<i>The McKinsey 7S Framework</i>	4
<i>Peter Drucker</i>	4

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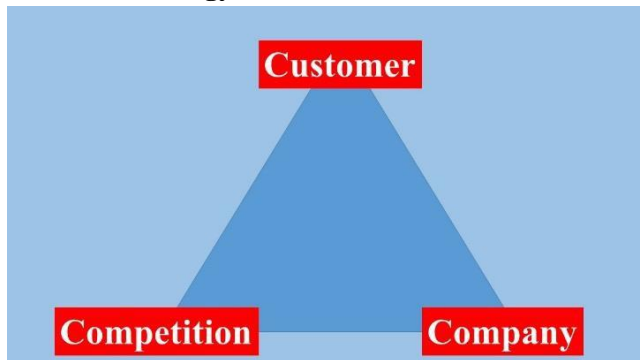
**A**s the United States has shifted most of its economy towards service over the former manufacturing orientation where consistency and redundancy were of the utmost goals, new frameworks have been needed to offer solutions to new problems. As the shift began in the 1950's, the quality of U.S. manufactured products, at that time began to decrease. Dr. W. Edward Deming, with a team of others, attempted to assist American corporations to address these circumstances but it went ignored. On the other hand, in post WWII in Japan, Japanese made products were perceived as being of less quality and value. It was at that time, Japanese business management were prepared to organize and make the essential changes to shift the perceived value. The business use of process mapping began. The quality and productivity of Japanese made products improved almost instantaneously. History has stated that American industry did not keep up with this Japanese transformation. U.S. industrialists of the time, addressed problems in siloes and individually rather than concentrating on improving overall processes. Process-oriented management takes time to establish with patience and a good blend of consistent workflow.

Today, there are many organizational situations that address these change management concerns and result in the corporation hiring independent or teams of consultants to solve them. To best address these problems and map a solution, process maps are the essential tools of the trade. Many of these tools have been developed by the world's best management gurus and have been proven over time to be very effective. These tools can be used to:

- Develop a Negotiation Strategy for Global Corporation
- Restructure and Turning Around a Declining Division
- Seek New Avenues of Revenue Streams
- Improve Financial Performance
- Assess Strategic Attractiveness or Set New Strategic Goals
- Develop A New Pricing Strategy Adding a New Product or Service
- Moving into A New Market

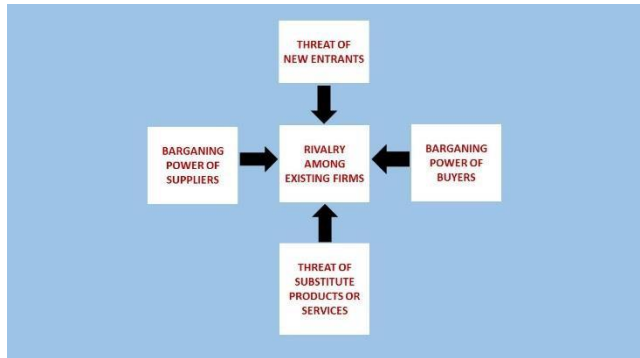
In the following pages, a few of the many frameworks are described to provide you and your client with the tools to make strong strategic decisions.

## The 3C's Strategy Model - Kenichi Ohmae



The 3C's model can support the analyses of intrinsic and extrinsic factors. The 3 - C's stand for Customer, Competition and Company. All research, information gathering and analysis centers on these 3 - C's. The proper analysis can help companies achieve a business strategy with a sustained competitive advantage.

## Porter's Five Forces – Michael Porter



Current and future state success is about gaining a better position over and above the competition. Porter's Five Forces is the tool to assist with the analyses. It supports the understanding of the company's current competitive position and look towards its planned position. According to Michael Porter, the rules of competition in any industry, domestic or international, are embodied in five competitive forces as outlined below. It is fundamentally about power.

- 1. Threat of new market entrants** – A market that is profitable will attract competition. The increase of competition decreases your market strength. Seeking and identifying ways to strengthen your position is critical like: barriers to entry, pricing or brand equity.
- 2. Bargaining power of buyers** – If there are few buyers in the market(s) you serve, the buyers are in a powerful seat to drive pricing down and dictate other less desirable terms. Assess the bargain power of the buyers by looking at the number of customers in the overall market, the typical size of the order, price sensitivity, cost of switching or ability to substitute products or services.
- 3. Existing competitive rivalry between suppliers** – Your market position is greatly determined by how many competitors you are up against and their capabilities. Everything is negotiable and buyers / suppliers can go elsewhere for a better deal. On the other hand, if you are unique then you have tremendous competitive advantage.
- 4. Bargaining power of suppliers** – Suppliers can drive up pricing if there is a small number of them or if the supplied product is unique and a key input for your products or services.
- 5. Threat of substitute products (including technology change)** – With the onset of technology and internet, substitution has become easier potentially weakening market position. Buyers may substitute by outsourcing or doing the process manually.

## The SWOT Tool



The SWOT tool is a simple but useful tools to assess factors that may help or hinder your success and help to formulate and launch a strategy. It is recommended that a company visits the SWOT Analysis on a regular basis as new circumstances arise regularly.

## The SWOT Matrix



The SWOT matrix gives a deeper insight on the strategic choices and options. The process is one of analysis and should be done on a regular basis. Gleaning insights into the market may not always be based on

face value and require some research to complete this frame. The SWOT Matrix allows you to analyze how to make the most of your strengths, circumvent your weaknesses, capitalize on your opportunities and manage your threats?

1. **STRENGTHS TO OPPORTUNITIES: S-O Strategies.**

Identify the opportunities that are a good fit to the company's strengths.

2. **WEAKNESS TO OPPORTUNITIES: W-O Strategies.**

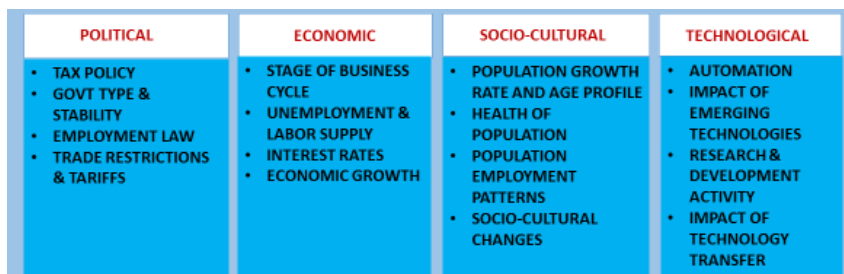
How will weakness be overcome to pursue opportunities?

3. **STRENGTHS TO THREATS: S-T Strategies.**

List the company strengths to reduce its vulnerability to external threats.

4. **WEAKNESSES TO THREATS: W-T Strategies.**

External threats may not be eliminated or in one's control. Preparing for them can be the best plan of attack to eliminate the company's vulnerabilities.

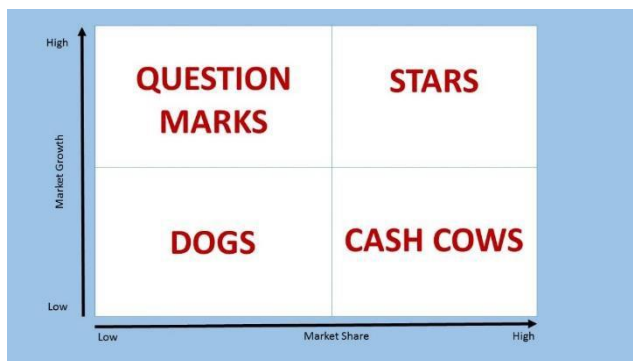


**The PEST Analysis** is a frame for Political, Economic, Socio-Cultural and Technological environment for new markets and geography analyses. It helps decide how performance and activities of the business will be effected in the long-

term. It is often used in collaboration with other analytical business tools like SWOT and Porter's Five Forces to weigh a situation related to internal and external factors.

## The BCG Growth – Share Matrix - Boston Consulting Group

The model was developed to manage different business units or product lines by showing a graph of market growth versus market share relative to competitors in order to allocate resources. Using this matrix, an evaluation of a business unit, product or future trajectory analyses would give more insights to determine if it will generate future Cash Cows or Stars.



1. **Question Marks** may become Stars or Cash Cows. If Question Marks remain as status quo with its market share it can need much effort with a very little return. (Low Market Share / High Market Growth).

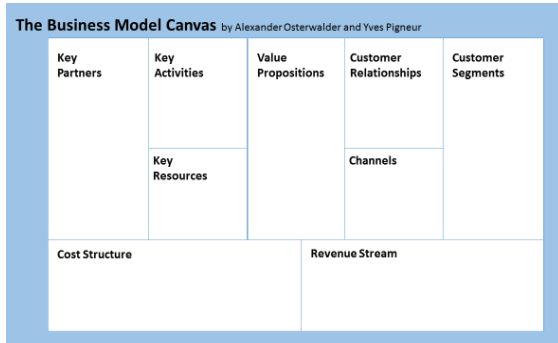
2. **Dogs** typically have had high dollars invested in turn-around plans. Dogs have low market presence, low market growth and it would take a great deal of work to improve it. (Low Market Share / Low Market Growth).

3. **Cash Cows** are those products or business units that are well established, but the market may not

be growing anymore and opportunities are limited. (High Market Share / Low Market Growth).

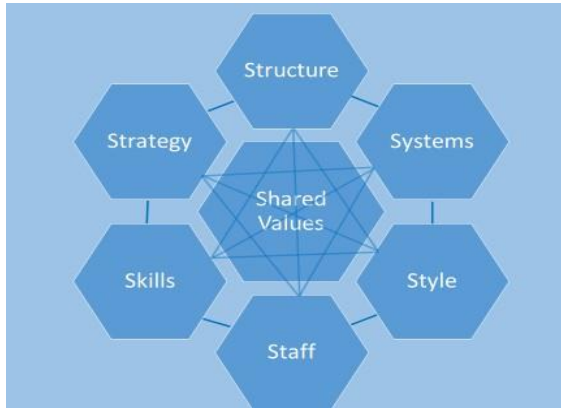
4. **Stars** are business units or products that use large amounts of cash but are leaders in the business, typically generating large amounts of cash. (High Market Share / High Market Growth).

## The Business Model Canvas by Alexander Osterwalder and Yves Pigneur



The Business Model Canvas is a worksheet for to analyze and complete reviews of: Infrastructure, Offering, Customers, Finances and Revenue Streams.

These are the building blocks to the business and each component contains a series of hypothesis to answer, test and fine tune.



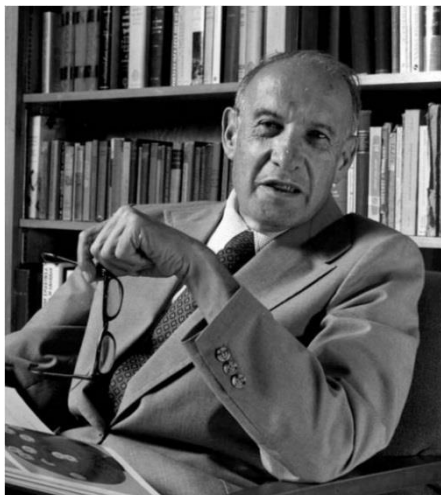
**The McKinsey 7S Framework** is a good tool to locate and solve internal organizational problems and effectiveness. It is used to improve the performance of a company; align departments and processes during a merger or acquisition; determine the best way to implement a proposed strategy; or examine the likely effects of future changes within a company.

This framework provides a starting point for business problem analyses by reviewing seven internal aspects of an organization that need to be aligned if it is to be successful.

Here is an example of the process:

1. **Strategy** – Is there a clear vision and is it shared among the staff?
2. **Structure** – How are the functions and roles of departments and units organized?
3. **System** – Do the shared services and systems support the objectives?
4. **Style** – What is the management style and level of communication?
5. **Staff** – How effectively is the staff being used and are they motivated?
6. **Skills** – What are the organization’s core capabilities?
7. **Shared values** – What are the values that guide the organization’s behavior?

**Peter Drucker** - Hailed by *BusinessWeek* as “the man who invented management,” Peter Drucker



had great influence on many organizations to include General Electric, IBM, Intel, Procter & Gamble, Girl Scouts of the USA, The Salvation Army, Red Cross, United Farm Workers and several presidential administrations. As a writer, a professor and consultant, his focus was on organizational development. He was a great thought leader and every consultant should be familiar with his work. His thoughts, ideas and forward thinking visions predicted privatization and decentralization, the rise of Japan as an economic world power, the decisive importance of marketing and innovation, and the emergence of the information society with its necessity of lifelong learning. He coined the term “knowledge worker.”

Winston Churchill described Drucker as “one of those writers to whom almost anything can be forgiven because he not only has a mind of his own, but has the gift of starting other minds along a stimulating line of thought.” Peter Drucker died in November 2005, just shy of his 96th birthday.