

SELECTING AND WORKING WITH CONSULTANTS

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TYPES OF CONSULTANTS

Consultants come in all sizes and types. Sizes range from individuals to large multinational firms. The chart below shows four principal consulting types or operating styles of consultants. It shows the service and “product” provided by each type, with examples. Each consultant type or style has been given a label that reflects the essence of the type.

The four types are not mutually exclusive. A consultant may operate in more than one style, depending on the project. However, each consultant will generally prefer and be most comfortable with a particular type or style.

Use the chart to help determine the type of consultant that best fits your project needs.

CAUTION: Make sure you select the type that best fits the project, *not* the type you are most comfortable with!

THE FOUR TYPES OF CONSULTANTS				
	THE DATA GATHERER	THE ADVISOR	THE DOER	THE COACH
SERVICE PROVIDED	<i>Information Only</i>	<i>Advice and Recommendation</i>	<i>Implementation of systems or programs, act as staff</i>	<i>Helping you do something better yourself</i>
DELIVERABLE	<i>Written report</i>	<i>Oral or written report</i>	<i>System installed or task done</i>	<i>System, task, and learning</i>
EXAMPLES	<ul style="list-style-type: none"> - <i>Market research</i> - <i>Economic forecasts</i> 	<ul style="list-style-type: none"> - <i>Organization design</i> - <i>Selection of computer equipment</i> 	<ul style="list-style-type: none"> - <i>Payroll system</i> - <i>Training program</i> - <i>Programming</i> 	<ul style="list-style-type: none"> - <i>Management coaching</i> - <i>Team building</i>

Keep in mind that the “doer” may function in three different ways:

1. As an **expert**, telling you what you should do.
2. As a **pair of hands**, executing your instructions.
3. As a **partner**, collaborating with you.

When selecting a doer, make sure you are clear about which of these three roles you want the consultant to play.

DEFINING THE IDEAL CONSULTANT

Before interviewing candidates, you will need to specify the characteristics of the ideal consultant for this particular project and for your particular organization. Of course, it is highly unlikely that you'll hit a bull's-eye and find a consultant who exactly matches those specifications. But you're likely to come a lot closer than you would if you didn't know what you were aiming for.

Here are some factors to consider in coming up with your picture of the ideal consultant.

Writing your answers to these following questions will help you decide which factors are most important to you.

- Relevant experience.** How much successful experience in similar projects do you think the consultant should have? A lot? Some? No similar experience necessary?

- Industry background.** Does the consultant need to have previous experience in your particular industry?

- Image, style, and fit with company culture.** What personal characteristics are necessary for a consultant to be accepted in your company? Should the consultant be reserved or outgoing? Easygoing or tough?

Does the consultant need to look, act, or dress a certain way?

Integrity. How important is it to have a consultant who is known to have integrity in dealing with clients on thorny issues? A consultant who is known and respected by other consultants?

Location. Do you want the ready availability of a local consultant? Or do you want the best, regardless of where you have to fly them in from?

Size of firm. Can one person do the job, or does the project require a team of consultants with multiple skills? Bigger is not necessarily better, if the one-person firm can bring in other consultants as needed.

- **Communication skills.** Do you need a consultant who can communicate clearly and simply, or is this a low priority for you? Are you looking for someone who is familiar with your industry jargon?

- **Status.** Is the consultant's status a consideration? Do you need the reassurance that comes from dealing with a known quantity? Or do you prefer the dedication of someone who's still building a reputation?

- **Project goals.** Do you simply want a problem solved, or do you want to learn how to solve similar problems yourself in the future? If learning is part of your objective, look for a consultant with strong interpersonal and teaching skills.

- **Availability.** If the consultant has many other projects going, yours may get low priority. Is immediate availability an important consideration for you? Does the consultant need to have specific predetermined dates available?

- **Approach to consulting.** Do you want reports in writing, or are oral reports okay? Do you want something implemented, or are recommendations enough?

Do you prefer a close working relationship, or will you accept a consultant who values independence?

- **Fees.** Do you have a fee ceiling?

Do you prefer a fixed project fee rather than a daily or hourly rate?

Add any additional factors that are important to you:

- _____
- _____
- _____

SUGGESTED INTERVIEW QUESTIONS

Check the questions you want to use for your candidate interviews.

- What is your understanding of our needs?
- How would you approach this project?
- How is your approach different from that of other consultants?
- Tell me about similar projects you personally have worked on.
- Tell me about some of your successes. What is it about you that enabled you to be successful?
- Tell me about some of your less successful projects. What went wrong?
- How large is your firm? (For example, in terms of offices, consultants, and billings.)
- What will your role be in the project?
- Who will manage the project? How much time will the lead person spend on the project?
- Who else will be working on this project? What are their qualifications and experiences?
- What other clients are you now working for? How much of your time does that take?
- What types of information will you need to gather for this project? How do you plan to get it?
- What demands will you place on the organization?
- How do you propose to communicate the results back to us?
- Do you plan to get involved in the project implementation?
- What are your strengths as a consultant?
- What are your limitations? Alternative: What would your detractors say about you?
- Whom else have you done similar work for? What results did you achieve?
- If I called them, what would they say about you?
- Is there anything about you or your firm that I haven't asked you that you think I should know?

Write down additional questions that will allow you to evaluate the critical factors on your list, or that will tailor the interview to your needs.

CHECKING REFERENCES

Unless you have had previous experience with the consultant, it's *essential* to check references. (You wouldn't hire a key employee without a reference check, would you?)

Better still, track down on your own, some former clients of the consultants you are considering. Try peers at other companies or colleagues in trade or professional associations. That way, you won't get only those clients the consultants are confident will praise them.

Another source of references is other consultants. Ask the ones you've worked with before, even those in other disciplines. Consultants are often familiar with the work of their colleagues. Below are some questions to ask a consultant's former clients.

SUGGESTED REFERENCE QUESTIONS

- How did you like working with the consultant?
- Would you describe the project the consultant did for you?
- What methods, techniques, or solutions did the consultant offer?
- Did you get the results you wanted? (Alternative: What good did the consultant do you?)
- Did the consultant complete the project on time? If not, why not?
- Did the consultant stay within the budget? If not, what caused the overrun?
- Did the consultant really understand your business?
- How well did the consultant communicate with you and your people—orally and in writing?
- What are the consultant's strengths and weaknesses?
- How does the consultant compare with other consultants you've used?
- Would you use the consultant again for a similar project?
- Did the consultant maintain confidentiality on sensitive information?
- Are there projects for which you would *not* hire the consultant? If not, why not?
- Was the relationship with the consultant comfortable? Was it manageable?

Pay particular attention to how different clients responded to question 3. If the consultant offered similar approaches or solutions to very different problems, this can indicate a limited range, or a cookie-cutter mentality.

If during the interviews you asked the consultants what they thought previous clients would say about them, now is the time to go back to your interview notes and compare the consultants' answers with the clients' responses.

HOW CONSULTANTS SET FEES

FEE BASIS	ADVANTAGES TO CLIENT	DISADVANTAGES
<p>TIME CHARGES</p> <ul style="list-style-type: none"> · When charging for time, consultant will multiply an hourly or daily rate (the "billing rate") by the actual number of hours or days spent on the project. For example, 12.5 hours at a billing rate of \$100 per hour will result in a charge of \$1,250. · Often, the consultant will quote an estimated fee or fee range in advance. 	<ul style="list-style-type: none"> · Client pays only for the actual time worked on the project. 	<ul style="list-style-type: none"> · No incentive for consultant efficiency. · Client may not know with certainty what the project will cost.
<p>PROJECT FEE</p> <ul style="list-style-type: none"> · On a project fee basis, client and consultant agree in advance on a fixed fee for the project, regardless of time spent. Consultants calculate project fees by: <ol style="list-style-type: none"> 1. Multiplying their billing rate by the estimated time to be spent—often adding a cushion—or 2. Charging what they think the project is worth to the client, or 3. Charging what the market will bear. 	<ul style="list-style-type: none"> · Client knows in advance what the project will cost. · Less concern about consultant running up excess hours. 	<ul style="list-style-type: none"> · Potential for consultant to earn in excess of billing rate. · Potential for conflict if client requests services beyond scope of original agreement. · Potential for conflict if consultant underestimates time, then seeks to renegotiate deal upwards.

<p>RETAINER</p> <ul style="list-style-type: none"> · Consultants on retainer receive regular monthly payments. The payments may be in exchange for: <ol style="list-style-type: none"> 1. Recurring work, such as analysis of monthly financial statements, or 2. Assurance of consultant's availability, or 3. Discounted billing rates. 	<ul style="list-style-type: none"> · Assured availability of consultants. · Often, a reduced rate. 	<ul style="list-style-type: none"> · Potential for overuse or nonessential use of consultant's services.
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Most fee arrangements will include reimbursement to the consultant for all out-of-pocket expenses. May consultants will charge for travel time as well. Where full days are lost to travel, as on trips from the west coast to the east coast, some consultants will charge half their daily rate, on the assumption that they can get some work done on the plane.

WHICH FEE ARRANGEMENT IS BEST

Here are some factors to consider when exploring fee arrangements:

- **How well defined is the project?** If your project is vague or unstructured, consultants will not be able to estimate it accurately, and therefore not work on a project fee (or fixed fee) basis.
- **Are you willing to take a risk?** On a time charges or daily rate basis, you are taking a risk; the fee may turn out to be either higher or lower than estimated. A project fee contract will limit your risk—but offers no savings if the consultant is highly efficient.
- **How important is quality?** If quality is critical, a daily rate arrangement may be preferable. This way, the consultant won't be tempted to cut corners if the project turns out to be more complex than anticipated.

WHAT TO INCLUDE IN THE CONTRACT

Here is a list of items that have proven useful in consulting contracts. Check those items you want to include in your contract.

- Term.** When will the agreement take effect? When will it end?
- Objectives.** The results you want. After the consultant leaves, what should you have, or what should be different?
- Definition of success.** What is success, and how is it to be measured? What is the standard of measurement to be used? Who will do the measuring? When?
- Scope of the project.** The work plan. Step by step, exactly what tasks and activities will the consultant perform to achieve the desired objectives?
- Deliverable or "product."** What will the consultant leave behind? A working system? A detailed written report? An oral report? Will there be a formal presentation? When are interim and final reports due? Will the consultant assist in implementing the recommendations, or is that

up to you? Will the consultant provide ongoing maintenance to a delivered system?

- Ownership of the product.** Sometimes the consultant’s product has commercial value; for example, a custom–designed training program. Who will own the copyright? Will the consultant be able to sell the same program to other clients? Can you use the program indefinitely? Can you use it with other company units?
- Confidentiality.** Consultants will often have access to confidential or proprietary information. If this is the case, you will want the consultant to agree to not disclose such information to others.
- Communications.** What forms of communication do you want with or from the consultant? Periodic phone calls or meetings/ written progress reports? Formal reviews? How often?
- Staffing.** Who specifically will work on your project? Are substitutions permitted? Under what circumstances?
- Supervision of the consultant.** Who will supervise the consultant or be the consultant’s primary contact?
- Scheduling.** When will the project start? Are there dates by which on-the-way “milestones” are to be reached? What is the expected completion date?
- Incentives and penalties.** Will there be financial incentives for the consultant to bring in the project ahead of schedule? Will there be penalties for running late?
- Termination.** What if things don’t work out as planned? It’s helpful to agree in advance on how to end the contract if either of you becomes unhappy with the relationship or the progress of the project. How much notice must either party give? What fees will be due?
- Cancellation policy.** What if the project gets canceled before it begins? The consultant may expect compensation for days that have been reserved for you, and cannot easily be “sold” on short notice.
- Arbitration.** If disputes arise over deliverables, fees, or other contract items, how will they be resolved? Often, the parties will agree in advance to refer such disputes to the American Arbitration Association or similar organization for binding arbitration.

Add any additional items that are important for your situation or your project.

- _____
- _____
- _____