# Business Consulting Group, LLC

www.BusinessConsultingGroupLLC.com

***Envision Business Strategy, Develop Business Plans and Solve Business Problems***

## Securing Value from Your Management Consultant

### Achieving Success

Why do some companies have great success employing consultants while others lament the high fees and low to no value received from their advisors? There is not a simple answer to this question; nor is there a "silver bullet" to look for when seeking an explanation. Success in using consultants requires using a combination of best practices - from knowing when to use them to managing them effectively.

### When to/Why Use Consultants?

Consultants should be used selectively; they should not be considered a substitute for competent corporate management. However, they may be an effective complement to management when it confronts a new or difficult challenge or tries to realize a unique opportunity. Consider the value a consultant brings to the situation not just his/her expense. An investment in consulting expertise generally intensifies business agility and allows for faster project completion. Benefits realization is accelerated. Greater revenue generation, significant cost reduction, improved operational efficiency and increased customer service quality can occur sooner and with greater frequency.

The following are indicative situations where consultants could provide value:

- Doing something for the first time or undertaking a project larger than normal.
- Increasing the confidence level and potential success of a new strategy.
- Needing specific expertise that it is not cost effective to maintain on staff.
- Meeting corporate objectives that could not otherwise be met.
- Requiring independence and objectivity to stabilize a situation.
- Having a trained, "cool under fire" advisor to help resolve a situation or capitalize on a negotiation.
- Expanding operations while maintaining quality during unusual growth periods.
- Retaining a temporary executive until the permanent executive returns or is replaced.

### What is a consultant (consultant vs. contractor)?

Be careful. Do not confuse a consultant with a contractor. If you intend to plan, manage and oversee the quality of the work performed by the external person(s) with whom you contract, then you need to hire a contractor. If you expect the external person(s) to lead, manage, teach and review the work performed by company employees and/or other contractors, then you want to hire a consultant. Hiring the right person in the wrong role often results in less than optimal outcomes. If you expect a contractor to perform as a consultant you will most likely be disappointed. Conversely, managing a consultant as a contractor usually frustrates the consultant and wastes your money.

### Selecting/Qualifying Your Consultant

Once you are certain you need a consultant, the next issue is finding the right one. Selecting a consultant should be treated with as much care as in selecting any other strategic provider. You want to interview your prospective consultant, not only from a skills perspective but to ensure good "chemistry" with your management team and other employees. The following are some questions to ask the prospective consultant?

- Do they have the requisite functional skills?
- Do they know your industry (including best practices)?
- Do they know your market (including customers, suppliers and competitors)?
- Do they know consulting (methods, techniques, tools, etc.)?
- Do they know and employ change management practices?

### Compensating Your Consultant

Consulting fees can be based on an hourly rate, a fixed or not-to-exceed price for a project, contingent upon one or more performance goals or a combination. Determining the consultant's fee structure should be related to the work to be performed. The more the work to be performed is undefined with respect to structure, outcome or timing then a fee based on an hourly rate is more appropriate. If a project has a well-defined structure, deliverables, timeframes, resources, etc. then a fixed or not-to-exceed fee is usually a better choice. If the potential outcome of the project is significantly greater than the effort to be expended by the consultant then a contingent or performance-based fee might be best for both parties.

### The Consultant's Expenses

Managing the consultant's expenses is mostly common sense. The consultant should not be required to absorb any expenses for your project they would not have otherwise incurred. Conversely, you should not absorb any consultant expenses that are part of his ongoing expenses as a consultant. The other part to this is reasonableness. For the most part, unless otherwise agreed to in advance, the consult should adhere to corporate expense policies with regards to travel expenses.

Timing of invoices should match the structure of the fee arrangement. If the engagement is based on hourly rates, semi-monthly or monthly invoices are the norm. If the project is structured, invoices may be tied to deliverables.

### Managing the Consultant

After selecting the right consultant, there are two things you must do to get maximum value from the consultant. Listen to what the consultant has to say and manage him/her/them properly.

Listening to your consultant is important and for some that can be difficult. You presumably hired him/her for their expertise and while you may not always like what they have to say you should be prepared to consider what is said with an open mind. Don't let your ego get in the way when evaluating your consultant's recommendations. It could be the turning point for your company and a fabulous learning opportunity for you.

Managing a consultant does not mean micro-management. If you plan to do that, you should have hired a contractor not a consultant. Managing a consultant is a function of ensuring both the consultant's and the project's scope is well defined. This facilitates progress/status report format, content and timing. For unstructured projects, you may want to establish periodic reporting; the periods determined by the speed of the project's expected progress and the consultant's "burn rate". Progress reporting for structured projects is often best tied to the timing of project deliverable milestones.

Agree with the consultant, prior to the work starting, what the status reporting format will be. Also agree on procedures for changes in scope and issue resolution. In addition to formalized reporting, you should view your consultant as an integral member of the team. The consultant should be visible (on-site) when he works. Beware of off-site work and turnkey-type projects, especially if the project is not well-structured and based on a fixed fee.

### Intellectual Property

The ownership of any intellectual property should be agreed to in advance. The consultant will often bring proprietary methodologies, techniques, tools, etc. to the project that should be protected by non-disclosure. You will be sharing sensitive corporate information with the consultant that should not be disclosed either. However, these are the simple items. What about new ideas, processes, techniques, tools, information, etc. developed, discovered, created during the course of the project? The ownership of these items must be negotiated prior to starting work. As a rule of thumb, anything that is developed during the project that provides the company with strategic differentiation or tactical advantage should belong to the company or at least a time limit on using that knowledge, technique, etc. should be established. However, it is not uncommon to negotiate reduced fees in exchange for the use of the project's work products.

**Summary**

A consultant can be a valuable business tool when used appropriately, selected wisely and managed effectively. The right consultant should bring objectivity, independence and expertise to business opportunities and challenges.


To secure value from your management consultant, remember:

- Verify the situation can benefit from an independent opinion;
- Ensure the consultant has proven functional and industry expertise;
- Evaluate the consultant's personal and cultural fit with your employees and organization;
- Require a clear definition of scope;
- Negotiate fair compensation;
- Provide an appropriate level of management; and
- Keep an open mind to the consultant's suggestions.