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Getting the Most from Your Consultants

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For companies that do not have the luxury of staffing to peak, using consulting resources to augment a lean-and-mean staff is a smart business model. It allows companies to concentrate on their core business with key employees who are vital to the mission, while taking advantage of the expertise and experience of outside resources when needed. Finding the right independent expert and keeping the consulting engagement on track toward desired outcomes is critical to success, but it can be challenging.

Ensuring Successful Outcomes

When consulting engagements fail to produce satisfactory outcomes, companies usually conclude that they must have selected a consultant unsuitable for the project or that the consultant did not deliver what was promised. Certainly, bringing an unqualified individual on board could be a recipe for disaster, but optimizing the value of independent expertise goes far beyond consultant selection. Consider the following principles to help ensure success throughout the process.

Clarify the Project

Most critical to the success of a consulting engagement is a clearly articulated definition of the project. What business problem, opportunity, or competitive threat necessitates a consulting engagement? What are the desired goals, outcomes, or deliverables of the project? Also part of the definition of a project is the measurement of success. How can a consultant be successful if the client has not provided a clear definition of what constitutes success? And obviously, if success cannot be measured, neither can ROI.

Once the project has been defined, consider whether a consultant really is the best person to execute it. Could an employee be the better choice? For example, does the project require familiarity with an internal resource or other element, or is it an opportunity where a consultant can bring value in the form of best practices, extensive experience with similar projects, a skill set not available in house, or a fresh set of eyes? If neither an employee nor a consultant appears to be a good choice, consider whether the goal could be accomplished through a partnership, joint venture, or acquisition. Consultants often can add great value under circumstances where employees may be biased or emotional, as is often the case in mergers and acquisitions.

For example, when one independent mutual fund company was acquired by a large bank, the integration of the two organizations' products and customer bases required diligent consideration at the highest level. A consultant with securities and financial services expertise who had no emotional ties to either of the merged organizations was engaged. He was able to accomplish the objectives efficiently, weighing all business needs and guiding the teams toward the best ultimate decisions.

Some projects are best suited to be executed by a combination of external and internal resources. For example, a consultant can help establish a new core competency or develop a business plan for a new market and then can train internal resources or newly hired employees to manage the ongoing activities of the new function.

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In one instance, a major healthcare services organization needed independent expertise to study and provide specific recommendations aimed at creating smooth call-flow processes for a new patient call center, as well as to determine optimum staffing for the new operation. A call center expert with expertise in process analysis and time studies defined and articulated the call center's requirements for achieving the most efficient operations and precisely determined its staffing needs.

Calibrate the Consultant

Never rush the selection of a consultant, no matter how dire the emergency. This is where due diligence is most critical and yet most difficult because it is so tempting to hire the first pleasant individual, a personal friend, or a specialist who comes highly recommended by a colleague. Never hire a consultant unless he has been chosen from among several qualified candidates.

When qualifying a candidate, you must do the following:

- Verify credentials, expertise, and experience.
- Confirm that the consultant is taking active steps to stay on the cutting edge of his specialty.
- Investigate the visionary skills and long term approach of the consultant in his field of expertise.
- Evaluate whether the consultant has consistently demonstrated the ability to work in different environments and flexibility in working with different cultures and management styles. More consulting projects fail due to cultural misfit than because of skills mismatches.

When the regional office of one non-profit organization needed a database conversion expert to assist in software selection and implementation plans for upgrade and conversion of its public affairs database system, management knew that the best choice would be a consultant versed in non-profit culture. The organization selected a specialist with non-profit and fundraising backgrounds who assessed the systems and needs of all departments; defined conversion, integration, and hardware issues; evaluated donor systems; and provided final recommendations for optimum conversion and integration.

- Match the consultant's approach to the project and its desired outcome. For example, some projects require an information expert who can provide data for strategic decisions. Others require a consultant who is a doer—someone who actually can develop, implement, or correct something. And some projects require a mentor who can help individuals or teams operate more effectively.

Contract for Results

Consultants can parachute in and hit the ground running at the greatest speed if clients are prepared with a streamlined contracting process. Internal make/buy guidelines for projects, budget, and decision-making authority at the management level, agreements addressing intellectual property rights and non-disclosure, payment terms, and similar arrangements should all be firmly in place so that independent expertise can be brought on board quickly, even at a moment's notice.

For example, an internationally recognized leader in employee stock plan software and services had an immediate need for an interim director to manage outsourcing operations. Because all contracting arrangements had been streamlined, an expert with senior management and customer satisfaction experience was able to begin work within a couple of days, avoiding any disruption in the company's day-to-day operations. The consultant not only managed specific stock plan administration and outsourcing services, but also improved workflow and efficiencies and aided in sales support and contract negotiation.

Creative Fee Structures

Most companies think of consultant fee structures in terms of hourly pay, but many other pricing options are available, each with pros and cons. Hourly pay may be the most appropriate if there is uncertainty as to the specific scope of a project. Similarly, if the duration of a project is undetermined, hourly, daily, weekly, or monthly fee structures are workable strategies.

However, companies can greatly enhance the cost-effectiveness of a project and the value they receive from consultants with project-, deliverable-, or bonus-based fee structures. If the scope of a project has been well defined, it should be easy to agree on a fixed fee that is contingent on deliverables. The advantage of deliverable-based pricing is obvious—it encourages the consultant to deliver. If the consultant is to receive a bonus for delivering certain milestones, objective performance measures are critical, and the bonus must be of substance. Whether the project is a two-day facilitation, a 12-month program management, or a complete strategic organizational redesign, always select the payment option that will produce the best leverage and outcome. In fact, careful consideration of payment options not only will save money, but also will contribute to a clearer definition of the project.

Another option is retainer-based pricing, which guarantees the client a specific amount of the consultant's time. The advantage of this option is that hourly fees may be below market rate, but if a company has less work for the consultant than anticipated, it may not use the retainer efficiently.

In weighing various payment options, don't forget to consider taxes. State authorities pay strict attention to independent consulting arrangements. In order to avoid surprises and penalties, be aware of the guidelines used to determine employee status, and consult legal counsel in questionable cases.

Communicate the Project Scope to Employees

One of the most common causes of unsuccessful consulting assignments is that consultants are set up for failure internally. A consultant cannot succeed when employees are not on board or are unaware of the consultant's mission or even existence, when logistics are unclear, or when there is no stakeholder buy-in at higher levels. If leadership attempts to push the project down into the lower levels of the organizations, the consultant will be unable to see the big picture and likely will waste time and money struggling to work with people who have not accepted the project.

> If management limits the internal resources with whom the consultant may interact, if people hear only what they want to hear, or if some feel threatened by the consultant's expertise, the client can lose out on the greatest advantage that a consultant has to offer regardless of his specialty or assignment—an unbiased, neutral perspective.

In order for a consultant to be able to do his job, companies must do the following:

- Announce the project to staff (including the consultant's name, background, start date, mission to be accomplished, office location, and contact information), personally introduce the consultant to all staff, and request cooperation.
- Create an environment where employees do not feel threatened by the consultant. If the consultant is to coach or mentor employees, the employees must be open to learning. Coaching or mentoring that is forced on an employee most often fails.
- Coordinate logistics (e.g., phone, voicemail, e-mail, security authorization, payment of fees). Take the necessary steps to ensure that everyone who answers the company telephone is adequately knowledgeable regarding the details of the presence of the consultant.

A related area where some companies have difficulty optimizing consulting engagements is knowledge transfer. Consultants are allowed to depart after having developed a strategy, plan, or framework, taking with them the knowledge for which the company paid. Any consulting agreement must include knowledge transfer to the employees who will operationalize the findings, strategy, or framework developed by the consultant.

Control, No; Partnership, Yes

Consultants cannot be directed or managed like employees. However, it is necessary to meet with them regularly in order to keep efforts synchronized and to continue calibrating the project. While well-defined goals, milestones, and deliverables will get the project off to a good start, it's also essential to remain flexible and to make course corrections along the way as new information becomes available. Throughout the project, ensure ongoing and consistent communication, monitor progress, and give the consultant immediate feedback, both positive and negative.

While control of consultants is not appropriate, partnership with them is. Companies sometimes forget just how seasoned and experienced an outside professional is and how great an advantage a fresh set of eyes can be. For example, if a consultant with 20 years of expertise in operations and finance is hired for a specific business improvement project, why not ask him for advice and a neutral and objective perspective in areas not directly related to the project?

In order to get full value out of a consultant's neutrality and objectivity, create an environment where an independent expert can speak his mind easily and comfortably. If management limits the internal resources with whom the consultant may interact, if people hear only what they want to hear, or if some feel threatened by the consultant's expertise, the client can lose out on the greatest advantage that a consultant has to offer regardless of his specialty or assignment—an unbiased, neutral perspective. It follows that when the same consultant is hired repeatedly, some of the objectivity and unbiased perspective may be lost. Any seasoned consultant should know how to get up to speed quickly, and the value of objectivity and neutrality may outweigh the need for familiarity with the company

Finally, if a project's goals are not met, find out why. Is it because new information necessitated a course change, but no new goals were established? Were certain deliverables achieved, but not others? If so, why? Were there drastic changes in the market, economy, or business environment? What can be done differently next time to ensure success? There always will be obstacles during any project, but failing to meet certain objectives does not necessarily imply that the entire project has failed. It still may be possible to identify significant progress that will prove the consulting engagement to have been a worthwhile investment.

Experts Bring Results

Organizations can increase the efficiency and effectiveness of outside experts greatly by doing their homework according to the principles discussed above. Even when time is limited and a consultant must be brought in quickly to handle an emergency, companies can't afford not to take the time for due diligence according to this framework for success. One sure way to be prepared to handle critical business issues–emergencies and nonemergencies alike–at any time is to develop a partnership with a company that can access and provide selection from a network of highly qualified project-based professionals, even at a moment's notice.

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