

Best Practices to Select Consultants

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Consultants can help you to efficiently achieve a discrete goal. Consultants offer different business value than employees. Whether the role is to give advice or to do hands-on work, we bring knowledge and resources that you do not have. In general, consultants offer six types of value:

1. Time and attention – We can concentrate on the project without operational responsibilities.
2. Expertise and tools – We have, or can get, knowledge and tools to deliver customized solutions. We may have access that you do not; for example, membership in specialized groups or access to market intelligence and buzz. We may use knowledge and tools that were developed in other fields, from other consulting engagements and situations outside of your business sphere.
3. Contacts – We specialize in solving particular types of problems so have experience with variations of your situation. We should know several ways to solve a problem, people who did it, what tactics worked, what didn't. Consultants can connect people to make the result greater than the sum of the parts.
4. Objectivity – We are not an insider of your enterprise. We can work with you, your team, competitors, customers, vendors... in ways that you cannot.
5. Deniability – Because relationships with consultants tend to be transaction-based, we can sustain more stress than permanent members of your team. For example, you can keep secret the consulting relationship, or terminate it with little penalty. However, long-term consulting engagements have proven to be very effective.
6. Partner and Foil – We can be your agent, take opposing positions and present arguments that you cannot do yourself.

Know the Results You Want from a Consultant

You should specify that the consultant has specific knowledge or experience, but do not be so narrow as to disqualify candidates because, for instance, you specified "10+ years as Gillette's VP Market Development" but the consultant had only 9 years as VP Market Development with Proctor and Gamble. Instead, describe your problem and the ideal solution you prefer, such as "Need OEM channels for consumer products in emerging European economies. Experience building multi-national structures required."

When considering hiring a consulting group, get to know those who will be actually working on *your* project and their roles. Be sure to identify a project leader. Appoint a member of your organization to work with the consultant.

Select Complementary Working Styles

Hire someone you trust, someone with whom you communicate comfortably, fully and directly. Foster open interaction with protection clauses in the consulting agreement and use enforceable non-disclosure agreements. Ask references about the consultant's working style, availability and responsiveness.

Agree on a Clear Statement of Work

A consulting agreement is a legal contract with a Statement of Work that states the objective, scope, milestones, reports, reviews, deliverables, acceptance criteria, payment terms, performance incentives. List the required resources, ownership and usage rights, etc. that *each* party will commit to the project. Resource requirements might include use of your company's tools, information or people, and referrals to third parties.

Negotiate the Best Price

The right time to discuss price is after you and the consultant have an agreed objective and scope. The best price is not always the lowest. Fixed fee, cost plus, time and materials, compensation in kind... the right fee structure depends on the complexity of the project.

During negotiations, do not lose sight of the value of the work to you, not what standard rates may be, cost compared to another consultant, or the value to someone else. You must understand and agree with the *assumptions* for the quoted price. Some intangibles that consultant may be willing to exchange for cash are:

- Follow-on work
- The right to leverage the work that was done for you (re-targeting, syndication)
- The right to leverage your brand, cite your company, post a success story
- The opportunity to learn from you and your team

Additional non-cash compensation can be equity (stock options, warrants, friends and family status...) or rights to use your company's subscriptions (corporate rates), referral to potential clients, your company serving as a reference account or hosting an event. Some ways to defer up-front payment might be to include a number of fixed-rate consulting hours where the customer pays only for hours used. Such hours can be used for training, customer support, dealing with unforeseeables after project completion.. The most fair way to reduce cost is to work with the consultant to parse, or reduce the scope of the project.

Help the Consultant be Successful

Be open to re-negotiate the relationship at any time. Amend the agreement in writing. Revise the statement of work to suit the real situation. Help the consultant be effective with your team:

- Schedule get-acquainted meetings with your stakeholders
- Help the consultant gain acceptance and cooperation by explaining the consultants' role to your stakeholders
- Publicly affirm your continued support of the project
- Anticipate and manage misunderstandings that may arise

Be Demanding but Fair

Consultants should be glad to prove their worth. Discuss your questions and concerns as they arise and insist that they be addressed directly and promptly. Ask for explanations of the thinking that led to the recommendations. Ask that tools that were developed for your project be packaged so that they can be re-used; insist on customized analysis, get rights to use supporting research and data. It's worth the effort to be on good terms with consultants because they learn about your business and may have relationships with your customers, competitors, suppliers, partners, analysts and the media. Consultants work hard to be opinion leaders so make sure they know your message and will convey it correctly.

YOU are Ultimately Responsible

A truism about working with consultants is that YOU are responsible for the outcome. The consultant advises, helps, or works hands-on, but we are only agents and often only temporary ones. (Taking the blame will incur a separate fee. ☺)