

# Management: When and how to use management consultants

By Jeffrey P. Davidson

Consultants are not supermen and superwomen ready to dash into your organization and straighten out all problems with swift, sure strokes. "Hire a consultant," when heard in a staff meeting, should be met with the following questions:

- What is the problem?
- Why can't it be solved internally?
- What kind of consultant, if any, do we need?
- What procedures will we set up for overseeing the consultant?
- How can we work with a consultant to get the most input?

Of course, consultants can be hired to define better procedures even when things are running smoothly. But, often, consultants are hired to solve problems.

The closer you get to a clear, concise definition of a problem, the closer you will be to a solution. The problem with problems is that they elude easy definition. However, before you rush off to hire a consultant to solve one, attempt to narrow down the situation as far as you can.

If the overall problem is poor employee morale, what are the underlying causes? Are some employees favored over others? Are wages and benefits competitive?

Or, if the overall problem is marketing, is it because you have a personal attitude that marketing is somehow not important? Are there not enough resources to carry out effective and forceful programs?

Think not only of the problem's probable causes but of its possible solutions. This will help you decide whether you can cope or that you do indeed need a consultant.

## **Certain problems inherently lend themselves to solution by someone from outside your firm**

Indicators of the need for outside assistance include:

- The magnitude and/or intricacy of the problem are such that there are not enough internal time and talents to solve it.
- The true state of affairs can be determined only by the objectivity of someone who is not involved.
- You have already tried, and failed, to solve the problem.
- You do not have the specialized knowledge required to solve it.
- You need new ideas or methods.
- You can't get everyone in your organization to agree on an issue.

The problem that requires a consultant creates a new problem: the kind of consultant to hire.

There are approximately 35,000 management consulting firms in North America, as well as thousands of individual practitioners. Four categories of management consultants might be broken down into: individuals; small firms; general consulting firms; and full-service firms.

Many small consulting firms and individual practitioners have well-deserved reputations for specialized performance. You would tend to use a smaller firm when you have a specific need, such as a knowledge of accounting systems, marketing, or personnel administration.

General management consulting firms offer services in broader areas, such as information dissemination, finance, and systems and procedures. A full-service management consultant does this with greater resources and can assist in implementation.

Choosing a consulting firm or individual will depend not only on the nature of your problem but on whether the advantages of the greater attention given by a small firm offset its limited resources.

Previous experience with similar problems should be the first consideration when searching for a management consultant. But an effective consultant's experience does not necessarily have to be in the same field. A steel manufacturer does not hire a management consultant for a knowledge of steel, but for broadly applicable knowledge.

Philip Shay, the author of *How to Get the Best Results from Management Consultants*, recommends both a personal visit to consulting firms under consideration and to ask around about them. Find out:

- How old is the firm?
- What are the principals' backgrounds?
- Is its staff stable?
- What standards of professional conduct and practice does it have?
- Do you think you would enjoy working with this firm?
- Was the discussion with firm principals sufficiently challenging that they might stimulate you to see your problem in a new perspective?
- What clients has the firm served?
- How much business repeats?
- What is its general reputation in the business community?
- How much time will the principals of the firm spend on your project?
- Is its experience applicable?

Give a consultant something on which to base a proposal; write a statement of the work to be done. Each proposal you receive in turn should cover the following subjects:

- A perception of your problem;
- The objectives in solving it;
- The latitude needed, e.g., the degree of access to your personnel;

- The scope and nature of the engagement, including the areas to be covered by study;
- The general methods to be used;
- A statement of the consultant's personnel who will do the work;
- An estimate of necessary time;
- An estimate of fees;
- How the billing will be done.

## **There are four principal fee arrangements that are used by management consultants:**

- The per-diem or hourly fee is probably the most common. To make clients feel more comfortable with this arrangement, a consulting firm will often estimate a certain figure that its total fees will not exceed. This is called a bracket quotation.
- The lump-sum, or fixed-amount contract, is used most frequently in consulting arrangements with government agencies. The main attraction of this method is that it provides a firm budget. The major disadvantage lies in its inflexibility, since the scope of work is fixed.
- The retainer method means you reserve a certain amount of the consultant's time, usually for a year, when the work contemplated cannot be detailed in advance.
- The contingent fee means compensation is determined on benefits accruing from the service performed, and is seldom used because consultants cannot guarantee results, but undertake only to perform to the best of their ability and skill.

The Institute of Management Consultants has a code of professional conduct that shows what you should expect. Among its provisions:

- The interests of clients go ahead of those of consultants.
- Consultants will be impartial and objective.
- They will guard confidence.
- They will not serve competing clients without permission.
- They have an obligation to confer with a prospective client in sufficient detail to understand the assignment before accepting it.
- They will not take assignments they are unqualified to accept.

## **When you have settled on a choice, there are procedures for working with a consultant**

"When things go wrong with consultants, the problems can usually be traced to not putting all agreements in writing and not communicating at each stage of work," according to John J. McGonagle Jr., vice president of management for consultants Helicon Group Ltd.

- Besides guarding against the above problems, clients should:
- Ask for alternate solutions.
  - Put recommendations to work

right away to test them.

- Explain the consultant's purpose to the staff and its responsibilities for cooperation.

"It is vital," says author Philip Shay, "not to withhold information or opinions in the hope of getting a more objective result from the consultant. If you have selected the right consultant for the job, that consultant will be equipped to make critical use of information from whatever source."

Many clients, especially if they are large companies, will assign a liaison team or representative to work with a consultant. The liaison's role is to provide information, oversee progress, and learn enough about any recommended programs to take over their implementation.

## **And don't, through lack of communication, let your consultant make classic mistakes**

One independent management consultant spent four months analyzing how to fit a new policy direction into the existing policy guide of a federal agency. Her report was over 100 pages long and included interviews with more than 30 different sources. She thought it was her best report ever.

The project manager at the federal agency told her it was completely off track, that it had not addressed the areas he had wanted to address, and that it was of no use to him whatsoever.

This situation could have been easily avoided with better communications on both sides. The consultant assumed that the client understood where she was going with the report from her twice-a-month phone calls. The client, on the other hand, had not really paid attention to the phone conversations and was working under the mistaken impression that she was proceeding with the report on the basis of their initial meeting. She had changed the scope of the assignment, however, due to new information she had uncovered. He should have been more aggressive in overseeing her work while she should have sent him regular written progress reports.

Shay points out that another trap to avoid is asking a consultant to accept implementation responsibility. The consultant's job is to recommend a course of action, not to see that it is done. Nothing is more destructive of your employees' morale or of the proper role of the consultant than to leave the responsibilities of your firm's principals to an outsider.

If you have analyzed your problem carefully, determined your need, and followed the previous steps, you can profit by using a management consultant.