

Selecting and Managing Consultants

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You may be grappling with a difficult situation. You may not know where to begin or how to identify potential solutions. Or, maybe you have a very specific question that requires background and knowledge that you just don't have. A consultant may be able to help. Consultants can provide expertise to help with problems. They can provide counsel and objectivity for dealing with issues. Consultants can help your organization do anything from writing grants or designing a Web site, to facilitating staff trainings, executive recruiting, problem solving and market research. Consultants are most frequently used for difficult-to-fill positions that call for highly specialized skills.

If you've never hired and worked with a consultant, then you may not be sure how the relationship should work. To help you we have compiled general questions, general advice and specific questions for market research work that should be a useful guide.

General Questions

In many ways working with a consultant requires the same good managerial skills that are used with regular employees. In order to ensure a successful project you must first accept responsibility for managing the consultant. It begins with selecting an informed person or group and establishing how their relationship with you will work as they produce your project. The 13 questions listed here provide the background to start off this relationship on the right foot.

- 1. What experience/educational background do they have?** Some consultants accept projects in areas in which they have little experience. Are they trained for the specific issue you are exploring? You are paying for experience, and they should have it either in

the industry or the area in which you need expertise (market research, organizations, etc.). Preferably they should have both industry and subject matter expertise.

2. **What kind of projects do they work on? What has been the specific focus of the last four or five projects they have tackled?** What they are doing tells you much about their capabilities.
3. **How will they charge for their “learning curve?”** Here, there is a balance – you want to make sure the consultant is well grounded on your business/issue, but you don’t want to pay for a lot of basic industry backgrounding that they should already know.
4. **Who is running the project?** Will the consultant you hired be managing the project themselves, or will they turn that role over to someone else on their team? Make sure that if you’re paying for a particular level of experience and expertise, you’re actually getting it by specifying so in the contract.
5. **Who will be also working on the project?** What are their qualifications? Does the consultant do the work, or hand it off to others? You may want to approve the person who will actually be doing the project, if this person is different than the one you interviewed/backgrounded.
6. **How do they keep track of their progress?** How do they keep track of the hours spent on your project? Do they keep a daily or weekly activity log? If so, will you have access to periodically review their progress? Remember, a consultant that you hire is accountable to you, just like anyone else working for you.
7. **How frequently does the consultant intend to report on their progress? How will they report this?** If you don’t like the terms, you can ask for a change. But, interim progress reports are critical for a project to stay on task.

- 8. Have they worked for any of your competitors?** If so, they likely have industry and subject matter experience. However, be wary of anyone who reveals information to you about these past clients that you deem to be proprietary information. If they talk to you about your competitors, they are likely to talk to others about your business as well.
- 9. Will they sign a confidentiality agreement?** If you need one, then insist on such an arrangement. If there is doubt, err on the safe side and get one.
- 10. How will fees and overall cost be structured?** What are they planning to do and what will the fees associated with these steps be, including how will things like travel, office supplies, etc. be expensed? Will it be a...
- a) Fixed price agreement where the total price of the project plus reimbursable(s) is negotiated beforehand
 - b) Price based on an estimated fee on an hourly rate with a guaranteed maximum.
 - c) Partnership agreement: in essence the person/firm is paid on an hourly basis (whatever the cost) and has the peace of mind that they will not be over billed. Is the price competitive? Consulting fees often vary widely and can frequently be negotiated.
- 11. What are their specific ideas of a timeframe?** It is important to make sure that checkpoints are built into this timeline to both insure progress is occurring and that the consultant's direction is appropriate.
- 12. What is their impression of what is expected of them?** What are the deliverable(s) of this project? This is probably the most important point – both you and the consultant need a common understanding of what the project will produce. You cannot make assumptions here – clarity for both parties is key.
- 13. Who will own the product?** In many cases you will want to own the work produced, or be protected with a confidentiality or non-compete agreement.

General Advice

The general questions you will ask of your consultant give you the much basic information needed for a functional consulting relationship. In addition to the information the consultant will provide you, there are a number of things you can do and be aware of that will facilitate the relationship. Here we list a few general insights to prepare.

1. Before searching for and hiring a consultant, you must have a clear idea of what you want them to achieve for you. The better defined the project is, the better results you will get. It is difficult for consultants to offer sound advice when the client is unclear about their own objectives.
2. A significant issue is making sure the scope of the project is defined as well as it can be up front, and that this is put in writing. That said, you want someone you can trust since getting everything in writing up front is almost impossible. It is critical that both you and the consultant be clear on what the deliverable looks like.
3. Consultants should be in the mode of doing a *pre-project interview* and then developing a proposal. Look for someone who is asking a lot of questions to truly understand what you want. Then look for someone who puts together a thorough proposal which is very focused on your needs.
4. Get two to three references and call them. Ask about the quality of work, timeliness and sticking to the budget. It's the only way you can distinguish between an accomplished professional with a track record of genuine success and somebody who merely excels at interviews.

In the interview with references, begin with an open-ended question. For example: "We're thinking about hiring ABC Consultants to conduct a market potential study. I understand they did some similar work for you. How did that work out?" (Based on *Succeeding with Consultants* by Barbara Kibbe and Fred Setterberg. 1992, The Foundation Center.)

You may have a brief conversation on the nature of consultant's duties, their strengths, any problems that may have arisen during the collaboration, and the results of the consultant's efforts. However, you might run into somebody who is reluctant to talk. Many managers will not comment about the performance of their former employees – or consultants – because they fear a lawsuit if their negative recommendation results in a loss of work.

If you meet resistance, ask the reference to simply verify the basics: 1) the kind of problem that the consultant addressed; 2) her duties; and 3) the duration of the work. Then prod gently with another question to gain more subjective insight, such as, "Would you hire this person again?" or "Would you recommend this consultant to a colleague?"

5. Beware of conflict of interest issues. Do any of the consultant's clients pose an inherent conflict of interest? Does the consultant have a vested interest in the outcome of the project, i.e. does a market researcher expect to perform additional work if the market study is positive?

Questions for Marketing Research

A particular type of consulting activity that companies often have a consultant work on is market research. Market research analysts are concerned with the potential sales of a product or service. They gather and analyze statistical data to predict future sales. Their methods may include telephone, personal, or mail interview surveys to assess consumer preferences. Trained interviewers, under the market research analyst's direction, usually conduct the surveys. After compiling the data, market research analysts evaluate it and make recommendations based on their findings. They provide information needed to make decisions on the promotion, distribution, design, and pricing of products or services, among other things.

If you lack the expertise internally or are searching for an external perspective from a trained market analyst, then a marketing consultant or agency may provide the services you need. Both small and large businesses hire market research analysis done. Market research, done well, can

be expensive. Because many small companies have a small budget for market research, it is important that they get the most out of their project. To help judge the quality of the work you expect your consultant to perform use the questions in this section.

- 1. How will the participants in the focus group/survey recruited?** Ideally, you want responses from consumers that are randomly recruited from the population at large or are randomly recruited from your target marketing segment. Responses from only one demographic group are unlikely to be helpful unless your marketing strategy focuses heavily on a particular demographic segment.
- 2. In other projects, how accurate have their sales forecasts been?** A significant amount of research shows that responses to hypothetical phone/mail surveys constructed to measure purchase intent often perform poorly at actually predicting sales behavior. You will want to get a feel for how confident the consulting firm is that your customers will actually act in the way described by the survey questions when they are actually shopping.
- 3. In addition to a single estimate of sales revenue or sales volume, will they provide a range (highest possible and lowest possible) of revenue and/or sales that might be achieved if different assumptions are made?** Often, consulting firms only provide a single estimate of sales forecasts. To get a feel for the potential variability in income that might be achieved, you should ask how sensitive sales forecasts are to:
 - a) the way the survey questions were framed,
 - b) the study method (phone, mail, focus group, etc),
 - c) the particular sample of study participants, and
 - d) the time of year/day the study was conducted.
- 4. How can you reach your target customers?** Although a consulting firm might identify a particular type of individual that is most likely to purchase your product (your target customers), such information is of little help if there is no plan for how to appeal to these customers. Better quality marketing plans will include information on the types of

advertising, promotion, positioning, and distribution strategies that will be most successful in reaching your target customers.