



Engaging Management Consultants – or how to avoid getting ripped off

Management consultancies have a reputation for ripping off their clients. But is this always deserved? There are many reasons for engaging management consultants. You may need a particular technical skill, you may need an objective, third party opinion, or you may have some short term needs for expertise in change management. There are also lots of instances when you shouldn't use consultants: you're not sure what the problem is and you want them to tell you; you have a budget you need to expend by a certain date; you want them to make some people redundant. These are not good reasons for engaging a consultancy and will inevitably lead to disappointment. Taking a responsible role when contracting with consultancies will ensure this disappointment is avoided.

First Step: Decide whether you need a consultancy or not

To decide whether it's appropriate to engage with a consultancy or not, consider the following:

What is the need or problem you want to address and why do you think this need or problem exists?

Will it be solved by this intervention or will the underlying issue still exist?

What skills are you looking for? What value might a consultancy bring to your business?

What risks are there to your business in using an outsourced resource?

Second Step: Draw up the initial brief

Once you've convinced yourself and the business that it is appropriate to engage a consultancy, draw up a brief. Your brief should be jargon free and contain:

1. A summary description of your organization: its purpose and values, what it does, its size and structure
2. The need or problem and why you think this problem exists
3. What you want the consultancy to deliver in terms of outputs and deliverables
4. What role you want the consultant to play
5. Who will be managing the role of the consultants and what reporting you expect to take place – weekly, monthly etc
6. A provisional budget. To decide on a budget think about the impact of the problem and potential value of the solution. Basing buying decisions purely on cost is not always effective. An hourly or daily rate will not tell you the whole story – a consultant with a high hourly rate may produce value faster than one with a lower price. In addition, experience suggests that if you force consultants to quote daily rates they will charge you for every single project meeting, conversation or journey. An overall project fee may provide the basis for a more productive and flexible working relationship.



7. A description of the kind of person(s) you want to engage: their skills, experience and skill set. Industry experience can be a massive plus factor but you have to trade this off against the actual project demands that may not be industry specific. A specialist software consultant may be more suitable for a software project in the oil and gas industry than an oil and gas specialist.
8. Timetable for the work

Third Step: The Pitch

After shortlisting your potential suppliers you will want to meet them face to face.

During the pitch don't be impressed by techno babble. Attempts to impress you with an extensive list of acronyms and niche industry speak often hides a superficial understanding of the real issues to be addressed. Instead, look for a company that listens to you and makes a presentation or pitch that is both specific and sympathetic with your company's objectives, not just one where they have performed a "find and replace company name" from a previous document.

Assess the individual and the consultancy. Remember big consulting companies are not always the best in every situation. Larger companies can lack flexibility in both internal processes and the way they handle clients. Larger companies also have costly head office functions to support – these costs will be passed on to you through higher fee rates.

Boutique or niche consultancies can provide specialist advice in a particular expertise area. They can be more cost effective than larger consultancies. The disadvantage is that they may not have the breadth of experience in house to service a large scale change project. The same applies for one man bands.

Fourth Step: Reference Checking

Your original brief gives the basis for assessing which consultancy you should hire. When deciding who to work with review your personal contact through phone calls, meetings; written information such as research reports, websites, CVs and the written proposal; and references or recommendations from other people.

Fifth Step: Contracting

Your fifth and final engagement step involves drafting a formal contract which should include:

- The work to be done;
- The person(s) who will be delivering the work
- The person who is the lead contact in the organization
- The timescale and deadlines for the stages, if relevant
- The fees to be paid and the schedule of payments



- What expenses will be charged for, and at what rate
- Whether VAT is charged and on what
- Any required insurances (such as professional indemnity insurance)
- The work to be done by your organization eg arranging meetings, room hire
- Copyright of written and other creative materials (unless agreed otherwise, copyright belongs to the creator, ie to the consultant/trainer)
- How and when the work will be reviewed and what will happen if either party is dissatisfied

Pam Kennett
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