

How to Choose and Work With a Consultant

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Consultants can offer excellent hands-on experience, insights, practical solutions and fresh perspectives to vexing issues. But to receive your money's worth you need to know when to use consultants (and when not to use them); what to look for (and what to look out for) what to require from them and where to start looking. Here are some suggestions.

Why Use Consultants

There are many good reasons to use consultants, but that doesn't mean you should use them without careful consideration. Below are some valid reasons for nonprofits to use consultants.

- *The organization is required to use outsiders.* Almost all nonprofits which receive government or foundation support are required to have an outside financial audit and management letter each year. Some funders also require, as a condition of funding, using one of a selected "stable" of consultants to rectify problems within the organization.
- *The problem to be solved is highly technical.* If you're facing a complex issue, such as the development of a computer system, advice on a large telephone network or a new accounting system, an outsider is probably called for, if for no other reason than to bring you state-of-the-art options. (Not that you should always purchase the latest state of the art system, but you should know what is available.
- *The problem is a one-time or infrequent one.* Certain problems are just not worth knowing how to solve. For instance, if your organization is going to build one new office/program building in the next 20 years, it doesn't pay to train staff to be architects, realtors and contractors.

Instead, hire these professionals as consultants.

- *You need an unbiased outsider.* One of the major benefits of outside consultants is that they don't bring vested interests to the problem. They can bring a fresh outlook and offer suggestions without being overly concerned with internal personal policies.
- *You need a hired gun.* In certain situations, you need an outsider to make unpopular recommendations, such as a staff structural change, which will eliminate positions or the abandonment of a popular, but overly expensive program. Even though you can perform the job yourself, it may not be wise to do so.

- *You don't have the time.* Be careful of using this justification too often. "Subbing out" a job to a consultant may mask poor time management or priority setting on the part of staff or board.

As you consider using a consultant, examine your problem to see if it fits into one or more of these categories. If not, reexamine the problem to see if you can solve it with internal resources.

Why Not Use Consultants?

People give a number of reasons for using a consultant when they really don't need one. These include:

- *To reinforce a decision already made.* Sometimes the decision-maker knows what to do but wants the "backup" or credibility of an outsider before proceeding. While a prime reason to use consultants is to provide outside objectivity (see above), in this case the consultant is being used inappropriately. Ask yourself if you are avoiding the true problem – your own insecurity about your expertise or fear that your opinions don't have sufficient clout with the board or staff. People who hire consultants for this reason are almost never happy with the consultants' work. The reason? The consultant tells them what they already know. In the future they should put their confidence in their own cognitive abilities.
- *To do regularly performed work.* Consultants have their greatest application when they solve problems and teach solutions. (Remember the old adage, "Give me a fish and I eat for a day, but teach me to fish and I eat for a lifetime.") If you find yourself asking a consultant to do rather than to teach, consider hiring part- or full-time staff instead. The single common exception to this rule is your auditor. Auditors must be outsiders and do basically the same work (your year-end audit) each year.
- *To impress your board, staff and funders.* Bad idea. Having the foresight to seek outside expertise in a tough situation is commendable, but hiring a consultant only for show is not a good move. It's a waste of your money and of the consultant's time.

What to Look for in a Consultant

To be effective, a consultant must have certain traits. Look for these qualities as you search for a consultant, and confirm them in your initial consultation.

- *Someone who wants to work with you, not for you.* Your consultant should involve you in as much of the work as you can reasonably handle. Why? Because it will augment your understanding to the consultant's final product, increase your ownership of (and willingness to carry out) the recommendations, and reduce your costs. It will also decrease the chance that your consultant will force-fit your problem into a "canned" solution.
- *Someone experienced and knowledgeable.* Your consultant should have hands-on experience. If you want management consultation, look for those who have

actually managed, especially those who have managed organizations of your type and size.

- *A good teacher.* Remember that professor you had in college who knew the subject but just couldn't teach? Being learned does not necessarily mean that you can transmit that knowledge to others. Even hands-on experience is not enough. It is essential that your consultant teach you to help yourself. This skill can be assessed in person as well as through references.
- *Someone who can listen.* While it's natural for consultants to spend part of your first interview giving you a "sales pitch" be wary if they do all the talking. Instead, they should be finding out as much as possible about your organization, your problem, your unique characteristics. If they don't seem interested in you and your organization, they probably aren't and that is a bad sign. The same is true during the on-site consultation. The consultant should spend a fair amount of the first few hours (or days, depending on the length of the consultation) listening, asking questions and taking notes. Beware of the "quick fix." It won't work for long.
- *A good writer.* This rare skill is vital, because many of your consultant's recommendations and findings will be transmitted in writing to your board and staff. The consultant may be able to diagnose and help you solve your problem, but can he or she transmit that information through the essential medium of print? Look for clear, concise prose in the consultant's proposal and in any examples of past work that you receive.
- *A good presenter.* Another common function of consultants is to present their findings and recommendations to the board and staff. Thus, they must have good "stage presence" and be able to answer questions well.
- *Someone who specializes in what you need.* Beware of the consultant who does a little bit of everything – a little planning, a little fundraising, a little computer consultation, a little open-heart surgery. (Of course there is nothing wrong with consulting firms offering a range of services as long as they assign staff specialists in each area.) Find an individual or firm with a proven track record in what you specifically need. For example, if you need a business plan written, don't seek a long-range planner, seek a business planner. If you are dealing with Medicaid reimbursement rates, find someone who knows the Medicaid system in your state.
- *Someone who is available.* One of the greatest problems with busy consultants is their lack of available time, either in person, by telephone or by mail. Ask yourself how rapid your answers need to be. For example, if your consultant is helping you with accounting software selection and installation and your computer system crashes, you don't want to be dependent on someone two time zones away. Conversely, if you're hiring a consultant to help you develop your long-range plan; you probably don't need someone on site within two hours notice.

What to Look Out For

As with any other purchasing decision, the operative phrase is “buyer beware.” Here are some specific suggestions on what to avoid.

- *Open-ended fees.* There is no excuse for accepting an open-ended fee. It is an invitation to an open-ended bill. If your potential consultant suggests an hourly rate with no maximum hours, watch out.
- *A non-specific scope of work.* Can you imagine having your kitchen renovated and not specifying what appliances and cabinets you want where, or in what color? The same applies to a consultation. Look for a proposal that specifically lists what the consultant will do and when, as well as the responsibilities of you and your staff.
- *Large advances.* If a consultant requires a large advance (more than 15 percent or one month’s fee), it could indicate fiscal instability. You run the risk of the consultant going out of business during your consultation or while you need follow-up. (In some cases, sizable advances are justified, of course, as when the consultant must spend a large amount of cash up-front.)
- *Sloppy (or no) marketing material.* Lack of good descriptive materials about the firm could indicate poor long-range planning, lack of capital, or less than long-term commitment to the consulting business and its customers.
- *A firm made up of all part-timers.* Would you hire a part-time plumber or a part-time pediatrician? People who don’t work full-time at consulting simply can’t stay as current in their field and as practice in the art of consultation as a full-timer. Also, you may have problems access a firm of part-timers easily. One hint: Be wary of a firm that continually uses an answering machine or service during regular business hours.