



# Selecting and Managing Consultants

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Consultants can help you define or implement a plan for solving problems. They provide counsel and objectivity when dealing with situations in which you need an outside perspective. Most frequently they are used for difficult-to-fill positions that call for highly specialized skills. They can help do anything from write grants or design a Web site, to facilitate staff trainings, executive recruiting, problem solving, and market research. Given the nature of their work, you may find selecting and managing a consultant to be a challenge.

If you've never hired and worked with a consultant, you need to know about some important factors to consider in selecting one and establishing the project expectations. This publication should help you avoid some common problems. First, we provide perspective on selecting a consultant. Second, we present important questions to ask as you establish a working relationship with your consultant. These questions apply to any project, and you should ask them early in the project.

After asking these questions, you need to ask for detailed technical information on the specific project for which you are hiring the consultant. The questions will vary widely by project. A common issue is market research. As an example of the kind of questions you should ask a prospective consultant, we include some questions related to market research.

## Selecting Consultants

Selecting the proper consultant will start your project off right. You can do and be aware of a number of things that will facilitate the selection process and your working relationship with your consultant.

**Audience:** Business managers considering using consultants

**Content:** Tips for selecting and working with consultants, with specific advice for using consultants in marketing research

**Outcome:** Reader knows how to establish expectations for an effective working relationship with a consultant

## Define the Project

Before searching for and hiring a consultant, you must have a clear idea of what you want to achieve. The better defined the project is, the better results you will get. It is difficult for consultants to offer sound advice when clients are unclear about their own objectives.

If possible, make sure your project objectives are put in writing. This document will provide the basis for your project deliverables. That said, you want to select a consultant you can trust because it's almost impossible to capture in one document all that can happen over the course of a project. Whether in writing or not, it is critical that both you and the consultant be clear on what the deliverable should be.

## Gather Background

Get two to three references from your consultant candidates, 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 a consultant’s duties, his or her 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) his or 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?”

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; for example, does a market researcher expect to perform additional work if the market study is positive?

Consultants should offer a pre-project interview and then develop a proposal. Look for someone who is asking a lot of questions in order to truly understand what you want. Then look for someone who puts together a thorough proposal that is tightly focused on your needs.

## Establishing General Expectations

Once you have identified candidates, you will want to collect information from the consultant and establish how the working relationship may operate. In many ways, working with a consultant requires the same good managerial skills you use 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 then establishing how their relationship with you will work as they carry out your project.

**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 area with which you seek help? You are paying for experience, and they should have it either in the industry or the area in which you need expertise (e.g., market research, human resources, technical work). Preferably they should have both industry and subject-matter expertise.

**What kind of projects do they work on?** What has been the specific focus of their last four or five projects? What they are doing tells you much about their capabilities.

**How will they charge for their “learning curve?”** Here, there should be a balance. You want to make sure the consultant is well grounded in your business/project, but you don’t want to pay for a lot of basic industry backgrounding that they should already know.

**Who will run the project?** Will the consultant you hire be managing the project personally, or will he or she turn that role over to someone else on the 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.

**Who else will be 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 from the one you interviewed/backgrounded.

**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.

**How frequently does the consultant intend to report on his or her progress?** How will that progress be reported? If you don’t like the terms, you can ask for a change. Interim progress reports are critical if a project is to stay on task.

**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.

**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.

**How will fees and overall cost be structured?** What are they planning to do? What will the fees associated with these steps be, including how things like travel, office supplies, etc., are expensed? Will it be a . . .

- Fixed price agreement, where the total price of the project plus reimbursable(s) is negotiated beforehand?
- Price based on an estimated fee, an hourly rate with a guaranteed maximum?
- Partnership agreement in which the consultant is paid on an hourly basis (whatever the cost) and you have the peace of mind that they will not over-bill you?

**Is the price competitive?** Consulting fees often vary widely and can frequently be negotiated.

**What are their specific ideas for timeframe?** It is important to make sure that checkpoints are built into this timeline to both ensure that progress is occurring and that the consultant's direction is appropriate.

**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 imperative.

**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.

## Establishing Specific, Technical Expectations: Marketing Research

After asking the general questions above, you will need information on the more technical details of the project. Here, we use a common consulting activity—market research—as an example.

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 you need 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 assistance. 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 a market research consultant's work, use the questions in this section.

**How will the participants in the focus group/survey be recruited?** Ideally, you want responses from consumers who 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.

**How accurate have their sales forecasts been in other projects?** 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.

**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 the:

- Way the survey questions were framed,
- Study method (phone, mail, focus group, etc),
- Particular sample of study participants, and
- Time of year/day the study was conducted.

**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. High-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.

## Final Comment

Consultants provide expertise and experience to undertake projects or solve problems that you otherwise might not be able to do. The advantage of a consultant is that he or she supplies the capability you need when you need it. It is best to plan ahead by clearly defining your needs before searching for a consultant. However, the best path to follow is often uncovered once the project is begun. That is why it's important to select a qualified consultant and to establish how the consultant will work with you during the project.

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