

THE VALUE OF OUTSIDE CONSULTANTS

Outside consultants play a vital role in all areas of business. They may help with defining needs, provide short-term staff assistance, provide interim management, manage an entire project or assist with any project you can define. As a manager or executive asked to evaluate a large consulting company, a boutique consulting company or an individual consultant, it is important that to understand what skills consultants have, how they work, how to select them and how to manage them.

Advantages and Disadvantages of Large Consulting Firms

For very large projects, management often wants to use the larger consulting firms because they provide breadth and depth of resources as well as a strong reputation for expertise in a needed area.

Advantages

Large firms can usually bring in additional resources quickly. Many of the large firms also use small firms to supplement their resources on a contract or partnership basis. In government projects, using smaller firms helps the firm meet small business and diversity goals.

Disadvantages

Large firms are usually the most expensive. These firms often assign junior consultants to projects with little real world experience - for example, recent college graduates. As a client you may experience that you have less influence over the people assigned to your project than when dealing with a smaller firm. There can be a turnover in the people assigned to your project. Last, but not least, you may be one of hundreds of clients for the firm and, therefore, receive less of the firm's attention.

Advantages and Disadvantages of Boutique Consultancies

With smaller firms, you have more influence on the project and the team assigned, although there are fewer people to choose from.

Advantages

Your costs will be less with a smaller company because their overhead is lower. Many smaller firms are part of a network of consulting companies, which allows them to draw on additional resources as needed. With boutique firms, you will have more control and influence over the project and the team assigned. Your relationship with the firm will usually be stronger, and you may get their attention when there is a problem, at least faster than with a larger company. Many consultants in small firms have previously worked in large firms, so their skills are comparable. Boutique firms rarely use inexperienced people because it could destroy their reputation. Boutique firms must develop strong client relationships and referrals, which keep them in business.

Disadvantages

Because the firms are smaller, the types of projects they can handle are therefore smaller than those of a firm that can place 100 people at your service quickly. If you request a change in someone assigned to your project, it may take longer to find a better fit.

Refuting a Common Misunderstanding about Consulting Fees

A consultancy fee is not analogous to a consultant's salary. At times first-time users of consulting services tend to equate the cost of an outside consultant to the salary of an equivalent fulltime employee. However, employees are not just paid a salary, they need to be recruited (can be a long and expensive process) and trained (in-house, outside, in the field), make use of office facilities (office space, desk computer, furniture) and infrastructure (supporting departments, utilities, phones, faxes, Intranet), be offered attractive benefits (pension plan, healthcare insurance, bonus, commissions, stock options) and various perks (company car, laptop, PDA, mobile phone, club memberships, meal plan), cost various government taxes and charges (and they are hefty), and can be absent (training, vacation, sick leave); in addition, a company needs to make a profit, to which each employee contributes its part. Furthermore, executives need one or more assistants, from secretaries to managers and other staff, carrying most of the same cost items as above. Therefore a consultancy fee should be seen as an all-in expense, not just a salary. A consultant's salary is about 33% to 40% of a charged consultancy fee, depending on the consultant's company size, seniority and place of residence. Last, but not least: consultants are usually not engaged 24/7 or for full calendar years.