

HOW TO BUY CONSULTANCY
The Institute of Business Consulting's guide to successful consultancy
assignments

Introduction

Management consultants have a real and valuable role to play in disseminating 'best practice' and creating effective business cultures. Properly commissioned and directed, consultants provide a valuable resource for organisations of all types and sizes.

However it is still a profession that has no statutory regulation about who can practice and the qualifications they must have. Consequently a professional body (Institute of Business Consulting), like professional bodies for other professions, plays an important role in providing professional standards and a measure of the competence of consultants to practice.

In addition to specific consultancy, many practices offer outsourcing or facilities management services (FM), particularly though not exclusively in IT. Purchasing FM is very different from buying consultancy, not least because performance measures are generally much easier to define and implement, and the FM marketplace is not considered further here, other than to emphasise the importance of separating consultancy services from FM provision in any contractual and review arrangements.

The purpose of this document is to help purchasing professionals improve the use their organisations make of management consultants, and the value for money they obtain through consultancy.

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1 The Management Consultancy Marketplace

Management consultancy is a large diverse profession, both in terms of revenues and of employment - indeed it forms one of the fastest growing industries in the United Kingdom. However it is a volatile profession where individuals are mobile and practices form and change rapidly.

A recent survey by the Management Consultancies Association (MCA) estimates growth in the UK consultancy industry of 18 percent from 2004 to 2005, making it worth approximately £11.9 billion¹. The report concluded that the private and public sector markets for consulting in the UK grew at almost the same rate in 2005 (22 and 23 percent respectively), taking the private sector consulting market to £5.4 billion and that of the public sector to £2.2 billion.

Spend in the public sector is supported by figures released by the UK's Office of Government Commerce (OGC) that spending on consultancies nearly doubled between 2003-2004 and 2004-2005 from £5.8 million to £9.2 million, nearly a quarter of the OGC's £43 million budget.²

The boom in the public sector looks set to continue, with many large contracts still under way and the Government's focus on improving the delivery of public services continuing.

However, consultancy firms continue to face pricing pressures. The MCA suggests that commoditisation is being experienced in IT-related consulting and outsourcing. Greater competition from new and returning players, centralised procurement and the lack of clarity about the value consultants contribute, are all impacting the industry.

The MCA suggest that the consulting industry may emerge as a series of micro-markets, each with their own, specific conditions, rather than a single homogeneous industry.³ Therefore cost control and survival are still high on the agenda alongside improving the reputation of consultancy and attracting high calibre people into it.

The Institute of Business Consulting also concludes that the structure of the consultancy sector is characterised by a small number of large practices. They conclude that there has been significant change during this decade, with practices changing, reforming, disappearing, and often reappearing as a larger number of smaller practices.

Universities are also increasingly involved in consultancy, either in the form of individual academics, or as companies usually owned at least partly by the

¹ CZERNIAWSKA, F. The UK Consulting Industry 2005/6, Management Consultancies Association, 2006, p.8

² *The Times*, 2 January 2006.

³ CZERNIAWSKA, F. The UK Consulting Industry 2005/6, Management Consultancies Association 2006, p.9

University and representing the consultancy activities of a department or faculty.

The population of consultants is quite volatile. About 4,000 individuals enter the industry each year. These range from new graduates (of whom only a small proportion remain in consultancy for more than a few years), to experienced professionals expanding their careers through a period in consultancy, to individuals who have skills they can sell to organisations over the longer term.

1.1 Ensuring consultants work to professional standards and are competent.

There is no statutory regulation of the profession. Therefore anyone can call themselves a management consultant, unlike other major professions where the requirement for qualifications and the competence to practice are very carefully controlled. This is a difficulty for those trying to choose consultants since the outcome of the project will undoubtedly depend upon the way the consultant carries out the work and businesses can suffer if the project is not executed effectively.

One way of having confidence in the ability to carry out the work is to look for them to be full members of the professional body for the profession. This is the Institute of Business Consulting which ensures that its members adhere to a professional code of conduct and ethical standards and all full members must have been successfully assessed for the Certificate in Management Consultancy. The latter is an independent and objective means of measuring the experience of the consultant in carrying out consultancy to the client's satisfaction.

Consultancy Practices may also join the INSTITUTE OF BUSINESS CONSULTING. The range of membership for practices is currently being developed.

In addition the Management Consultancies Association (MCA) comprises corporate members whom it accredits and represents to government, other policy making bodies and to the private sector.

Many consultants will be members of organisations which represent their prime speciality eg Chartered Management Institute, Chartered Institute of Purchasing & Supply.

INSTITUTE OF BUSINESS CONSULTING recently joined forces with the Chartered Management Institute becoming a business unit of the Chartered Institute.

The government have their own procedures for choosing consultants and appointing them. Each department may have its own approach whilst the United Kingdom's Office of Government Commerce (OGC) coordinates these activities.

Information on the Institute of Business Consulting and the MCA are detailed at the end of this document.

2. Reasons for using a consultant

Management consultants may be employed by a client for a number of reasons, over varying timescales and in different ways.

These may be:

- to provide a strategic overview of the position of the organisation in its marketplace or environment, and thence to recommend mid to long term *strategic* directions. Typically, the client will be looking for a consultancy that not only has deep experience of the client's particular industry, but can bring a broader view of how other sectors have coped with analogous problems or decisions.
- to provide an independent review of a proposed course of action, or of the choice between two or more, typically *tactical*, decisions, based on knowledge of how such decisions have been effected in other organisations
- to catalyse change by recommending alterations to management processes and organisation. Often this will be in cases where the client has a clear idea of problems and solutions (possibly though not necessarily as the result of previous consultancy) but is unsure of 'how to get from A to B'.
- to strengthen a team. Client and consultant may create a joint team to develop in-house capabilities, for example to manage a new process. The intention here is that once strengthened, the in-house team can carry on without the consultants.
- to achieve the implementation of a new system or process. Sometimes the implementation of a new system, may be beyond the client organisation not because of any lack of skills but because those skills are fully deployed in other tasks. If there is no longer-term justification for strengthening the in-house team, it may make sense to hand the implementation project over to consultants.
- to be involved in the long term operation of the organisation. It may be, particularly with IT, that the most desirable management solution is to employ the consultants on a long-term contract to manage particular processes or systems. This of course is outsourcing rather than a consultancy, and should be contracted for like any other outsourced service. It should be

noted that the consultancy that identified this option will not necessarily be the practice best placed to provide the service. If it looks as though outsourcing may be an appropriate option it is important not to make any commitment to the existing consultant about the destination of the service contract, and carry out a conventional procurement procedure (invitations to tender, bids assessed against pre-defined criteria etc).

The nature of the consultant's engagement with the client will change over time as priorities are refined and projects develop. This normal process should be managed well to keep the project focused and stop it becoming an open-ended arrangement.

It is therefore essential that the client retains a clear recollection of what the initial purpose of the consultancy was and that subsequent changes in goals and directions are subject to an assessment at least as rigorous as the initial decision to contract for consultancy.

A consultancy assignment may contain some or all of these elements simultaneously. In other cases there may be a clear sequence, essentially a serial consultancy, working from the strategic, through the tactical, to the purely operational. This may well mean changing consultancies, or adding other practices to the team: The practice best placed to advise on, for example the strategic implications of business-to-consumer e-commerce across European markets, is unlikely to be the most competent or cost-effective when advising on the consequential re-organisation of a particular warehouse.

The benefits of using consultants should include:

- unique solutions reflecting the particular circumstances and aspirations of the client.
- speed of action (because the consultancy team, unlike the in-house management, is not being constantly distracted by other tasks).
- knowledge of 'best practice' and effective solutions from within the client's own industrial/commercial sector.
- exposure to expertise derived from other industries and sectors, or indeed other countries.
- provision of specific technical skills that are either non-existent or in short supply in-house, and often the transfer of such skills to in-house staff.
- change management skills, enhanced by the consultant's position as independent, objective and 'above the fray'.

This should all lead to 'value for money' from the consultancy assignment,

demonstrated through improved performance by the client.

The client can increase the likelihood of a good outcome from the assignment by establishing with the consultant what the final report will include and how it will be written and presented. They also need to have a clear understanding of the time commitment of the consultancy and who will be carrying out the work.

It is also important to have a clear agreement about knowledge transfer from the consultant to the client's organisation and to ensure that the organisation is well briefed about the project to preclude obstruction or lack of commitment within it.

3. Behavioural characteristics of clients and consultants as indicators of a successful outcome for the assignment

The Institute of Business Consulting, working with a group of organisations which regularly buy significant amounts of consultancy support have developed a range of behavioural requirements for successful consultancy projects which include the following:

The consultancy should

- always bid with the team that will deliver
- have full knowledge of and understand the business of the client
- thoroughly understand the clients requirements
- ensure that the required expenditure has been understood by the client and authorised through the total life cycle spend
- make sure that both client and consultancy have clear expectations about roles, responsibilities, costs and benefits before the assignment starts
- adhere to the rules of engagement laid down for the tender process
- ensure that the team that is bidding knows about all areas of work between their consultancy practice and the clients organisation and communicates this effectively within their practice

- take an holistic approach to assignments with a client to assist economies of scale
- put the interests of the client before their sales opportunity
- keep the scoping of the project in line with its real complexity and do not over complicate it
- talk about the practical needs of the client without jargon or pomposity
- be clear about their strengths and only quote in line with them
- give feedback which the client listens to and acts upon

The client themselves should

- have taken the project through the organisations procedures for approval including having an authorised business case that takes account of the whole lifecycle spend and identifies funding
- work with their internal sourcing/procurement procedures and policies (and department where there is one)
- use a fast track procurement process when appropriate and available
- define clear rules of engagement to govern the procurement process and communicate these to all parties
- ensure the consultants know about internal political barriers and whether addressing these is part of their brief
- have a mechanism for allowing key influencers to engage with consultants during the procurement process
- identify and make available internal resource required to deliver the assignment successfully
- be clear and explicit about the need for the work and that the desired outcomes have clear benefits and smart objectives

- keep an open mind on which suppliers to consider
- consider a variety of resourcing and remuneration options to obtain best value
- be clear with the consultant about the true state of knowledge and understanding of the problem
- be open to alternative ways of looking at the problem and be prepared to change views
- give honest feedback

4.0 The procurement process for management consultancy

Procurement of consultancy follows a stage by stage approach

4.1 Preparation and project definition

4.2 Identification of potential practices, prequalification, and either a formal invitation to tender, or negotiation with selected prospects, and receipt of bids, tender assessment and contract award.

4.3 Project award and contract terms & conditions.

Subsequently there will be project review at regular intervals the project management process and a post-project review.

4.1 Preparation and project definition

4.1.1 Purpose and scope

It is essential to start with a clear and honest statement of why the consultancy is being commissioned. Clarity and honesty, both within the client organisation and in the relationship with the consultants, is really the key to success.

The scope of the project must be defined. This will need to look both forwards, anticipating as far as possible directions in which the project may develop, and backwards, reviewing the circumstances that have led to the decision to hire consultants.

For example

The scope may begin as

“to implement an ERP system, because we don’t have the expertise in-house.”

By looking forward and anticipating events, this may become:

to implement an ERP system and if successful extend it

- a) to the supply base
- b) to the distribution network

By looking backwards to review previous decisions or lack of them, the statement may turn out to be:

- to advise on the desirability of an ERP system
- to advise and assist in the procurement process
- to implement the system internally
- to extend it to the supply base and the distribution network

The statement therefore breaks down into separate elements with a break where the firm advising on the need for the system and its procurement may be different from the one carrying out the implementation. It may also be that additional skills from other consultancies will be desirable if the project gets as far as addressing the supply base and distribution network.

These scenarios should always be anticipated.

At the same time an estimate should be made of how much the organisation is prepared to spend on consultancy, both for the first stage and, with lower confidence, overall. This will have to be considered together with any other associated expenditure (in the example above, the cost of the system, for example), and balanced against the benefit you expect to derive. Expenditure is not only external - there may be significant internal costs associated with working with consultants.

This cost-benefit analysis may be fairly straightforward; for example, in balancing the fees of an energy consultancy against reasonable expectations of fuel bill reductions. Often, though, a more complex risk analysis is involved.

In the case above, fees for advice on whether to buy an ERP system are likely to be modest in comparison with the costs of implementing the system: it is worth spending some money to determine whether ERP would be a waste of resources. But it is not normally possible at this stage to estimate whether the overall costs of implementation will be worthwhile: that after all is one of the reasons for hiring a consultant to examine the desirability of the project.

Depending on the costs anticipated, a decision may be made on whether to

go through a formal tender process, or whether to save time and money by selecting a consultant in a less structured way. Most organisations will have a policy on this which takes account of European procurement legislation (for public sector contracts). The more a project can be tied to measurable deliverables and outcomes, the more desirable a tender process is. In the case above, the implementation process should certainly be the subject of a rigorous tendering process; which may not be appropriate merely to get an opinion on whether to proceed at all with the project.

In addition to the scope of the project, and the anticipated cost, an estimate and a timescale need to be agreed. It must be made clear who is taking responsibility.

In the public sector there will be an 'accounting officer' who has to certify that funds have been well spent. More generally, it must be clearly understood who is in charge of the day-to-day interaction with any chosen consultant and, perhaps more important, which officer(s), director(s) etc are entitled to 'pull the plug' - ideally, these people or groups of people will be quite separate. It is a good thing for line managers to build a trusting relationship with consultants who have been brought in to help them (and it is surprising how good many consultants are at overcoming and reversing initial hostility). However someone else who is more detached should maintain an objective view of the work.

In a public authority, the split may well be between the paid officials and the elected or appointed officers. That is not necessarily a good thing. It is usually better to set up a monitoring 'committee', the members of which are selected precisely because they have no day-to-day involvement. Departments or functions directly tied to the area in which consultancy is being sought can then engage fully, with the knowledge that a 'long stop' or 'safety net' exists if things get out of hand.

Private companies should also consider this model. A Chairman or CEO may well invite consultants in, but that very fact (often with public knowledge), may inhibit others from taking necessary action, for example, in terminating the contract. It is highly desirable that whatever monitoring and assessment structure is set up, it should be both formally and informally independent of the board or other functionaries that initiated the consultancy.

4.1.2 The project brief

From these discussions a project brief (essentially, the specification) against which the consultants will tender, or the negotiations conducted, should be prepared. This should contain as much information as possible that will enable bidders to estimate cost and time, but care should be taken not to include information or opinions that may bias discussions by letting the consultant tell the client firm what it wants to hear.

The brief should include:

- a background to the organisation and the project
- The objectives of the project
- Expected products and deliverables

This is a statement of the required result. It may be quite specific and quantifiable, either in physical or financial terms. It may simply be “the successful implementation of...”. More strategic consultancy is harder to define in terms of deliverables but the attempt should still be made.

- project timetable

This should include any critical path dates - those where slippage on this project may adversely impact other activities - for example, where advice on a new factory layout can only be implemented during a fixed works shut-down period

- relevant resources available within the client firm or department
- reporting arrangements
- any limitations or constraints on the consultant
- procedures or practices that must be complied with (especially important in the public sector)
- any conditions on the use of sub-contractors or associates.
- the form of contract and method of payment to be used.

There are several alternatives, depending on the nature of the consultancy. In some instances, a fixed fee may be appropriate, especially for a well-defined and short term task. An hourly fee basis is common, but can lead to suspicion and friction. Staged payments may be appropriate for a project that has a well-defined table of deliverables against a timescale. In some instances, where there is a series of tasks of broadly similar nature to be performed over a period of time – implementation of an IT project for example - a framework contract may be appropriate.

Negotiation on remuneration structures should result directly from the project definition. Consultants will ‘work to a price’ and if the desired result has not been achieved within that pre-defined price, to set out further avenues for expenditures. From the client’s point of view, results and expectations should be key - how to charge the effort should be secondary.

Clients should expect to negotiate a remuneration structure, whether

based on hourly rates or on milestone-achievements, that is much more closely tied to the actual work done by named consultancy team members. Clients may also be expected to provide feedback on the performance of individual consultants.

4.1.3 Internal communication

A successful consultancy assignment will need the co-operation of the workforce. It is therefore important that employees are told in good time about the project, and why the organisation is bringing consultants in.

4.2 Identification of suitable consultancy practices, prequalification and tendering procedures

4.2.1 Commercial Considerations

1. Always choose the right resource to suit your requirement, e.g. can the role be filled by an internal candidate or is it suitable for a contractor. If you have determined the need for a consultant then only pay according to skill set – i.e. do not pay senior consultant rates for a newly qualified practitioner.
2. Keep up to date with market information including salary packages for consultants (available in recruitment section of reputable publications / major broadsheets) and consultant charge rates. You may choose to contribute / subscribe to a benchmark study.
3. Be open with suppliers. Ask for information on the supplier's cost base, gross profit etc and work collaboratively to drive out non-value added activity from a project.
4. Incorporate commercial tension into the selection process by tendering between a number of suitable / capable suppliers. More organisations are choosing to tender electronically and have had success in the services area by utilising 'reverse auctions'.
5. Where a project is likely to have a duration exceeding 3 months, segment this into phases, e.g. design, implementation etc. This allows you to stop the project if it fails to deliver its business case, change supplier if appropriate and /or change the agreed scope of the project in a more methodical way. This should not be an opportunity for the supplier to increase the rates.
6. Control expenses and agree an expenses policy up front. Put a cap on expenses and do not pay expenses where the consultant is based in the same town / city as the office he/she is appointed to.

7. Ensure that all engagements comply with your organisation's finance policy, e.g. issuing Purchase Orders. This will make it easier to track spend so that it is correctly billed and any fixed or capped prices are not exceeded.

4.2.2 Public sector procurement

Public sector and other bodies who need to conform.

Public sector bodies will be mindful of the contract value thresholds in the Directives. Specifically, such bodies will need to consider not only whether the value of the project immediately to hand is likely to exceed the threshold for the time being in force (and the threshold figure does not represent very many person-years of consultancy!) but also the likelihood that the current project will lead to further or ancillary assignments in future years or in other parts of the organisation which ought properly to be included in the estimation of contract value.

There are of course certain provisions which allow public bodies to 'short-cut' the procurement rules in certain circumstances. That relating to urgency is unlikely to be applicable to most strategic consultancy situations but may apply in the case of a serious system failure requiring immediate remedy (system failure here may cover not only IT, but also, for example, the discovery of a serious breakdown in financial controls).

Restricting the eligibility of consultants to be considered may be legitimate on grounds of specialist knowledge and/or intellectual property. Consultancy in connection with the implementation or modification of a specific IT system, for example, may quite properly be restricted to firms recognised or accredited by the system provider. Awarding a contract to a firm on the basis of its expertise built up in previous work for the public body concerned may also be legitimate, but generally speaking only if this contingency was foreseen and the original contract award was made in accordance with the rules.

Besides the public procurement rules, many public bodies will also have special requirements and constraints which they need to impose on consultants, most obviously, those relating to personal information held on, for example, council charge payers, clients of social services, or hospital patients.

Accounting requirements in the public service may require the consultant to account for activities and fees in a different manner to that common in private sector practice. These requirements need to be made clear at the outset. 'Best Value' principles clearly must be applied, although quite how these can be demonstrated in the case of consultancy is not yet clear.

4.2.3 Pre-Qualification and Tender

In only a few cases will it be appropriate to issue an open Invitation to Tender, to which any consultancy may respond. Every consultancy has particular areas of strength and expertise, and equally, areas in which they are less capable (this applies even to the largest, who generally cover areas of weakness by partnering with smaller specialist firms). The client firm will wish to pre-qualify, formally or informally, a shortlist of, probably, between three and six firms who will then be invited to respond to the formal invitation to tender (ITT), or to negotiate in a less structured manner as appropriate.

Information sources available to assist in establishing a shortlist:

- previous experiences and contacts that the organisation and/or its staff may have
- recommendations from other firms and organisation
- articles and case studies appearing in reputable journals and other publications - these can be particularly useful when seeking a consultancy with a highly specific expertise or skill set. Be wary, however, of 'advertorial', or editorial copy that has been paid for by the firm as a form of advertising.
- advertisements, again in reputable publications, can be helpful, as can entries in the catalogues of relevant trade exhibitions.
- some professional institutions maintain lists of consultancies, and/or of individual consultants, relevant to their field
- the consultants' own professional body The Institute of Business Consulting has membership lists with indications of competencies and expertise and the Trade Association MCA similarly can recommend consultancies.

Where the proposed consultancy is closely connected with the performance of a specific system (a computer network, say, or an automated warehouse) the system supplier may be able to recommend firms with which they have worked. However it is important to establish the nature of the relationship - a 'consultancy' which is in fact a wholly owned subsidiary of the system supplier may not be in a position to give independent advice.

In drawing up the shortlist it may be useful to ask firms to provide information about themselves, and perhaps references from other clients for whom they have carried out similar work to that proposed. Some care should however be taken over how much information the client gives to practices at this stage in order to protect confidentiality.

The qualities you should look for in drawing up the shortlist of consultants or practices will include:

- Specific expertise in the relevant area
- Evidence that they work to professional standards and ethical guidelines
- Evidence that they are competent management consultants. The Certificate in Management Consultancy (CMC) is the only competence based award in management consultancy and is awarded by the Institute to a consultant only when they can demonstrate through successful experience and practice that they are a competent management consultant
- Breadth and depth of resources adequate for the task - this includes not only consultants, but back-office and support systems, and of course some evidence of financial stability and backing
- Evidence that the firm has experience, as well as expertise relevant to your situation, that they have operated successfully in organisations of your size, or complexity, or industrial sector, or that face your particular constraints (as an example, companies operating in the defence sector may regard it as a waste of time to include on a shortlist firms without current relevant defence and security clearances). In some cases where overseas operations are involved, evidence of knowledge of the relevant countries should be sought.
- A complementary culture. It is difficult to take anything other than a subjective view of 'culture' at this stage, but some firms may be eliminated on cultural grounds - for example, firms whose reputations are based on aggressive cost-cutting may not be entirely appropriate for a consultancy where the perceived problem is how to improve customer service.

Once a shortlist is established, each of the practices on it may either be sent a formal Invitation to Tender (ITT) or invited to consider and make proposals on the Project Brief.

A formal ITT is usually only appropriate where the scope and outcome of the consultancy can be very tightly defined. Generally, selection of the consultancy will be more in the nature of a 'beauty contest' although not without some highly structured elements.

If an ITT is issued it will, as with any ITT, contain all the information that the bidder requires to make the bid. It will also include the timescale for the bidding process, and mechanisms for the clarification of any obscurities

(which is not the same thing as negotiating over the contents of the ITT). A private sector client will in fairness (and a public sector one in law) ensure that the results of any points of clarification are circulated to other bidders. The ITT should (public sector - must) include an indication of the way in which bids are to be assessed, eg lowest cost, or on some more sophisticated assessment of value.

This latter may include, besides cost estimates, any or all of the following:

- understanding and experience of the issues
- clarity of thinking, approach and explanation
- relevance of the proposed methodology
- apparent commitment and enthusiasm
- evidence of innovation and creativity, balanced by practicality and realism
- calibre of the proposed team
- ability to meet proposed deadlines

As with any tender exercise, the client must establish in advance a procedure for receiving and considering tenders and awarding the contract. However, unlike many sourcing activities, it is a near certainty that some element of post-tender negotiation will be involved; if not on the detail of the project itself, then certainly on issues such as timescales, review points and mechanisms, and staging structures for fees. It is also, of course, very likely that the client's own views and needs will have been refined or modified during the course of the tender exercise.

Post-tender negotiation poses special problems for public sector bodies and care must be taken to ensure a fair and legal process. In particular, any significant change to the contract scope and/or bid price may leave the authority open to challenge.

4.2.4 Consultancy selection through negotiation

In the majority of cases, the winning consultancy will be selected through a series of negotiations based on the project brief (public bodies too can use the 'negotiated' procedure allowed for in the Directives providing their prequalification procedures have met the rules).

These negotiations are apt to be quite labour-intensive from the client's point of view - a sound reason for not having too large a shortlist. A preliminary discussion will certainly reveal several, perhaps many, areas where the consultancy needs more information before being able to make a formal bid or

pitch. Almost certainly, they will wish to visit key sites and meet, even if only informally, with the personnel likely to be most closely involved in the project. There will undoubtedly be many discussions on the shape of the project and its timing, whether various side-issues that suggest themselves should be included in the project. Considerations would include, for example, where the various break and decision points should lie and particularly on the pace of the project: is the consultant expected to throw everything its got at the project in a 'big bang' approach, or would the client prefer a lengthier and lower key approach? (This will also have cost implications).

It is important to be mindful of the length of the negotiation phase, where the consultancy practices are not being paid for the work they are doing. However, the successful bidder will certainly expect to recoup these costs in his fees (on rare occasions for major projects, the client may agree in advance to cover a specified amount towards the bidding costs of shortlisted firms, but this is exceptional). The negotiation phase is also an expense to the client company in extra work, perhaps including overtime or other payments, disruption to normal work, and, of course, delays in reaping any benefits that may flow from the consultancy.

Once they have the information they require, each consultancy will prepare a written proposal. This should be prepared against the project brief (as revised during negotiation). Different firms have differing styles of presentation, which can make comparisons difficult, but which are useful nonetheless as they reveal much more about styles, cultures and the likelihood of client and consultant working well together.

For this reason it is advisable for the client to brief the short-listed practices, possibly through a formal document, on what information is required to satisfy the selection criteria, and how this should be presented.

Selection criteria need to be determined by the client in advance (relevant criteria were listed in the section above on tendering). Inevitably they will be to some extent subjective.

Elements against which each proposal will be judged include:

- the approach the consultant intends to take
- the identity of the team
- qualifications and experience of the team(s) to be employed
- the detailed work plan and timetable
- the costs and fees.

When considering fees it is vital to establish whether these are inclusive or exclusive of expenses such as travel and subsistence - often, particularly with the more obscure specialist areas of consultancy, senior consultants may be

travelling considerable distances. It may be appropriate to explore whether these expenses can be minimised, for example through including the consultancy in any advantageous hotel and travel arrangements that the client firm's purchasing department may have negotiated for the firm's own use. It is also appropriate to enquire whether subsistence charges are a nominal per diem rate, or are accurately charged up against receipts.

It will also be necessary, at least for projects of any appreciable duration, to negotiate the period for which the fee structure is valid and a mechanism for revising this on, say, an annual basis. Mechanisms for considering variations in fees or contract prices in the light of subsequent changes to the project should also be laid down at the outset.

It may be that no sufficiently attractive or acceptable proposal is received. In this instance the client organisation will have some hard thinking to do. It is possible that inappropriate firms were short-listed. It is possible that client expectations were simply too high. It is conceivable that the project was simply unattractive to bidders - perhaps because it appears that the client has already made its mind up, or because there is doubt whether the client will be able or prepared to implement any proposals. In some cases there may be doubt as to the likelihood of the client surviving long enough to pay the fees.

Generally however, one or more firms will have prepared an acceptable proposal. A final presentation is then required, at which all the team members actually proposed for the task should be present and available for questioning (they may well have had little or nothing to do with the previous negotiations). The client's decision-makers should of course be present - it may also be appropriate to include other personnel who would have to work with the consultant, and canvass their views and preferences, even where these are not part of the formal decision-making team.

It is particularly important to ascertain the extent to which each individual member of the proposed team understands the overall project, the proposal which their practice has put forward, and their own place in it. There is a danger that the junior members who are likely to be doing the legwork have only a sketchy idea of the whole project.

4.3 Project award and contract terms & conditions

It should be possible to award the contract on the basis of these final presentations. As with the rest of the process, undue delay should be avoided. Successful consultancies schedule their 'assets' - their working consultants - quite tightly, and the team they have proposed (and which the client is expecting or even insisting on) will have been put up on the assumption of particular start and finish dates. Excessive delay in appointing the consultancy may mean that some of these individuals are no longer available.

Unsuccessful bidders should also be notified promptly. It may be appropriate to provide some form of de-briefing, explaining why their offer was not

accepted. It is important to release unsuccessful bidders promptly – they may well have been withholding key staff from other assignments so as to be prepared for an early start on your project in mind.

Companies that regularly employ consultants may develop a standard form of contract for this purpose. Otherwise it is usual to issue a letter of appointment, with the contract documentation appended.

The agreement about the contract can be a difficult one and often the major stumbling block is the ownership of intellectual property. Frequently a consultancy, particularly if it is a large practice will include a clause whereby they retain the intellectual property developed on the project at the end of it and this is often not acceptable to the client. This must be resolved before the project starts.

Professional Institutes including the Institute of Business Consulting and the Management Consultancies Association have standard terms and conditions to which you may wish to refer when drawing up the contract.

5.0 Project management

Successful management of a consultancy project requires effort by staff at many levels in the organisation. This needs to be managed, to ensure that the consultants receive the help and information they need promptly, while preventing undue disruption to normal business. All employees need to be made aware of what is expected from them, what they are expected to provide to the consultants on demand, and equally in what circumstances they should refer a request to higher authority.

The client organisation should appoint a project manager and possibly a small management team. The manager is responsible for maintaining a complete record of the project, and all its variations, with records of payments made, right up to post-contract evaluation. The manager will also call and facilitate review meetings between the consultants and relevant client personnel at intervals specified in the contract documentation, and on other occasions as necessary.

The progress of the consultancy should be formally reviewed at appropriate intervals, although a fixed (ie monthly) frequency is not always realistic or possible. Some phases of the project, for example the initial data-gathering, may take a long time with little to report; other aspects, particularly in implementation phases, are likely to throw up issues that require decisions much more frequently.

The purpose of a review meeting is to review progress against the project brief and identify any areas where work is either falling behind or moving off track. In some contracts this will be linked to the release of staged payments.

A review meeting also provides an opportunity to consider and if appropriate

approve variations in the project specification. Typically, these will include suggestions by the consultants of ancillary issues that would merit further study for approval or otherwise after consideration of the need and desirability of additional work against the costs and time involved. It must not be possible for the consultant to obtain the go-ahead for new activities simply by suggesting it to the line manager most closely affected.

Variations to the project may equally arise from the client. Again, these must be formally evaluated and approved - it must not be open to junior and middle management to redirect the consultant.

Successful consultancy depends very much on personal relationships, and these can sometimes break down. Although consultants may spend months or even years on your site and form part of your team, and you as the client have the right to expect certain standards of behaviour and adherence to rules, nonetheless they do not become your employees and cannot be treated as such. Personnel matters (whether it is a consultant or an employee of the client at fault) are not best dealt with through the formal review meetings - this almost inevitably would result in people taking sides, and a breakdown of other relationships. Where such matters arise, the project manager should first seek an informal discussion and resolution of the problem with the senior consultant. If resolution is not possible, the project manager may insist that the relevant team member be removed. This must be done with sensitivity - it may often be that the consultant involved is the innocent party, and has to be taken off the job simply because that is easier than starting disciplinary proceedings against a member of the client's staff. In such circumstances it is only fair that the client should be prepared to provide a letter stating that the consultant was not at fault.

In many consultancy assignments a key part of the deliverable is in the form of reports at various stages. The client must have an internal mechanism for receiving, discussing and if necessary acting upon these.

The consultants are being paid to be honest. Therefore they may have quite harsh things to say about certain functions and operations or, in some cases, about specific individuals. It is desirable that the consultants should be asked to raise these issues before a written report is finalised, so that sensitivities and proprieties are respected. An inappropriate comment by the consultant could constitute grounds for an Industrial Tribunal. Advice from the human resources department should be sought if ever such issues arise.

At the end of the project, reviews should be held to discuss the way forward, to ensure that the client understands the recommendations, possibly to propose follow-up projects. The client will also need an internal review that will report on the success and 'value for money' of the whole project in business terms, for future reference.

A post-project review with the consultants should be held, probably between six and twelve months after completion. This serves several purposes:

- it allows both sides a chance to make a considered judgement
- on the success or otherwise of the project - something not easy to do immediately after what is likely to have been a period of excessively hard work by all concerned
- it gives the opportunity for the review of progress in implementing recommendations, and of correcting any misinterpretations
- it allows a continuing relationship with the consultants to develop

6.0 'Free' and subsidised consultancy

A wide range of free or subsidised access to consultancy services is made available through departments such as the DTI, or through the European Commission. What is available changes, of course, as government priorities and the perceived needs of the country vary. Typically, the entry point is through the Business Links, although some may be routed through trade associations, Chambers of Commerce, or require direct application to, for example, agencies of the EU.

Points

- the objectives and criteria of such consultancies are generally precise and inflexible. Since working with consultants can involve considerable internal cost for the client, advantage should only be taken of such schemes if they really do align with the perceived needs and concerns of the organisation.
- that firms who change the direction of their consultants may lose their eligibility for aid
- selection of consultants is from a pre-determined shortlist, or in some cases just one firm.
- typically, only a small amount of 'free' consultancy is available. The expectation, both by consultants and the sponsoring agency, is that firms will wish to pay for more, albeit at a 'special' rate. Before signing up, an organisation needs to consider very carefully whether it could not negotiate with a consultancy, perhaps better aligned to its needs, at a comparable or even more favourable cost.
- in some schemes, the subsidy takes the form of a rebate payable after completion of a successful report. Departments and other agencies have been known to be very slow in making such payments; a fact which may have cash-flow implications for the small companies that are usually the targets of such schemes.

7. Further information on the INSTITUTE OF BUSINESS CONSULTING and MCA

7.1 Institute of Business Consulting

About The Institute of Business Consulting

The Institute of Business Consulting is the professional body for management consultants. It therefore has a role in setting, maintaining and raising the standards of both professionalism and competence for the profession.

Our standards

The Institute of Business Consulting's aims are promoted by ensuring that its members work to the Institute's professional code of conduct, and by providing an assessment procedure whereby consultants may become certified. The award gained through this process is the Certified Management Consultant which is the only recognised award for competence in the UK. It is in addition recognised in all the 40 countries which belong to the International Council of Management Consulting Institutes (ICMCI).

The Institute's Code of Conduct is founded on three basic principles:

- High standards of service to the client
- Independence, objectivity and integrity
- Responsibility to the profession

Basics of the Code of Conduct include responsibilities to:

- Exercise independence of thought and action
- Hold clients' affairs in strict confidence
- Deal with management problems in perspective and give well-balanced advice
- Strive continuously to improve professional skills and maintain a high quality of advice
- Advance professional standards of management consulting
- Uphold the honour and dignity of the profession
- Maintain high standards of personal conduct

Further details on the Institute of Business Consulting are available at www.ibconsulting.org.uk

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7.2 Management Consultancies Association (MCA)

About MCA

The MCA has been representing the consultancy industry to its clients, the media and government for the last 60 years. 64 consulting firms now belong to the MCA, the highest in the Association's history. Together, these firms earned more than £8.3 billion in fee income in 2005, 27 percent more than in 2004 (25 percent on a like-for-like basis), and employs just over 51,000 consultants, in an industry worth £11.9 billion. Nine of the top ten UK-based consulting firms (by consulting fee income) are in membership.

Our standards

A principal objective of the MCA is to maintain high standards within the UK management consultancy sector by ensuring that member firms meet stringent entry criteria and adhere to a Code of Professional Conduct. MCA members must also comply with professional and ethical standards, which provide reassurance to purchasers of consultancy. Further details are available at www.mca.org.uk

Our role

The role of the MCA is to influence UK market conditions for MCA member firms to client value, whilst maintaining professional ethics and social responsibility, and to help MCA member firms to be recognised for their role in growing the economy.

MCA provides a range of services to its members, including networking, marketing and public relations, statistics, government relations, recruitment and retention and best practice.

Definition of management consultancy

The MCA defines management consultancy as the creation of value for organisations, through the application of knowledge, techniques and assets, to improve performance. This is achieved through the rendering of objective advice and/or the implementation of business solutions.

Membership criteria

The basic criteria for membership requires firms to:

- Have been in practice in the United Kingdom for at least three years
- Employ at least ten consultants on a full time basis
- Practice management consultancy as a strategic activity and offer at least two main consultancy services, for example, strategy, marketing, IT, HR
- Offer fact-based advice
- Offer customised solutions.

Accreditation

Accreditation by the only UK trade association for consulting firms offers reassurance to clients. The stringent entry criteria, Code of Professional Conduct and Bylaws offer unique and widely respected self-regulation. To ensure these high standards are maintained, all member firms are audited periodically. The MCA accredited firm logo is a symbol of quality in consulting and may be used by member firms on promotional materials.

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MCA and CIPS are co-sponsors of the Institute of Business Consulting 'Consultancy Procurement Group'. Further details are available on the institutes website.