

BUYING CONSULTANCY SERVICES



CONTENTS

2	Contents
3	Introduction
3	Planning
4	Internal stakeholder engagement
4	Project governance
4	Defining the work scope
5	Contractual terms
5	Supplier evaluation
5	Inviting bids
6	Assessing 'proposals' or 'tenders'
6	Terms of reference
6	Initiating the work
7	Contract management
7	Contract conclusion
7	Appendix 1 – Business books on buying consultancy services

INTRODUCTION

There are a range of documents and check-lists available to help client organizations buy consultancy services. Managers and professionals who procure consultancy services regularly should familiarize themselves with the consultancy market. They should also consider the various strategies that can be adopted to assure project success and to obtain best value for money.

If you are unfamiliar with consultancy and need to place or manage a consultant contract then you may want to access a good business book on this subject.

See Appendix 1 in this regard.

This summary guide has been prepared by the UK Institute of Consulting (IC) Consultancy Purchasing Steering Group (or CPSG) – a team of procurement professionals who act as adviser to the IC on current best practice in this niche procurement category. The guide highlights key considerations that will make the difference between success and disappointment.

PLANNING

The IC's standard advice to client organisations is to plan and then re-plan the acquisition of external consultancy services. Do not appoint consultants on a whim.

Unless there are compelling reasons to the contrary (for example a consulting firm owns the intellectual property to a particular business idea/solution or service), a client should consider a range of alternative options before selecting a consulting partner. Often the most effective way to compare alternatives is to run a formal proposal/tender exercise.

Benefits

- You are not limited to just one proposed solution.
- You obtain a better view of what the service should cost
- You identify the financial and other benefits to be delivered.

Many client organisations operate a formalised process for engaging consulting firms – often managed via their procurement function. Where such processes exist then;

- Project owners/Client seniors are encouraged to work closely with their procurement colleagues to help deliver the best value commercial terms for their consulting requirements
- Consulting firms should try and develop a positive working relationship with their clients procurement function. Often they are best placed to guide consulting firms in how to make the best possible presentation of their business Proposal in what is often a highly competitive environment

INTERNAL STAKEHOLDER ENGAGEMENT

There are often a number of distinct groups or departments in a client organisation that have a legitimate business interest in third party Consultancy engagements. The project owner should proactively and systematically try to identify these groups to ensure their 'buy-in' to the project and that there will not be wasteful re-work required later simply because relevant people were not informed at the right time. A useful stakeholder identification 'map' is available to [download here](#).

PROJECT GOVERNANCE

Within the client organization's policy and management structure there will often be guidance about how third-party consultancy projects must be managed. All stakeholders need to be clear about governance and who ultimately calls the shots.

DEFINING THE WORK SCOPE

This is arguably the most critical activity. Without clarity here, the outturn from a consultancy assignment is likely to disappoint. The Institute of Consulting (IC) and Chartered Management Institute (CMI) has created a useful check-list that gives some insights. This is available to download from ConsultingDirect, the Institute's exclusive online resource portal and as a supporting document to this guide is also available by clicking [here](#).

As noted earlier, there are a number of useful business books that provide a wealth of detail and ideas – see Appendix 1.

CONTRACTUAL TERMS

It is wise for both client organization and consultant to consider the contract terms to be part of the client's work specification i.e. "I want this work to be done (the *technical specification*) on these contractual terms (the *commercial specification*)". The consultant supply market can then respond with clarity to that overall specification.

Within any contract, contractual risks should generally lie where they are best managed. Neither party should seek to offload all, or an unreasonable amount of, contract risk to the other. Those best placed to manage the risk should generally "own" the risk.

Ideally the contract terms should support the project management philosophy. In this regard the UK Institution of Civil Engineers' NEC Professional Services Contract (NEC PSC) is considered to be a good standard model, has considerable clarity and is not unduly biased between buyer and seller. Note this contract has broad application – it is not specifically a civil engineering contract and is considered to be suitable for management consultancy type projects. Furthermore, NEC PSC is considered to support the philosophy underpinning the Best Practice Behaviours recommended by the IC.

SUPPLIER EVALUATION

Effort should generally be invested to identify appropriate, experienced consultants that are capable of doing the planned work. Most procurement organizations have 'pre-qualification' questionnaires which can be very helpful. Both IC and MCA in the UK are happy to provide free of charge, a consultancy-finders serve amongst their wide range of member organizations.

INVITING BIDS

This should be done in a controlled and systematic way, providing sufficient insight to enable consultants to have a good overall understanding of the client's requirements. Allow sufficient time for consultants to appreciate the client requirement, and raise specific pre-tender questions.

Clients should treat all bidders fairly and not engage in 'window dressing' – inviting bids purely to give the appearance of a genuine competition, when the outcome has already been decided.

ASSESSING 'PROPOSALS' OR 'TENDERS'

Again this should be done in a systematic way that provides suitable audit records. The objective is to assure that both parties are crystal-clear as to the client's specification, what has to be done, by whom and when – and what the overall project will cost.

The ideal situation is to have directly comparable bids, so that the client can compare 'apples with apples'.

TERMS OF REFERENCE

This specifies to the Consultant the task to be undertaken and will typically describe:

- What is to be done, by when and by whom
- What resources will be made available by both parties
- Cost and remuneration
- Knowledge transfer
- Ownership and use of intellectual property rights
- Key personnel

Sometimes the mechanism to establish a formalized contract is to issue a Letter of Engagement to link the Terms of Reference and the contractual terms and conditions. However contract documentation and mechanisms to formalize the contract will vary markedly between different client organizations.

INITIATING THE WORK

Once a choice between consultants has been made, and the contract has been let, the client should hold a contract kick-off meeting to ensure that the key internal and external stakeholders are engaged and know what is required of them. This also helps to build rapport among stakeholders who may have to work closely together over a period of time.

CONTRACT MANAGEMENT

The contract needs to be properly controlled. Extensions of work-scope (which in principle should not be required if the preceding phases have been done properly) should be authorized in a transparent manner. The project manager and/or a procurement specialist will often be the most appropriate person to oversee this management activity.

CONTRACT CONCLUSION

Once all contract deliverables have been received and accepted, the final accounts should be settled. If required by the contract, a *completion certificate* of some type will be issued. It is best practice for there to be both an internal client review, aimed to answer the basic question “did we manage this adequately?” and “did we get what we set out to achieve?” and a joint review between consultant and client, aimed at learning any lessons that could lead to a better project in the future. This review seeks to assess how well the two parties worked together and what could be done differently in any future project.

APPENDIX 1 – BUSINESS BOOKS ON BUYING CONSULTANCY SERVICES

Fiona Czerniawska – Value Based Consulting – Palgrave 2002 – ISBN 0 - 333 - 97113 - 2

Peter Sammons – Buying Knowledge – Effective Acquisition of External Knowledge, Gower Publishing Limited 2005 – ISBN 0 - 566 - 08635 – 2

Fiona Czerniawska and Peter Smith – Buying Professional Services - How to get value for money from consultants and other professional services providers – Profile Books 2010 – ISBN 978-1-84668-325-1

Gordon Perchthold and Jenny Sutton – Extract Value from Consultants – Greenleaf Book Group – 2010 – ISBN 978-1-60832-035-6

Joe O’Mahoney – Management Consultancy – Oxford University Press 2010 – ISBN 978-0-19-957718-7