The Case for Effective Project Consulting and Interim Management

A few years ago, the concept of the interim executive was an oxymoron. Now it is a fact of life. Corporate restructuring and the associated voids in expert groups within organizations have accelerated the trend toward project- and team-oriented structures. This, coupled with globalization and an increasingly rapid rate of technological change, has forced even the most conservative firms to use independent consultants, experts, and interim executives on a somewhat regular basis.

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Now, the question is not "should we deploy this kind of talent?" Rather it is "how do we deploy it?" More often than not, most companies are not prepared to rapidly identify, efficiently utilize, and effectively retain the expertise of outside consultants. This inability makes some companies doubt the effectiveness of the approach. But, strategic advantage can accrue for the company that optimizes this value-adding resource. As just-in-time manufacturing changed the operations landscape years ago, just-in-time management enhances core competencies, enables innovation, and affords positive operating leverage.

The challenge for companies today is to create the organizational infrastructure appropriate for this new management approach. The key issue areas are:

- Developing appropriate selection criteria for consultants
- Optimizing deployment
- Ensuring knowledge management

Selection Criteria

Most companies look for an interim or project manager the way they look for an employee. They take a functional job description coupled with minimum skill requirements and match available candidates to it.

This traditional approach to selection criterion is often not optimal for an interim or project oriented resource. This is because, by definition, a project manager is brought in to do something because of some complication—either there are quality problems on the line, a system conversion is about to occur, or a division needs to be run while the manager is on leave. It is that complication, the situational dimension, which often is most critical to the success of the engagement.

For example, a technology company needed an interim controller to sort through major system issues while the search was on for a permanent controller. Although the regular job required a CPA, supervisory experience, and facility with a certain general ledger system, most of those attributes were not germane in the project assignment. The key evaluation criteria should be: has the consultant ever sorted through this kind of mess before and in a similar scale environment? Too often companies slight the situational dimension, because they are so accustomed to the requirements for the traditional regular job.

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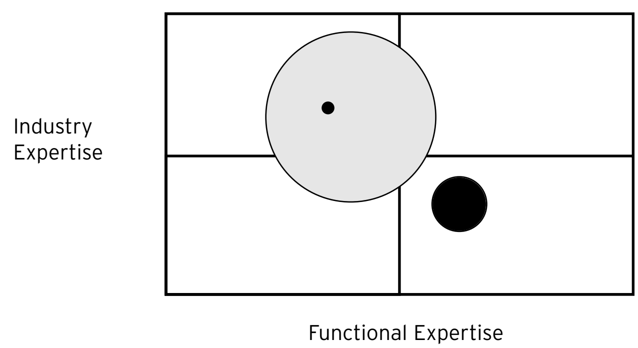
The illustration below highlights this trade off. Functional and industry expertise quotients are the horizontal and vertical axes respectively. Taken alone, a company can be indifferent to individuals with a different mix of expertise. However, when adding in the situational element, represented by the circle size, the most appropriate choice becomes clear.

The Expertise Tradeoff



- Circle size is proportional to situational expertise.

Similarly, minimum experience requirements are often not relevant in the context of outside interim and project managers. Independent consultants tend to be experienced managers; junior professionals do not have the track record to set up a successful consulting practice. For permanent jobs, especially those in professional or staff units like marketing, the seniority mix within a department is very important. An overqualified individual may adversely impact morale and create succession planning and career path problems for the manager. On a project basis, however, the best option for the job might be a more senior manager. He or she can finish the project more quickly. dditionally, the right individual can add real value to an organization by helping the more junior managers in the unit. The outside expert can train these individuals in the expertise he/she had been hired to provide.

Since clearly the selection process should be different for an interim or project manager, how should a company select the appropriate consultant? Perhaps the single most important criterion is to look for individuals who are constantly reinventing their skills. They are those who are always refining their craft through interesting engagements with a variety of companies. Skill reinvention characteristics can be remembered easily by the four "Vs":

- Veracity
- Versatility
- Vision
- Vigor

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Veracity

Veracity means simply that the consultant can demonstrate his/her expertise or facility with the content. It should be clear from his/her employment experience, client work, training, and writings that expertise in the particular area is solid. This is the traditional recruitment criteria. But it should also encompass cultural dimensions. Is the individual a veritable expert in your type of company? Someone who has only worked for Fortune 500 companies, for example, may find working in a five-person shop difficult. Similarly, a marketing manager not accustomed to 25 sign-offs on collateral material copy may feel stifled in the beaurocracy of a large, multinational corporation.

Veracity can also be applied to the practice; is the individual really consulting or is this a transitional role? In some cases, the latter may be fine; strong contributions can be made by individual experts who happen into consulting engagements. But clients should be somewhat concerned about the ability of the individual to manage the client and the project, a skill that's well honed by long-term consultants and not so well developed by the dilettantes. A good consultant should keep his client informed throughout the project, ensuring that there are no surprises along the way. He/she should be sensitive to the "buy-in" required of his/her ideas by the client. The primary reason for securing the consultant in the first place is to take the worrisome issue "off the plate"; worrying about the individual's ability to manage the process, rather than the project, defeats the purpose.

Conversely, the business-unit orientation of many companies today has provided many corporate managers with a strong client orientation. For example, a marketing research manager of a Fortune 500 company found that her job was like running her own individual business; she had to answer to "clients" who happened to be employed by the same firm. Her transition to independent consulting from such a corporate environment was not a difficult one.

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Versatility

Versatility is the ability of the consultant to work in different environments. The success of a consulting project depends in part on the individual's ability to learn a client culture quickly. Specific product, industry, or functional expertise is meaningless outside of the context of how it is done at your company. The outside expert must be able to apply his skill in your environment and the best indication of this capability is to look at his or her success adjusting to other environments in the past. We like to see marketing consultants, for example, who have worked in consumer goods, financial services, and high technology, since this progression shows that the individual is a quick study, unencumbered by industry norms that may be impede new ideas .

Keep in mind, though, that a consultant need not have jumped from industry to industry to demonstrate his/her versatility. The controller of a large semi-conductor company, for example, may have worked at headquarters, facilitated the start up of a Singapore operation, and overseen a plant in Mexico. Although these experiences were with the same company, the variety demonstrates the individual's adaptive skills.

Vision

Any independent consultant should be a visionary, or he/she should not be in business for himself. By definition, a strong individual consultant must have had some recognition of his/her own expertise; this vision of the uniqueness of his/her craft, whether it is tax accounting or marketing strategy is what gives the consultant a strong commitment to his /her work. It may be that the individual felt he/she could do the function better outside of the organization, or personal priorities warranted an independent practice. Regardless of the motive, it is that vision of expertise a client should want to buy.

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Vigor

Finally, vigor is the demonstration of commitment to the field on the part of the consultant. He/she should be vigorous in the constant attention to developments in the field, whether it is recruiting or international taxation. Clients should ask how the individual stays current in his/her field. Vigor reflects the passion, the thirst for new and better ways to conquer the problem, that companies want to use to invigorate their organizations.

This passion can usually be seen in the way the expert discusses his discipline. But for those more reticent about their accomplishments and field, it can be seen in the track record. Consultants should be willing to take risks, to accept assignments in uncharted territory for them in the interest of broadening his/her skill base. A consultant who never strays from the world he/she knows is one who may find the field will pass him by.

Optimizing Deployment

To maximize the value of using external expertise, companies have to create an infrastructure which allows them to quickly bring on the talent and swiftly educate them about the project.

Swift deployment starts with developing a different acquisition process; relying on the traditional method of recruiting key employees is not usually efficient. Consultants and interim executives should have a somewhat different interview process. In most cases the immediate supervisor of the project is the most critical decision maker. Many companies appropriately streamline the interview process, empowering this manager to make the decision to deploy the necessary management resource. This is clearly the most efficient method.

However, many companies still use the permanent management hire model of several interviews with company managers for a prospective consultant. Since this is, by definition, not a regular employee, the major consideration should be whether he/she do the project at hand, not whether he/she has the necessary combination of skills for the long term at the company. This is not to say companies should not be strenuous and demanding in their screening, rather it is to highlight that the temporary nature of the management relationship makes many of the difficult interpersonal dimensions of key permanent hires irrelevant. This simplification should be transferred to the interview process as well.

If additional managers take part in the selection process, it need not be the line of senior managers up the organization, like the pecking order that usually occurs for a permanent hire. It should be the individuals with whom the consultant will interface on a given project, whether senior or junior or in another department. An interim controller brought in to convert a general ledger system would certainly meet the CFO. However the MIS manager may be a more important interviewer in this case than his/her organizational peer in the treasury area. Whereas, for the permanent job, the treasurer would be an important person in the process.

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Once the individual consultant is selected, the challenge is to make him/her productive quickly. This requires a host of logistical and organizational preparations.

The logistics are sometimes overlooked. Typically, they are far more important in large corporations where it is easy for an individual to become lost in the bowels of the organization. Particularly in cases when the consultant will be on-site, the company should have a checklist of things to be done before the consultant even arrives including (some of these apply even if the consultant is off-site):

- Finding a desk
- Getting a phone line
- Getting an equipped computer and modem
- Ordering/securing keys/badges/passes
- A hook up to voicemail
- Notification to receptionists, secretaries, mailroom, travel departments, and security
- On-line systems hook-ups and passwords
- Notification to accounts payable to set up a new vendor

Failure to make such logistical arrangements can impact the success of a project and cost the company more by extending the length of the engagement. One senior interim marketing executive was frustrated by her lack of response from a competitive survey for a professional services firm client. In actuality, although she had a phone, a desk, and secretarial support, the reception team had never been informed of her arrival and name. Not until many phone calls had come in directed to the consultant from the survey respondents did one of the receptionist notice the trend, and pause to find out if someone by that name was indeed working for the firm.

Organizational orientations should be similar to those provided to new managers. However, in addition to the normal organizational chart and company history, the consultant should be oriented to the informal organization. Providing company bios or a brief introduction to the individuals with whom the consultant will be interfacing is one way to achieve this. Annotating an organization chart with the interpersonal attributes of "who's who" is another.

This kind of organizational review is especially important for human resources managers on interim or project engagements. Since they are constantly dealing with the people of the organization, they need to know what manager always complains about his staff and what manager never complains until a lawsuit is pending. This type of interpersonal introduction can save much time for the interim manager.

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What many people forget is that the organization needs an orientation to the consultant as well. Restructuring paranoia has taken over many companies. Management and staff both are often very leery of outsiders, fearful that their jobs will be on the line. This distrust is aggravated by the perception that these consultants are unduly compensated. They compare the $75 per hour of the consultant with their own salary, never taking into account the value of benefits and the cost of maintaining a consulting practice.

The project and the consultant should be introduced to any units impacted by the effort. The origins, goals, and expected results should be explained. Preferably, the consultant should present his/her methodology and solicit—from the start—the support and "buy in " of the project from the rest of the organization. It should be made very clear that he/she has no claims on any individual's job. If a meeting cannot be convened on the subject, an e-mail or memo should be sent to all concerned.

These steps can be difficult in situations where an individual is brought in to evaluate organizational effectiveness with the goal of potentially reducing staff or eliminating certain business lines. The client and consultant should jointly strategize the way in which this information will be presented to the rank and file of the organization.

Similarly, clients and vendors should be informed as necessary. An interim manager filling in for a sales manager on maternity leave should be introduced to clients in advance and in many cases, subsequently in person. This actually presents a wonderful opportunity to reconnect with customers and demonstrate your commitment to customer service.

There are often organizational barriers blocking the success of a project. Besides the distrust factor, there is the larger issue of the lack of familiarity and training for managers about how to manage outside experts. As such, motivational structures are inappropriate for the independent expert. The reward for the consultant is expanding his client and skill base and enhancing his professional reputation.

This isn't to say that bonus-oriented incentives can't be created. Many independent consultants will structure contract fees that vary with performance. This is especially true in projects or interim assignments where results can be clearly and objectively assessed by error rates, financial measures, volume, or revenue growth targets. Many, especially those who serve emerging growth fields, will consider compensation in terms of options, non-liquid equity, or other in-kind payments. However, few will work solely for equity due to the tax implications; the minimum cash payment therefore becomes the estimated tax liability of the maximum value of the equity—non-cash compensation—award.

Corporate managers of independent consultants must have a solid foundation in project management. In order to evaluate the consultant's performance on the project, the client must understand the process.

Additionally, managers should recognize the legal implications of managing outside consultants. They should be familiar with the 20 rules of the IRS regarding independent contractors. Taken individually, any one rule may be broken, however it is the totality of the consulting engagement that will determine whether the consultant is actually an employee of the company. Therefore managers must know the framework. Some of the salient points for companies to keep in mind include:

- Independent consultants are free to set their own hours; as few rules about hours worked in a day should be set.

- Consultants should be free to work from their own offices; companies may want to avoid explicit requirements for on-site execution of the project, except where necessary for security or data access reasons.

- Consultants should be free to select their own sub-contractors. Clients can make recommendations but should not require a consultant to use particular sub-contractors.

- Consultants should be free to offer services to the community at large. Therefore exclusive contracts may be risky. Consultants should not be precluded from serving other clients during the life of an engagement.

Beyond the legal implication are the project management ones. Corporate managers of outside consultants must have a solid foundation in project management; in order to evaluate the expert's performance on the project, the client must understand the process. He/she must be well versed in the expected deliverables, intermediate goals, and required reports, timetable, and budget. Clients must be able to evaluate the success of an outside expert not only in terms of whether the job was job completed, but also whether value was received for the money spent. Value can only be evaluated with a full understanding of the costs and the expected outcomes.

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Therefore, any project, regardless of how small or routine, should have well articulated goals and deliverables. Goals may be in terms of time frames, productivity measures, financial controls, revenue increases, client calls, etc. Subjective measures should be avoided. A goal for "better customer service" should be translated into a measurable one, like a reduction in customer service complaints by 20% at the end of a given period.

When developing the measures, keep in mind that they also must be within the scope of the project and in the consultant's domain. A quality consultant can recommend changes to reduce inventory shrinkage, however, if those recommendations are never acted upon, it is not the consultant's performance or his recommendation which have failed.

Taking this approach toward managing consulting engagements not only makes for a more defensible and measurable final product, it also builds the skills of the manager's running the project. This is especially critical in the current business climate where no job is secure. Managers owe it to themselves and their staff to build a strong project management discipline. By doing this, the corporate managers are in the process of reinventing their own skills, preparing for the day when perhaps they become external consultants.

Knowledge Management

Perhaps the largest issue facing companies using project expertise is ensuring the institutionalization of that knowledge once the project is concluded and the expert has gone onto new engagements. Without this mechanism to ensure retention, the company is merely a sieve into which knowledge flows in and out again; rather it must be a reservoir which captures the flow of expertise and stores it for future use.

The best way to enable retention is to make it part of the contract with the consultant. He/she must be able to turn over the baton to an employee; the consultant must train someone in the organization on his/her approach, constructs, and activities. Someone in the organization must be left aware of potential issues remaining from the course of the project or which could arise in the future. This should be a formal requirement, i.e. a product costing project would not be considered complete until a manager is trained on the model and all associated documentation is provided.

This stipulation may seem simple, however, at the managerial ranks there is the question of intellectual property. Knowledge cannot be bought, but it can be taught and managed. Contracts should specifically address intellectual property rights, especially in product development situations.

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Beyond these types of training requirements, managers must become sensitive to expertise networks. As success in an organization becomes more successful on project management performance, those who are best able to rapidly deploy expertise will be those most recognized and rewarded. Individuals must be able to rapidly identify individuals with expertise in disciplines that may be of use in the future. They must actively and deliberately develop formal and informal expertise networks, so that when the time arises they know where the knowledge may be found. This can be as simple as creating a list of individual consultants and interim management firms to call upon when the needs arises or as complicated as cataloguing in a specialized database the skills of consultants used and/or considered for projects.

This represents a profound change for many human resource managers. Increasingly line managers will look to them to provide direction for where certain knowledge can be found. HR managers must become the repository of this knowledge, proactively becoming aware of ways to secure specific expertise.

Additionally, there is the whole arena of "inside consultants" in addition to outside consultants. Often, especially in large organizations, the expertise may lie somewhere in the corporation. HR management must develop the skill matrices to understand how to tap the functional, industry, situational, and client-oriented expertise resident within the company. It must be a dynamic system that can capture the skill reinvention occurring within the organization. Not only must they develop a way to catalogue this, they must create the enabling organizational structures to deploy inside experts. They must create project centered job descriptions for key employees, which release them for special projects while maintaining or strengthening career goals.