



Best Practices

in the IT Consulting Industry

by Meryl Natchez
CEO, TechProse

There are now hundreds of IT consulting agencies in the Greater San Francisco Bay Area and tens' of thousands of IT experts working as contracted temporary consultants. It wasn't that many years ago when the idea of bringing in a programmer or a QA tester or a database analyst on a temporary basis was new and considered "outside the box" thinking. These days however, it is standard practice for a hiring manager to turn to the consulting world to bring in an extra pair of hands to meet a deadline or a product specialist when using a new technology for the first project. Using temporary technical specialists has become a standard tool for IT managers to get work done and a method for thousands of consultants to earn a living.

In this booklet we've pulled together our observations on making the whole process of contract consulting work more smoothly for the clients, consultants and consulting agencies themselves. There are many ways to operate in this industry; these are what we find to be the best practices.

Working with a Consulting Agency

When working with a consulting agency, the relationship should be a three-way partnership between the client, the consultant and the agency. Each member of the partnership should receive value from the relationship. If you understand what each party is trying to achieve, the whole process can go more smoothly. This section lists some basic values each party should contribute and receive.

For the client, using a consulting agency should mean having a reliable business partner who understands their environment and the type of resources they need. The agency should be able to provide a wide variety of top-notch consulting support available on short notice, and to stay in touch throughout the project to ensure success. The client should have confidence that the agency will—

- ◆ Be open and honest
- ◆ Know the right questions to ask to define the project accurately to consultants and to select the right consultant
- ◆ Provide consistent, predictable availability of quality resources as needed
- ◆ Screen candidates and present only qualified individuals, to avoid wasted time
- ◆ Establish an account management process that provides useful feedback and problem resolution on an ongoing basis to ensure project success

For the consultant, working with a consulting agency should mean being relieved of some of the key headaches of consulting, especially marketing, damage control, and bill collection. At minimum, the consultant should have an agency that—

- ◆ Is open and honest
- ◆ Knows the consultant's strengths and weaknesses, their career objectives and the type and location of consulting opportunities that fit
- ◆ Markets the consultant's abilities honestly and effectively
- ◆ Tells the consultant what to expect for a particular project, including key factors about the client environment as well as the skills necessary to succeed
- ◆ Clearly presents deadlines, issues, and other factors that affect the project
- ◆ Works with the client and consultant on an ongoing basis to ensure success
- ◆ Keeps in touch with the consultant so that there is a new contract waiting when the consultant is ready

For the consulting agency, working with reputable clients and consultants should provide a feeling of confidence that their hard work will pay off. They expect clients to give as much information as possible about the project, and consultants to represent their skills and availability honestly. The consulting agency provides the glue that holds the contractor/client relationship together, including taking care of the following:

- ◆ Maintain accurate paperwork, reporting, billing, and payments
- ◆ Have a thorough understanding of state and federal requirements for contractors and hourly and staff employees

- ◆ Be able to interpret these requirements to all parties and ensure that contracts are legal, equitable, and binding
Provide accurate representations to both sides about projects and skills
- ◆ Be a resource for technical information and general project assistance
- ◆ Carry sufficient insurance to cover possible problems
- ◆ Provide constructive approaches to minimize problems and resolve issues that do arise

Working with Consultants and Consulting Agencies

Selecting a Consulting Agency

Using an agency to find and manage consultants for you can save you time, energy, hassle, and even money. But as with every other service business there are a wide variety of companies and services to choose from. Here are a few questions you should ask to make sure your agency is one you want to work with:

Resources—Does the consulting agency have consultants with experience in areas you need? Can they provide and manage teams as well as individuals?

References—The agency should be able to provide references from existing clients and consultants to substantiate their reputation.

Screening Procedures—How does the agency select consultants? What is their screening process? Do they check references? How do they validate technical skills? How do they know this individual will fit in your environment? Good agencies do extensive reference checking, skill validation, and personal interviews while selecting a consultant for your project.

Insurance—What coverage does the agency carry? A minimum of \$2,000,000 comprehensive liability, and \$2,000,000 in errors and omissions insurance should be your minimum expectation. And of course, Workmans Compensation, if required.

Guarantees—If the consultant doesn't work out, what is the agency's replacement policy? Will the agency ensure that the replacement comes up to speed at no charge? Are there other discounts that apply? Will they work with you to get your project back on track?

Employment Law—Does the agency stay up-to-date with current regulations? How do they make sure that you are protected in an IRS or EDD audit?

Consultant Retention—How does the agency ensure that consultants will stay with the project through completion? How do they foster loyalty? What do they do to make sure consultants are satisfied and productive on assignment?

Working with a Consulting Agency – Before the Project Begins

In today's market, where there are fewer consultants than projects available, there is fierce competition for consultants. A recent issue of Investor's Business Daily summarized the problem: "A tight labor market is choking off employment in one of the economy's hottest job-growth industries."

When you work with a consulting agency, you can be a valued customer whose needs are always attended to first, or someone whose requirements go to the bottom of the pile. So what moves you to the top of the list?

Create a Detailed Job Description—The more exactly you can describe the position, the better. What are the specific skills you need? Is this primarily a management or a team member job? Do you expect a leader or a follower?

What are the tasks this individual **MUST** perform, and what would be nice? Do you have educational requirements and if so, does certain business experience also qualify? What about deadlines? When do you need to start? How long will you need the resource? Could you need them beyond the original end date?

Prioritize the Skills You Want—Do you need three years of on-the-job management skills, or will someone with academic credentials and a little business experience qualify? Does the consultant need HTML? Or is good writing more important to you than specific tools? What technical skills are essentials, and what skills would be "nice to have?" Do you need full development lifecycle expertise? Prioritizing what's important to you gives a recruiter a broader field to search for what matters most. If you list everything without prioritizing, only a few candidates will be eligible and you might miss the best resource.

Specify How Soon You Can Interview and Hire—Be prepared to be responsive. In today's market, the perfect candidate has many options. If you can't interview for several weeks, you may lose candidates who are interviewing elsewhere. If you don't have hiring authority yet, let the agency know up front. They can prepare the candidate and look for those whose timing matches yours. Being clear in the beginning about when you can interview and when you can hire makes it easier to find candidates who are available when you want them.

Give Feedback on Resumes—If you receive resumes that aren't right, let the agency know why. Work with the agency to hone your need. What was missing that you wanted to see, what gave you concern? The more detailed your response, the easier it is to find the right solution. The more responsive you are—both prompt and clear responses, the more likely you are to have a successful experience.

Be as Flexible as You Can—When the demand for skilled workers is strong, flexibility in hours, telecommuting options, benefits and salary are all factors candidates consider in accepting an offer. The more flexible you can be, the more attractive your position is to the candidate you want. Work with an agency that can define for you what's most important to the candidate, and ask for their help to create a situation that works for both you and the candidate.

Keep in Touch as Things Change—Even the best laid plans change, especially in IT. If your requirements, project dates, or resource needs change, let the agency know as soon as possible. They can readjust to be there for you when you're ready.

Build a Relationship of Trust—Sometimes an agency will find a consultant for you that they know will be successful in your environment. This might be because of their “can do” attitude, their personality, or some essential basic knowledge that will translate for your needs. If the agency stands behind a candidate, interview them even if the skill set isn't an exact fit. Sometimes the right person is more important than the right tool.

If you keep these practices in mind, you will be the ideal client, and therefore get the best consultants.

Working with a Consulting Agency--After the Project Starts

Once a candidate is in place, a good agency will continue to work with you to make sure your project is a success. Your expectations of an agency should be high. But to get full value for your consulting dollar, you need to continue to work with the agency after the project starts:

Manage the Relationship—Just because you are working with a consultant doesn't mean you can abandon good management techniques. Set clear expectations about deliverables, timelines, status reporting and feedback and share them with your Account Manager. Don't let the consultant flounder because they don't have access to basic tools or information. If you are having trouble getting status or feeling comfortable about ongoing performance, get your agency involved. You *both* want to make it work.

Keep in Touch—Everyone is busy. A good agency needs to keep in touch with you after the candidate starts to make sure things are going well. Do you prefer email? A morning phone call every few weeks? Do you want to be paged? Let the agency know the best way to work with you so that you get their ongoing participation and avoid problems. If you don't want to be bothered unless there's a problem, there's more likely to be one—so try to devise a method that lets the agency keep its part of the bargain.

Be Frank—The agency wants to make sure your needs are being met. They want to hear about any concerns as soon as you have them. Is the candidate meeting deadlines? Is their work meeting your standards? Is anything going on we need to know about? Use us as more than a body finding service, use us as a make-me-successful service.

If There's a Problem, Call—As soon as any issues arise, let the agency know. They can work with the consultant and keep small problems from turning into showstoppers. If the problem is with the agency itself, let the folks know what you don't like or what you need that you're not getting. Clients want and expect different levels of service, and different methods of contact. Let

Don't Bargain with Consultants—Don't get into negotiations with consultants. This is the agency's job. If a consultant wants more money, refer them to their agency. In many cases raises are justified: exceptional work, increase in responsibility, consistent, long-term achievement. But a reputable consultant won't try to blackmail you into a raise, or threaten to leave if they don't get one. While rate information should be shared between the parties, one of the services the agency provides is rate negotiation. They are in touch with the market, and should be the consultant's advocate if a raise is in order. If you feel a consultant deserves a raise, let the agency know so they can discuss this with the consultant. Remember that a rate increase often means a tax increase, and this needs to be calculated without raising unrealistic expectations.

If You Receive Value, Repay with Loyalty—If your agency is doing a consistently excellent job, and then has one bad apple, remember that to err is human. How did they work to resolve the situation? Be clear about what went wrong and what you expect in the future. If you feel it's justified, ask for some compensation—a discount or some free hours to make up for the problem, but give the agency a chance to prove they deserve your business.

Provide Information About Your Company—A good agency wants to know not just about your project, but your company's future direction. Share information with them that can help them prepare for your next project, or someone's project down the hall. We're not talking about proprietary information, of course, but remember, we all have a lot to keep up with. While your technology direction may be clear to you, anything you can provide to make it clear to the agency will pay off in the future. Help them become proactive to your needs.

Be Willing to Act as a Reference—If your agency has provided excellent service, your reference is their biggest asset. If your company policy allows it, be willing to tell others they've done a good job, or to write a letter they can use in their portfolio.

Working Directly with Consultants

Some hiring managers like to work directly with consultants as opposed to working with an agency. There is one major advantage to this route: avoiding the agency's fees. However, you also forgo some of the security the agency provides, as well as their skill in screening and managing the consultant.

It's important to be aware of the level of risk you incur as a business working directly with consultants. These include:

Liability—The consulting agencies that you want to work with carry not only comprehensive liability for their consultants, but also a policy called "errors and omissions." This protects you against mistakes a consultant might make that impact your business.

Being Left in the Lurch—If something happens in the consultant's life that makes it impossible for them to continue working for you, you have to start from scratch to replace them. Agencies do this for you and might even offer a price break while the new consultant comes up to speed. The same is true if the consultant just doesn't work out.

Dealing with Problems—If problems arise on the project, you're on your own. There's no third party to mediate and manage conflict.

Violating Regulations—The maze of employment law is difficult to navigate. If you're employing the consultant, but not providing benefits comparable to those your full time workers receive, if you're paying monthly instead of biweekly, if you're refusing to pay until you have a time sheet, you could be violating one of many federal and state regulations. Agencies specialize in knowing current employment law and structuring their contracts for compliance. They provide you with access to skilled consulting resources while allowing you to maintain an arms length relationship to employment law responsibilities.

IRS and State Tax Penalties—If you're working with independent consultants, those who get 1099 forms instead of W2's, you need to be sure that the consultant doesn't legally look and behave as your employee based upon the 20 common law questions that the IRS uses to differentiate employees from independent consultants. Additionally, States often have their own conflicting regulations. Failing an audit means that the consultant is reclassified as your employee, and that you incur both taxes and penalties. Agencies not only know the law; they protect you from the penalties if there are problems.

Still, in some cases it may make sense to work with consultants directly. For example, if you know a consultant personally, if you are comfortable with their abilities and ethics, if they have been personally recommended. In this case, the following guidelines should apply:

Carefully Check References—The key to success will be using individuals you can trust. If you don't know the consultant and their work, carefully check current references. Check with managers of the last two or three projects, as well as one peer

Ask detailed questions about quality of work, timeliness, independence, ability to work on a team, etc.

Use Contracts that Satisfy Employment and Tax Law Regulations—Make sure you have a contract that is in accord with current federal, state and in some cases local government regulations regarding contract staff.

Have a Clear, Written Understanding of the Job—Make sure that you have an attachment to the contract signed by both parties that summarizes the project, your expectations of the consultant(s), any deliverables, timelines, cost estimates or fixed-price bids, and milestones.

Allow for Contingencies—What happens if the consultant can't finish the job? What are their responsibilities in the event that you are not happy with their work? How will you handle changes to project scope?

Working with Consulting Agencies and Clients

Selecting a Consulting Agency

Using an agency to find and manage contracts for you can save you time, energy, hassle, and even money. But as with every other service business there are a wide variety of companies to choose from. Here are a few questions you should ask to make sure your agency is one you want to work with:

References—The agency should be able to provide several references from existing clients and consultants to substantiate their reputation, ethics and honesty.

Payment—What is the agency's payment policy? How long do you have to wait for your funds? What is their reputation for prompt payment?

Matching You to the Right Assignment—How much does the agency know about the project, the manager, the skills required, the client environment? How much time do they take to learn about who you are, your technical skills and what you want for this contract and for your career? How well do they understand what you do, and your strengths and weaknesses?

Prompt Communication—Does the agency call you back and let you know what's happening or do they leave you hanging? How responsive are they during the initial resume presentation and job search process?

Employment Law—Does the agency stay up-to-date with current regulations? How do they make sure that consultants can pass IRS or State employment audits?

Ongoing Support—What does the agency do to make sure you are satisfied and productive on assignment? How do they support you once you're on assignment?

No Secrets—Does your agency tell you what they charge for their services? Can they justify the margin? Or is your client rate a secret? If it's secret, how does the agency justify this? The consultant/agency relationship should be a business partnership in which each party provides value. Knowing what your agency charges, what commitments they have made on your behalf, and any other relevant information is key to a successful partnership.

Differentiating Factors—What does the agency do that defines them as special? Do they belong to a professional organization, such as National Association of Computer Consultant Businesses (NACCB) or other group that requires ethical behavior and provides legal advice specific to our industry? Do they contribute to their community in any way? Who are they and what do they believe in?

Working with a Consulting Agency

Once you've decided that this agency is one you want to work with, what can you do to be on their "call me first" list? The following practices are standard with the best consultants, and following them moves you to the top when the assignment you want is available.

Honesty—Don't misrepresent your skills, level of expertise, or availability. The agency must be able to trust what you say to work with you with confidence.

Prompt Communication—The agency wants to make sure your needs are being met. To do this, they need to hear about any concerns as soon as you have them. If you're going to miss a deadline, or not be able to complete a deliverable, let your account managers know first so they can work with you to minimize client impact. Whenever problems occur your agency should know about them. In the same way, prompt feedback on interviews, initial assignments, and any new requirements at the client site help your agency do their job.

Prompt Return of Timesheets—The agency commits to pay you within a specified time. But they can't bill without signed timesheets from the client, and that's in your hands. Getting hours and timesheets in on time is a simple but essential part of your role.

Referrals—If you have a good relationship with your agency, refer your friends. In the same way, if you hear of additional projects at your work site or other places the agency might be successful, let them know. Many agencies pay a fee for any referral that leads to a project.

Willingness to Help—Some agencies ask consultants to help them expand their knowledge about a specific technology or methodology in which the consultant is an expert. This might be a lunch time presentation or a request for a verbal or email answer to a question. Being generous with your expertise helps the agency staff keep up with cutting edge technology so they can do their job.

Working with Consultants and Clients

An agency should be focused on adding value to the consultant/client relationship. Because there is a low barrier to entry for the consulting business, there are many agencies with many approaches. However, there are two basic categories that define most agencies: commodity staffing and value-added IT consulting. The former is not a model discussed here. As with any commodity business, this model is simply high volume, low overhead administrative services. This discussion focuses on the value-added model.

Every value-added consulting agency has two partners, the client company for which they create solutions and the consultants they work with to provide the solutions. Both are equally important. While the agency's primary role is to understand requirements and skills to make successful engagement, the agency should be an expert on the entire process, from employment law and contracts through evaluating personalities to make sure the project is a fit.

The best agencies provide value to their consultants in the following ways:

Prompt Payment—The agency should be clear about its payment policy, and payment should be on time and predictable, regardless of when the client pays.

Detailed Job Descriptions—The agency should be able to provide details about the assignment, deliverables, technical needs, corporate culture, onsite/offsite requirements, managers' primary concerns, in short: anything and everything that helps the consultant be sure this is a good fit.

Honest Representation—The consultant should be confident that the agency understands their skills and skill level and is representing them accurately. If the agency revises the resume, the consultant should see a copy of what is going to the client.

Ongoing Career Development—The best agencies act as a full-time marketing arm for your skills, finding you the right contract to advance your career goals. Finding out your career goals and helping you find the contracts that further them is part of the agencies value.

Prompt Communication— Resumes shouldn't fall into a black hole. The agency should inform the consultant when they receive a resume and what action they are taking on the consultant's behalf. Even if it's a call that they are not right for this particular assignment and why, the agency should keep the consultant in the loop. Even when managers are difficult to reach for interview times, letting the consultant know that they haven't called back is preferable to giving no information.

Informed Consent—The agency should always ask permission to present a consultant's resume before submission for a position. The consultant should never be in a position where their resume has gone out without their knowledge and consent.

Contracts—The agency should be knowledgeable about state and federal regulations, and have a contract with language proven to withstand both EDD and IRS audit. This protects all parties.

Education—The agency should know about sources for information on specific technologies, from books, courses and seminars or conferences to providing reasonable access to ongoing education to its consultants.

Ongoing Support—The agency should provide support to the consultant while they are on a project. This includes letting the consultant know about client concerns, about other factors that may affect their project, providing technical support and simply keeping in touch with the consultant to provide information or resources as needed.

The best agencies provide value to their clients by:

Understanding Client Needs—The agency should learn as much about your technical environment, project needs, personality factors and corporate culture as possible. It is this thorough understanding of your company, who you are, your project, and your role on the project that enables the agency to select a resource that can make a difference.

Screening Candidates—The client should be confident that the agency understands the consultants' skills and skill level, and is representing them accurately. The agency should thoroughly validate technical skills, check references, and ensure that this candidate is both a good fit and available for this project before sending their resume. The agency should know what the references say about this candidate, and why this candidate is a good fit for this project.

Administrative Support—The agency should handle all paperwork required for the project promptly and efficiently. The agency’s job is to make the transaction easy, with as little work for the client as possible.

Contracts—The agency should be knowledgeable about State and Federal regulations, and have a contract with language proven to withstand both EDD and IRS audit. This protects all parties. The agency should provide information on applicable regulations to the client as needed to facilitate contracting or hiring practices.

Education—The agency should know sources for information on specific technologies and be able to provide clients with resources that inform their work.

Ongoing Support—The agency should provide support to the manager while consultants are on a project. This includes understanding and communicating any client concerns, learning about other factors that may affect the project, and simply keeping in touch with the manager to provide information or resources as needed.

Become a Value added Consulting Agency

If you want to be a value added agency, here are some specific suggestions to improve your service:

Join NACCB—The National Association of Computer Consultant Businesses is a nation-wide organization focused on value-added IT consulting. Attending meetings, participating in industry surveys, and attending the annual conference can help you learn best practices for every aspect of the consulting business.

Invest in Training—From courses specific to IT Sales and Recruiting to technical education courses, invest in training your staff to be the best in the business.

Document your Procedures—To ensure that all your staff meet your standards, make sure that the way you do business is documented, available, and followed by staff.

Subscribe to Technical Publications—Regular reading of technology magazines such as PC week, CIO magazine, Fast Company, and many others help your staff keep up to date on trends, problems, and solutions for both consultants and clients.

Subscribe to Industry Publications—Consulting Professional, Staffing Industry Report, and other publications focus on the IT Consulting industry. Subscribe and make these publications available to your staff.

Attend Relevant Conferences and User Groups—Another way to stay ahead of the technology curve is to attend conferences for specific technologies so that your staff can be knowledgeable about the latest trends in your specialty areas.