
Considerations When Selecting a Consultant

Using consultants properly improves the quality of your decisions and thus the viability and profitability of your project or business.

The material outlined below can be used to help you choose the proper consultant for your situation. Names of value-added agriculture consultants are available at the [Consultants and Service Providers Directory](http://www.agmrc.org/directories-state-resources/agmrc-directories), www.agmrc.org/directories-state-resources/agmrc-directories. This listing of available consultants and service providers is provided for you to interview and research. Inclusion in the database of value-added consultants or service providers is not a direct endorsement of their goods or services.

Why Use a Consultant?

Before the selection criteria is studied, the initial question asked should be, “**Do I need a consultant?**” (for either the private or public sector). Rarely does a business leader or entrepreneur know everything about creating, building and managing a business. In smaller businesses, where the owner or manager may already wear many hats, an experienced consultant may afford a targeted advantage. The business owner or manager may find that the day-to-day operations can more than occupy their available time.

When investigating a market opportunity or starting a business venture, you need to make a thorough outline of all of the skills, resources and information needed to complete the task. Many of these may be provided by you and the other individuals involved in the project.

Other times it makes sense to seek the counsel of others, who are right for you and your business. Business consultants can range from a CPA to an attorney, or a professional who can offer business-related expertise such as human resources, technology, sales, or marketing.

Role of the Consultant

Understanding the consultant’s role is critical in creating a viable business.

- **Provide accurate and reliable information.** This is the reason you hire a consultant. Choosing the wrong consultant or poorly communicating with the consultant can result in irrelevant information of questionable accuracy.
- **Improve your decisions.** The role of a consultant is to supplement your knowledge so you can make better, more informed decisions.
- **Not a substitute for your responsibility.** Occasionally, in value-added agriculture groups, I hear the phrase, “The consultant said it will work, so it must be a good idea.” Don’t abdicate decision-making to the consultant. Decision-making is your role and responsibility.

Expertise of the Consultant

Consultants vary greatly in their level of expertise and lose their value when they get out of their area of expertise.

- **What is the consultant’s special area of expertise?** Does the consultant’s area of expertise match what you want them to do for you? Ask if the consultant has done similar work for other groups. Choosing a consultant with the exact area of expertise you want can increase the quality of the work and may reduce the cost. Problems with consultants often arise when they work in areas in which they are unfamiliar.
- **What is the consultant’s knowledge of the industry?** Has the consultant worked in the industry? Does the consultant personally know the industry players? Choosing a consultant who is knowledgeable of the industry will improve the quality of the result and decrease the amount of time needed to achieve the result.
- **Will the consultant provide an independent perspective?** Will the consultant provide a perspective that is based on actual research finding? Or, is the consultant apt to provide hearsay and information not documented?

- **What are the research capabilities of analyzing existing statistical information?** Can they effectively do surveys or focus groups if needed? Do they know people to ask in the industry?
- **Ask for a sample of the consultant's work.** Request from the consultant reports and other materials they have developed for other clients that relate to the focus of the work you are asking for.

Consultant's References

References are a valuable tool when selecting a consultant and should not be overlooked or ignored.

- **Ask for references.** Specifically ask what the consultant did for the reference. Was the consultant's work the same work you want the consultant to do for you? If it matches, the reference can provide you valuable information about the consultant's work. If it doesn't match, the reference may be of limited value to you.
- **Ask the reference if they were satisfied with the consultant's work.** If not, why? If possible, ask for a copy of the report the consultant did for the reference.
- **Ask the reference in-depth questions about the consultant's work.** This may trigger memories of problems or concerns they may have had with the consultant.
- **Check more than one or two references.** If possible, check with clients of the consultant not listed as references.
- **Check with clients not listed as references.** Consultants list clients who will give positive references. Clients not listed as references may be the most valuable to you. Time spent finding and contacting these clients may be a good investment.
- **What is the consultant's "track record?"** How long is their clientele list? For consultants in business for the long-term, their most valuable asset is a list of satisfied clients. In the case of individuals who may have taken early retirement and started consulting, check with their former employer(s) and others in the industry.

Request for Proposals (RFP)

This is a more formalized way of selecting a consultant. It is a way of communicating your needs. It also makes comparing consultants easier. Specific topics you may want to include in an RFP are presented below.

- **Provide information about you and your project.** Include information about you as a business entity. Provide the background of the project. Establish the credibility of the business or project. Establish a reason for the consultant to respond to the RFP.
- **Be specific about what you want the consultant to do.** Identify key objectives and critical questions you want addressed. Provide as much relevant information as possible. Include specifics about the project, geography, market, size of venture, transportation, industry, technology, etc.
- **Specify reporting.** Outline what you want for interim and final reports. Will the reports be oral or written or both? If oral presentations will be included, where and when will they be given? Will spreadsheets or other types of models be required?
- **Provide a timeline.** This will include a timeline for bid submission, consultant selection and project completion.
- **Establish criteria of how you will select the consultant.** Criteria may include credentials and qualifications, experience, cost, responses from references, responsiveness to RFP, etc. This needs to be done in advance.
- **Include a sample contract.** Include a sample contract in the RFP. Include all of the items you think are relevant. If you do not include a sample contract, the consultant will provide one, with terms favorable to them.
- **Request a proposal from at least three consultants.** This allows you to adequately compare consultants.

Interview the Candidates

Interviews are critical when selecting a consultant. Don't skip this step in the selection process.

- **Personally interview the candidates.** In some situations a conference call interview may be appropriate. However, if possible, a face-to-face interview is preferred. To give structure to the interview, have a prepared set of questions you want to ask.
- **Pick a consultant with whom you feel comfortable.** You may be spending a lot of time with this person in an intense environment. The relationship between you and the consultant is important. Do you trust the consultant? Have they established credibility with your group?
- **Choose a consultant with whom you can communicate.** Open and straightforward interaction is important to the success of the project.

The Consultant Contract

Design your own contract and contract provisions. You may start with a [standardized contract](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-84.pdf), www.extension.iastate.edu/agdm/wholefarm/pdf/c5-84.pdf. But you need to tailor it to fit your needs. Be sure you understand the [contract provisions](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-83.pdf), www.extension.iastate.edu/agdm/wholefarm/pdf/c5-83.pdf, including the following:

- **Specify the deliverables.** Specifically identify the topics you want the consultant to address. If you don't, you run the risk that the results will be too general to be useful or the consultant may miss the point.
- **Ask specifically for everything you want from the consultant.** If you don't ask for it, you may not get it. The consultant will probably establish the cost of their services based on what is specifically outlined in the contract.
- **Develop a specific action plan and timeline.** This outlines what you want the consultant to do, how it will be done and when it will be done. The report should contain clear, actionable information. Specific penalties for not meeting the action plan and timeline should be included in the contract.
- **Ask for transparency.** What are the data, information, and experiences that the project

conclusions or recommendations are based?

If you are going to make a business decision based in part on the consultant's recommendations, you have the right, and in some situations an obligation, to know the background for the recommendations.

- **Who will do the work?** You should have the consultant identify who will do the work. Specify the names of the individuals and the specific tasks each is responsible for. Outline the internal staff, if any, who may be asked to support the consultant's work.
- **Specify reporting requirements.** Specify when, how and where reports will be presented. Will interim reports be required in addition to a final report? Will all reports be in writing? When will the consultant be required to make a presentation to the committee or board of directors?
- **Specify the compensation arrangement.** The consultant may be paid a flat fee for the services or an hourly rate. The consultant may ask for a deposit up-front. It is important to consultants that payments are made in a timely fashion. However, retention bonuses are customary until a project is completed.
- **Who owns the work product?** Stipulate who owns the research or analysis (work product). In many situations, you will want to own the work product. This may include confidentiality covenants and/or non-compete agreements.
- **Include provisions for non-performance.** To the maximum extent possible, reserve the right to terminate the relationship. Identify what constitutes non-performance of the contract. Stipulate the consequences for non-performance.
- **Liability for incorrect information.** Specify the consultant's liability for inaccurate information or conclusions in the consultant's work product that may lead to costly business decisions. Part of the due diligence here is checking on the consultant's performance liability or bonding. If insurance is used to mitigate the business risks, the use of a policy "additional insured" provision is valuable.
- **Create the proper relationship.** Structure the relationship so the consultant will be considered to be an independent contractor, not an employee.

Cost of the Consultant's Services

Cost is important when selecting a consultant, but it must be measured against what you are buying.

- **Negotiate the price.** The price quoted by the consultant is usually subject to negotiation. Be aggressive in negotiating the price. Do comparison shopping with other consultants. Consulting fees often vary considerably. However, realize that being overly-aggressive may, in some instances, require the consultant to cut corners in conducting the analysis or providing services.
- **Consider the consultant's value to you.** Be careful in simply choosing the lowest cost consultant. Consider the value of the consultant's work to your project. Value is the amount and quality of work that will be done (questions answered and problems solved) for your project in relationship to the price you will pay for the service. The lowest price consultant may not be the best value for your project.
- **Consider your value to the consultant.** Some projects and clients are important to the consultant's reputation. This may allow you to negotiate favorable terms.
- **Request a specific price.** Don't leave any items open-ended. Ask for a specific dollar limit or cap on all items (travel, out-of-pocket expenditures, etc.)

Other Considerations

Below are several additional items you should consider when selecting and hiring a consultant.

- **Can you develop a long-term relationship with your consultant?** A consultant who is involved during the development of the entire project may be worth more than one who will quickly disengage from the project. Consider avenues such as alliances, equity positions based on performance, royalties or other financial partnerships with your consultant to solidify their commitment to your project.
- **Does the consultant understand farmer-owned projects?** Have they worked with farmers in the past? Farmer-owned projects often develop differently and members may have a different set of values than traditional large company initiated projects.
- **Will the consultant work closely with the group?** Is the consultant willing to listen and respond to producers' ideas?
- **Is a side-referral involved in the consultant selection?** Value-added groups often have several aspects of a project going simultaneously. Side-referrals occur when you ask a consultant you are currently working with on one aspect of the project for the name of a consultant to do another portion of the project. Use care when asking for these types of referrals. Consultants may work in a close-knit group where they have a vested interest in the success of other consultants.
- **Are there conflict of interest issues?** A conflict of interest, stated or implied, can occur when the consultant has a vested interest in the outcome of the consulting activities. For example, a consultant doing a feasibility study has a conflict of interest if they expect to do additional business if you decide to go ahead with the project. Technology providers, construction companies, etc. doing feasibility studies can fall into this category.
- **Stay involved in the project.** You need to be involved with the consultant and make sure they know and understand the basic concepts of the project. Although you have hired a consultant, you are still responsible for the project.
- **Take the time needed to do it right.** Properly selecting a consultant is not easy and may take a lot of time. However, the payoff from the proper use of consultants can be enormous. Conversely, the costs of poorly selected consultants can be devastating to a business. Time and effort spent choosing a consultant is a good investment.

For more information on business development, including contracts and agreements, visit the [Ag Decision Maker website](http://www.extension.iastate.edu/agdm/vdstart.html), www.extension.iastate.edu/agdm/vdstart.html.

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