



Consultants and Contractors: Maximizing Value through Strategic Combinations

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Introduction

George Orwell's classic novel 1984 captured the importance of words and of the collective understanding of what words mean. In the corporate world today the true meanings of many words are distorted, misused, or simply ignored. The results can be misunderstandings, poor products, or hiring the wrong person for the job. One such "newspeak" example surfaces as a the confusion about the difference between "consultants" and "contractors." All-too-often used interchangeably (albeit incorrectly), these vastly different resources should be seen as complements but never as clones. The confusion surrounding these terms, both within companies and by individuals, has blurred a very important distinction. In order to leverage these outside forces to your advantage, you need to know exactly who these people are, what they do, and where their focus lies. Given this information, you can decide which best meets your need or how to use a combination of the two to maximize your return on investment.

Definitions of Consultant and Contractor

To avoid newspeak, the first thing we must do is to define our terminology. Dictionary definitions list a consultant as "one who gives expert or professional advice,"¹ while a contractor is "a person or firm that promises to do work or supply goods at a fixed rate."² These are terribly basic and not sufficiently descriptive or exclusive for our discussion. Rather, we will focus on a consultant as "a person who facilitates organizational change and/or provides subject matter expertise on technical, functional, and business topics during development or implementation"³ of a project. This is a much broader definition and demonstrates the expanded scope or vision that a consultant is expected to provide. A contractor, on the other hand, is focused on delivering a specific product for a specific project according to the requirements and timeline set forth in the contract.⁴ The

¹ "consultant." *The American Heritage® Dictionary of the English Language, Fourth Edition*. Houghton Mifflin Company, 2004. 29 Mar. 2007. Dictionary.com <http://dictionary.reference.com/browse/consultant>

² "contractor." *Kernerman English Multilingual Dictionary*. K Dictionaries Ltd. 29 Mar. 2007. <Dictionary.com <http://dictionary.reference.com/browse/contractor>>.

³ "consultant" *The Free On-line Dictionary of Computing*. Denis Howe. 29 Mar. 2007. <Dictionary.com <http://dictionary.reference.com/browse/consultant>>.

⁴ <http://consulting.about.com/od/growyourbusiness/a/ConsultVsFreela.htm> Consultant vs. Freelance

contractor is not expected to have access to anything other than what is needed for the job at hand.

There is a running “joke” (although not a very funny one) in the IT world, that a consultant is someone who borrows your watch, tells you what time it is, and then charges you for it. The most cynical among us usually add “...and then they keep your watch!” This attitude may be a reaction to experience with poor consultants. If so, then it is well-deserved. As with any profession, there are some great ones and a whole lot of really bad ones. The best consultants *will* look at your watch. But then they will use *their* experience, techniques, contacts, and tools to determine:

1. Whether your watch is set to the correct time or not,
2. Whether your watch and your team’s watches are set to the same time,
3. How accurate your watches are,
4. To what extent the inaccuracies are actually impacting your business,
5. Whether you may need a different kind of watch entirely,
6. Etc.

That is vastly different, and far more valuable, advice for your business.

Another common misconception is that contractors are somehow “blue collar” or less talented than consultants. While individual talents and abilities vary, contractors are generally those people whose interests and abilities lie in a narrowly focused area that is needed irregularly across many businesses in an industry. They are often experts in their areas but are not necessarily as broad in their knowledge base as a consultant must be. And they may not have the investigative and diagnostic mindset that makes a great consultant. Therefore, the best contractors are not “below” consultants – they are simply different.

Let’s get into a little more detail...

Value Added by Consultants

A consultant’s job is to help his/her client make better decisions. A good consultant’s experience and expertise allows him/her provide this kind of value to your company in a number of different ways.

The most well-known category of consultant is the “advice-only” consultant. Such consultants focus on observation and analysis of the situation at hand. They call on their experience and objectivity to give advice on existing problems, bottlenecks, breakdowns, and showstoppers. This advice may be very simple and informal – discussed in presentations or meetings. Or this advice could be complex and formally structured – complete with reports, diagrams, and revised organizational charts. The depth and breadth of the advice will depend on the needs of the situation and the expectation of the client. (It is always a good idea for the client and consultant to clarify these expectations up front!)

The next type of consultation is “advice plus implementation.” In this case, not only observation and analysis of the situation is required, but also a full evaluation of potential solutions, recommendation of and obtaining approval for a particular solution, and the planning and managing the implementation of the solution chosen. This type of project is obviously much more time consuming and requires additional skill sets (e.g., project management) that the “advice only”

consultation does not. Knowing which of these two situations you are in will enable you, up front, to correctly identify the consultant with the right skills for your job.

Another type of consultation is a “process review” wherein the objective of having a consultant come in is to specifically review the way your team works internally and with external teams to determine if best practices are in use. This type of independent review can help uncover hidden rivalries between teams, long-standing process flaws that reduce effectiveness, and opportunities for cross-functional training or automation. This type of consultation will require a high degree of communication skill in the consultant. The consultant must gain trust across groups, remain objective throughout the investigation and analysis, and be able to help each team see the problem from the others’ viewpoints. This type of consultation is most useful as roadblocks occur when trying to build collaborative workplaces.

In any type of consultation project, there are qualities that a good consultant will need. First is the ability to understand your business or situation. Whether the consultant has first-hand technical knowledge of a particular product is not nearly as important as understanding your business model, your goals, and your culture. Having worked in the particular business space can then be an additional asset.

However, the second quality of a good consultant is actually experience in *other* business areas. Too narrow a focus can cause a consultant to overlook potential solutions. Similar problems/issues may have been encountered and solved in other business or technological arenas – you don’t have to reinvent the wheel every time. A consultant with experience across a breadth of industries and business types will be able to draw on prior success to solve your issues quickly.

The third, and arguably most important, quality to look for in a consultant is whether or not they are truly focused on you and your problems. A great consultant isn’t just focused on your checkbook but instead on your strategies, goals, direction, environment, and culture. For a recommendation to be a success it must fit your situation in all of these areas – not just be on schedule and on budget. As cliché as it sounds, the consultant simply **must** take a big picture view. He must not just do as he’s told but also to ask if it is truly the right thing to do for the client.

Value Added by Contractors

Contractors, on the other hand, need to be focused on the task or project at hand. The contractor’s job is to deliver a product or service or to complete a project. He/she is brought in as a temporary resource to fill a specific need that is always temporary and may also be unusually narrow. Contractors are chosen based on the skill set required on a particular job. These people are generally experts in their field of focus. They may have little or no experience outside of that area. And that’s okay. Because contractors are required to focus solely on a single area, they are able to remain undistracted by other “noise” occurring around them.

Contractors are also sometimes brought in when an existing project is either behind schedule, over budget, or both. Single-mindedness is then exactly what’s needed to put the project back on track. However, the best contractors will have the ability to discern if/when outside events are relevant to the project’s success and will bring them to the project manager’s attention.

Benefits of using such specialized talent are many – not the least of which is financial. These folks can be employed on-demand – only when projects or tasks call for their skills. This eliminates the overhead carry involved with full-time employees. As a point of comparison, a full-time employee at \$110,000 per year has an effective hourly cost of \$105/hour once all overhead costs are figured

in.⁵ So anything less than that for a comparable contractor is a bargain. Another benefit is the independence of the contractor from office conflicts or politics in a team. Since they aren't affected by these things they spend more productive time on the clock. Independence extends to the project or task as objectivity. Because they are not emotionally invested in a particular approach or department, contractors can see and address issues that full time employees may feel territorial or timid about. Again, the best of these professionals will evaluate the impact and importance to the project before adding fuel to any fire.

How to obtain maximum value

First let's summarize the difference between a contractor and a consultant...

Consultant – a person or company that you hire primarily for their advice, especially if you have a problem that you aren't sure how to solve or a goal that you're not sure how to reach. If you find that your current CRM system no longer meets your needs, but you haven't chosen a new system and want some advice on getting the best system for your budget, you hire a **consultant**.

Contractor – a person who meets a specific temporary need in a specific area and who may also have specific technical expertise that your permanent staff doesn't have and doesn't need. If you're migrating to a new CRM system that you have already chosen and you need the data moved from the old system to the new one, you hire a **contractor**.

So is a consultant *always* better than a contractor? Is the lower cost of the contractor *always* a better value? The answer to both questions is no. A consultant is only better than a contractor when a consultant is what you need. But if you do need a consultant, paying a contractor just to do what he or she is told to do is actually a waste of money, not added value. You can and should use both consultants and contractors - but only when you need them and where they are most effective. A strategic combination of the two functions gives the biggest return on your investment. Consultants help you examine **how** you do your work and what improvements you might consider. Contractors help you **do** the work to fill a temporary need via a much tighter focus on the job at hand.

So which is Provaré?

One common question is whether one company or person can provide both consulting and contracting work. At Provaré Technology, we believe the answer is an emphatic "Yes!" The key is listening to our client's needs and issues to help them determine what type of skill set they need from us.

As a consultant, Provaré takes a business-focused approach to all of our work – concentrating on the big picture of the client outside of the purely technical arenas to ensure smooth processes, flows of communication, and effective use of technical resources. We rely on our broad experience across functions and technological spaces to develop custom solutions for our clients.

As a contractor, Provaré calls on decades of experience to provide technical expertise on-demand to ensure a project's success. In addition to the "buzzword" technical skills, however, all of our staff members have the skill set necessary to be great consultants as well as contractors. So while you do get the extra technical help, you also have a resource that can determine where roadblocks

⁵ <https://www.toptal.com/freelance/don-t-be-fooled-the-real-cost-of-employees-and-consultants>

are stalling projects or where customer needs are not being met. And they have the discernment to know when to address these issues and when they are “minor” enough to be ignored for now.

We should point out that most contractors – as well as many companies and individuals who call themselves consultants – work on what we call a “staff augmentation” model. This seems to make sense for contractors – if possibly less so for consultants. Well, at least the term “staff augmentation” makes sense. But what we need to point out is that this model usually requires you to think in terms of integer numbers of specific people for integer numbers of quarters. This is fine for large projects with constant needs. But what if your project is less than one person-quarter? Or what if the need is sporadic, occasional, or unpredictable? Or what if you need different skills for different phases of the project?

While we have found it to be fairly uncommon, the model we use requires no such integer-based thinking. You need 3.5 people for a few days 2 to 4 times a year? No problem.

At Provaré, even our “contractors” are **not** the commoditized resources you would expect to find from a staffing agency. In addition, because of our solution-based approach, you won’t have to spend your bandwidth managing a “contractor.” Provaré staff members self-manage to the project or contract goal in all cases, not just on consulting jobs. With Provaré Technology on your team, you are automatically getting the best of both the contractor and consultant worlds.

Conclusion

In this paper, we have defined the differences between consultants and contractors to help you make better decisions. Knowing clearly which type of help you need is the often first step to achieving your goals. Don’t hire a contractor to do a consultant’s job – unless you have determined that they have to skill to do both. And consider when and where a consultant could provide that crucial objective look at how your work is accomplished. Consultants and contractors each have very important functions to fulfill in today’s corporate environment. Maximize your investment by knowing which function you need and which you are hiring.

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