

The *Right* Consultant

by Patrick Sarver

Everybody's business is different, and people tend to be almost blinded by their own business," says a Georgia-based framing consultant. "They're too close; they don't see the glaring needs in specific areas. If they do, they take care of it. But they often don't. That's when they need a consultant."

What Are Your Needs?

Even if you think you can benefit from hiring a framing consultant, knowing how to find and work with one can make the process a lot easier. "Before you begin to think about finding a consultant, be sure you have a true idea on what your real needs are," says John Alley of Alley Market Development Services, who has been involved in the framing industry for 35 years in customer service, sales, sales management, and upper management of a manufacturing and converting company. "Needs obviously vary greatly whether they are in production, sales, finance, shipping, technical, or any other important area of your business. The type of expertise required can then be identified. From my experience, there can be so many different areas of need that prioritizing them is the biggest issue. It is fundamental to first take the temperature of your organization to make sure everyone is on the same page, particularly about where the most pressing needs are. The difference in what upper management thinks as opposed to mid-management or the administrative areas and production floor can be astounding. Identifying and prioritizing needs can be done by developing a strategic plan for your business. Start with a "SWOT-I" analysis, which stands for Strengths, Weaknesses, Opportunities, Threats—and Important Issues.



*Is your business
running as effectively as it can?
Here's how to find, hire,
and use a consultant
to improve your bottom line.*

Alley says the best thing you can do for your business may be to find a consultant to help you with strategic planning. "You'll be able to reap the benefits of involving the members of your organization, then address the truly important areas that can further your growth and profitability."

It's a good idea to anticipate the need for consulting when planning and budgeting for the coming year. "One of the biggest pitfalls is knowing you need help but not seeking it because the additional cost was not anticipated in the budget," says Alley. "Good consultants pay for themselves in time, but you have to be able to afford the initial cost. In many cases the real payback is not associated with the initial project but in side benefits. A good consultant will see and hear things that may not be readily gleaned by management. A consultant can be perceived as non-threatening by employees, and they will tend to be more candid. Just be sure to find a consultant who is willing to freely share whatever information he or she comes across and won't store it away for future consulting opportunities."

Finding a Consultant

"A consultant can be a generalist, if that's what's needed," says the Georgia consultant. "But if there's a defined need in a specific area, get an expert in that area. Especially in the information systems area, it's important to get people with experience in a narrow band of IS, such as people who are experts in POS systems. There are many little chambers of expertise in IS, so you have to be very specific."

"The best way to find a consultant is to ask other OEMs who you are friends with and other people in the business," says Jim Parrie, owner of Millennial Technologies, a consulting

firm specializing in the OEM framing business. “That’s really it. Strictly picking someone because you see a name in a magazine is not recommended because you don’t know his or her specific knowledge. An OEM should start by assessing its consulting needs specifically, then do some research—through *PFM*, trade shows, classes, and other OEMs—to find out who the go-to guy is for a particular area. Then, if that consultant does write articles, read those. If a consultant teaches classes, take one of those. I would rather spend \$500 attending a class than hire a consultant for \$50,000 and take a chance on creating problems with my business.”

The Right Experience

When a consultant is brought in, he should have some clearly defined portfolio of services he can draw on and have working relationships with a lot of specific experts.

“Does a consultant have the right industry expertise?” asks the Georgia consultant. “If it’s a general consulting assignment, he has to draw on a lot of people. He has to be able to get an IS person to work on the POS system or a production engineer to work on the operational side if he’s not fully qualified in those areas.”

A consultant has to be able to provide credentials, which include formal education and industry experience. This should include endorsements from clients, including letters of recommendation, verbal or written, as much as possible. Time availability, scope of expertise, and geographic areas covered are also needed.

“They have to provide a clear indication on what they expect in compensation, both in consultant fees and expenses,” says the Georgia consultant. He adds that they should provide a logical method for tracking consulting time spent. If there won’t be a formal arrangement,

that information must still be available to the client.

“Before I go to work for someone, I want to make sure that the task is one that I have some experience with and can reasonably perform,” adds Parrie. “Just because I’m a picture framing consultant doesn’t mean I know everything. There are certain things I don’t know—such as printing gicles—but I know the people to call.”

The Hiring Process

Start by contacting the consultant

and discussing your needs without giving a lot of specific information. Then find out what they would charge. “After that, look at what your return on investment would be,” says Parrie. “If a consultant will charge \$5,000 but would save you \$30,000 a year, that’s a pretty good return. And you have to have a return on your investment that will be fairly significant because of the risk of bringing in a consultant—not an 8 or 10 percent return but a multiple.”

One way to approach hiring a

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consultant is to have that candidate visit your business and converse with you about your issues and needs, advises Alley. "Then it's up to the consultant to make a proposal on how he or she would address your situation, what the costs would be, what the payment arrangements would be, and a time line for providing the consulting 'product' to you. If appropriate, this could be a document that summarizes the consultant's findings and recommendations."

A consultant needs to provide a really well-designed portfolio that would include background—a resume, photograph, examples of previous work. "That could be a CD with a Power Point presentation covering projects they've been involved in," says the Georgia consultant.

You'll need an estimate on any proposed project, including what a consultant can do for you within a specific time frame. "A consultant should then sit down with a team of two or three key people from the

company," adds the Georgia consultant. "It should never be just one person because that person will be pretty much under the influence of the consultant, who's probably a good sales person. Then meet afterwards to discuss the consultant. A background check is necessary to establish credibility, just as when you're selling or buying a business. That way, it's not just one person's decision."

Checking References

"It's very difficult for a lot of consultants in this business to give a list of references because many clients don't want people to know what we did," says Parrie. "I would say that for 99 out of 100 projects that I work on, the client doesn't want anybody to know about it. It's quiet, for a lot of reasons. So asking consultant to provide a list of references can be like asking a doctor for a list of patients. But what you can do is to ask a consultant to show you some reports and other work with the names and private information taken out. It's not

hard to remove that with computerized files. This will give you some idea of the kind of work a consultant has done. You can tell quickly by looking at reports if consultants know what they're talking about."

How Much Will It Cost?

"Large companies are not the only ones that can afford consultants," says Alley. "Depending on the length of a project, payment might be a third up front, a third mid-term, and the balance upon completion. Longer projects might be payable in pre-agreed monthly increments. Sometimes it helps to think of a consultant as a part-time or even full-time employee. As a rule of thumb, calculate what a key employee would cost (with benefits) and use this as a guideline for anticipating your costs. If you're still unsure about the expense, try breaking out your needs into bite-sized chunks. Start with a 30 to 60 day project. If you are getting a good product, then sign up for another term. If you start to be dissatisfied, then you



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can break it off with a minimum of problems.”

“There’s no minimum size you need for hiring a consultant, because even single frame shops can do it,” says Parrie. “What really matters is what you can reasonably invest, because a good consultant isn’t a cost but an investment. Consultants charge a minimum of \$50 or \$75 an hour up to hundreds of dollars an hour. Smaller projects are typically more expensive per hour because you’re not giving the consultant a guaranteed cash flow. On those, you put a portion down or pay all the fee up front—always plus travel and expenses. It’s often half down and half on completion. For a two- or three-year contract, there will be some kind of retainer up front as well as a monthly retainer.

“When certain goals are hit, a consultant often gets a percentage of that goal or some sort of bonus,” adds Parrie. “This is especially the way things work for higher-end consultants. Some won’t sign a contract unless they

get a percentage of the return. Keep in mind that running a consulting business is expensive because of the overhead. As the business grows, a consultant increases the hourly rate—but there are limits. So a good consultant will typically charge a base plus a percentage of whatever they help a company make. I may tell a client, ‘If I make you anything over \$25,000, I’ll split the additional gain 50-50.’ Or whatever we agree on. That’s pretty common.”

“When it comes to fees, working with a consultant is somewhat like working with a lawyer,” says the Georgia consultant. “A lawyer may work on an hourly or a contingency basis. A consultant can make some projection on savings, with the expectation that if productivity is improved by X percent—or your revenue or average ticket price or whatever the target is—within a certain time frame, that improvement could be the basis of compensation.”

A consultant normally wants a

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retainer and some form of incentive. "No smart consultant will ever work on a total contingency basis," adds the Georgia consultant. "A consultant needs a cash flow during the contract, and the retainer covers that."

The time frame depends on how much a client needs a consultant, which a consultant needs to establish up front. "If a consultant goes into an operation where no one knows where anything is, what the inventory levels are, what the turnaround times are, or

the yield, there's a lot of background work that has to be done first," says the Georgia consultant. "Because no consultant can change your operation if you don't know what it is."

Workable Agreements

What do you feel the consultant can provide and what's it worth? Set up a firm contract that is measurable by both parties and that has a beginning and an end. It should fully cover all the terms and conditions any contract

should contain.

A consultant has to establish what the real need is if you are to solve the problem. "If a consultant sees that you're in such dire straits that you don't understand your real needs, there's some preliminary work necessary," says the Georgia consultant. "So a consulting arrangement needs to be broken into a number of different components, starting with investigating current conditions and determining what you need to do to remedy those conditions. For each of these there's a set-up charge, a time frame, and an expectation of moving forward to the next step until complete. If a company doesn't understand its productivity and is running behind, a consultant can say, 'Let me do some time studies.' If the consultant isn't qualified to do a time study, then he has to bring in a flow or production engineer to do a time study."

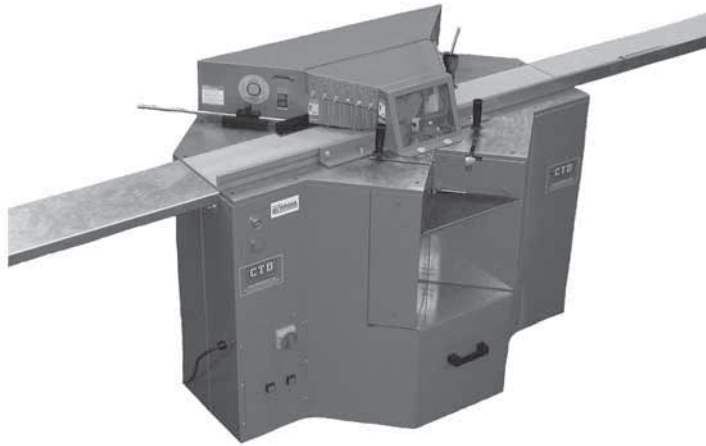
Setting Goals

"One of the things I've learned is that success is often more difficult when your goals are not clearly defined or if you don't have reasonable expectations," says Parrie. "Your goals need to be clearly defined, very results-oriented, and measurable, such as going from 500 to 700 units a day or decreasing cost of goods by 20 percent. Clearly defining the project up front helps a consultant stay focused. Simply saying, 'I want to be more efficient' is not a goal. As a consultant, I need something I can measure, such as a reduction of the cost of goods sold along with an ability to capture the measurements. You also need to know if your goal is reasonable. If it is, then you need a way of measuring it."

Effective Consultant Use

"Once you contract with a consultant, you must make your organization, key players, and yourself available to them if you want to succeed," says Alley. "You must be willing to hear some things that you don't agree with. And don't fall into the trap of hiring a consultant who agrees with everything

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you say. Hiring a consultant is like every other aspect of management; it is your responsibility to manage the issues and information. If things are not proceeding according to expectations, address matters immediately face-to-face with the consultant.”

“You need a system of measuring goals and meeting periodically to see why you either are or are not achieving your target,” says Parrie. “Meetings need to be frequent, such as once a week, via phone—not just with the owner but the people responsible for making decisions. A lot of times I tell an owner, ‘You need to do this, this, and this in your saw department.’ He tells the production manager, who tells the saw operator.

And that loses something in the translation. It’s far more effective for a consultant to have the owner, production manager, and perhaps the saw department manager on the phone together.”

“To provide measurable value, a consultant

must also be able to audit and control the feedback from you as to what you’re going to do as your part of the agreement,” adds the Georgia consultant. “Access to records is essential and helps ensure that you are both doing your part.”

Measuring Success

“Put targets and goals in front of the consultant in the agreement,” says the Georgia consultant. “Let’s assume the contract is focused on productivity. The consultant should know or should be given the productivity at the commencement of the program. Implementation of the consultant’s program will affect that productivity,

which will be measured at the end of the contract. The growth of that productivity—say 25 percent in 6 months—is measurable. If payment is not tied to the productivity in the contract, that leaves a company more vulnerable. So you need a plan of action showing exactly what the targets are. When they are achieved, the consultant is paid.

The Bottom Line

Most successful owners and managers analyze their businesses all the time, based on profit and loss statements. Evaluating a business correctly requires a business plan with certain targets to be achieved in given periods.

When targets are not met, that’s when you have to start looking at your operation. If you’re not prepared to look deep enough, you need a consultant. When you develop ways for that consultant to provide measurable value and meet your targets, both you and the consultant will be successful. ■

STEPS TO USING A CONSULTANT SUCCESSFULLY

- ◆ Determine your needs and budget
- ◆ Network to find potential consultants
- ◆ Review articles or take classes they teach
- ◆ Discuss your project with the consultant(s)
- ◆ Get a proposal and sample reports from former jobs
- ◆ Contract with a consultant, setting clear goals
- ◆ Have a system of measuring performance
- ◆ Hold periodic phone meetings with key people

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