

Contingent Workforce Strategies

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By Aaron Dalton

Making the Right Choice

Selecting temps, contractors or consultants to do the job

It happens at every company. A need arises, an important position opens up, but for whatever reason it's not possible or appropriate to hire a full-time, traditional employee to fill the gap. You need to turn to contingent labor, but what sort of person should you employ: a consultant, a contractor or a temporary worker?

Further complicating the decision is that there are no hard-and-fast definitions for these terms. Plenty of temporary employees want to be called consultants because they think it sounds better and more professional. A self-employed consultant is by definition an independent contractor. Still, there are guidelines to help you sort through the choices and pick the best contingent worker for the job at hand.

The livelihood of a self-employed consultant often depends on his or her ability to build long-term relationships with clients. As a result, consultants tend to bring more of a commitment component to their assignments, believes David Lewis, president of human resources consulting firm OperationsInc.

Of course, this only holds true if the consultant is really a consultant. Lewis says there are plenty of people who think 'consultant' sounds better than 'unemployed.'

"You may not care much if you're hoping to someday transition your contingent laborer into a more permanent position, but if you're looking for a true consultant, someone who will solve a particular problem for you and then be available in six months to work another project, and so on down the road, you want to be sure that you're hiring a bona fide consultant," he says.

How to make sure? One way is to ask for references from other projects on which the consultant has served. Hiring an independent consultant carries another challenge, Lewis warns. Because the consultant only gets paid while he is working on a job, as your project draws to a close, two problems may arise. If the consultant does not have another project lined up following yours, he may try to drag out the assignment and productivity may fall. On the other hand, his availability may simply drop as he spends time seeking his next project.

One way to avoid this problem is to hire a consulting firm that has senior partners to line up new engagements while the consultants in the trenches (like the one working for you) focus on the job at hand. Taking this approach has its advantages, but you're also likely to find it easier to negotiate on cost with an independent consultant than with a firm.

Also, consulting firms often have a fixed methodology that they bring to every assignment. In a way, this is a selling point for them. "When we provide an HR consultant to a client, behind the scenes that person has been trained, modeled, educated and supported in the same way as the 17 other people on our staff," Lewis says.

If an independent consultant goes on vacation, his client company has to do without him and struggle on as best it can. Firms, on the other hand, often can supply another person. If trained properly, the replacement consultant doesn't have to start from scratch. Whatever he does in the specific circumstances at hand can provide a similar level of service as the vacationing consultant.

"Consulting firms don't just sell people who are skilled in technology and HR," Lewis says. "They sell methodology, training and an approach. That way the leap is not so great if you need to change from one consultant to another."

Bob Kustka

Factoring Human Capital Into Your Business Plan

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What's the Job?

Though some contingent employees and their staffing firms might claim otherwise, there seems to be a broad consensus that consultants often fill higher-level positions.

“Consultants are generally hired for mid- to high-level management responsibilities by firms. Consultants have many years of experience in their fields and are hired for specific projects, processes or goals related to their expertise,” says Sherry Amanpour, founder of career transition, career services and search firm AMAN Consultant.

As Amanpour explains it, a consultant is often the contingent staffer with the most expertise who receives a complex assignment based on many years of experience in a particular field. Of course, that extra experience doesn't come cheap. A consultant's fees are often higher than any other contingent worker's.

Amanpour describes contractors as being a notch below consultants in both expertise and pay level. Contractors are often paid per diem and brought on board for a shorter period of time than consultants. Contractors, meanwhile, typically deliver higher level — or more focused — expertise than a temporary employee, Amanpour says.

While the terms ‘contractor’ and ‘temporary’ are used interchangeably by some firms, Amanpour says there are differences at most places in terms of expertise, assignments and pay, with temporary workers being at the lower end of the scale. “Consultants and temps are both helpful to an employer,” Amanpour maintains. “The difference is hiring each for an appropriate job function.”

Another way to look at it is to consider whether the contingent worker is adding new skills or temporarily replacing skills in an open position. Linda D. Henman, president of Henman Performance Group, says that ‘temp’ implies someone who is just filling in until a permanent person can be found, while a ‘consultant’ offers an organization something they do not ordinarily have. “Consultant relationships are not temporary, they are ongoing,” Henman says. “The role of the consultant is to improve the client's condition.” Henman offers an educational analogy in which a consultant would be akin to a visiting professor and a temporary employee would be the equivalent of a substitute teacher.

There are also rules of thumb. Consultants usually work on a project basis and apply not only specific skills but a particular methodology to their work. Contractors and temporary employees are usually assigned specific tasks and use a company's tools and methods of operation. In addition, temporary workers are found in a broader range of positions — from warehouse work to executive administrative assistants — than are consultants.

For example, a company might hire a marketing consultant to do research and design a product launch, which would then be implemented by contracted project managers and temporary employees.

The Value of Contingents

All of this makes it sound like temporary employees are at the low end of the contingent staffing totem pole, just stopgap measures. But **Bob Kustka**, president of international HR consulting firm CHR Partners, says that temporary employees have a valuable role to play in the right situations. “Temporary workers provide a good solution for peak periods in your work cycle, such as when you are launching a new product and need more production workers,” Kustka says.

Kustka says that temporary employees can also be a source for evaluating potential employees and transitioning them into regular employee status as long as there is a defined process such as a job posting system to guide this transition. Before taking the helm of his own consulting firm, Kustka was an HR executive with The Gillette Company for more than 25 years.

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“At Gillette, we had a long and successful history of employing entry-level factory workers as temps on our own payroll, especially when we were launching a new product,” he recalls. “We typically would keep them for six months, during which time they could bid on a regular job through our job posting system. This gave us the advantage of evaluating them and hiring the better workers.”

Kustka hired consultants, too, at Gillette, but in a different capacity from the temporary employees. “We used consultants when we were implementing SAP so that we could bring in specific technical knowledge that we would only need during the implementation phase. Once successfully implemented, we did not have the additional overhead on our payroll,” he notes.

Consultant Costs

If you’re thinking about hiring a consultant, you not only have to look out for unemployed consultant-pretenders, but also the mounting bills that consultants can bring with them.

Tom Johnston, president and CEO of SearchPath International, says that consultants can cost much more than a temporary or interim executive. He argues that consultants must charge more per hour to make up for the non-billable time they spend hunting for their next projects. By Johnston’s calculations (which assume that a consultant is only billing 30% of his time), the consultant who wishes to earn \$100,000 must charge \$163 per hour. In contrast, Johnston notes that a temporary executive in a \$100,000-per-year, 40-hour-a-week position makes only \$48 per hour.

Bradley Logan is VP of The TransSynergy Group, a marketing services and public relations firm. He says companies can use the following five questions to determine whether a consultant or temporary worker will best fill their needs: 1. Will the contingent worker fill in for someone who does routine tasks? Are the instructions documented? 2. Do you expect the contingent worker to suggest a process improvement or provide an additional viewpoint? 3. What is the duration of the engagement? 4. What caliber of resource is required? 5. Does the contingent worker need to hit the ground running or does the situation allow for some training time?

Logan says that the term consultant carries the connotation of being a knowledge worker and executing at a certain professional level. People expect to pay more for a consultant, he says — and in turn, presumably expect that the consultant will offer insights and suggestions that the company could not generate internally.

On the other hand, Logan says that temporary employees are more often seen as a commodity, someone to execute a certain task for a given period of time. There are of course plenty of instances where the two categories overlap. For example, Logan says his firm will get asked to run trade show booths from time to time, which he considers essentially to be a temporary assignment. But even in these situations, because Logan’s firm hopes to develop a longer-term relationship and land other engagements with the client, his consultants will try to interact with trade show visitors in a way that could help the client’s product development.

Logan admits that consultants are often more expensive, but contends that they may be able to perform double-duty, adding extra value in addition to their assigned tasks. A consultant who adds research or data-gathering services to his strategic role can save a company the cost of hiring a temporary workers solely to perform data research tasks.

Evaluating the position to be filled is critical to determining the type of contingent worker to seek. And because there are as many situations to be dealt with as there are companies, every solution is unique. But effective planning can help ensure that the right person is doing the right job.