

# MANAGING CONSULTANTS ON THINK TANK RESEARCH PROJECTS

by Raymond J. Struyk

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## About the series:

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# Introduction

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Essentially, all think tanks turn to consultants to supplement their resident staff. Often a think tank undertakes a project for which it has some of the required experts but not all, and it adds a consultant with the missing expertise to the project team. Less frequently, consultants are added to augment the number of experts working on a project, even though the think tank has technical capacity in all the necessary fields.

Consultants engaged to work on a specific project can provide expertise on a narrow issue, such as the details of the appropriate econometric technique to be employed. They can also work closely with resident staff, providing guidance on an episodic basis. Alternatively, a consultant can be assigned to execute a nearly free-standing part of a project and carry out the work largely independently and submit a report on the work done.

In all cases the think tank must execute five tasks well to obtain a good product efficiently: (1) use a strong contract and prepare a comprehensive Terms of Reference (TOR); (2) carefully select the consultant; (3) estimate and negotiate the consultant's payment; (4) actively monitor the consultant's progress, especially where the task is large or spread over several months; and, (5) exercise rigorous quality control over the draft products it receives.

This post focuses on managing individual consultants, as opposed to consulting firms, engaged to carry out major tasks largely independently, ranging from executing analytic tasks to being the sole author of major reports. To make the discussion more precise I use a specific case: the think tank hires a consultant to write a report that is part of a larger project, and she will work nearly full time on the task for four months.

This post addresses the tasks listed in the previous paragraph except identifying the right consultant for a task.

The stakes for hiring a consultant are high: a poor-quality product creates a major problem for the think tank which then has to work with the consultant on significant corrections or organize a re-do. At a minimum, staff time must be devoted to working closely with the consultant on revisions. The worst case, when the work must be redone, involves an expensive process of recruiting another analyst, managing that person, and critically reviewing the product. Whether a repair or replacement, significant management and financial costs are incurred by the think tank; often the delivery date for the product is missed, creating reputational costs.

Despite hiring and managing consultants being a common task, learning to do so is essentially learned on-the-job. Researchers certainly are not prepared at university for writing strong TORs and probably not much better prepared for defining the LOE (level of effort) needed for common consulting assignments.

Likewise, there is little literature to consult (there is a substantial void in the guidance available in the think tank human resource management literature). An energetic search for relevant articles and books on Google Scholar and other sites yielded few even tangentially relevant documents.<sup>1</sup>

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1. One line of literature was focused on public agencies engaging and managing consultants. "Consultants" in this case are generally firms, not individuals. See, for example, Leo Dobes, *Managing Consultants: A Practical Guide for Busy Public Sector Managers* (Acton, Australia: Australian University Press, 2<sup>nd</sup> ed., 2016). Another line of discussion identifies various types of consultants that are hired by businesses with differing missions. See, for example, B. Tether and A. Tajar, "Beyond Industry-University Links: Sourcing Knowledge for Innovation from Consultants, Private Research Organizations and Public Science-Base," *Research Policy*, vol.37, No.6-7, 2008, pp.1079-95.

I searched the OTT site specifically for "managing consultants" and "how to use consultants on research projects." Twenty-six posts were displayed in the first search and 64 in the second. None dealt with the topics covered in this post.

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Hence, my objective is to lay out strong practices for think tanks in managing individual consultants based on two primary sources of hands-on experience. First, I consulted in detail with highly experienced research managers at three think tanks widely regarded as well-managed about their own practices and which tasks they view as the most critical in managing consultants. The managers provided copies of the contracts and forms their institutes use with consultants. These think tanks are: the Urban Institute, the Results for Development Institute, and the Institute for Urban Economics. The first two are large organizations (measured by staff size, headcounts range from 150 to about 500) located in the U.S. The last is in Russia with a staff of about 30, although its management practices were developed when its head count was around 100.<sup>2</sup> In the following pages, they are referred to collectively as *participating think tanks*. The second source is my own successes and disappointments in hiring and managing consultants in the U.S. and in a dozen transition and developing countries.

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2. I sincerely thank Margery Turner, Courtney Tolmie, and Alexander Puzanov for their extensive cooperation and openness in working with me on this post.

# Establishing the framework

A general Policy and Procedures (P/P) statement is a key resource for those responsible for contracting and managing consultants. By providing definitions of key terms, describing the allocation of responsibilities among staff, and outlining the procedures to be followed, the statement establishes a framework within which agreements are written, verified and executed.<sup>3</sup>

*Definitions.* Four terms are particularly important. Illustrative essential elements in definitions for these four are listed below.

**Consultant** is an individual who is in business for himself or herself who provides professional-level services. A consultant does not have the legal status of an employee.

- Consultants operate under a written agreement and a description of work which are executed prior to the start of any work.
- Certain standards apply: they work independently and free of detailed direct supervision as to how work is to be performed, have multiple clients, do not supervise Institute employees, are paid via invoices submitted, do not perform routine operational duties, and are responsible for their own benefits.
- Consultants generally provide professional-level services that result in deliverables. These include, but are not limited to, research papers, chapters of books, commentaries and critiques, survey designs, and advisory services.
- Government officials may not be consultants.

As indicated, it is essential to distinguish clearly between the attributes of a consultant and an employee. Failure to do so may lead to claims by a consultant for benefits given to staff but not to consultants.

The prohibition on government employees is designed to avoid any possible appearance of conflicts of interest on the part of government workers.

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The **Consultant Agreement** is for professional services with an individual resulting in a specific deliverable(s) or advisory service.

- It is standard management control and Institute policy that no work under a Consultant Agreement may start until all parties have signed and executed the consulting agreement.

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3. This section draws heavily on the relevant Urban Institute Policy and Procedure.

- Agreements may be established for a period not to exceed one year but may be renewed, if needed, by execution of a new agreement.
- Team leaders (sometimes call Center Directors) may negotiate the rates and provisions of consulting agreements, but only the Director of Human Resources or her/his designee may sign and execute Consultant Agreements.

The one-year limit for Agreements aims to force attention to whether the consultant's negotiated rate should be reviewed and to whether an Institute wishes to continue a consulting relationship with someone. One can imagine a case when the work done has not been very good that an Institute would not like the consultant to use her continuing relationship with an Institute to obtain assignments elsewhere. This said, one participating think tank said that while the annual renewal was clearly a best practice, it did always succeed in a full set of renewals. Many only were done when a consultant was to be given a new assignment.

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**Terms of Reference (TOR)** is that portion of the written Agreement which details the specific services to be provided, deliverables, timetables and deadlines.

- The TOR should specifically delineate tasks to be performed, work product deliverables, deliverable due dates, and the payment schedule.
- Where the work performed does not result in any specific documentation or work product, the consultant is asked to provide a summary activity report that describes what services were provided.

**Consultant rate** is the rate negotiated at which a consultant will be compensated. This may be expressed in the form of an hourly or daily rate or as a flat fixed fee.

- The rate should not be higher than the lowest rate the consultant charges for similar work to other clients.
- Documentation supporting any compensation determination must be attached to the consultant agreement.
- To assist in this rate determination process, each consultant shall complete, sign, and certify the accuracy of information that she/he provides to the Institute.
- Proposed consultant rates are based on previous paid rates. Such previously paid rates should be for extended periods of time (i.e., not for only one or a few days of work).
- In the absence of a previously documented rate, the proposed Consultant's salary may be used as the basis of the rate. The salary is usually divided by 2080 hours (260 work days per year) to arrive at an hourly rate. Depending upon circumstances, increasing the hourly rate of the consultant by a targeted rate of ten (10) percent is generally deemed reasonable. This increment helps to offset the difficulties many consultants face in being able to link work assignments so as to be employed full-time.
- All rates are approved by the Director of Human Resources.

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*Responsibilities.* The Team Leader is the central player and has the key responsibilities. While the Principal Investigator for a project or a Technical Monitor on the project team can be appointed to work with the consultant to satisfy on-boarding requirements, ultimate responsibility rests with the Team Leader. In particular,

- (1) that proposed consultants are actually be engaged as consultants and not as employees, (2) that information materials documenting the consultant Terms of Reference and remuneration rate are sufficiently detailed, accurate, and complete, and (3) that no work commences prior to the signing/ executing of the consultant agreement.

The Director of Human Resources, or her designee, reviews and signs all consulting agreements.

*Procedures.* This section contains an outline of the flow of responsibilities and corresponding paper work among those involved in engaging the consultant. Additionally the process for paying a consultant in response to submitted invoices is outlined.

As readily clear to the reader, the foregoing information when fully laid out provides project managers with a clear picture of the tasks involved and the person responsible for each. A strong P/P statement simplifies the actual tasks of onboarding and managing a consultant. It is good practice for supporting documents used in the process be appended to the P/P statement.

# Use a strong contract and prepare a comprehensive terms of reference

The Institute-consultant Contract or Agreement governs all formal relations between the two parties. An Agreement has two parts: Terms of Reference and Terms and Conditions regarding the consultant's relationship with the Institute. Terms and Conditions are often an attachment but still is an integral part of the Agreement. The major elements in the Agreement are:

- I. Project Objectives and Background
- II. Consultant's Role and Scope of Services
- III. Deliverables
  - Products listed and described
  - Delivery schedule
  - Review process, including any presentations to the Institute are required
  - Style Sheet, i.e., specific report format
- IV. Payment Terms and Schedule
- V. Terms and Conditions

A few further notes on what the TOR portion should provide:

- Sufficient information about the overall project such that the consultant can understand how her responsibilities relate to the rest of the project OR a statement about the actions your institute will take to orient the consultant such as documents to be provided or orientation meetings with the consultant.
- Information on who is working on related tasks and encouragement or the requirement to coordinate with them, possibly through the task manager, if there is need to do so.
- A statement on the work to be done, beginning with the specific objective(s) of the work, and continuing with the type of analysis to be performed, identification of certain data sets to be used and possibly encouragement or a requirement to seek out other reliable information, including the conduct of interviews or other data collection.
- Description of the report to be produced: anticipated length, type of evidence to be presented, format to be followed (no point spending staff time reformatting a consultant's report; provide a style sheet).
- An overview of the review process for deliverables—what the process entails, including if the consultant will be asked to make a presentation to the project team on certain deliverables; the positions of the reviewers; the form in which comments will be provided; and, how soon after submission comments on a deliverable will be provided.

Because of the diversity of possible assignments, it is difficult to provide more detailed prescriptions about TORs in general. This diversity also is a strong argument for good examples of TORs to be available to those drafting these documents.

*Terms and Conditions* are a set of principles defining the relationship between an Institute and the consultant and the consultant's obligations. Coverage ranges from confidentiality requirements to ownership of consultant-produced products. Below is a list of those I view as the most important. It is likely that many think tanks will add to these as needed to correspond to common practices and laws in their countries.

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**High quality, original work.** The Consultant warrants that the work will be performed in a competent, thorough and professional manner, and that any work product provided will be the original work of Consultant, apart from quotations from the works of others clearly so marked and with appropriate citations thereto. The Consultant will pursue all duties and obligations under this Agreement diligently and in a timely manner.

Some think tanks reference that the work be done in such a manner as to meet its ethics policy, which is a more expansive statement. If this is done then a copy of the Institute's ethics policy should be part of the full contract as an attachment. If this is not provided, the consultant might be able to plead ignorance of a standard in the policy should the Institute identify practices that violate its standards.

It is also good practice to include a brief, broad statement to the effect that should the consultant employ unethical practice the Institute may refuse to make the full payment agreed and in certain cases it could seek damages in court. These cases include violation of its rights in the product produced by the consultant or the improper use of other Institute materials such as publications, internal materials, and data sets.

**Confidentiality.** The Consultant shall maintain the confidentiality of any information regarding applicants, project participants, persons responding to any questionnaire or survey, and member of their families that may be obtained through questionnaires, application forms, interviews, tests, reports from public agencies, or other sources. Such information shall be divulged only as authorized in writing by the supervisor identified in this Agreement or an Officer of the Institute.

The Consultant shall not make any news release or public announcement regarding any part of the subject matter of this Agreement nor any phase of the work, or any of the results of the work, or any of the work itself, without prior written consent of the Institute.

**Transfer of materials and rights.** The Consultant shall furnish to the Institute copies of all written products (papers, manuscripts, notes), data, or any other information or materials (e.g., photographs, graphic presentations, manuals or logs, work or processing instructions) compiled, produced, or resulting directly from performance of the work. The Consultant transfers all rights, title and interest worldwide to any such product, data, or any other information to the Institute.

A manuscript prepared under this Agreement shall be a work made for hire within the meaning under the law of the Institute's country. The Institute shall hold all rights to the manuscript without limitation and may register the copyright in its name. Upon request, the Institute may decide to transfer publication rights to the Consultant, but such transfer must be authorized in writing and signed by a center director or officer of the Institute. The Consultant shall credit the Institute as instructed if such publishing is authorized.



**Termination.** This Agreement may be terminated by either party at any time upon 30 days written notice to the other party. Upon termination, the Consultant shall be paid for work performed before termination or under flat fee Agreements for deliverables submitted up to the date of termination.

**Expense reimbursement.** As necessary, the Consultant may request reimbursement for travel expenses incurred exclusively in the performance of the work specified in this Agreement and in accordance with the Institute's policies for such payment to Institute employees. Such expenses will be reimbursed only to the limits approved in writing prior to the commencement of travel. The Consultant may request reimbursement for other (i.e., nontravel) out-of-pocket expenses incurred exclusively in the performance of the work. These and other out-of-pocket expenses also require advance written approval by the Institute as to reasonableness before reimbursement will be made.

**Flow-through provision.** In the event that any work under this Agreement is pursuant to a contract or grant from a government agency or other sponsor to the Institute, any relevant provisions from the contract or grant shall be deemed to be incorporated in this Agreement: (a) in such manner as to make the Consultant subject to the obligations imposed by such provisions; and (b) to the extent necessary to enable the Institute to perform its obligations under the grant/contract and to enable the contracting/granting agency to enforce its rights thereunder. The Institute will provide to the Consultant the appropriate sections of its contract with the Client for general reference.

**Assignment.** Neither party may assign any rights or delegate any duties under this Agreement without the express prior written consent of the other Party.

**Indemnification.** The Consultant agrees to indemnify, defend, and hold harmless the Institute and its employees, representatives and agents from and against all claims, demands, liabilities, suits, damages, costs and expenses of every kind and description, including penalties and reasonable attorneys' fees, proximately resulting from any negligent act or omission by the Consultant.

The above is no doubt an imposing list. Unfortunately, experience shows that not having one like it, tailored to local laws, may prove very costly to a think tank in the course of working with consultants.

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# Estimating the consultant's payment

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The full payment has two components: the payment for services provided and reimbursement for allowed expenses. Service payments in turn are the product of the estimated days to be worked and the consultant's approved daily rate.

A fixed-price contract is often preferred because of its administrative simplicity. However, a time-and-materials contract is used frequently, especially when there is significant uncertainty about the level of effort needed to carry out the tasks in the Terms of Reference.

*Payment for services.* Standard practice in negotiating the daily rate is for the team leader or her designee to begin with information provided by the consultant on the daily rate she received in the recent past, perhaps three years, for similar assignments. Most think tanks have a form that the consultant completes that shows daily rates received separately for several consulting assignments usually of two weeks or more. If consulting experience is limited, information on salaried positions over the past three years can be used. The hourly rate corresponding to a salary received is calculated as the gross annual salary, exclusive of benefits such as employer provided health insurance or retirement contributions, divided by a standard number of hours accepted as corresponding to a full-time position. It is 2,080 hours in the United States, for example. Greater weight is given to actual consulting rates.

Those at the Institute negotiating with the consultant usually have a general idea of the going rates for consultants with various skills and experience. Some think tanks create a spreadsheet of rates paid in the past to its consultants which can be sorted by years of experience, education level, and area of expertise. Such data provides a good general reference for assessing proposed daily rates.

If there is uncertainty about one or more of the daily rates reported by the consultant, the Institute can always request supporting documentation from the consultant. Usually this is a copy of the contract for the assignment in question. None of the participating think tanks try to obtain information from firms that have previously engaged the consultant. Many firms have policies prohibiting sharing this information. Still, task managers can contact colleagues at other organizations about the daily rate they believe to be reasonable for someone with a specific set of qualifications.

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The level of effort or number of days needed to accomplish the TOR is the second parameter to be negotiated. Here it is important to be certain that all tasks to be done are included in the contract. Beyond the analytic,

data collection, and report writing tasks that are the heart of the TOR, both parties need to check on several others that could be included. These could be participating in staff meetings, reporting to the task manager and otherwise interacting with the team, and making in-house presentations or presentations to external audiences, e.g., at relevant conferences.

It is possible for experienced researchers, both the task manager and the consultant, to estimate the work days involved in a simple assignment without much detailed analysis. In most cases, however, the LOE estimate is developed by identifying all the tasks to be done and then the number of day each will require.<sup>4</sup> An accurate result from this kind of build-up requires significant experience on the part of the task manager both to identify all the steps involved and to assign a reasonable number of days of effort to each.

In cases where the task is very simple, such as commissioning someone to prepare and present a presentation at a conference being organized by the Institute, a simpler approach and contract can be employed. The usual vehicle for such cases is a Letter Agreement.<sup>5</sup>

The product of the daily rate and LOE is the consulting fee to be paid to the consultant. There are strong incentives to the team leader for making sure that each of these factors is accurate. Projects have defined, hard budget constraints. Failure to meet them is viewed as a major management shortcoming at most think tanks. On the other hand, negotiating too rigorously with the consultant on the fixed price risks the consultant not having sufficient paid days to do a really strong job and may well result in a product that is weak in some areas which puts the Institute at risk with its client.

*Expenses* are reasonable costs the consultant incurs in the course of providing the services indicated in the TOR. Two key points universal among the participating think tanks are that every expense must be authorized in advance and requests for reimbursement must be accompanied by receipts. Reimbursement for expenses incurred with travel within the home country or internationally is often the largest expense category for a given consultant. Again, all of the participating think tanks have detailed P/Ps governing travel expenses which must be followed by both staff and consultants. For consultant assignments where travel is anticipated, the Institute's travel P/P should be an attachment to the Agreement.

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4. For example, the TOR may call for the consultant to conduct 10 elite interviews with experts. The task manager would then estimate the time needed for each step: drawing the list of interviewees (others may well need to be contacted for recommendations); average time per interviewee to secure the appointment; time, including travel, to do the interview; and time to write the results.
  5. A Letter Agreement is a special kind of agreement used when the deliverable is a speech, participation at a conference or seminar, or similar activities which merit travel expenses and/or an honorarium or nominal one-time only fee (generally \$2,000 or less). Honoraria are payments given to a professional person for services for which fees are not traditionally required, e.g. for a guest speaker or a participant at a conference or seminar.

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# Monitoring during the performance period

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The extent and form of monitoring varies depending on how integrally the consultant's work is related to the other parts of a project and the extent of prior work the consultant has done with the specific team at the think tank. The greater the degree to which the design and execution of other project components are related to the work of the consultant and the less experience the consultant has working with the particular project team, the greater the extent of coordination and report that is appropriate.

The types of the reporting and participation to be required of the consultant are usually completely up to the Technical Manager and are stated in the Agreement. For projects requiring substantial coordination among components, having the consultant participating in team staff meetings, or at least those focused on project execution, may well be essential.

Where coordination among team members is less essential, email exchanges may well be sufficient once the work is launched. The consultant can provide progress reports on an agreed schedule and the technical manager can keep the consultant informed of project developments she needs to know about that affect her analysis.

# Quality control

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The review process at the participating think tanks is broadly similar. The technical manager for the consultant does the initial review of a deliverable. Usually the manager rates the product as sufficiently strong to warrant a full review. If not, she requests changes from the consultant before further reviews are carried out. One participating think tank does no further reviews if the manager is fully satisfied with the product. At the other two additional reviews are the norm, which I view as the more appropriate procedure.

When the acceptable draft is in hand is the point at which the consultant would be requested to make a presentation on the product to the team and perhaps others, if these are thought appropriate.

One reviewer beyond the technical manager is always someone outside the team, drawn from Institute staff or from outside the Institute. Outsiders are employed when specific technical or subject expertise not available within the Institute is required. The other is often drawn from the project team.

Good practice is for each reviewer to provide comments in the form of a list of points of important changes that need to be considered along with comment balloons inserted on the manuscript. The technical manager shares these with the consultant. The manager decides whether to supplement these with a discussion about the comments with the consultant. The technical manager is responsible for working with the consultant to arrive at an acceptable product. Importantly, none of my respondents had the experience of a deliverable being unacceptable at the end of the review process, although in some cases the process was challenging.

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# Keys to successful management

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In the interviews with the technical managers at the three participating think tanks I asked questions aimed at obtaining their views about the most important actions those managing consultants could take to ensure a strong product and efficient task completion. The responses are interesting, in part because of their high consistency across managers.

As one might imagine, the managers stress the quality of the TOR. Particularly important is to state clearly and fully the context of the assignment, the project's specific objectives, the analysis to be done and techniques that appear appropriate, data sources, and the objectives of and audiences for the reports to be produced.

The managers all emphasized importance front loading oversight. Critical is a personal meeting with a consultant as soon as work begins, either physically in person or via a video if the first option is not possible. In the meeting go through the TOR carefully, in particular orienting her to the project, the connections of her assignment to other project elements, clarifying the ways in which she should keep the manager regularly informed of her progress, and reviewing the analysis to be done and the associated reports. While these areas may have been discussed earlier, the managers interviewed are convinced that this early meeting is an invaluable management step.

In the early month or so of the project sustain contact to make sure work is proceeding as agreed. In particular review in detail methods being employed and discuss report outlines or Tables of Contents at an early stage to ensure that there really is a mutual understanding of what is to be done. Probe where necessary. Later, ask for early report drafts to review.

These intensive oversight actions are supplemented with regular contact through email reports or phone over the life of the project to help ensure that work continues steadily following the agreed course.

Obviously, this type of consultant management requires a substantial time commitment by the consultant's manager. The managers I interviewed clearly believe this is essential and why they have never had to reject a product submitted by a consultant after regular review and revision.

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