

Professional and consulting services for project manager^{1, 2}

By Simon Bryard

ABSTRACT

In this paper we will focus on the different forms of contracts related to professional and consulting services.

When it comes to call out a professional service (which can be suppliers, contractors, consultant or consulting company ...) a project manager faces several different types of contracts and must choose the one who fits the best to his need in order to handle the risk. This paper aims to guide him towards the best option.

We choose, in a first way, to base our analysis on 4 different types of contracts to see which one is the best according to the question: what are the project manager needs? We will quickly see that we can remove one contract from our analysis which is the open-end agreement and we will focus on the standard services agreements and on the standard consultancy agreements.

Finally, we will conclude on the fact that project managers should use services agreements to work with contractors and consultancy agreements to work with consulting companies and explain to him what are the key clauses each contract should include and why.

Key words: contracts - professional services – service agreement – consultancy agreement – consultant – consulting company - project manager

INTRODUCTION

The consulting French market, namely pushed by the digitalizing of big firms and the increasing importance of data, has grown by more of 10% in 2017 and has created around 3500 jobs in 2016.

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A consultancy mission aims to a deep analysis of a problem or a project for the consultant to give recommendation to clients to help him to fulfill this project. Indeed, there are some situations when a project manager needs technical advices to make his business grow, for example with his data analysis or his human resources strategies, but hire a new employee is too troublesome so professional services can be the solution.

A professional service is an intangible product that a contractor sells to help a client to have a better management on a specific part of his business. It provided technical knowledge about niche areas of interest. Nonetheless, we can differentiate a contractor and consultancy services as a consultant evaluate a client's need and provide expert analysis in answer to a problematic and a contract evaluate the client's need and perform the works. In this paper we will focus on professional services linked to contractor and consultancy services, on contracts involving contractors and consulting company (which exclude freelance consultant) and clients.

With professional services contracts, it is crucial to cover a certain number of terms to facilitate the relationship with the clients all along the project. As this type of mission/service is very important and can be costly for the client, one consultant or consulting company is engaging his responsibility, then it is mandatory to define the good type of contracts between clients and consultants or consulting companies and the involvement of each parts. With professional services contracts, it is crucial to cover a certain number of terms to facilitate the relationship with the clients all along the project.

This paper will attempt to uncover and develop the following questions:

- What are the different types of professional services contracts?
- What are the key points they should include?

Step 1 Those aspects will be helpful to understand the different ways for consulting company to deliver professional services through different types of contracts, to understand what involve each types of contracts and analyses the several options for project manager regarding professional services.

METHODOLOGY

Step 2 & 3

This methodology will aim to analyses the feasible alternative through the different type of contract linked to consulting and professional services and to give them attributes through the main clauses that those types of contracts should include. There are several types of contracts that manager can chose when they need to require professional services from consultant or consulting company. It's important to choose the suitable contract depending on the situation on the key point the project manager want to have included in those contracts, and then manages or handle some potential risks linked to the involvement of each parties in this contract

- 1) **Services agreement:** This is an agreement between two parties who sets out the corresponding rights and obligations between two parties in order to deliver a service in exchange of a payment.
- 2) **Consultancy agreement:** This a particular type of service agreement between a consultant that deliver business strategies advices to the client (the business owner)
- 3) **International service agreements:** This a particular type of service agreements that allows you to extend your services or activities abroad.
- 4) **Open End Agreement:** This is a type of consultancy agreements that allow the client to retain the consultant only when he needs it.

Step 4

We will have a look at different key clause those contracts should include to see the pros and cons of each contracts and then be able to evaluate which contracts is more suitable to project manager depending on the goals or activities they want to achieve. The chosen key points are the following:

- **Rights and obligations:** Both parties have to define clearly their involvement in the contracts and the circumstances that can lead to a rejection or an alteration of the contract.
- **Payment terms:** the payment terms detail the time and the method of payment of the services provided. It's important to be very careful on the payment clause
- **Non-solicitation:** This clause ensures that the provider does not solicit the client, after a certain period of time, once he has delivered the service.
- **Termination:** that clause sets out the circumstances that allows the termination of the contracts
- **Performance of the consultancy services:** this clause defines clearly the scope of the consultancy services that has to be provided to the client
- **Provision of services:** Detailed scope of services that you will provide to the client

MATRIX ANALYSIS				
Attributes	Service agreement	International service agreement	Consultancy agreement	Open end agreement
Rights and obligations	1	1	0,5	0,5
Payment terms	1	1	0,8	0,3
Non solicitation	1	1	0	0
Termination	0,8	0,8	0,6	0,6
Performances of consultancy services	0	0	1	1
Provision of services	1	1	0,6	0,6

This matrix analysis helps us to start a ranking order with the service and international service agreement having the best rank with the same. Then we have the consultancy agreements and at least the open-end agreement that we will remove from our analysis as it's the least desirable alternative.

FINDINGS

Step 5

The matrix analysis above helps us to understand how simply a clause can be well defined regarding the type of contract and the importance of a rigorous definition for each type of contract. Nonetheless we removed the open-end agreement alternative from our analysis as it's the least desirable option. We understand as we supposed in the introduction that the importance of a rigorous definition of each clause differs depending on the type of contract wanted by the project manager, nonetheless we can clearly see that services agreements are suitable for contracts linked to professional services and consultancy agreements are suitable for contracts linked to consultancy services.

We did not eliminate any of the three alternatives as we consider that the best option depends on the type of services a project manager wants to benefit from. We established a scoring system according to our disjunctive analysis, each attribute has a score from 0 to 1 (with 1 as the best score, I.E the clause can be easily define within the agreement) and consequently each alternative has a score from 0 to 6 (see table below).

MATRIX ANALYSIS			
Attributes	Service agreement	International service agreement	Consultancy agreement
Rights and obligations	1	1	0,5
payment terms	1	1	0,8
Non solicitation	1	1	0
Termination	0,8	0,8	0,6
Performances of the consultancy services	0	0	1
Provision of services	1	1	0,6
Attributes	Service agreement	International service agreement	Consultancy agreement
Rights and obligations	1	1	0,5
payment terms	1	1	0,8
Non solicitation	1	1	0
Termination	0,8	0,8	0,6
Performances of the consultancy services	0	0	1
Provision of services	1	1	0,6
TOTAL	4,8	4,8	3,5

Step 6

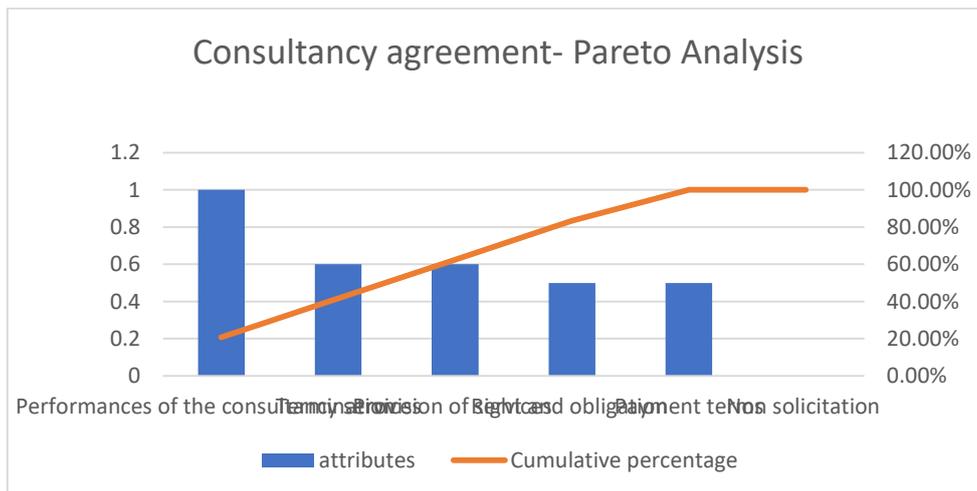
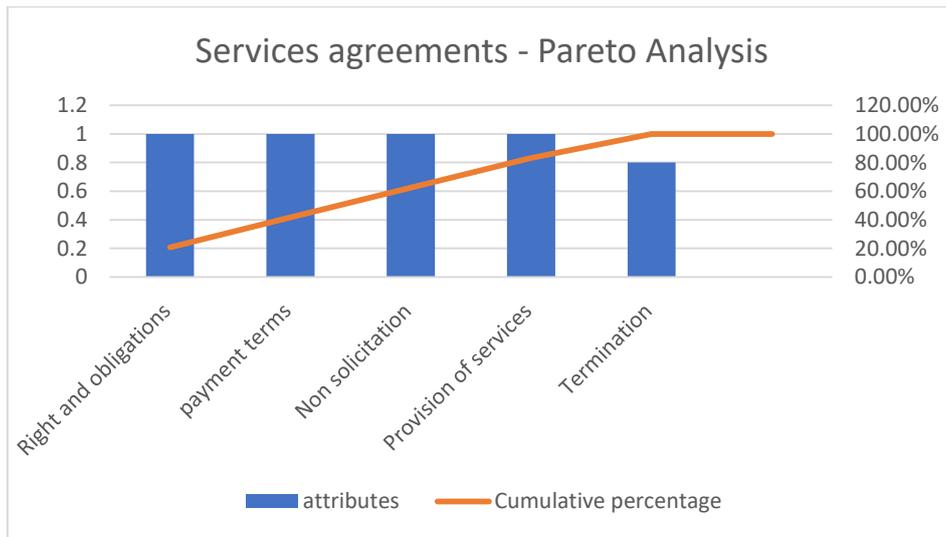
The services and international services agreements alternatives have the same score (4.8) whereas the consultancy agreements alternative has the worst score (3.2). Which mean that the two first solutions are 137% more effective, compare to the consultancy agreement, when it comes to defines the clauses that we choose as attributes.

Step 7

Nonetheless we cannot reject the consultancy agreements alternative. As we said, the two first alternatives (services and international services agreements) are engaged when a project manager want a contract with contractors and the third alternatives (Consultancy agreements) is engaged when a project manager wants a contract with a consultant / consulting company (We analyzed the difference between contractors and consultant in our introduction). Indeed, engaged a services agreement is a simple process where a project manager want a product or a service to be deliver for a certain amount of money and within a certain period of time, engaged a consultancy agreement is a process way more complex as the consultant as to deliver a certain knowledge all along the project. Consequently, if the right and obligations have to be clearly defined in all alternatives and if the performances of the consultancy services is also clearly define for the consultancy agreements, the fulfillment of the provision of services is more uncertain in the consultancy agreements : the contractor has done his work when the product or services his deliver in the conditions established by the contracts and the payment contractor will close the transaction, in a consultancy services the rigorous definition of the performances

and provision of services doesn't assure that the consultant, at the end, will fulfill all the clients expectations. Such as the termination, payment terms and non-solicitation which are easier to define and need less negotiation with professional services (contractors) than with consultancy services.

Finally, we can enlighten and make a post evaluation of our findings by a comparative Pareto Analysis:



CONCLUSION

This paper aimed to answer to the followings question:

1) What are the different types of professional services contracts?

We analyzed three main types of contracts related to professional services and divide them into 2 categories:

- Professional services: when you work with normal contractors, you can use a service agreement contract or an international service agreements contract.
- Consultancy services: when you work with a consultant or a consulting company, you will use a consultancy agreements contracts.

2) What are the key point they should include?

In both case they should include the main clause related to professional services, i.e whatever we are on professional services or consultancy services the contracts as to define clearly the involvement of each parties in order for the project manager to handle any risk. For example, it's obvious that in any kind of contract you need a rigorous definition of the right and obligation and the payment terms: you need a contractor to be clear on what he will provide to the clients and for what pricing in return on your engagement to pay him at a due date. Nonetheless, the project manager can consider differently the importance of the definition of each clause depending on the type of contracts he choose : the provision of services is harder to define in a consultancy agreements so he has to be demanding on the performances of the consultancy services; The non-solicitation can be a good solution with a service agreements whereas is harder to set-up in a consultancy agreements as clauses as termination and payment terms will be easier to set-up in services agreements and will need more negotiation in consultancy agreements.

FOLLOW ON RESEARCH

The next step of this paper would focus on the consulting services for project manager, adding the sales point of view in the analysis. In consulting company, that is usually the sales peoples who handle the signature of contracts between clients (project manager) and consultants (employees), then the follow-on research would explain how sales peoples manages their contracts to hire consultants and to provides their services to clients.

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Simon Bryard is a student in Project Management and Business Development Master of Science at Skema Business School in France. After a graduation and two years of economical preparatory classes in Dijon, he started his studies in Lille but did his first year of masters study in Raleigh, North Carolina. He's currently finishing his studies in Lille and Belo Horizonte, Brazil for his last Master of Science Semester. He has a few experiences in Business Development and Project Management as he did a 6-month internship as a business developer for FACELIFT, a Fintech in Paris, and a 6-month internship as a Real estate project manager for AMARIS Vietnam, a global consulting company that namely operate in Vietnam. He intends to do his end of study internship as a Junior Sales in a consulting company or in a SSII as Junior Sales and then as Sales Manager.

He did this paper under the authority of Professor Paul Giammalvo in the framework of the class 'International projects for contracts '. He namely had the idea on working on contracts between project manager and consultants in consulting company after working as a real estate manager in consulting company: he was in charge of setting up a new office in Lille for the French director of his company; when establishing the layout of the office the director told him "I want a separate office between consultants and sales peoples so that the consultant can't see the contract between sales manager and clients ". He decides to investigate on that topic to clearly understand the issue of the director regarding this issue.