

The hired guns

Maine small businesses turn to consultants to fill crucial strategic and tactical roles

BY REBECCA ZICARELLI

Like many small-business owners, Gilbert Bluthley worries. "The thing that kept me up at night was meeting payroll," he says of his company, BEK Inc., a computer networking and technology firm in Brunswick. BEK's cash flow went up and down; during the lean summer months when his clients in the corporate world were on vacation, it was hard finding the cash to pay his three employees. Two years ago, Bluthley says he knew his business needed to grow, but he was leery of hiring when he already had problems meeting his payroll.

The solution, Bluthley thought, lay in ongoing expert advice, along the lines of what a chief financial officer might provide at a larger company. But instead of hiring a CFO to help solve his cash-flow woes, Bluthley outsourced the job to Howie Herodes of Herodes Financial of Portland. "I was looking for a strategic vision and a direction for the company, an idea of where I was going financially," Bluthley says. "I knew where I'd been, but didn't know where I was going. [Herodes] developed an organizational structure for the books."

Interim executives are often thought of as a last resort for failing companies, but an increasing number of companies in Maine are realizing that retaining an independent consultant to fulfill ongoing strategic and tactical functions can be money well spent. Independent consultants can act as interim CEOs, CFOs and COOs, part-time administrative assistants and production specialists. They can manage marketing campaigns, human resources, corporate finances or even health care spending. (See "Watching your health," p. 20.) For a growing business, consultants can bridge the gap between needing a person for a few hours a week and hiring a full-time employee.

At BEK Inc., for example, Bluthley only pays Herodes when he needs him — contracting for his services on a per-project basis at \$125 an hour — and he doesn't



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A working partnership: Gilbert Bluthley, left, retains Howie Herodes as the on-call CFO for his computer networking firm

rack up overhead for weekly payroll, benefits, office space and accoutrements like staplers and computers. Bluthley also says Herodes provides a level of expertise he couldn't afford to keep on staff; before becoming an independent consultant, Herodes worked for the Portland public accounting firm Ernst and Whinney (now Baker Newman & Noyes) and in corporate finance for Blue Cross Blue Shield, where he was responsible for regional budgeting, forecasting, cost allocation and financial analysis. Now, Herodes uses his big-business expertise to help small businesses grow. "I love to help companies become more successful," he says, "because if they're a success, I'm a success."

Hiring Herodes has proved to be a wise choice, according to Bluthley. "I've been sleeping for the last year," he says. "I've built up my cash flow; I know what I can spend. I know I can meet my obligations to my people. I went from three full-time

employees to five with his support. There will be six in January, and in April, we'll be growing again."

The pursuit of passion

Suanne Williams-Lindgren runs an organizational-development and human-resource consulting agency called Spar Cove Consulting in Freeport. Williams-Lindgren knows her strengths lie in teaching employees how to be more effective leaders and managers. The work requires a lot of written material, and she knows word-processing is her weakness. "I type 35 words a minute with 25 errors," she says. "I needed somebody competent, with excellent word-processing skills, to rely on to prepare proposals, training material and handouts that represent me and my organization. But I don't have enough work for part-time help because my business is fluid. Some weeks I'll need several hours



An efficient option: Suanne Williams-Lindgren (r.) hired Judi Jones as a virtual administrative assistant

help a week, others nothing.”

Instead of hiring a part-time assistant, about two years ago Williams-Lindgren developed an ongoing relationship with Judi Jones of InfoHarbor in Freeport, who acts as a virtual administrative assistant. “When I say, ‘Can you do this?’ she says yes,” Williams-Lindgren says. Now, not

only does Jones prepare Spar Cove’s written materials, she maintains the firm’s website, handles the calendar and phones while Williams-Lindgren is away and manages short-term projects.

“I give people time to pursue the passion that made them go into business in the first place,” Jones says, “particularly

when they can’t do everything or they’re starting to delegate tasks.” Jones charges \$27.50 an hour and up depending on the task; her menu of services includes administrative help, bookkeeping, website maintenance, technical writing and software development. She has about 20 clients in total, 10 to 12 of whom she works with on a regular basis.

Most of Jones’ clients are themselves consultants, reflecting the truism that those who consult tend to be more willing to hire consultants. “Most small business owners don’t recognize the value in getting their time back to focus on tasks that contribute directly to their bottom line,” Jones says, adding that business owners need help when they find themselves spending time they don’t have on tasks like backing up computer files or maintaining Microsoft Office.

“No matter what the economy’s like, you should decide between hiring an employee and outsourcing,” Jones says. “According to salary.com, the median salary for an administrative assistant is \$42,201 in Portland. When you add in benefits, that’s \$63,000 a year. Then there’s office space and equipment, for a total of about \$30.44 an hour. You can pay me less; only use me when you need me.”

Defining a crisis

All too often, consultants say, business owners wait until they have a crisis before

Watching your health

Specialized consultants find unique solutions to pressing health care problems

Just as there’s a trade magazine for every industry, these days there’s a consultant for every business malady — including the ever-present problem of rising health insurance costs.

Case in point: When the cost of Expedia Inc.’s employee health insurance benefits began rising faster last year than the benchmarks for similar companies, the online travel service known as expedia.com turned to Bob Fast, executive vice president at ClearPoint, an employee benefits and insurance consulting firm in Portland. “They were looking for ways to control costs without shifting the costs to their employees,” Fast says. “They had an interest in reviewing their health care data, and seeing how it compared to cost benchmarks.”

What Rice and his staff found surprised him. Expedia, headquartered in Bellevue, Wash. with three call centers spread across the country, had a high rate of doctor visits and prescriptions for sore throats. According to Fast, “They were spending nearly \$100,000 [annually] on chronic sore throats and related problems,” which was driving the increase in health insurance premiums.

Fast called in consultant Linda Riddell, of Health Economy LLC in Cape Elizabeth, as part of his service as Expedia’s insurance broker, and asked her to review the data. She suggested putting more water coolers in Expedia’s call centers as the first line of action. “Our theory was that they were having chronic sore throats because the air was probably too dry, and employees weren’t getting enough water,” Riddell says. “You can handle dry air if you drink a lot.” Riddell also suggested that Expedia management look at their air quality. While Fast says it’s too soon to tell if Riddell’s advice will work, it may prove to be an inexpensive solution to an expensive problem.

Small businesses with fewer than 50 employees don’t have enough health-claim data to make a statistical analysis like Expedia’s viable. But Riddell says there are other options, including paying attention to the anecdotal data of why employees miss time, to see if workplace factors might be contributing to lost productivity.

In addition, Riddell says, “There are lots of community resources businesses are not always aware of.” Every county has a Healthy Maine Partnerships program (www.maine.gov/dhs/boh/hmp/), funded by the tobacco settlement, which can assist businesses with smoking cessation programs and the illness related to tobacco use, including cardiovascular disease, lung cancer and diabetes. Also, the state Department of Labor offers free on-site safety and health consultations (www.safetyworksmaine.com/consultations/). “People tend to think they only need to work on health issues by having a health insurance plan,” Riddell says. “I encourage any size business not to give up and look at what they can do to promote good health in their employees.”

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they seek outside help. Typically, the crisis is financial. "At the point you're having trouble paying your bills on time, it's a sure sign of a serious problem — you're well into a financial crisis of some sort," says Joe Steiner of CFO Associates in Brunswick, a consultant and turnaround specialist.

Before that happens, he says there are three financial indicators business owners should monitor. "When you're not making all the covenants in your loan agreements with lenders, it's an early warning sign that you're having trouble meeting your obligations and there's a problem," he says. The second indicator to watch for is "declining sales volume or declining margins, and declining bottom-line profitability over a several-year period." The third indicator, Steiner says, is when capital expenditures each year are less than the depreciation against existing assets. "That says that the capital assets of the company are being diminished."

If you're in that situation, chances are you need some outside advice. However, Steiner warns that consultants can be expensive; it's crucial, he says, to understand what kind of relationship you need and how to monitor that relationship to get the most out of your consulting dollars. "Decide if you need a transaction-oriented versus a relationship-oriented consultant," he says. In a transaction, the consultant will come in and do a one-shot task. In a relationship, you work with the consultant on a long-term basis and he or she becomes a member of your team — a mentor and advisor to be called upon as needed.

To find a consultant, Williams-Lindgren, Jones and Herodes recommend asking friends and mentors for referrals, and checking the Maine Association of Professional Consultants (www.consultmaine.org). They each stress that an initial interview is a crucial tool for both the business owner and the consultant to decide if they want to form an ongoing relationship.

Don't be afraid to call a consultant to ask about his or her expertise, professional training and experience, and to ask for references before setting up a meeting. Before scheduling interviews with each consultant who has the right skills and training, make sure you're clear that it's an initial interview and determine whether you'll be expected to pay for the consultant's time.

Where did the money go?

During the interview, Jones stresses making sure that you can communicate easily and honestly with the consultant. Equally importantly, the consultant needs to be able to communicate easily and honestly with you. Herodes says that consultants often

have to say things business people don't want to hear; in return, the business people "often shoot the messenger," he says.

Once you've hired a consultant, it's important to manage his costs. "Clearly define what your expectations are. Be clear about what role the consultant will play, and my overwhelming advice is to put it in writing," says Steiner. "Clearly work out their fee structure and how you will be billed — hourly, daily or with a success fee. If the consultant's engagement is for an open-ended agreement, it's important that you have some way of monitoring and controlling their fees. I like to require periodic progress reports that are tied to the amount of billing so that a client knows what I've gotten done and the time I've spent doing it."

There are pitfalls to working with consultants, Steiner says. Among the most common he's seen is giving the consultant an assignment and then not following up on her progress. "You'll be shocked by a bill three months down the road," he says. Another mistake businesses commonly make is paying a consultant big bucks to do simple tasks their staff or a paid assistant can do less expensively — in other words, don't pay a consultant \$150 an hour to make photocopies.

As for Bluthley at BEK Inc., he says he doesn't see hiring a full-time comptroller/CFO within the next five years. "Herodes taught me that I need a certain number of employees to support a fixed amount of overhead," he says; the overhead of a full-time finance guy is beyond his current plans. In the meantime, he's got a highly skilled CFO who's there when — and only when — he needs it.

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