

TechTalk

Do You Need an IT Consultant... or a Different One?

by Gregory H. Friedman, CFP®

Past Issues & Articles

- [Past Issues](#)
- [Find Articles](#)
- [Large-Quantity Reprints](#)
- [Permission to Reprint](#)

One of the single biggest challenges faced by financial planning firms is the selection and use of different types of technology. The effective implementation of both hardware and software solutions to a large degree will determine the overall profitability and client service level of the firm. In working with three different information technology (IT) consultants over the past 15 years, I will share some insights that may prove useful in this area.

Does Your Firm Need a Consultant?

The first question to address is whether or not you need an IT consultant. Except for rare circumstances, the answer is unequivocally yes! Many firms, especially very small practices, try to go it alone because the principal owner follows technology issues as a hobby. From personal experience, I can say that this is a mistake.

The benefits of having a good IT consultant can be substantial. A consultant can free up a substantial amount of time for the principal that can be used in more profitable endeavors (such as developing new business). Consultants can create efficiencies and help you make the best use of your technology dollars in order to run your business better. They can help you make decisions and filter through the "noise" in terms of marketing hype so that you implement only those solutions that work for you and your firm. Finally, they can keep your firm up and running smoothly.

Should you designate someone on staff or hire an outside consultant (outsource)? I believe it is best to have an outside consultant for your technology needs. With an outside consultant, you have the ability to control costs based on your needs for advice and the performance of the business. You can easily change consultants if your needs change or grow beyond the expertise of the consultant. And generally the level of expertise that you can afford on an outsourced basis tends to be much greater than if you have someone on staff. Finally, except for very large financial planning companies (at least 20 employees), IT issues do not necessitate a full-time employee.

Qualities of a Good IT Consultant (or Employee)

There are several key qualities to look for when shopping for an IT consultant. They include the following:

- Knowledgeable
- Current on technology trends and tools
- Open-minded and flexible—not stuck on "this is the only way"
- Great communicator—can communicate technology issues in layman's terms
- Reasonable cost (don't be discouraged by higher hourly rates—if their knowledge is sufficient to get things done quickly, it is worth it)
- Availability, both on an ongoing basis and in case of an emergency

Knowledge of the financial services industry and the financial planning profession is a plus, but it is not essential. The IT consultant we work with now is by far the best one we have had, and we have accomplished the most, and he had no prior knowledge of financial planning.

Process for Finding an IT Consultant

To find a consultant (or to consider replacing your current one), take the following steps:

Find potential candidates. Ask colleagues and other business owners whom they use (word of mouth), but get at least six names.

Interview them in your office. Some questions to ask:

- What can you do for us?
- In what specific areas can you help us?
- Describe your experience and types of problems that you solve.
- In what areas of IT do you consider yourself particularly strong, and why? (Describe in detail, in layman's terms.)
- In what areas are you weak? How do you compensate for this? (Do they check with others with expertise when faced with a particular situation?)
- How would you go about researching problems or potential solutions for us?
- How do you stay current?
- How do you charge (hourly, retainer)?
- What is your availability on an ongoing basis, and in the event of an emergency?

- Give at least three references.

Check references. This is an important step and should not be skipped. Ask the references what their experience has been with the consultant, how reliable and effective he or she is, and so forth. Talk with the references in depth.

You've Selected a Consultant—Now What?

Once you have found a consultant, have them evaluate and document your current systems and setup. What is their opinion of your current setup? What suggestions do they have at this point?

You are looking for the following: Did they identify problems that you are already having? Do they have recommendations and alternatives to solve the problems, and can they communicate these to you so that you can clearly understand your options and make decisions? In other words, are you getting a clear understanding of your alternatives and their respective costs and benefits? Is the consultant balancing the cost of recommendations with the expected benefits of making the changes?

The next step is to develop a strategic plan for your overall IT systems (see "Make A Plan," Journal of Financial Planning, February 2002, http://web.archive.org/web/20060923092354/http://www.fpanet.org/journal/articles/2002_Issues/jfp0202-art8.cfm). Within the context of the strategic plan, select one specific issue to address. For example, you may have decided to change your backup strategy by adding a tape drive and adhering to a specific schedule of daily, weekly and monthly backups, including taking tapes offsite periodically. Have the consultant help you implement this strategy and see how it goes.

Did things go according to plan? When problems arose (as they inevitably will), did the consultant handle them with confidence? Was the project accomplished within budget? If the answers are yes, then you may have found yourself a good IT consultant.

Final Considerations

Some final thoughts and suggestions:

- Occasionally get a second opinion. Technology is a tremendously broad, ever-changing area and no one person or company "knows it all."
- Don't be afraid to make changes. You will most certainly make some mistakes along the way, but the benefits you will achieve by being proactive in this area can result in tremendous benefits to the overall functioning and profitability of your firm.
- Watch out for a "this is the only way" mentality, or a dismissive attitude by the IT consultant or employee about new ideas and technologies. This generally means that they don't know enough about it or don't have the expertise to work with it. This doesn't mean that your IT consultant should just say yes to everything you suggest, but he or she should be clear about the potential costs/benefits of a particular technology and be specific about why it does or does not make sense to consider for your firm.
- Don't hold on too long to a consultant or employee who is not accomplishing great things for you! One of the most costly mistakes I made was keeping a consultant that my firm had simply outgrown, and we were paying for the ongoing training (that is, trial and error) of this consultant. Once we committed to finding a consultant better suited to our needs, we accomplished great things.

The importance of technology in the efficient and effective running of a financial planning firm cannot be overstated—nor can the importance of good technology advice. Taking the time to find the right help can provide a significant boost to the continued growth and development of a financial planning firm.

Gregory H. Friedman, CFP®, is the principal of Friedman & Associates, a financial planning firm in Novato, California. He is the original creator of Junxure™, an office management system for financial planning firms.



Contact Us

Site Map