CRAFT OF CONSULTING PODCAST

Episode 35: What to Do When Clients Increase Your Scope or You May Blow Your Budget—with Deb Zahn

I want to welcome you to Episode 35 of the Craft of Consulting Podcast. So my guest today is actually me. So this is going to be an episode where I'm going to answer two questions that I've recently got from listeners, and they're questions that I think are really important because they are extremely common for consultants and they will happen to you throughout the lifetime of you being a consultant. So the first question that I get is: What do I do when a client asks me to do more work? So they're going to add to my scope, but they don't really acknowledge that it's going to be something that is a bigger scope. They don't acknowledge that it has budget or timeline implications. How do I handle that? And again, that's extraordinarily common. I've had that happen to me a lot, and, if you handle it skillfully, it can turn out really well.

The second question is: What do I do if it looks like I'm going to go over budget? Or if I've already gone over budget? How do I handle that with a client? And again, that can be a really tricky conversation to have, but there's ways to handle it skillfully so that you can get back on track and you can maintain a good relationship with the client. So first, let me give you a couple tips for the first one, which is that a client asks you to do more than what is currently in your scope. It's got budget and timeline implications, but they don't say anything about those implications. How do you handle it? So the first thing that I would say is take it as a compliment. So it actually can be a really good thing that a client is asking you to do more. It's your opportunity to provide more value to that client, but you need to make sure that you create as much clarity as possible about the implications of any change to the scope at all.

And don't assume anything. So don't assume that they actually know that it's over the scope or that they know that it's going to have budget or timeline implications. They might've signed the contract a while ago, and they don't have everything memorized that's actually in it. And, ultimately, it's your job to manage what the engagement is and what the contract is. So don't assume that they've thought through any of the implications. If they haven't said it, they probably haven't thought about it. Sometimes they have thought about it, and they're just hoping it works out, But, in any case, your job is to create as much clarity as you can. And also recognize that your client might actually ask you multiple times during an engagement, to do more than what's beyond your scope. I have that happen to me all the time. I've had that happen to me *this week*. So it's important to address it with the client each time it happens.

And what I've seen a lot of new consultants sometimes do, and actually consultants who've been doing it for a while, is maybe they say something with the third change when it's obviously gotten so much that now there is significant implications. But they don't mention it at the beginning. And the problem with that is you've now set a default setting with the client that you'll just absorb more scope. So by the time you say it, they're now used to the fact that you're willing to do more for them and not talk about the budget and not talk about any of the implications associated with that. So you want to set a precedent from the beginning and normalize that you have these conversations about the scope, about the budget, about the timeline, about the deliverables, and that that's just a normal way that you're going to be engaging with them. And it's going to help you avoid having a difficult conversation later if you do go over budget or if the timeline is blown or if the deliverables don't meet their expectations, because what they wanted you to do impacted those.

So you want to be able to avoid that stress later by addressing things at the beginning and when they happen. So when responding to this situation, you really have four main goals. So the first is to let the client know that you want to help them if you can. So that's the most important first thing to start with because you want to make sure that the client understands that you still think this is about them. And that should really be at the heart of the relationship is you're there to help them. And so you want a voice that you're willing to do that if you're able to. Then you want to clarify with the client that what they're asking for is beyond the scope of the current contract. And again, I'll talk about how to do that, but that's one of your goals is you want to make sure that that is stated.

The next goal is to clarify the details of what they're asking you to do because, ultimately, you're going to have to figure out what the implications are of that increase in scope. So you want as much detail about what they want when they want it, all of those details, and that's a really important goal. And then the last is you want to create some time for yourself to figure out what the implications of the change in scope are. And you also want to give yourself some time to figure out some options for them, including options that might make it work within the current scope and within the curtain timeline. So sometimes, and this has actually happened to me quite often, the client wants to know on the spot, how much more is this going to cost? What's this going to do to the timeline?

And I can understand why they want that, but I would avoid it if at all possible. So unless it's a scope of work that is crystal clear, you've done it before, you know exactly how much it costs, you know exactly how much time it is, then I would give yourself some time to actually go back and figure out what the implications are so that you can make sure for your own sake and for the client's sake, that you're giving them accurate information. So I'm going to go over some scripts that you can actually use to respond when this circumstance happens to you. And I'm going talk a little bit about why I do this, but this is from experience. So at the beginning, I wasn't that smooth that maybe didn't go as well. So I figured out over time what works really well with clients. And you are absolutely free to steal this, which is why I'm telling you.

So the first is, I'd like to start with this: “I'd be happy to help you with that if I can. Tell me more about what you would like done.” So the reason I like starting with that is one, it tells them that I care about them, but it's also my entry to probing more about what the details of what they're trying to do. And that gives me clarity that can help me figure out the implications later. Then I might say something like, "Great, let me take a look at what this would do to the current budget and timeline and I'll get back to you." Now, even better is to be able to say, "I'll get back to you Monday morning," or "I'll get back to you at some specific time." And then give them a few days and it gives you time to go back and then really think through, OK, what would it take to do this work? What does that mean for the timeline? And then when you do come back to them, you've got really accurate information that you can share with them.

So there's an alternative. So if your client in the past has ever expressed any concerns about staying on budget or sticking to the timeline, I might switch it up a little bit and say, "I know the budget or the timeline is very important to you, so I'll also see if there's any options to tweak what we are already doing to accommodate the new work in budget and with the timeline we already have." So you're still signaling to them that there are implications to the choice that they're making. However, you're making sure that they understand that you care about what's important to them. And that could be the budget, it could be the timeline, it could be both. So that's generally how I start those conversations.

And then just make sure whatever commitment you make, if you tell them Monday morning or Tuesday afternoon, you're going to come back to them with options. You're going to come back to them with information about what the implications are. Make sure that you actually stick with that. So that's how I handled that situation.

So let's move on to what happens when you go over budget or it looks like you're going to. And again, when you're first doing a contract, you're thinking about everything that you can to put the budget together so that it actually is an appropriate budget for what the work is. But, as any consultant who's been doing this a while can tell you, is there's often a lot of surprises or there's things that you could not anticipate or maybe you didn't have enough experience doing this type of work or with this particular client to be able to really nail what the budget is. And it could be things like you assumed that you were going to produce a written document, there was going to be two rounds of review and that just took longer than usual. Now if they add additional rounds of review to it, that's beyond scope and then go back to the first thing that I talked about, but sometimes it just takes longer or a client just adds more people to the review process. Or it could be any number of things that actually make it less likely that you're going to be able to stand budget or might blow the budget. And it also could be that it takes you longer to do things than you expected to. And with time, you'll get much more accurate in your budgeting as you gain more experience in the field. At the beginning it can be really tough, but even for seasoned consultants, there are surprises. So there have been multiple times including in this year, where I went up to my budget cap or I went beyond my budget cap simply because the work took much longer than we expected. So how do you handle that?

So the most important thing to do along the way is to track your budget often so that you can anticipate as soon as humanly possible, any budget issues that might come up. Now, this can be really difficult to do with fast moving or complex projects that can make that a little bit harder, but in any way that you can using various systems that are available to do this, track your budget so that you know exactly where you are at any given moment. And then if you do go over budget or it looks like you're going to tell the client in writing as soon as possible and before you go over the budget. So the really key is both of those things, in writing and as soon as possible before you go over budget. Now, if you've already gone over budget and didn't inform them prior to reaching or exceeding the budget, you have to apologize to them when you first talk to them.

And I would do this first and I would actually use the words “I am sorry” and “I apologize.” Own it and directly apologize because that can really bring down any emotional response to the fact that you've gone over the budget. And then you can switch and pivot to talking about solutions. Now, I do want to say before I go on, that there may be instances where you need to consult a lawyer before you take a step with a client. In which case do that. I'm not a lawyer, I can't give legal advice. And so when you need legal advice, absolutely go get that. But generally, your goals are in this situation, five different things.

So the first is to let the client know quickly and if you can, before the budget is actually exhausted. You also want to make sure that you have written documentation that the client has been informed. And I will tell you with that one, that is absolutely critical because I have made the mistake before of just relying on me verbally notifying them, and I regretted that I did that later. You always want to make sure that you have documentation that you can refer to in case anything goes south. You also want to let the client know that you care about the budget. So this should be a normal conversation that you have, but

you want to make sure that they hear very clearly that you care about them and you care about their budget.

You also want to provide them with as much clarity as possible about why it happened, how much you expect to go over, and when that's expected to happen. So if you haven't hit your budget cap yet, if your contract does include a budget cap, you want them to know, here's what's currently happening and here's what I know about it, with as much clarity as you can give them. You also want to provide the client with options for getting the budget back on track. And that's actually one of the ways that you show them that you care about the budget is that you've got options ready to present to them. So here's usually what I say. Now, this again is not verbal. This is in an email because I want to make sure that I have documentation of it.

So I might write something like I reviewed our most recent budget numbers and need to let you know that we will likely reach our budget cap or if you've already gone over budget, exceed our budget cap, on. And then give them a very specific date. So if that date is in the future, give it to them. If that date is in the past, give it to them. And then say, "I will schedule a time for us to talk through the details and discuss the options." You want to signal in that email that you are all about coming up with solutions and talking to them very directly about what's happening.

Then you want to immediately schedule a call with them to review the details and develop the plan. You want to show them that you're being really active in resolving this for them. It's another way that you're going to show them that you care. Now, as an alternative, if you've already gone over budget, you can send an email that says exactly what I said before, I reviewed our most recent budget numbers and need to let you know that as of...and then give them the date, we exceeded our budget cap by...And then give them the exact number. And then write, I will schedule a call immediately to discuss it and we will stop all work immediately until this is resolved. So that last one can be a really tricky one, but it is actually important about whether or not you're going to continue working.

Now if you're on a project that has hard and fast approaching deadlines, you have to make a judgment call about whether or not to proceed with the work and risk not being paid. Now, if you work within a firm, you have to talk with your people and probably get permission to do that. If you work independently, you have to weigh the risk relative to the relationship. So there are some times where I have continued to do the work because I, particularly if I have a long standing relationship with the client and I trust them and I know that they'll take care of things and I never want them to miss any of their deadlines. So for example, if we're working on a big federal grant and the deadline is hard and fast and there's millions of dollars at stake, yeah, I'm probably going to keep working on it because I'm not going to want them to miss that deadline.

But I'm going to do everything in my power to make sure that I actually get permission for it, which I'll talk about in a moment. Now, you may decide if there are, particularly if there are no hard or fast approaching deadlines that you're just going to stop the work. And if you have a whole team that's working with you and the risks of money loss is significant, this is probably a very good option. Now, I always end the email saying, "Please confirm if you would like us to keep working on the project." So that's asking, and your lawyer might give you even more precise language so that again, you can make sure that you mitigate any potential risk, but what I'm doing there is I'm giving them the option of saying go ahead, but I want that in writing. And again, in writing is really critical.

I have certainly had the experience, again, more than once because it took me a little while to learn my lesson of accepting a verbal response saying, "Yeah, yeah, go ahead and keep working. We'll amend the contract later." And it was verbal and there was no documentation of it, and it was harder to resolve that later, particularly when other people got involved in the situation. So I always add something that asks them for permission to keep working. If there is an impending deadline, I will specifically state that in the email. And again, get legal advice if you need to get legal advice. Generally, I find if you're forthright and you're honest about it, it usually works out fine. It doesn't mean that the client is always really happy obviously that you're going to go over budget or things take longer, which is why tracking it earlier and anticipating anything that might happen.

So if you're blowing through the hours or you're blowing through the budget at a much faster clip than you expected, I would actually talk to the client about it at that time and say something like, we are nowhere near our budget cap or we're nowhere near blowing the budget, but we're burning through it at a higher rate. And let's talk about that because I want to make sure that we don't get into any situation later where we have to have a budget conversation. So as early as you can talk to them, normalize having budget conversations throughout the engagement and normalize for yourself or within your team tracking budget on a regular basis early and often so that at any given moment you know exactly where you are and you're able to communicate that.

So if you're interested, by the way, in any more tips, because there's unfortunately, lots of other types of difficult conversations that you might have to have with a client, I have a great tool. It's totally free. It's called *Tips and Scripts for Tricky Client Conversations*, and it goes over the details that I just talked about. About these two very common, tricky conversations with clients, as well as a number of other common things that happen. So for example, what if you can't do something in the timeframe that the client wants? What if the client's not satisfied with your work or with the deliverable that you hand them? So this might not be a mistake that you're making, but for whatever reason, they're just not happy with it, so how do you handle that? And what do you do if you make a mistake? How do you handle that with a client?

And then the last one it talks about is my favorite, which is what do you do when you have to say no to a client? How do you handle that? And saying no to clients is actually an extraordinarily critical skill, and so this will give you some tips as well as specific scripts for being able to do that. And the scripts are really the important thing is it's basically how do you even start the conversation? So you will have access to that on my website on the podcast page for Episode 35, and I thank you very much for listening to this episode. I hope that this was helpful information and I'll talk with you on the next episode.

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