

Robert L. Nellson

**So, You Want
To Be A**

Consultant

*Turn Your Experience
As An Executive Into A
Vital New Career*



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So, You Want To Be A Consultant

Consultant. 1: one who consults another 2: one who gives professional advice or services regarding matters in a field of his special knowledge or training. :Expert (Webster's Unabridged Dictionary)

You're standing in a bookstore ... it's Saturday morning and it's been a bad week at work ... maybe you're just getting tired of all the nonsense ... maybe rumors are circulating about mergers, layoffs, and big management changes ... maybe this was the week your world – well, at least your limited, well-defined, over-managed and over-controlled corporate world – came crashing down.

Now you're looking at options.

Sure, you can stay right where you are and see what the next year or two bring. If you still have that choice.

Or you can get serious about your search for another position. (You know you've been thinking about it.) Maybe your search will work. You'll end up with a better position than you have now. On the other hand, you could end up in a worse spot.

Not only that: Just setting out on a search casts you into months of uncertainty. You can't know ahead of time how long it will take to land something. And you can't really know for sure that a new job will work out in the long run. What if it means a move? Will you have to uproot your family without having some firm assurance of success?

Deep in your heart, the still small voice tells you that you can do better. You don't have to stay on the same treadmill forever, doing the same kind of

limited work ... for the same limited rewards ... paying the same high price for some so-called security. Certainly life offers more.

Maybe you really can go out on your own and try something new.

Maybe you really can strike out and become ... not somebody's employee ... not somebody's lackey ... but, instead, a serious, professional consultant ... making a go of it on your own, in your own area of hard-won expertise.

II

You're not alone. Thousands of people abandon corporate management positions every year, for a variety of reasons. Many call themselves "consultants:" they print business cards, get some stationery, and, *voila*, they are in business.

Unfortunately, most new consultants don't last long.

- Most never sell a real consulting job and soon scramble back to a safe position with a safe paycheck.
- Some new consultants, particularly retirees, languish with a job or two, but don't get enough work to provide a real living.
- A few new consultants go to work for one of the major national consulting firms – McKinsey, Booz Allen, First Manhattan, Oliver Wyman, BCG, Accenture, or Ernst & Young. It's the corporate world all over again, though the consultant now sits on the other side of the table.
- Some new consultants join smaller firms that have a regional or metropolitan area focus. They get all the headaches found in a major firm ... without the major paycheck.

However, there are few new consultants who do very well in their venture. Very well indeed.

They set up one-person practices with a national scope in a narrow specialty. They present themselves to clients and prospects as full-time professionals with valuable expertise. They live where they want and the way they want ... and bring in enough income to take care of their families and their futures.

III

That third path is the one I took, with remarkably satisfactory results.

In 1997 I started my own consulting firm, working from my home in Ponte Vedra Beach, Florida. I am a financial services consultant specializing in issues common to banks and insurance companies and, particularly, in the connection between banking and insurance. I live in a resort area ... have clients throughout the U.S.... and manage a “personal consulting” practice, selling and doing most of my jobs myself. Along the way I did affiliate with a small consulting firm in California (the DeHayes Consulting Group), but I am still primarily an independent personal consultant – selling and executing most of my work on my own.

Over the last twenty years I have helped friends and acquaintances through job changes – working with them on their resumes, talking to them about their options, and making introductions where I could. When I started off as a consultant, people began asking questions about what I was doing and how I did it. They liked the idea and wanted to understand if they could do it themselves. I helped some of them get started and talked to many more who decided that this path was not for them.

As the questions started to repeat, I wrote down the answers until I had a “white paper.” Then a friend, Kathy Michaud, asked me why I didn’t turn the

white paper into a book so the ideas could be shared more broadly. That is the genesis of what you are reading today.

In this book, I take you through the same steps I cover when I'm working with people individually.

In Part 1, we'll look at some of your assumptions about a consulting career and align your wildest hopes and dreams with basic realities. We'll also assess your aptitude for this. Of course you're smart and savvy and can pick up new skills – you're already successful in business. What we're diagnosing in Part 1 is more fundamental: Do you meet the three essential criteria that make or break a consultant's chances of success ... and what are your choices if you only meet one or two of them?

In Part 2, we'll talk about the consultants' work itself. Here's what you'll do as a practicing consultant, from making your initial proposal to delivering your final recommendation. Practical stuff, this, and you know some of it already. Other parts will be new to you, depending on the phases of consulting you've already handled. (Note that as an independent consultant, you'll do it all.)

In Part 3, we'll cover the very important topic of "Getting Paid." How much should you charge for your services? How much can you make in consulting fees? How can you build true wealth through your work as a consultant?

In Part 4, you'll learn the basic points of marketing – how to organize your efforts to find new prospects, and how to turn prospects into paying clients.

Finally, in Part 5, I've given you all the practical information you'll need to launch yourself as a small business. The focus in Part 5 is on action – what to do, what to buy, where to put it, how to use it, where to go for professional advice, and how much to pay for it.

In early 1980, I was working for Booz Allen, in their New Jersey finance and accounting office, as Director of Financial Planning and Reporting. For two years I had handled the annual planning process, monthly financial reporting for management, the corporate information center, partner compensation analysis (the bonusing process for partners) and the financial side of a firm-wide competitive strategy assessment.

It took me two years to realize that at Booz Allen, as I had learned in my previous experience in the Army, you could not be promoted to the top ranks without experience on the front line – as a consultant. I concluded that I would have to change tracks and become a consultant to succeed. I approached the Booz Allen's Controller, CFO, President, and several senior partners and asked each of them whether and how I could make the move. I was 35 years old at the time - 7 to 10 years older than most new consultants. Each of them paused and said the same words to me with a little chuckle:

“So, you want to be a consultant ... “

Then each person proceeded to describe all the hurdles I would have to cross if I were to follow such a foolish and unusual path. I was already being paid at near-partner level. To go to the front line, I would have to be demoted to the junior consultant level.

I worried and wondered and stayed up late for many nights. Then I made my move. And found a world of challenge, fun, interesting people, and fascinating projects. First at Booz Allen. And then in striking out on my own.

My first step into consulting at Booz Allen may be similar to the move you are considering today. I hope my experience will give you useful information and courage.

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PART I: SHOULD YOU BE A CONSULTANT?

CHAPTER 1: WHAT MAKES CONSULTING AN EXCELLENT CAREER CHOICE?

When someone leaves a corporate job (on purpose, being pushed out, or retiring), there is an enormous sense of loss:

- **Friendships wither.** Even if you are not geographically distant from your previous place of work, you won't spend time with others whom you used to see daily. The loss of contact will lead to the withering of many relationships. Over time, you will find that getting access to people who used to return your calls instantly will now require careful planning and considerable persistence.
- **Forums for involvement are gone.** The meetings you used to have and which consumed much of your time are no longer there. To have a meeting with anyone will require planning and hard work.
- **Intelligence sources disappear.** The periodicals and research resources (marketing, legal, financial, human-resource departments) you used to take for granted are all gone. You can only get comparable advice and information at considerable cost.
- **Support systems are gone.** Unless you hire them, you don't have subordinates. You have to do your own research, do your own analysis, prepare your own reports, answer your own phone, type your own correspondence, and make your own travel arrangements.

Choosing consulting as a new career compensates for many of these losses and offers rewards on many levels.

Consulting will get you involved in the business world, perhaps more involved than you ever were before.

If you choose the path of becoming a consultant, you will find that your involvement in your field increases.

- **Conferences.** Wherever potential clients gather, you'll be there. You'll be a regular attendee at those conferences that address the clients you want to work with in the disciplines that are your area of expertise. You will join the sponsoring organizations, host dinners and other gatherings of target prospects, be a speaker or panel member, and join committees where you can work with those you seek to sell.
- **Letters, Emails, and calls.** You will become a constant communicator – offering ideas and suggestions, passing on industry information (a trusted source), making introductions, discussing current issues, and (of course) offering examples of how you've helped others address and resolve issues that are relevant to your prospects.
- **Clients' work.** Rather than working for a single employer, you will be exposed to the needs and interests of many organizations in your field. You'll get a true insider's view of how trends in the industry are affecting the major players ... and how everyone is figuring out how to cope.
- **Other consultants and professionals.** As a personal consultant, you will develop relationships with other professionals to vet your ideas, get new insights, and share techniques and approaches. Many lawyers, accountants, and other professionals provide consulting-like services to their clients and often can provide you with valuable information and leads. The need for community and

sharing will be far more important than your concerns about giving away too much to the competition.

You will continue to grow in your professional knowledge.

As a consultant, you will be expected to know more about your chosen practice area than your prospects and clients know. To reinforce your standing as an expert, you will be constantly gathering new information and integrating it into a framework that can be valuable to your clients. You will become an avid follower and active participant in many learning activities. These include:

- **Periodicals and books.** You will become a voracious reader of all the business and professional publications that are relevant. Note that Internet subscriptions are usually less expensive than getting hard copy. You'll also read the publications put out by the professional associations you join.
- **Seminars and presentations.** You will seek out experts in subject areas where you need additional grounding. You'll listen to their talks, and then you'll speak to them personally about your own clients' concerns.
- **Courses.** No matter your age or educational background, you might occasionally take a course from a university or professional school – always a good way to meet other people who share your interest and also a good way to keep your knowledge up to date.
- **Internet-based training.** On-line training is now available for most licensed professional certification programs and tends to be relatively low cost, time flexible, and effective. You will take advantage of it here and there.

You will often experience the sheer joy of success.

When an important job for a good client goes well, the “high” you get is incredible.

When you complete many important assignments successfully, your “high” turns into quiet confidence. The affirmation you feel as a successful consultant is similar to the affirmation you feel when you graduate from a top school or gain entry to a top professional association with strict standards. You know you’ve reached a level of recognition and respect that no one can take away.

I can remember doing a general strategy study for NBC television in 1980. The final presentation was to NBC’s new CEO (Grant Tinker, who was Mary Tyler Moore’s husband at the time) and his management team. Our message to them was that the broadcast audience (and related advertising revenues) would shrink dramatically with the advent of cable television. Our recommendation was for them to invest heavily in both program content and new cable channel franchises to defend their position. We even suggested that they look at buying CNN.

The meeting went from confrontation (I don’t believe it will happen) to alarm (My God, if this happens we’re in deep trouble) to possibility thinking (Do you think we could handle the kind of change required?). In the end, Mr. Tinker was extremely pleased with the result.

At a dinner with NBC management later, I received a plaque from them that said “NBC and CNN – The Mismatch of the Century.” Also on the plaque was a picture of the NBC peacock replaced by a turkey with Technicolor tail feathers. I had to smile years later when Turner Broadcasting (CNN’s parent company) tried to buy NBC.

You will win professional recognition.

As an independent personal consultant, you'll be more visible than you ever were as an in-house manager or employee. Consulting will provide you with wonderfully positive feedback from a variety of sources. As time goes by and you become more prominent in your field, you'll find that people acknowledge and appreciate your personal capabilities:

- Your intellectual horsepower, as demonstrated not only to your clients but also to the industry in general, through publications, speeches, meeting participation, and even in your day-to-day phone calls.

Few people care where you went to school or what your IQ is. Prospects do care that you have broad knowledge, can think creatively, and can respond with authority on your feet. The real test will be how you handle tough, unscripted questions in an immediate-response setting. Try to overpower and you lose. Falter or stumble and you lose.

- Your ability to manage large, complex projects.

My largest project had over 120 people working on it, some for up to eight weeks. While I was just the organizer and facilitator, the project "worked" because the project-management tools, the people selected, and the management support all worked. The project went on for years after my part (the planning phase) was done, but I was often invited to go back and help out.

- Your effectiveness in engineering positive change.

Nothing is as disappointing as coming to the end of an assignment and realizing that nothing in the client's business will change. The corollary is also true – nothing is as rewarding as knowing you've helped a client make a change that will create real value in the client's organization. When RCA's Solid State Electronics business was being considered for divestiture, a study I worked on identified a new technology in development that had enormous commercial potential. RCA kept the division and all rights to the CMOS semiconductor technology that is the basis for most low-power computer chips now in use.

- Your ability to gain access to senior executives in the industries you serve.

I get a fair number of assignments because people believe I have (or can get) access to the CEOs and senior managers at a wide variety of banks and insurance companies. For one recent assignment I had to contact top managers at over 50 insurance companies to discuss a concept of interest to my client. Now all 50 companies have some knowledge of me as a consultant who does this type of work. Over time, this type of activity has helped me build my consulting practice so that more work comes from my "trusted advisor" relationships than from new clients.

- Your track record of getting people to work together or do deals together.

The real fun in consulting is helping people do things they couldn't or wouldn't have done without your help – suggesting options, organizing ideas, identifying issues and opportunities, setting priorities, arraying resources, or making introductions. Sometimes my consulting work moves from doing studies to

helping my clients do deals – acquisitions, joint ventures, new vendor relationships, etc. This type of work has a quick return to your client and quickly builds your reputation and experience base.

Your clients and associates will become your friends.

Once you have a client, your goal will be to grow the relationship so that you are a trusted advisor – one where your client will call you just to seek input, ideas, and help. See *The Trusted Advisor* by David H. Maister for an excellent discussion of the client-consultant relationship.

Being a trusted advisor to a series of clients will provide consistent affirmation of your expertise and your value as a professional. This type of relationship is special and fragile. While you have it, your relationship with your client is like working with a close friend – your opinions are valued, your suggestions are followed, and your bills are paid. When you have a series of trusted-advisor relationships as the core of your consulting practice, work is fun, easy, and rewarding.

Many of the people who call me after losing a job want to be a consultant as a way to recreate the relationships and the busy-ness that were an integral part of their former job. If that's what you want, then a "real" job is what you need.

Effective consulting can and often does lead to job offers. While I do get frequent calls from recruiters and often help place other people in jobs, I decline offers myself because I can't think of anything I'd rather be doing than consulting.

CHAPTER 2: SOME PLAIN FACTS ABOUT THE CONSULTING LIFE

While consulting offers you a great deal of professional recognition, you need more than recognition to sustain yourself and your family. People go into independent consulting believing that their work life will be dramatically different from – and easier than – life inside an impersonal corporation. They also expect to make far more money than they made as an employee.

Before you make consulting your career choice, you'll want to understand what it's really like. Here are some common assumptions about being an independent consultant ... and the real facts.

Assumption 1: Independent consultants work whenever they want to.

Many people want to go into consulting because they like the idea of working at their own pace, for exactly the number of hours that they prefer. They expect to be far more relaxed and experience less stress than they did in the corporate environment.

The fact is ... consulting can take an enormous toll on your personal life if you aren't careful. Here are some points you should accept from the beginning:

Fact: Consulting requires a serious time commitment.

Consulting is hard work. It takes many hours to build and maintain a practice.

I've never seen an effective half-time consultant. Those who can work half time are generally at the end of long and successful consulting careers and have more work than they want, so they pass work to others.

Most of us have to run as fast as we can just to keep our new-business

pipeline healthy. Retirees who think they want to “do a little consulting” in retirement should consider carefully whether this will work. A part-time, contract-employee position might better suit their needs.

In part, the time commitment required is governed by the needs of the client. A major assignment will generally require about a half-time commitment with short periods of full-time work. If you have half a dozen long-term clients, you can't always control or manage their call on your time.

At the end of my time with Booz.Allen, I was totally consumed by my work – managing jobs for three large clients with operations in half a dozen cities. I had many 20-hour days (crashing at the 42nd Street Marriott for a few hours) and 100-plus-hour weeks. My work was both wonderfully exciting and fulfilling for me but horrible for my family life. I eventually had to leave Booz.Allen and consulting for a time to regain control of my work life and rebalance my personal priorities.

Fact: Consulting demands have to be met now.

When clients need you, you have to respond immediately or you lose the impression that you are “their” resource.

A consulting need is a perishable commodity. If you don't address a need for a client when they need it addressed, the opportunity will probably evaporate. Someone else inside or outside the client organization may address the situation, or the risk may simply go unaddressed. Either way, your opportunity is gone.

Flexibility cuts two ways. Consulting can give you a certain amount of discretion in how you take vacations. For example, I am

able to move my office to a beach house in North Carolina with my family for a month each year. However, you must also be responsive to your clients' needs. Last year I got a call on a Thursday from a client who had a problem. He was having trouble putting together a strategic plan for a meeting the following Monday. I cancelled my weekend plans, flew to the client's home city, and helped him reshape the work he had already done into a presentation that clearly presented his strategic thinking and proposal.

Assumption 2: Working from home is really great.

Some people want to go into consulting because they like the idea of working at home. You have no rush-hour traffic, no office pests, no need to dress up every day – what could be better?

Fact: Working from home has problems of its own.

Compared to working in a corporate office, a home office can indeed be a blessing. The commute is great, the cost is low, and it's easy to be available to your family when necessary.

On the other hand, your home office can also intrude on family life – you may get calls from clients at night and on weekends. It can disrupt your family's routines – the dog can't bark and the television volume must be low during your work hours. And it can impinge on your spouse's privacy – you are always around, which causes the same kinds of difficulties some new retirees face.

Working from home is often the only choice for cost reasons initially, but it may be a choice you'll want to rethink long term. Eventually you might choose to rent a "real" office outside your home but still within a five-minute commute.

Assumption 3: Being an independent consultant is a good way to make a lot of money.

People exiting corporations know that consultants are paid big hourly fees – after all, they’ve signed consultants’ checks themselves. It might seem at first glance that the fee goes straight to the consultant’s bottom line, generating much higher “take-home” income than an equivalent employee would receive.

People who’ve spent many years in a corporation also see “owning my own business” as a path to financial security. “I’ll run my own business for ten years or so, then sell it at a big profit to fund my retirement,” they think.

Finally, many new corporate emigrants believe that consultants get wealthy.

Before you commit to consulting as a career, here are some financial realities you should understand:

Fact: Consultants don’t make a lot.

As with every profession, some consultants do make extraordinary amounts of money. These tend to be managers in large consulting firms. The independent consultants who make a lot are actually not consultants in the conventional sense – rather, they are usually deal-doers (merchant bankers or investment bankers, who take fees contingent on results instead of daily consulting fees) in consultant’s guise.

Your earnings from consulting will equal:

- The daily billing rate that can be supported (that clients will pay) times ...
- The work days in a year (365 less 104 weekend days ... less 15 vacation days ... less 10 holidays ... less 5 personal days = 231 work days) times ...

- Your billability – that is, the percent of work days that you bill which is generally not more than 50%. Marketing efforts to get new business generally takes half the consultant's time.

This means that with a \$2,500 daily billing rate you could make \$289,000.

However, in running a business you will incur administrative and marketing expenses. Furthermore, as an employee you probably received certain benefits that you will not receive as a consultant. Your fees will have to fund your insurance, retirement fund, and any other items that your parent corporation used to pick up. These expenses and benefits can easily total \$100,000 per year.

In short, a personal consultant sells his or her “body” by the day while trying to sustain a high-enough billing rate and adequate billability. You can make a decent living as a consultant, but you will not build substantial wealth from your time charges.

In general, mid-level managers and professionals are more likely to generate income from consulting that is comparable to their previous earnings as an employee. Very senior executives are less likely to generate what they've been accustomed to receiving. As billing rates move up above \$4,000 per day, the customer-value equation must be extraordinary for a personal consultant to get regular work.

(See Part 3 for a full discussion of how to set prices for your services.)

Fact: The consultant's “business” has little value.

A personal consultant's practice (business) is worth nothing without the consultant. Unlike other businesses that can be sold when the owner is ready to move on to other things, a personal (one-person) consulting practice ceases to exist when the consultant stops working. If the consultant has taken some compensation in the form of deferred

payments (payments tied to performance of the client's business and spread out over time) there may be some "trail" value, but this value is generally collected by the consultant directly, not sold to a third party.

It is very difficult to hand off a personal consulting practice to a successor, because the client relationships in a mature, single-consultant practice cannot be transferred easily.

Fact: Consulting does offer some venture-investing opportunities.

Consulting is a tough way to make money, but it is possible to use it as a platform for other wealth-creation activities.

Personal consulting allows you to do some things that an employee or consultant in a larger firm can't do. Consulting assignments often provide contacts and opportunities for the consultant to invest in new ventures. While venture investors lose money or break even on most ventures, this activity can be a path to considerable wealth creation over time if the investments are closely managed and you exit unsuccessful ventures quickly. You can use some of your time to provide advice and oversight to these ventures (I charge the ventures for my time at a much-reduced rate), serve on their board, and help guide their success or manage their wind-down. A few days a month won't get in the way of your consulting practice development, and you will discover exciting challenges, opportunities for professional growth, and (yes) the ability to build real wealth.

I have been successful (and lucky) in my venture-investing activities and see them as an important source of wealth creation.

This was possible because I had the seed money to invest, the time to spend, excellent "full-time" partners (often friends or

former professional acquaintances), and some fantastic new-business concepts to work with.

Even so, only two of the six ventures I have been involved with over the last six years have been successful. The rest were sold or shut down with no return or a loss and a considerable loss of sweat equity. Success requires multiple attempts to improve the odds of success.

CHAPTER 3: MAKE-OR-BREAK CRITERION #1 -- ARE YOU AN EXPERT?

To be successful as a consultant, you will have to be an expert in your field. Other people will be calling on you to accomplish what they can't do on their own, either because they lack the knowledge or because their regular in-house experts lack the time.

If you don't have expert knowledge and skills ... if your knowledge and skills aren't valuable to others ... or if you can't easily find the people who need you and will pay you ... you can't make a living as a consultant. Ask yourself the following questions to make sure that you have the right skills to be a consultant.

Do you have the right background?

Experts emerge as the result of training and experience in a particular area of focus or specialty. It is hard to claim an expertise without these (although there are some experts who seem to lack them). Indicators of expertise include the usual resume data:

Education

More is better. Without at least a Master's degree, your educational background could be perceived as a negative. A relevant PhD is a big plus. A top school is important, as much for the connections it provides as for the status it confers on the degree holder. While I was at Booz.Allen, that firm sought to hire only top students from the top five business schools – for example, Baker Scholars from Harvard -- but such ultra-high level of educational achievement is not a requirement for a personal practice.

Positions held

Time spent in the right industry(s), performing the right functions, with the right companies, and at an executive-management level can carry as much weight as your education in making you an expert, especially if you've been out of school for ten years or longer. You know your field from the inside out. You've managed people and resources in real-world situations, and you've come up with solutions that really work. You've faced the challenges in your industry for which the textbook hasn't been written yet.

Certification

In some cases, certification by a qualifying organization or state licensing is mandatory. For example, you can't do actuarial consulting if you are not a board certified actuary, and you are more credible in consulting to broker-dealers if you have the appropriate securities licenses.

Memberships

Memberships in professional clubs and associations give you a high level of access to people and information that can be valuable for certain assignments. Leadership positions in professional organizations or industry associations can be an indicator of expertise.

Publishing

Getting books and articles published on important topics in your field adds to your credibility and helps others see you as an expert. The same goes for speaking to industry groups, in front of large or small audiences.

Do you have that extra something?

Training and experience are necessary to become an expert, but many managers with both are not experts. An expert is someone who can distill and

apply training and experience in a way that's both relevant and valuable to a specific business. Look at what you have done and ask yourself:

- Did you create value?
- Did you apply identifiable, special disciplines or skills to do it?
- Was what you did unique – that is, difficult for others to do or imitate?
- Could you do it again for other people in other contexts?
- Can you continue to grow and learn to do other similar things in the future?

If your answer to these five questions is “Yes”, you are probably an expert.

Is your expertise valuable to others?

Many people launch a consulting practice only to find that there is no market for their expertise. Taking your expertise into the market is the ultimate and necessary test, of course, but it's an expensive way to find out you're wrong.

Having a market means that other people need help in your area of expertise and are willing to pay for it. You should be able to give affirmative answers to the questions below right now, to be assured that your expertise is both needed and valuable.

- Are other consultants selling what you can do? If there are true opportunities in your field, other professionals are already working there. (Check around and see.)
- Are major consulting firms interested in hiring you? (Call them and ask.)

- Do others in buying positions in the industry think you could be successful? (Call them and ask.)
- Are firms having serious problems recruiting people who do what you can do? Have you been called by recruiters? (Call recruiters you know and ask them what they think of the idea of your being a consultant.)
- Is there a major industry change or shift going on related to your area of expertise? Industry consolidation? Restructuring?
- Are new distribution channels opening in your industry? The Internet? Sales through new intermediaries? Direct marketing?
- Are important new products being introduced that change the nature or structure of competition?
- Has there been a major shift in market share in your industry? Are firms or distributors failing?

If you don't see a series of "Yes" answers above, the market may not be there for you.

Can you find them?

You might have great expertise and a firm conviction that you can help many people. You won't be able to build a consulting practice, however, unless you can find your prospects easily ... unless there are enough of them ... and unless they can afford to pay you. For example, your expertise might be ideal for small manufacturing firms going out of business ... but you can't find such firms on any list ... there might not be enough such companies to keep you busy full time ... and companies on the verge of closure will be spending whatever money they have on attorneys, not consultants.

Before you commit to consulting as your new career, take a quick reality check:

- Exactly what kinds of companies and firms will you target?
- Be specific. Off the top of your head, can you name ten companies or firms that you will approach in your first six months? Will you be able to reach the executives that would hire you? By name? By phone?
- Will you be able to find a hundred additional companies like your top ten? How will you search? (Libraries, directories, membership lists, the Internet?) What criteria will you use to identify them? How much time will your research take? How much will it cost?
- Count. Are there enough prospect firms to keep you busy? In your precise industry? In a geographic area you can handle? Allowing for the fact that only a small percentage of your prospects will eventually hire you?

If you can't develop a precise and long-enough prospect list, the market might indeed be there but it will be useless to you.

Is there anything in your past that would compromise your status as an expert today?

Reputation counts for everything in the consulting profession. It's not enough to know your field inside out. You must also be able to persuade other people to follow your guidance.

- You shouldn't plan on being a full-time, independent consultant if your professional trustworthiness has ever been doubted publicly – through lawsuits, scandals, or lapses in your professional ethics. It doesn't matter how long ago your indiscretions took place. As politicians know, tabloid material tends to come back to haunt you.

- It will be difficult for you to be a consultant, too, if you've been associated with somebody else's malfeasance – for example, if you stayed on staff with a company that was later exposed for fraud or harmful practices. Your prospective clients will naturally wonder what role you played and why you stayed. You'll need a good story and credible references who can attest to your guiltless role.
- Prospects who don't know you will often run thorough background checks on you, contact people they know in firms where you have worked, and call your references. If there is a problem in your past, assume your prospects will find out about it. Provide your side of the story in advance. If you don't tell your story first or if your story is not credible, you will lose key opportunities and consulting may not work as a career choice for you.
- Being involved with a spectacular business failure is not a roadblock to being a consultant. Business history is a story of trial and error, and the successful executive eventually gets both success and failure. Unless a venture failed due to your own personal incompetence, chalk it up as invaluable experience. You learned a lot, didn't you?

CHAPTER 4: MAKE-OR-BREAK CRITERION #2 -- CAN YOU SELL YOURSELF?

To be successful as a consultant, you will have to be able to sell yourself. Yes, you must have an expertise that people need and will pay for (Criterion 1). You must also be able to put yourself forward and persuade others that you are the one they should listen to ... that you are the expert they should hire.

If you don't find it fun and exciting to seek out new situations and meet new people, you won't be happy as a consultant. Ask yourself the following questions to make sure that you have the right kind of personality for consulting.

Do you believe in the product (you and your expertise)?

If you don't believe passionately in the product you are selling, the effort will fail.

Most successful consultants have a nearly messianic zeal to create value for their customers through constructive change. Some consultants have religious grounding for this zeal. Some are humanists, wanting to make the world better for their fellows. Still others want to build a legacy of people whom they have helped succeed – they have what might be called “the eulogy complex.”

We tend to make fun of people who are passionate about changing things. The image of the religious zealot comes to mind and many of us are put off. However you want to think about it, though, you do need to believe that your consulting will make a difference. Without passion or “fire in the belly,” you will not have the fortitude to stick with consulting over the long term.

Several consulting firms have done studies to help them screen new-consultant candidates more effectively. I was involved in one such study in the early 1980s. We tested a large number of consultants for attitude, aptitude, and intelligence and then correlated the results with their performance ratings as

consultants. The finding – startling at the time – was that the most successful consultants were those who were totally focused on the needs and success of their clients. Creating client value was more important to them than their title or level in the firm, the number of people who worked for them, their “perks” (expense allowance, office size, and so forth), or even the money they made. In fact, the other factors were negatively correlated with success.

In another study, insurance agents were asked open-ended questions designed to get them to talk about their work for about 15 minutes. The transcription of what they said was fed into a computer that looked for language patterns and correlated those patterns to sales effectiveness. This study produced the same type of result I saw with consultants.

We now know that these findings apply equally well among many other professionals, including doctors and brokers.

Caring about your clients really is necessary for success.

Do you have an aptitude for the sales process?

You can teach yourself the steps in an effective sales process, but you will need certain, basic inter-personal skills to make the process work.

- You should be comfortable approaching strangers.
- You should be able to listen to others at length and discern what they're really saying.
- You should feel at home among other people in most situations, including offices, formal business gatherings, and the social gatherings your clients generally engage in.
- You should genuinely like other people and enjoy helping them out.

- You should usually be able to persuade others to do what you want.

Don't think you have to have exhibited all of these skills already in your professional life. Taking the lead in activities at home, with your church, with your children's schools, with sports associations, and in local politics can all be indicators of excellent potential for salesmanship.

Do you have a high tolerance for rejection?

Selling consulting services, like any sales process, involves 95% rejection and 5% acceptance. You will have phone messages not answered, appointments canceled, commitments and promises broken. Many prospects will reject you before even listening to what you have to say. A strong salesperson persists through the negative responses and feeds off the few positives.

Can you be relentless in your sales efforts?

Consulting is a never-ending stream of inquiries and interviews. You will hear about an opportunity ... phone the prospect to tell your story ... try to get appointments ... meet with a prospect formally and informally ... make presentations to the prospect's staff and managers ... answer questions about your past experience ... and come up with suggestions on the spot. You will have to initiate your own contacts and repeat the same selling process with many people in many companies, taking the process as far as you possibly can with each one. Referrals and repeat business will sometimes reduce your need to be selling, but never eliminate it.

Some people don't like to leave the office or "waste time" on networking. They'd rather sit in the audience than step up to the podium. They're happiest doing good work that gets noticed only by their immediate superiors. Uncertainty, change, and new situations overwhelm them. They even dread looking for a new job. They don't become consultants.

Even in large consulting firms, only those who build a track record in sales rise above the level of manager. Those who become partners in the firm usually excel at creating and building client relationships – that is, in sales – rather than in a particular area of expertise.

CHAPTER 5: MAKE-OR-BREAK CRITERION #3 -- CAN YOU WORK BY YOURSELF?

Let's say that you are an expert with valuable skills and knowledge (Criterion 1) and that you can easily approach other people and persuade them to give you important projects (Criterion 2). Those qualities are indeed vital to your success as an independent consultant.

There's still one more factor to be considered.

To be successful as an independent consultant, running a personal practice, you will have to be able to work on your own. At first, this might sound easy and obvious. What's so hard about working by yourself on a project, in the comfort of your own office, without interruptions from pesky coworkers?

In fact, working by yourself, completely on your own, involves far more than spending a few hours a day in comfortable peace and quiet. As an independent consultant, you will have to motivate yourself to get things going ... cheer yourself on when things get tough ... seek out others for informal brainstorming on a client's behalf ... and deal with all kinds of minor problems without a support staff. For many of the people with whom I've worked, the inability to work by themselves – or the desire not to – has been an important factor in the decision not to be a stand-alone consultant.

Before making the choice to become a consultant, you need to be very sure you will be comfortable going solo. Think carefully about the following facts of consulting life:

You can't delegate the tasks you don't want to do.

Coming out of corporate America or even a major consulting firm, many new stand-alone consultants are shocked to discover how much work they routinely delegated to others in their former lives. I know I was shocked. Suddenly, I had

no secretary ... no finance area to do billing, collections, financials, and taxes ... no legal department to handle contract issues ... no junior staff to do “run and fetch” or “go-fer” work.

As an independent consultant, you will now have to do the tasks you previously delegated to others. You might find that doing the “grunt work” is difficult to handle from both a practical and a psychological viewpoint.

On a practical level, you’ll need common sense and general know-how.

You should be the kind of person who is generally competent in whatever you undertake. Some days you will have to fix something that goes wrong in the physical world – for example, clear a printer jam or deal with a breakdown of your rental car in the middle of nowhere an hour before a client presentation. Other days you’ll have to figure out how to handle an abstract matter you’ve never encountered before – for example, get, install, and master new project-management software because you need to use it for an assignment you’ve just landed. Consider these indicators of overall competence:

- Do people come to you for help when things go wrong, or do you turn to the yellow pages at the first sign of trouble?
- Can you often fix things as well as and faster than the service people you call for help?
- Can you remain patient and philosophical when you have to stop doing something you think is important in order to handle a matter that’s very minor but urgent?

Psychologically, you’ll need to be flexible.

You’ll have to abandon your notions about what tasks are “above” you and “below” you. You’re it. You may have to work late into the night printing the

final presentation and assembling the booklets ... then present the material to a roomful of top executives in the morning ... negotiate the terms of your contract with the client's attorneys ... then go back to your office and make your own copies of the contract and staple the pages together in correct order.

You will often have no one to talk to.

The philosopher Hegel believed that an idea wasn't valid until it had been adequately challenged in what he called "the dialectic process." Large consulting firms institutionalize the challenge process through the consulting team hierarchy and partner reviews. The process helps prevent mistakes. With no similar process, you could work for years to build a trust relationship only to lose it due to one dumb mistake.

If you have a problem about the work you're doing for a particular client ...

If you have a question about how other people and companies handle similar situations ...

If you simply want to toss an idea around to test it before you take it to the client ...

Where will you go? You can't simply walk down the hall and get some thoughts from a fellow professional. You'll have to find substitutes among your friends, retired former coworkers, and other small-business owners.

I occasionally ask staff at DeHayes Consulting Group to give me feedback, but the person I use consistently to provide editing, general input and advice is my wife, Barbara. She reads every document I send out with a red pencil in hand. Over time, she has come to understand the way I work, the tools I use, and the issues my clients have so that she can provide valuable

content input – correcting “thinkos” as well as “typos.” I find that her help is most valuable when I’m wrestling with how to deal with a touchy political situation at a client company. Every independent personal consultant needs a “Barbara” to keep them out of trouble.

You will have to be your own motivator.

Some people are just not self-starters. They need others to push them to do what needs to be done. As a stand-alone consultant, you will have no one playing this role for you. You can’t be a procrastinator. You’ll have to set your own schedule and hold yourself to it.

You will get into situations you’ve never encountered before.

When you’re starting out, you won’t promise to cover too many “specialties.” A long list will only make it difficult for prospects to understand what you do – or believe that you can do so many things well. When you’re first selling yourself to prospects, you will clearly define and limit your areas of specialization.

After you’ve been consulting for a while, however, your reputation will grow and people will call on you to solve problems you’ve really never handled before. You will find that you naturally broaden the definition of your “specialty” to get assignments.

A good consultant learns quickly and becomes a *de facto* expert in many new areas. You’ll have to have confidence in your ability to learn fast, analyze logically, and find creative solutions to almost any kind of problem. More importantly, you’ll have to accept new challenges enthusiastically. I have never turned down work because I didn’t fully understand the industry or a technical specialty going in.

Most of my non-consulting work has been in financial services, so I naturally specialize in consulting to banks, insurance companies, and brokerage firms. Recently, however, a friend referred an individual to me who was outside financial services, saying she thought I was a good consultant and could help him. His firm built, installed and maintained hydro-electric power plants and he needed a new strategy for the US market. I met with the prospect after reviewing their web site, reading a plan their President sent me, and reading several issues of an industry journal. By asking smart questions and not trying to provide quick answers, I gained their trust and had a new client.

You will sometimes bite off more than you can chew.

You will eventually face the situation where you have sold a job that is bigger than you can handle or requires skills you don't have. Sometimes the assignment starts out one way but grows into something you can't handle. As a lone wolf, you will have to figure out how to get the work done for the client and still retain your own identity and independence.

- Should you be creative and bring in the partners you need? The coordination efforts, subcontractor contracts, and job-management issues can be tough. After all, if you are a stand-alone consultant, one of the benefits is that you do not have to deal with people-management issues.
- Should you pass the bigger job off to someone else? To whom exactly? Can you still retain your client relationship and part of the work?

- Should you form a loose affiliation with a firm (or two) that can bring the staffing and skills to the table as needed? What will you be called upon to deliver to these firms in return?

While I do all of my financial services consulting work through the DeHayes Consulting Group, I still do most projects on my own. Occasionally I'll partner with other firms and either work side-by-side with them or under them. I recently signed on as an Adjunct Managing Director with a major NYC consulting firm to provide the experience and skills they needed to sell and execute a major assignment with one of their clients. I was interested in learning some of their processes and approaches.

CHAPTER 6: DIAGNOSTIC TOOL – TAKE THIS TEST AND RATE YOURSELF

In the last three chapters, we considered the key factors you will need to be a success as an independent personal consultant. Now it's time to look into your heart and ask yourself about these criteria. Do you really meet them or not? Does it really make sense for you to proceed in a career as an independent personal consultant?

Directions

In the following exercise, you will examine your own situation in regard to the topics discussed in the last three chapters. You will ask yourself specific questions and score yourself 0 to 5 for each.

0 is the lowest score and implies that your answer is a flat, unequivocal “no” to the question. For example: “Do you have an aptitude for the sales process?” Your answer: “No, I couldn't sell snow tires to Eskimos nor would I want to.” You would write down “0” in the “Your Score” column.

5 is the highest score and implies that your answer is a very strong “yes.” You believe that you would rank at the top, among the best, highest, most competent professionals where this factor is concerned. For example: “Do you have the right background to be considered a professional?” Your answer: “I have a PhD on theory in this field and I have worked on major projects for a dozen Fortune 500 companies.” You would write down “5” in the “Your Score” column.

There are no “right” or “wrong” answers, but you should be honest with yourself or the overall result will not be meaningful. If you are uncertain about what a particular question means, go back to the appropriate chapter and section.

The weights assigned to each item or question reflect the relative importance of that item in the life of a successful independent consultant. The maximum possible score is 300.

- Part 1 asks you to diagnose “Are you an expert?” The maximum score for Part 1 is 100 (20 weight points times your highest possible answer of 5).
- Part 2 asks you to diagnose “Can you sell yourself?” The maximum score for Part 2 is 125 (25 weight points times 5).
- Part 3 asks you to diagnose “Can you work on your own?” The maximum score for Part 3 is 75 (15 weight points times 5).

Take the test.

Now it's time to take the test.

- Score yourself 0 to 5 for each factor. Take your time. Evaluate your past experience fairly. Use your best judgment. If in doubt, ask yourself what other professionals in your field might say about you on this topic.
- Multiply your score by the weight.
- Add up your weighted score for each section and in total.

When you have your scores, go to the next section to evaluate the results.

Criterion #1: Are you an expert? (Chapter 3)			
Questions	Weight	Your Score (0=NO /5=STRONG YES)	Total (WEIGHT X SCORE)
Do you have a strong background in your field? <ul style="list-style-type: none"> ▪ Do you have enough educational credentials? ▪ Have you held responsible positions in your industry? ▪ Do you have the necessary certifications? ▪ Do you belong to the right professional associations? ▪ Have you published books or articles on topics in your field? Have you spoken on your topics before large or small professional groups? 	4		
Do you have that extra something? Can you distill your experience and apply your training in a way that solves problems and creates value in practical situations?	6		
Is your expertise valuable to others? Do other people need what you can provide and will they pay for it?	5		
Will you be able to find the people who need your expertise and will pay for it? Fairly quickly and easily? Are there enough of them to keep you busy?	2		
Do you have a good reputation for both competence and integrity? When prospects check you out, will you be able to withstand what they find?	3		
Criterion 1 Total	20		

Criterion #2: Can you sell yourself? (Chapter 4)			
Questions	Weight	Your Score (0=NO /5=STRONG YES)	Total (WEIGHT X SCORE)
Do you believe in your “product” – you and your expertise?	4		
Do you have an aptitude for the sales process?	8		
Can you tolerate rejection?	6		
Can you be relentless in your sales efforts?	7		
Criterion 2 Total	25		

Criterion #3: Can you work on your own? (Chapter 5)			
Questions	Weight	Your Score (0=NO /5=STRONG YES)	Total (WEIGHT X SCORE)
<p>Delegation: As an independent consultant, you will have no support staff to do the tasks you don't want to do. Can you still be happy and productive?</p> <ul style="list-style-type: none"> ▪ On a practical level, do you have common sense and general know-how? ▪ Psychologically, can you take the "grunt work" along with the high-level networking? 	5		
<p>Consultation: As an independent consultant, you won't have a group of peers to confer with. Do you have or can you find others who can let you air your ideas, give you advice, and critique your work?</p>	3		
<p>Self Discipline: As an independent consultant, you will have no one to motivate you. Can you set your own schedule and keep it?</p>	4		
<p>Adaptability: As an independent consultant, you will get into situations you've never encountered before. Can you believe in your ability to face a new situation, whatever it might be, and meet your new challenge with enthusiasm?</p>	2		
<p>Good judgment: As an independent consultant, you will sometimes get in over your head. Can you work things out so that your client gets taken care of ... even if you have to bow out of all or part of the assignment?</p>	1		
Criterion 3 Total	15		
Grand Total	60		

Evaluate yourself.

Consider all three parts of the diagnostic test. If your score is 40 or higher in a section, give yourself an overall grade of “Yes.” If your score is lower than 40 in a section, give yourself an overall grade of “No.”

If your score is 40 or higher in all three parts of the diagnostic test, your results look like this:

Are you an expert?	Can you sell yourself?	Can you work on your own?	Action you should consider
Yes	Yes	Yes	You rate yourself as an expert ... <u>and</u> you can sell yourself ... <u>and</u> you can work on your own. You meet the minimum requirements for being an independent personal consultant.

If you got three yes answers above, you must still consider your “Grand Total” score to determine how successful you are likely to be.

Your Grand Total Score	How likely are you to be successful as an independent personal consultant?
Above 250	Very likely to succeed
200 to 250	Likely to succeed
150 to 200	Success is possible, but you will encounter challenges.
Less Than 150	Success is not likely.

If your score is below 40 for any one of the three parts, you should not consider a career as an independent personal consultant. Is your score below 40 in Part 1 and/or Part 2 and/or Part 3? Here are my recommendations:

Are you an expert? (Score above 40?)	Can you sell yourself? (Score above 40?)	Can you work on your own? Score above 40?)	Action you should consider
Yes	Yes	No	<p>If you need support, become an independent personal consultant but establish a relationship with a larger consulting organization to get the support you will need.</p> <p>If you need guidance, direction or motivation, join a consulting firm that will provide the management you will need.</p>
Yes	No	Yes	<p>You may work as a consultant but will be limited to a job execution role. Look for a position as Job Manager with a firm where others sell for you, but you can execute jobs on your.</p>

Are you an expert? (Score above 40?)	Can you sell yourself? (Score above 40?)	Can you work on your own? Score above 40?)	Action you should consider
Yes	No	No	Don't be a consultant. Seek a corporate job that can utilize your expertise.
No	Yes	Yes	Don't be a consultant. You should seek an independent sales job selling a product or service that does not require expertise.
No	Yes	No	Don't be a consultant. Seek a corporate sales job with close supervision and support.
No	No	Yes	Don't be a consultant. Seek a corporate job that does not require expertise or selling skills, but that requires you to work with limited supervision and support.
No	No	No	Don't be a consultant. Seek a corporate job that does not require expertise or selling skills and which provides close supervision and support.

What now?

If your score indicates that you are likely to be successful as an independent personal consultant (even if affiliated with a firm for support), skip the section below and go on to read the rest of this book.

If, on the other hand, your score indicates that you can't make it as an independent personal consultant, certain sections of this book will still be valuable for you to review and study.

Your next step	Part II: How To Be A Consultant.	Part III: Getting Paid	Part IV: Getting Clients	Part V: Running A Small Business
Become a consultant with a large consulting firm.	Read.	Skip this section. The firm sets pricing.	Read.	Skip this section. The business side of consulting will be handled by the firm you work for.
Become a Job Manager in a large consulting firm	Read.	Skip this section. The firm sets pricing.	Skip this section. Others will be selling for you	Skip this section. The firm handles the infrastructure.
Don't be a consultant (take a corporate job)	Read. You still have clients, even if they work for the same company you do. Consulting skills are valuable to corporate managers.	Skip this section. A corporation pays your salary.	Read. Everyone has to cultivate "customers" and make them want to work with you.	Skip this section. A corporation handles everything. Your problem will be working around the infrastructure.

(Note: Part V provides useful insights for anyone considering a startup of a small business.)

So you didn't "pass" the diagnostic test and have decided you shouldn't be a consultant? Consult other business literature to learn how to find work and succeed in sales and other corporate positions. Be kind to the consultants who will pass your way in what I hope will be your long and successful career.

PART II: HOW TO BE A CONSULTANT

CHAPTER 7: WHY DO CLIENTS HIRE CONSULTANTS?

To understand your role as an outside consultant, simply think of it from the viewpoint of the company – the specific person -- who hires you. Companies don't pay consultants for the fun of it, because they enjoy your company and like to have you around. They don't pay you, either, out of a vague hope that some good will come from having you tinker with their inner workings. To a client, you are an expense that has to be worth what they've paid for you.

Why clients hire consultants

Clients hire consultants for specific reasons. In many cases, they also hire consultants as a last resort – after ignoring the situation for a long time in the hopes that it would go away, or after using their own in-house resources without much success. You will be brought in to meet four kinds of needs:

- **To solve a problem.** Something's wrong and has to be fixed -- quickly.

The chairman of a bank told me about an acquisition he'd made where the promised benefits of the deal (synergies) were not being realized. The chairman and the president of the acquired unit were both frustrated, and the board of the bank had asked for an "update." The message wasn't going to be good and both the chairman and the unit president would look bad.

I outlined a study where Phase 1 could be done before the next board meeting – providing something positive to report to the board (solving the short-term problem) and providing a strategy for the acquired unit that would help improve performance in general and the fit with the bank in particular.

- **To take advantage of an opportunity.** New markets for the company's products and services are opening up, and the company has to adapt to the new situation quickly. Or there's new technology in the client's industry that must be implemented -- all the competitors are adopting it, and your client can't afford to fall behind.

In a "blue-sky" session (just tossing around ideas) with an insurance carrier management team, one idea emerged that got everyone excited. The opportunity wasn't something that had to be done today, but everyone recognized the value. Because I'd helped them identify the opportunity and all the managers were over-committed (they said), I got to help them develop a plan to address the opportunity – including identifying the additional resources that would be required and where they could be found in the company.

- **To bring in expert knowledge and skills.** The client company can't handle this problem or opportunity on its own because it doesn't have the expertise. This project is not in the area of the company's core business, either, so the client doesn't care to staff up for it.

A bank client had been selling insurance using premium financing to make the purchase easier for their customers to fund. The premium finance product was very popular, but the analysis used to illustrate the effect of using the product had to be done separately for each insurance carrier. The carrier analyses (the actual computations) and formats were different – making comparisons confusing for both insurance agents and customers.

No one in the bank had the skills to create a multi-carrier, premium finance illustration model and document it so the bank's compliance area could get comfortable that the product and the recommendation made sense. The result for me was a fun, small project of significant value to the client.

- **To supply needed manpower.** The client company could address this problem or opportunity on its own – that is, it has the know-how – but currently lacks the time and manpower. Everybody's plate is full with projects they can't set aside. This project can't wait until an in-house manager can take it on.

I hate being a rent-a-body, but sometimes that's exactly what the client needs. I always explain to the client that they are wasting money (I cost over twice what an internal resource would cost). I never rent myself out as a manager (decision maker), and I force this type of assignment to be short -- the value-cost tradeoff is not good and the client will ultimately resent the situation. The trick here is to help the client find the resource to replace me – whether someone internal they had overlooked or a new hire. I'm not a recruiter or "head hunter", but I often help place people in jobs in this manner.

Understanding the client's true need

When you take on an assignment, you will always be accepting a definable task with measurable objectives. You and your client will agree on exactly what you're supposed to accomplish and when you will be finished.

You'll also be addressing some unspoken needs of the person who hires you.

As you go into a new company, you will want to seek out and understand the political landscape. Who's immediately above, beside, and below your client in the scheme of things? What are their interests in the matter you're working on? Who will work with you and who might resist your efforts?

You'll also want to understand what this project means for your client personally. How will this project help your client advance his or her career? Should you do everything you can to make your client more visible in the company? Or is this project intended to keep your client out of trouble? Are you supposed to go about your work quietly, keep your client's name out of it, and assume the blame for some of the client's difficulties? Promoting careers and assuming blame are equally valuable roles for the outside consultant. You just need to understand which role you're being paid for.

Once in a while you might be hired simply to prove a point – for example, if your client is getting pressure from above to follow a certain course but doesn't want to. You should understand that kind of situation, too, from the beginning and not be disappointed if your recommendations don't lead to immediate action.

Understanding where your assignment fits in the overall scheme of things: The 4 poles

In general, consulting projects fit into four categories. You will be asked to cut costs or increase revenues. You will deal with situations inside or outside the company. You can align almost any project according to these four factors, to get more clarity on what the client is asking you to do ... to understand what role you should play ... and to determine whether anybody could realistically expect to deliver what the client wants. Here are some examples:

<p style="text-align: center;">Inside the Company</p>	<p style="text-align: center;">Outside the Company</p>
<p style="text-align: center;"><u><i>Increase Revenues</i></u></p> <p>The company has determined that it could provide more products or services to its current customers or charge higher prices for its current offerings. Your task will be to review current services and procedures, analyze what your client's competition is doing, and define ways your client's company could improve. You are likely to run into resistance from front-line employees, who feel they are already working as hard as they can. When they see you coming, they'll see their own workloads increase. Your role will be to keep everyone calm and gradually win their cooperation.</p>	<p style="text-align: center;"><u><i>Increase Revenues</i></u></p> <p>The company has determined that it wants to move into a new line of activity – for instance, launch a new product, target a new audience, or acquire another company. New ventures can be enjoyable for everyone, and there will be plenty of credit to go around. Your role will be to encourage all members of the client team to contribute their ideas and support the team effort. No matter how successful the project turns out to be, you will not bask in glory – that's for the client who paid you (and who will hopefully advance to higher levels in the company and hire you again.)</p>
<p style="text-align: center;"><u><i>Cut Costs</i></u></p> <p>The company has determined that its current way of doing something is not the most effective. Your assignment will be to review processes and recommend changes. The person who hires you might be a hero to his or her superiors, but the subordinates will be afraid of you. You may have to take the responsibility for unpleasant decisions such as eliminating functions or lowering a commission rate. The best approach to this type of assignment will be to organize those affected to do the analysis and make the recommendations.</p>	<p style="text-align: center;"><u><i>Cut Costs</i></u></p> <p>The company has determined that it's not getting the best possible deals from its suppliers or is not using potential suppliers in the best manner (out-sourcing). Your assignment will be to study processes, review vendor offerings, and recommend changes. Any replacement of internal resources with suppliers will cause difficulties within the company and you might have to tread lightly on your client's current relationships with vendors. Again, try to involve those affected in making the decisions and realize you might be the one to take the blame for painful decisions.</p>

Understanding where a particular assignment fits in the matrix is also essential to getting paid correctly.

When your job is to cut costs, there's a limit to what you can contribute. Your compensation will come only from your consulting fee. When your job is to increase revenues, there's theoretically no ceiling on what your contribution can mean. You might want to negotiate an arrangement where you will take a somewhat lower consulting fee but receive a percentage of the revenue increase you engineer. (See Part III for a full discussion of getting paid.)

CHAPTER 8: WHAT IS YOUR STATUS AS A CONSULTANT?

As a corporate manager, you had a well defined relationship with your company – you were an insider. As a consultant, you will have an entirely different relationship with each company – you are an outsider. Your status as an outsider gives you both advantages and disadvantages but always underlies everything that you do. Making the leap from business manager to consultant is just as difficult as the leap in the opposite direction. You might need some time to get used to your new role. Here are some simple guidelines.

Deciding versus helping the client

As an outside consultant, not an employee, you are always an advisor, never a decision-maker.

In both proposals and contracts it is extremely important that you define what you are going to do for the client correctly. While there will be specific outputs you will be responsible for providing during consulting assignments, your role is to help your client to:

- Identify issues and opportunities.
- Make decisions.
- Manage more effectively.

You should never position yourself as a surrogate manager, take responsibility for making decisions, or promise a specific outcome. These are your client's responsibilities – not yours – and are roles you cannot play under most Errors and Omissions (E&O) insurance policies. (See the discussion on insurance in Part V.) A prospect may need a temporary manager (for example, to turn around a failing or troubled operation), but that is not consulting.

The most difficult kind of situation you will encounter is one in which your primary client contact disappears in the middle of a project – is promoted, is given other priorities, becomes ill, quits, or is terminated. Companies that were good, long-standing clients have asked me to “fill in” for the manager in this situation, to hold things together until they can find a replacement.

The right answer is to offer to support an interim manager of their choosing – unless you want to stop being a consultant and take the job.

The lay of the land

Although many people might have been involved in the decision to bring you on board, there is one person in the company who actually hires you, pays you, and takes responsibility for what you do. That one person is your client, the one to whom you owe loyalty.

The source of your authority is in the individual who hires you. You have no more and no less.

- People who are above your client in the hierarchical structure are above you in authority, too. You will treat them with as much deference as your client does.
- People who report to your client in the hierarchical structure do not automatically report to you. Your true authority with them comes from your ability to influence and lead. Don't ever send anybody out for coffee or order them to bring you equipment. If you do your job well, they will eventually get to like you and volunteer to help you. Give them time.

Your goal: To become a trusted advisor to the person who hired you

As your consulting assignment progresses, you will often have to find the right path among many complex and conflicting alternatives. You will use these two principles as your compass:

- **Create Value.** In everything you do, you will seek to create value for your client. Creating value – for shareholders, customers, and employees – is also known as “value management” or economic value added (EVA) on the financial side and should be a key goal for any client manager. Understanding the value levers for your client manager’s area of responsibility and how value is measured within the client organization is a key requirement for any consultant.

Since the early 1970s, when I was first exposed to the concept, I have been a value maven – teaching value management concepts to my clients (and why they make sense) and using EVA estimation approaches as a core part of what I do as a consultant. My clients have divested subsidiaries, priced products, structured incentive plans, evaluated project proposals, and talked to stock analysts using these concepts. If you are not familiar with EVA theory go to the link below and get smart.

<http://www.investopedia.com/terms/e/eva.asp>

- **Earn Trust.** In everything you do, you will seek to build and reinforce a good relationship with your client. Of course, one way is to help them understand their value goals, develop plans to create value, and demonstrate value-creating behavior effectively to those who run the company (or the board if your client is the CEO).

Being a trusted advisor is a goal, not a starting point. It's a reputation you earn over time, not a claim you make for yourself. You're a trusted advisor when somebody else says you are, not when you say so yourself.

A trusted-advisor relationship is extremely valuable. I have one such relationship with a small bank headquartered in an out-of-the-way town. In this institution I have free access to and a good relationship with the top three officers in the company and particularly with the bank president who will be the next CEO.

Because we like to get together, this "work" is more enjoyable than my relationship with much larger clients. It's worth the extra effort to be part of their team, even if my role is limited by their budget constraints. I'm concerned that they get the right answers and build value from what I do for them. They sense this and treat me more like a friend than a contractor.

For instance, while driving my mother's car from the Northeast to Florida after her death, I stopped to visit with this bank and mentioned that the windshield wiper "squirts" was not working. They had a local mechanic who works on bank cars pick the car up and have it fixed and wouldn't let me pay for the repair. At another time, I flew in the night before for a meeting and discovered I had forgotten to bring along cuff links. One of the bank's senior managers went home on a break and retrieved a pair of gold cufflinks for me to use on the rest of my trip.

Are some consultants NOT trusted advisors? Yes. These are the consultants who look for quick, one-shot jobs. They fly in and fly out ... might never be seen again ... don't wait for results ... might not ever know if their recommendations lead to successes for the client. You, on the other hand, hope to get additional assignments from the same client organization. Your experience with the company – and their experience with you – will determine your livelihood.

CHAPTER 9: WHAT WILL YOU ACTUALLY DO AS A CONSULTANT?

So you've hung up your shingle and have declared yourself a consultant. Let's say you've even been given an assignment. What exactly are you going to do for your client?

There are six phases of the consultant's job -- Phase 0 (writing the proposal) plus the five phases involved in getting the work done. You spend more time or less time on each phase, depending on the client and the task. However, you'll go through all six of these phases, in one way or another, with every assignment.

Phase 0: The proposal

In most cases you will not be paid to develop a proposal for the client, but it is one of the most important activities you will do. While writing a proposal you think through the client's situation, key issues, needs, and budget in relation to the proposed project. Getting the proposal "right" and having full client buy-in makes everything else in the project work better. Your client will use your proposal to sell the decision makers on doing the project and then communicate what it's all about to others. You will use the proposal to manage your client's expectations and as a road map for actually doing the work. (Chapter 10 covers the proposal in more detail, and Appendix A gives you a sample.)

There is no such thing as a consulting assignment that doesn't require a proposal. In working with one client I know well and who trusts me, I tried skipping the proposal stage and found that I still had to do the work, never got the client with me on the same page concerning the focus of the assignment, and ended up doing work for free to make sure the client was delighted with the result. I would have been much better off to do the proposal right in the first place.

Phase 1: “Mucking around”

You’ll start out by learning about the situation and the core problem or opportunity you’ve been assigned to study. I call Phase 1 “Mucking Around.” You’ll interview key players and gather information.

- You start out with an understanding of the information you’d like to collect. Who the key players are in the client organization, and an interview guide (a list of questions you intend to ask or information you need to collect) for each person you’ll be talking to.
- You will have already interviewed your client manager while getting input for writing the proposal. Now talk with him/her again to get the list of people you should interview, along with background information on each person.
- As you talk with other managers, you’ll want to be flexible. Make sure you have plenty of open-ended questions. Most of the people you are talking to will have a personal agenda which may or may not be aligned with the agenda of your client manager. Give people time to say what they want to say to you, and probe for their reasoning and motivations.
- Remember, this part of the process is dynamic, interactive, and messy – that’s why I call it “mucking around.” One discovery can easily lead you to new questions and send you off on an entirely new path – and then another discovery can redirect you again. In this phase, your analytical brain and your intuitive brain are both at work, as you listen to what is said to you by many sources and look for common threads.

Phase 2: Formulate a hypothesis.

In Phase 2, you settle on a “guess” of what the answer might be. Of course, your “guess” is more than a guess. Many possible theories, based on your special expertise and broad experience, will have emerged for you during the course of your Phase 1 interviews. Now, in Phase 2, you must choose the theory that makes most sense to you, the one you believe is worth taking to the next stage.

Consultants are often accused of having the answer and just doing the assignment to run up the bill. In many assignments, you **will** have the “right” answer at this stage. However you will not have the full supporting data, the related analysis, the political buy-in or the communication vehicles necessary to sell that answer to the client.

You’ve heard the adage that a picture is worth a thousand words? Well, in consulting a good guess (hypothesis) is worth a thousand hours (about a half year of effort). A client organization can generate a flood of data, most of which is irrelevant to the issue you are addressing. I’ve even had client staff try to kill studies by pushing tons of irrelevant information on me as a way to slow me down. A well-formed hypothesis provides a roadmap for the assignment, prevents muddling, and avoids wasted effort in dead-end alleys.

Phase 3: Gather information.

In this phase, you test your hypothesis. You will have to collect information about a specific entity or situations and add related information from personal experience or third-party sources. Information can come from many places – interviews, research (on the internet or through your local public library), available client documents, the work of other consultants, etc.

My brother-in-law, Mark Blanchard, who is a manager with OCLC (the folks who generate library catalogs and reference tools) has taught me that public libraries have access to nearly every computer data base in existence and have staff who can help you find information you need. It's local, easy to use, and generally very low cost (if not free).

Most consultants find that there is too much information to deal with. You'll have to discipline yourself to collect only what's needed to test the hypothesis.

I am often surprised by how easy it is to gather information from a company just by asking – even after I disclose that my client is a competitor. Most companies are anxious to share information about how well their company does things, to give you a tour of their facility, to share facts and figures with you, to even let you take pictures of their operation. Most do not understand the value of the information they are sharing and many end an interview during which they have told their most important secrets by saying, "I'm sorry I wasn't able to share more with you."

Phase 4: Do needed analysis.

In this phase, you will:

- Analyze the information you have gathered.
- Develop the conclusions that are supported by the information.
- Test your hypotheses to see if they are supported by the conclusions.

If information you analyze generates conclusions that do not confirm the hypotheses, reformulate the hypotheses and try again.

As you go through this process you may discover that you need more information and additional analysis to derive conclusions that support a particular hypothesis.

You will have to use appropriate analytical techniques and tools to develop conclusions and make recommendations from the information gathered. There is a confusing array of techniques and tools for a consultant to choose from – ranging from plain common-sense logic to highly complex computer models. The trick here is to choose those that are appropriate.

Writing as a form of analysis

Logical, properly structured writing can be a powerful analytical tool. The very act of writing forces you to define your problem clearly, explain the steps you have taken to search for a solution, and support your recommendations with arguments that hold up under scrutiny.

Analysis is best presented in a collection of small, easy-to-understand steps. If the analysis is too complicated, it will be worthless -- even if it is brilliant and of extraordinary potential value to the client. The client must be able to understand, internalize, and replicate your analysis for it to be of long-term value. The best solutions often are the simplest ones.

Factor analysis:

Much of what a consultant does involves defining, comparing, and prioritizing alternatives. It can be difficult to do this effectively within a complex organization where there are many different agendas and opinions. A factor analysis is a good tool to use to force consensus in a diverse organization. Factor analysis involves five simple steps:

- **Step 1: Define your alternatives clearly.** Whether the goal is to prioritize projects, choose from a list of vendors, or compare possible acquisitions, you have no base to build upon unless everyone is clear what the alternatives are.

- **Step 2: Define the relevant decision factors.** Whether they are financial, risk, resource, or capability related, this is the single most important part of the process. If you don't identify a comprehensive yet focused list of decision factors, your analysis will lead nowhere.
- **Step 3: Weight the decision factors.** Not all factors are of equal importance. Distribute 100% (or some other base value) among the factors you've selected. If you use 100%, your answer will be the weighted average of the ratings. If you desire some type of total point score, you can assign points to each factor.
- **Step 4: Rate the alternatives for each factor.** Give a score of 5 to the best or most favorable and 0 to the worst or least favorable. Interpolate between 5 and 0 as appropriate.
- **Step 5: Develop weighted scores.** For each alternative, multiply the percentage weight for each factor (Step 3) times the rating on that factor (Step 4). For each alternative, add up the weighted scores for all factors to come up with the overall score for that alternative. The alternative with the highest score wins.

Where there is a group involved in doing the process, the group goes through the steps above together and negotiates to develop an agreed-upon factor list, weights for each factor, and ratings for each alternative. Factor analysis is usually done with a spreadsheet model (like the example below):

Supplier Selection

#	Factor Description	Weight		Supplier				
		Group	Element	Co. 1	Co. 2	Co. 3	Co. 4	Co. 5
1.0	Pricing Levels	25%	100%	5.00	2.80	1.00	3.76	4.74
2.0	Product Offering	20%	100%	3.70	2.80	3.60	3.00	3.40
2.1	Product Feature 1		30%	3	3	3	3	3
2.2	Product Feature 2		20%	5	2	5	3	3
2.3	Product Feature 3		15%	3	3	3	3	3
2.4	Product Feature 4		15%	5	3	3	3	5
2.5	Product Feature 5		10%	3	3	5	3	4
2.6	Product Feature 6		10%	3	3	3	3	3
3.0	Product Support Services	15%	100%	3.07	3.64	3.42	3.12	3.72
3.1	Direct Mail Coverage		10%	3	3	5	4	4
3.2	Direct Mail Effectiveness		13%	2	3	3	3	3
3.3	Telephone - Response		20%	2	4	5	3	3
3.4	- Depth		5%	3	3	3	3	3
3.5	Internet Capability		22%	3	5	4	4	4
3.6	Flexibility		10%	3	3	3	3	3
3.7	Footprint Coverage		20%	5	3	1	2	5
3.8	Other		0%	3	3	3	3	3
4.0	Supplier Qualification	10%	100%	4.00	3.30	3.90	4.00	3.50
4.1	Ratings (S&P, Moodies)		20%	3	3	2	3	3
4.2	Market Conflict Issues		30%	3	4	5	3	3
4.3	Experience		50%	5	3	4	5	4
5.0	Brand Management	2%	100%	3.00	3.70	3.00	3.00	3.70
	Brand							
5.1	Image/Recognition		70%	3	4	3	3	4
5.2	Private Labeling		30%	3	3	3	3	3
6.0	Financial	20%	100%	4.80	2.26	3.59	3.00	1.30
6.1	Value created		90%	5.00	2.40	3.77	2.89	1.00
6.2	Risk incurred		10%	3	1	2	4	4
7.0	Other Factors	8%	100%	4.10	2.70	3.40	3.20	3.20
7.1	Technology Interface		50%	4	2	4	3	3
7.2	Cultural Fit		10%	5	5	2	1	5
7.3	Compliance		20%	3	3	3	3	3
7.4	Product Ownership		20%	5	3	3	5	3
	TOTAL RATING	100%		4.20	2.88	2.92	3.32	3.36

However, a spread sheet is not necessary – a pencil and paper will work, too. In Chapter 6, you used a factor analysis to help you decide to whether to be an independent personal consultant.

Phase 5. Communicate your recommendations.

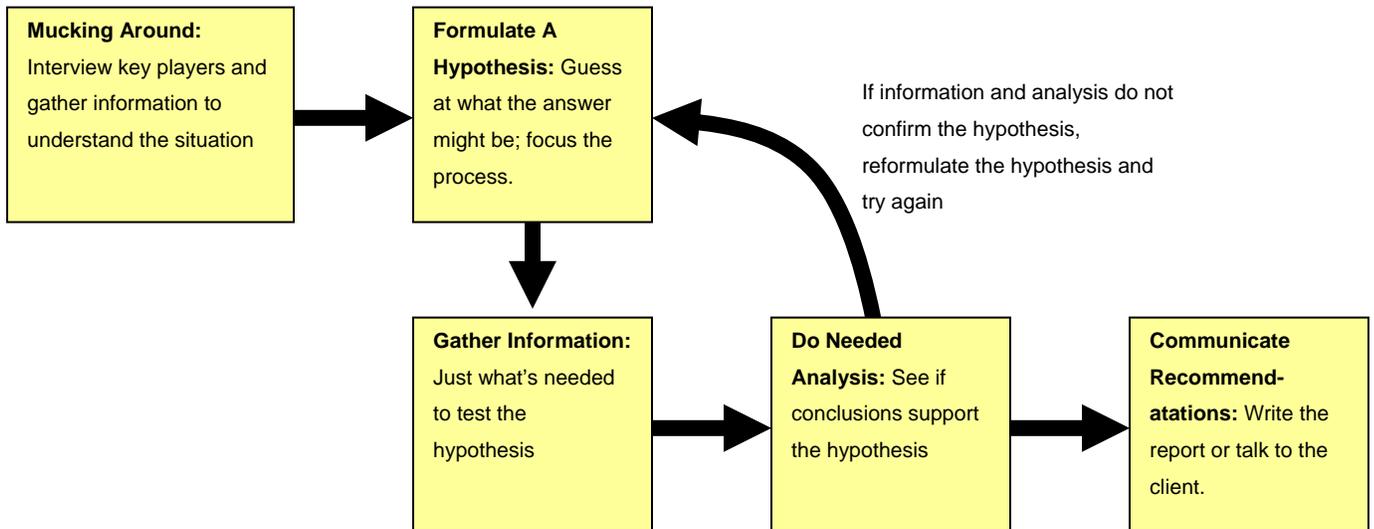
You will have to package the relevant information, a description of your analysis, your conclusions, and your recommendations in a way that will resonate with and motivate a client to take action. The package could be a presentation, a report, a letter, or just a private conversation – depending on the context and the need of the client.

When a consultant formulates a hypothesis (guess at the final answer) early in a project and that data and analysis prove to be right later in a project, many clients think the consultants “knew” the answer beforehand. Successful completion of an assignment often depends on the consultant’s insightful use of experience together with the opinions of the key managers whom the consultant interviewed up front (during the “mucking around” phase).

Managers don’t need to have an analytical discipline, because what they say goes – they identify an issue, ask a few questions, and make a decision. The consultant, on the other hand, must do the analysis that provides the logic trail to support the recommendation that will be the basis for a management decision.

A mentor once told me “No matter how much you trust him, you must always treat the client as an enemy.” This means you must double check your facts, test that your facts support your conclusions, and make your recommendations unassailable. I have been in many situations where my work was attacked by a manager other than the one who hired me – sometimes jealous peers, sometimes testing bosses, and even subordinates with the encouragement of my client – all to find out if the work will stand up to criticism. This is behavior you should expect, be prepared for, and even encourage. A challenged recommendation is usually a better one.

Many times the consulting process is not a straight line from information through analysis to communication. The graphic below illustrates a typical process.



CHAPTER 10: BEFORE YOU START WORK – SETTING CLEAR OBJECTIVES

Before you launch into the five phases of actually doing the consulting work, you have a little groundwork to do. You have to understand exactly how you're going to approach the assignment ... what you're going to deliver to the client ... and when you're going to deliver it. And you have to communicate those intentions to your client. This is the Phase 0 discussed above.

Managing your client's expectations is critical for your success. It's the way you make sure that your clients feel they are receiving good value and will be good references for you in the future.

In a sense, managing your client's expectations is as important as the work itself. In one case, you might do excellent work, come up with an outstanding recommendation, and deliver your findings faster than any other consultant could possibly have done ... but if you tell your client you'll finish on Wednesday but don't show up until Friday, you'll get a failing grade. In another case, you might run into difficulties, have to modify your objectives more than once, scrap a good bit of work, and start over ... but if you keep your client apprised and give them a say in your decisions, you can still get an A-plus.

There are two documents that govern what your client expects to get from you – the proposal and the contract. You should always prepare a written proposal before you start work. You may or may not prepare a contract, depending on the situation.

The proposal

A well written proposal serves two purposes. First, it helps you get the assignment in the first place and price it properly. Second, it gives both you and your client a road map to stick to. When the project progresses and new issues emerge, you'll sometimes be tempted to head off into new directions and take on

tasks you didn't anticipate. At such moments, you'll refer back to your written proposal to reclaim your focus or agree that you should change the scope and/or focus of the project.

The typical consulting project is refocused, expanded (rarely contracted), and stretched out (occasionally accelerated) many times as it is done. A recent study for a bank started as a few weeks of work to be completed in one month. It focused on just the insurance operations of the bank. By the end of the project, it had expanded to a nine-month period and encompassed all trust, investment and insurance operations including two acquired agencies. The original proposal was rewritten several times and was used to keep everyone's understanding of the focus, cost, and schedule in line.

It would be hard to overestimate the importance of the proposal. I often spend one full day preparing a proposal for a five-day job and consider it time very well spent. The written proposal is especially important when you're working with a new client, one who doesn't know and trust you yet.

A proposal should include the following sections:

- **Your understanding of the situation.** Before you write the proposal, you will have spent some time with the client getting "input." For a simple assignment, input can be a phone call from a manager you already know well. You'll listen to what the problem is and determine what you're being asked to do. For more complex assignments, you might want to schedule a formal input session with the client. You'll learn about the company and the problem and meet some of the key players. In this part of the proposal, you feed back to the client what you heard them say.

- **The issues to be addressed.** In this part of the proposal, you distill what you've heard the client say and present the key issues as you see them. Your analytical abilities begin to show up here. It's vital that you assess the key issues correctly, in terms your client can understand and agree with.

- **How you will approach the project.** In this part of the proposal, you'll tell the client what you're going to do. Describe the specific tasks you're going to perform and what those tasks will involve. Cover all five phases of the consultant's job, from "Mucking Around" (called "Initial Investigation" in your proposal document) through delivering your final recommendation.

- **Timing and Costs.** When will you start work? (For example: 5 days after the acceptance of this proposal.) When will you deliver what? (For example: At the end of the "Initial Investigation," you might check your working hypothesis with the client, briefly, by phone, before you go on to the information-gathering phase.) When will you be finished? (For example: After you present the recommendations to the client, in a meeting in the client's office.) What will the consulting cost? Quote an estimated amount. Be clear that you work on a time and materials basis and not a fixed-price basis. The actual cost may be higher or lower depending on what the client asks for along the way.

- **Your qualifications.** Include resume data and references relevant to the project in the body of the proposal. This is information your prospects will want to have and is important in reinforcing your qualifications to do the work you are proposing. (Separately, attach a copy of your CV or professional resume.)

The above elements may be communicated to the client in a formal proposal letter (See a sample proposal letter in Appendix A), in an Email, or even a memo.

- The length of the proposal can vary from 2 pages (about the minimum length to communicate what's necessary) to over 20 pages. (The longest proposal I've worked on was over 100 pages for a multi-million-dollar job.)
- The vehicle isn't important, but it is important that all the elements above are covered, that the financial terms and timing are explicit, and that you have specific approval to go ahead.
- If a client calls me and suggests I start a project but I have nothing in writing, I will send them an Email confirming our conversation, reviewing the terms of the proposal, indicating when I will start, and thanking them for the business.

The contract

Contracts are really just another tool to help you manage client expectations. You should never expect that you will use a contract to sue a client. The ill will and negative reputation issues that result would not be worth the effort and cost. However, you should have clients sign a contract whenever possible.

The primary purpose of a contract, like that of a proposal, is to manage mutual expectations between you and your client. The purpose can be served by sending the contract, even if it is not signed and returned.

If you are comfortable with a client, it is OK to go ahead with an assignment without a contract so long as their payments are made on time. For small contracts (less than five days) I routinely work without a contract. Preparing a contract is not worth the effort in such cases, given the revenue potential and small risk exposure.

Your maximum compensation, if the client breaks the contract, is likely to be payment for two months of work – not enough money for you to try to enforce a contract even if you had one.

I have only enforced one contract (using legal recourse) in my 30+ year business career. No relationship (and certainly no trusted-advisor relationship) can survive a trip to court.

From your standpoint, the shorter and simpler the contract is, the better. The contract should be long enough to say what you mean and short enough to minimize the legal boiler plate.

Be sure to include mutual confidentiality protection and clearly outline the timing, basis, and amount of payments due.

(See a sample contract in Appendix B.)

CHAPTER 11: WHAT ELSE DOES THE CLIENT NEED FROM YOU?

When the client accepted your proposal (and your contract, if it's in writing), you committed yourself to specific promises about what you would do and when you would do it. As you progress through Phases 1, 2, 3, and 4, however, conditions are likely to change. You must continue to manage your client's expectations, especially when plans change. You will do this by:

- Making clear promises.
- Delivering on time.
- Renegotiating your agreement promptly when you can't keep a promise.
- Avoiding excuses.

In a consulting practice, there's no such thing as not doing what you promised. Therefore, there's no such thing as a dog who ate your homework, or a traffic jam that held you up, or another client who made you fly to Detroit. Skip the fascinating story. In the consulting world, there's only renegotiation: Okay, so you won't be able to complete a certain phase of the assignment by a certain time -- what can you do and by when?

When verbal agreements go against the written agreements

As your assignment progresses, you will often run into situations where the project changes from what was originally proposed. You learn more, the client learns more, and the project suddenly expands or contracts. You're on slippery ground. Do you go ahead and change your project scope or focus, based merely on the client's verbal instructions? Or do you take the time to revise the written proposal and get the client's buy-in? Some clients require a formal amendment

to the proposal. Some ask for a letter outlining the new arrangement. At a minimum, I will Email the client confirming the new scope, focus, cost, and timing and ask that they reply whether I have it right. All changes must be documented in writing and there must be an explicit approval from the client (even if just verbal) before you go forward.

Not all changes originate on the client's side. You or someone on your team might get a little enthusiastic and promise to deliver something more or faster than the written documents specified. You should avoid over-promising, of course, but once the damage is done you're stuck with it. You can't deny that you said something and try to hold your client to the agreement you presented earlier.

What ELSE does the client expect of you?

Being a consultant, like being a spouse or a friend, brings you face to face with many unwritten expectations as well as the written ones. Yes, you have to provide the obvious elements – expertise, time, attention, measurable value, and so forth – that clients expect. You also have to avoid surprising your client – not in a good way – with attitudes and behavior they would never have anticipated.

Now that you're making the transition from manager to consultant, take a few minutes to go over some points that might seem to go without saying – except for the fact that many new consultants never seem to have heard them. I've given you a checklist below – what clients really want and expect when the consultant comes on the scene, where failing to deliver can sink your boat and no one will tell you why.

When in doubt, ask your most senior client contact to talk to others in the company and let you know if there are issues. Make several friends quickly in the middle ranks and ask them how things are going and what you could be doing better. The client will always tell you what else they expect, but you might have to listen closely.

Now, your checklist:

An ability to work with managers

Successful consultants are experts. With some consulting specialties (for example, with consulting actuaries and technical consultants), the client understands that they don't have the expertise themselves and that outside help is necessary. When you're dealing with general management issues, however, (for example, product distribution, financial reporting, or manufacturing management), clients often think they can or should be able to do what you do. They resist you. You can deal with this resistance in a variety of ways:

- **Emphasize the simplicity of the answers you're going to provide.** Explain to the client that what you'll be doing for them "isn't rocket science," but, rather, that what you'll be doing involves stringing a lot of simple, clear concepts together. You can imply that the organization of these simple ideas might get a little tricky but that the final answer will probably be pretty obvious and logical. "Of course, why didn't I see that before?" your client will say. Or, "I would reach the same conclusion myself, if I had the time to study the matter in depth."
- **Explain how the consulting process works.** Spend time with your client to go through what tasks you will be doing (for example, interviews, research, and database development), the tools you will be using (for example, a factor analysis or a financial projection model), and the reports and presentations you will be preparing. These are tasks that only a consultant will do. Your client, as a busy manager, doesn't want to do them. You will seem less threatening.

- **Explain why you're efficient.** Point out that because you do this type of work with a lot of companies, there are some things you know how to do very quickly and other project elements you may have “on the shelf” –that is, work that you've done for other clients that can be shared with this client. Most clients react well to getting a good deal -- something for nothing, something that other companies have valued.
- **Point to your industry knowledge.** Because you work with lots of companies in the client's industry, you have contacts and competitive knowledge that your client will value.
- **Readily admit what you don't know.** The worst thing you can do is to get caught in an obvious misstatement. If you don't know the answer to a question, try to avoid the subject and get smart before your next conversation. If you can't avoid the question – it's direct and requires an answer – say that you don't know but will find out. (And then do so.) This sounds obvious, but many consultants feel they must have all the answers. They undermine their overall credibility with one simple incorrect comment.

Constant communications

Once you're a consultant, everything you say or write has importance beyond what would normally be the case. Your words will be “captured” and may be repeated in many ways to many people, so what you say and write must be fully professional. Let these tips be your guide:

- **Over-prepare.** Be thorough, document and double-check your facts, and test your conclusions. Review everything you write to be sure it is complete, error free, and has been checked for political hot-buttons. Practice your presentations so you can

give them without notes. Rehearse what you're going to say in meetings and on phone calls beforehand. Never be "offhand" in your comments if you can help it (although appearing to be offhand is often very effective).

- **Over-communicate.** Talk with your client regularly – at least once for every five days of client work or once every two weeks, whichever comes first. Schedule interim working sessions, review meetings, and presentations. If you are constantly communicating, you are less likely to be out of sync with your client.
- **Be careful with phone mail and Email.** Both types of messages can be saved and forwarded. Presume that every time you leave a phone mail or send an Email you are communicating with everyone at the client company.

Everyone makes mistakes. I once sent a client an Email where I misspelled (butchered) the name of an important senior executive at a client organization – I meant to go back and check on the correct spelling but forgot. The result was rather humorous and unflattering to the executive in question (whom I had interviewed).

I called the senior executive, told him about the mistake, and offered my apology in advance of his seeing or being informed of the error. He reacted well and even made a joke of the situation (at my expense, of course).

What could have been a very serious problem for the assignment was turned into what evolved into a good relationship with a key individual and an important lesson for me.

Availability and responsiveness

A client wants to feel they have your total, undivided attention and are your number one priority. They may understand that this is not possible, but that will not change their expectation. You must, to the extent possible, focus on them as though they are the only client in the world. These dos and don'ts can help you fulfill this expectation:

- **Do let the client know they're important.** It's like saying "I love you" to your wife. You have to constantly let your client know, in both words and actions, how important they are to you.

My calendar is often full with commitments that are not client related (such as a doctor's appointment) or with things I want to do but, strictly speaking, don't have to do (such as attending a concert with friends). When I'm trying to set an appointment with a client, I try to mention that I'm willing to move my other appointments to become available for them – letting them know that talking or being with them is more important than most other things in my life. When I can't move an appointment, I explain that I have a commitment I must respect. Respect is a two-way street, and the client will usually understand that their appointments with me will be honored as well.

- **Do be reachable.** The client should be able to talk with you in less than an hour in most cases and in less than a day in all cases. If they can't reach you, they become frustrated and disillusioned quickly.

When I'm traveling, I have calls to my office phone forwarded to my cell phone so clients can reach me no matter where I am. I use the "meeting" setting on my phone (it vibrates), so I always know when a client calls and can get back to them at

the next opportunity. I've even used this arrangement when traveling on vacation, although I do let my client know I'm going on vacation in the hopes that they'll only call me in an emergency.

I also answer my office phone in the evening.

- **Get back to clients quickly.** Even if you don't have time to do anything for a client at the moment, make a quick call to answer their question, if possible, or to set a time for further discussion. Check and answer all Email daily, unless you are on vacation.
- **Never be late.** Courtesy comes before trust. If you don't return phone calls, are late for meetings, or produce work after it was promised (without adequate explanation), you are insulting your client and you won't have that client for long.

Confidence and assertiveness

The consultant must maintain a careful balance between self assurance and being overly aggressive.

A consultant is expected to define and lead a project. If you can't communicate a degree of personal confidence in what you are doing, the client will become uncomfortable, stop trusting you, and even start to "help" you manage your project (a very bad sign). Controlled self-confidence is expected and your actions, attitude, and statements should reinforce this impression.

Being too forceful with a client (anyone at the company) can backfire quickly on a consultant.

I once became frustrated with a low-level manager in a bank's Information Technologies area. He was tasked to provide me with access to a bank data base and was several weeks late with the necessary user ID and passwords. His delay was holding

up the whole project. After several unreturned phone messages and Emails, I decided to pay him a personal visit.

The visit was not a pleasant experience. He said the data I was asking for wasn't the most important thing on his "To-Do" list and he didn't have time to talk to me about it. Instead of going to my client contact, explaining the situation and asking for his help in reprioritizing the IT manager's "To-Do" list, I presented my need more forcefully than I should have.

The IT manager went to his boss. His boss went to the executive in charge of all IT. That executive went to my client's boss . . . You can guess where this is going. After formal apologies and extensive delays in the project, I managed to keep the client, but it took years to rebuild the trust relationship with my key contact in the organization – a tough way to learn a lesson.

Full disclosure

How you deal with bad news will be a function of how good your relationship is with your client.

Never share the "dirty details" of an assignment if you don't have to. Clients want to know that you've solved the problem or helped execute the change. They don't want to know about all the steps you took to get there (especially the dead-end alleys you had to walk down).

Always share issues or insights regarding the behavior of client contacts with your primary contact. If you don't and something comes back to that person, you will undermine trust. Sharing these insights will be an important step toward building trust with your client.

If the "right" answer for the study will be uncomfortable or even threatening to the client manager who retained you, you must still tell him what the

answer is. You may and should do it privately and work with him to produce a “win-win” solution if possible. There is an ethical issue here:

- You can't help a client manager do the wrong thing for the client organization.
- You can help the client manager be positioned as a winner as you help the client organization do the right thing.
- If your client pushes the issue, it may be time for you to move on. It is bad form to go over your client's head or to do something to undermine his or her credibility.

Don't lose your cool.

You must always be calm and controlled when you deal with client staff.

Keeping calm will sometimes be a challenge because you will have set expectations with the client that a project can be completed in a certain amount of time, will accomplish a specific objective, and will cost a preset amount. When client personnel are unavailable, uncooperative, or even openly hostile to the project, the outcome and cost may be threatened. You will feel an enormous motivation to bully client staff to cooperate. The right answer is to set ground rules clearly with your client up front and let them know immediately when a problem arises. A problem left unattended can quickly grow into a crisis.

There is never a place for anger or rudeness with client staff. I have seen client staff purposely push consultants to get them to “lose their cool.” When this happens (for whatever reason), it is usually the end of an assignment and a relationship.

Confidence is often confused with arrogance. You need to be sensitive to how you are perceived. Regardless of what you think you're doing, it's

their perceptions that count. You are there to help the client, not tell them what to do and especially not to look down on them.

Early in my consulting career I learned that a consulting teams typically got together after an initial round of management interviews to compared notes and discussed how the assignment should be focused (the initial hypotheses) and organized. These sessions frequently included an early assessment of the players on the management team – a very useful process in helping the team to understand the political landscape and where we could go for help and support.

In one of these meetings, we discussed the relative level of competence/incompetence of the key managers compared to each other and to other recent clients. Managers were rated (somewhat humorously) on a 1 to 5 scale (incompetent to competent) and the average rating was referred to as the “Peter Meter” (referring to the Peter Principle, which says that managers will tend to be promoted to their level of incompetence).

It seemed funny – a joke – at the time, but how could the client fail to perceive the arrogance of consultants who think of the client as falling on a continuum of relative incompetence? My discomfort with this meeting sensitized me to the importance of trying to treat the client – and all client staff – with sensitivity and respect.

Don't waste the client's time.

Come well prepared to every meeting and presentation. Preparation is especially important in situations where you're the leader. Being disorganized in a meeting can undermine both your effectiveness and your credibility. Two helpful hints:

- **Use interview guides.** As a general rule, a consultant never meets with anyone at a client's firm without developing an interview guide. You don't need anything fancy or complicated – just a list of the questions you need to ask and information you need to gather before leaving the meeting.
- **Use meeting agendas.** Every meeting, whether a call to organize a process, gather information, report progress, raise issues, or make a presentation is an opportunity for disaster. Not everyone at the client's firm is on your side. If you don't control the flow of the meetings you lead, your assignment can be easily undermined. Share your meeting agenda with the important players beforehand, along with any important conclusions or recommendations you are going to present. If the topic is sensitive, meet one-on-one with key participants beforehand. Behave as though someone in the room just might be out to get you ... and you just might make them think twice about trying.

CHAPTER 12: FINISHING THE JOB AND DELIVERING VALUE

When the analysis is done and the answer is clear, your client will want a vehicle to help tell and sell the story. The main idea is that the recommendation – remember, it's the client's recommendation (you just helped find the right answer) – be translated into action that will create value for the client company. A surprising number of consultant recommendations never result in anything positive actually happening. (These are what we used to call a “lower left hand drawer study” – because the client would throw the final report in the lower left hand drawer of a desk and never look at it again.) A consultant can do several things to improve the chances that a study will be used and that good results will come from it.

Engineer small victories throughout the study.

The best projects attach “low hanging fruit” early in the study so the overall process is quickly seen as valuable and the source of hard, practical benefits.

- You know a study is going well when the client looks over your shoulder, sees what the answer will be, and starts to implement a solution before you have had time to deliver the recommendation.
- Client managers will often take credit for ideas that you have surfaced or that were on the table before but no one had acted on. This is not a problem, but, rather, it is a sign that you are achieving your objectives – to create value and make your client look good. Nobody is fooled when a manager says “we were already doing that.”
- Emerging recommendations should be written into the agenda and discussed with the client at periodic review meetings. Save your agendas as a written record of your progress.

- Studies are often phased to provide interim reports and recommendations at several points during the study.

Pre-sell the results.

You can use several techniques to improve the likelihood that your recommendations will be well received. These techniques include:

- **Put bad news out there gently and early.** During most studies, you will surface key information and form conclusions that are going to be politically harmful to certain individuals in the organization. It is critical that you surface this information in the right way during the study. It won't help your career to make a final presentation that delivers unpleasant surprises with a "gotcha" flavor.
- **Co-opt your key objectors.** If you know that there are key managers who are likely to be threatened by the study or adversely affected by the study's results, invite them to be part of the team. If they try to undermine the process (and some will), they are quickly branded as not being team players and are discredited. If they support the team, they often are given extra credit for taking a company, rather than personal, position. Others will work hard to see that they don't lose out.
- **Pre-sell the key decision makers.** There are generally a few senior people who really matter in the decision chain. If you deliver the answers to them early and often, they will tell you what is doable and help you structure a solution they can support. Before the recommendations are public, there is still room to negotiate – to reposition a recommendation to help someone save face or preserve important political positions.

Make sure the resources required match the money available.

Too many study recommendations fail to be implemented because the resources (people, money, and other expensive elements) required to implement them are not available. There are several things you can do to improve your odds of funding:

- **Surface likely resource requirements early.** Keep a running list of resource requirements. Review your list with your client and others in the organization as you go through the study.
- **Get finance on the team.** Having someone from the client's finance or controller's area on the team will improve the credibility of your numbers and help you align the way you present numbers with the way managers are used to looking at them. Finance staff can also help you assure that the resources to support your recommendations either make it into budget processes or are positioned in the right way as exceptions to current budgets.
- **Meet key managers' cost-value expectations:** In any company, projects have to compete for investment funding. Know what your client can afford to invest in implementing your recommendation. Tailor the degree and pacing of your plan to meet the client's constraints. Simple things, such as delaying a launch so that only part of the cost falls in the current year, may make the difference between whole-hearted support and quick rejection.

Give your client a presentation that sells the recommendation.

When your analysis is complete, you will deliver a final recommendation to your client. This is the moment your client hired you for. You'll take the client through the whole process you've followed, from initial investigation ... through the hypothesis and analysis stages ... to your answer to the problem that the client

presented in the beginning. Your presentation to your client manager is not the end of the story, however. The true value of your presentation – and what you did to get here -- lies in how your client will be able to “sell” your recommendation through to others in the company.

Why a presentation?

A presentation, typically a PowerPoint document, is designed to lead the recipient through a logic chain (deductive or inductive depending on the type of presentation) and demonstrates why the recommendation makes sense. A presentation is a selling tool and **every** project should incorporate one or more of them.

What’s in the presentation?

A presentation usually includes these general sections:

- **Agenda.** Because this is a presentation, you should always start with an agenda that lets the recipients know what they will be going through. An agenda lets you set expectations and helps you defer questions until the right place in the presentation – after the groundwork has been laid – so that you can answer them effectively.
- **Background.** This section reviews the reason why the project was initiated, the goals to be achieved, and reviews the project process - who was involved (had input, was consulted, or reviewed the team’s work) and what work was done. This is where you tell the recipients that you did all your homework, touched all the right bases, and have already had key people involved with the answers.
- **Key finding and conclusions.** This is the most important part of the presentation, because it lays the groundwork for the sale.

Objectors will challenge this part of the presentation – understanding that facts support conclusions that lead to recommendations. If the facts are well documented and the conclusions are derived from solid analysis, you are on very solid ground and can have fun dealing with the darts objectors will throw at you. If you are poorly prepared, you will not get to the next section.

- **Alternatives considered.** In this section you define all viable alternative solutions/recommendations considered by the team – including maintaining the status quo (no change) and any alternatives that might be offered by the objectors to your preferred recommendation.
- **Recommendation.** In this section you close the loop. Using stated management preferences or biases and your findings and conclusions you eliminate unviable alternatives and compare the viable ones. This is where factor analysis is often useful and can be easily displayed. Remember that your recommended solution is only your client manager’s guess at the “right” answer. While your recommendation will be followed most of the time, there needs to be room to accept and support any of the other viable recommendations if the decision makers move in that direction.
- **Next steps.** In this section (usually a single page) you will outline the logical next steps for the client (hopefully with your continuing support and advice) to implement the recommendation - assuming the preferred recommendation accepted and endorsed.

Where is the analysis?

A thorough study includes an analysis of the financial and soft values to be created if the company implements the recommendations. In structuring this part of the analysis, use corporate wide assumptions (for example, the cost of capital, funds transfer pricing, activity-based costing), have sensitivity variables to address potential risks, and summarize your findings in formats familiar to your audience.

When is a presentation written?

You cannot write a presentation at the last minute. It should come together gradually as the study evolves. Key findings should be shared gradually with interested parties along the way. I typically start to write the presentation at the end of the “Mucking Around” phase of the project – when I set the hypothesis for the study. Waiting until the last minute means disaster. The analytical value of the writing will not have time to be tested and shared with others, and the probability of a “Gotcha” reaction to the presentation increases.

Early in my consulting career, most of the presentations I worked on were last minute exercises. I often worked late into the night before the presentation was due. During the writing process, the team would surface important information and make many of the critical conclusions. The next day, we were often just as surprised as the client was by the direction things took.

Geographic dispersion of consulting teams, schedule conflicts among team members, and very tight project schedules all contributed to the problem. In several cases where the logical recommendations turned out to be clearly contentious or threatening to our client, we postponed the presentation meeting in order to prepare our client manager and identify further alternatives.

How to present?

A presentation is not designed to be read by a recipient alone. You should never just “mail it in.” A presentation needs a living, breathing person to talk through the points – elaborating, answering questions, and addressing issues that come up.

Depending on the content of the presentation and the nature of the group, the presentation can be handed out in hard copy (less formal, provides a vehicle for notes), projected on a screen (helps focus the group and move the presentation forward) or both (my preferred approach). A presentation can be reviewed remotely (over the phone) with someone who is looking through it as you talk through the points. I often use this technique to save on travel costs.

Who should present?

There are three choices – you, the client, or both.

If you give the presentation, it looks as though the recommendation is yours alone. Your client manager will appear to be reviewing it along with his/her superiors and peers. Your true purpose – to help the client make the right recommendation and sell it through to higher management – is not advanced.

If the client presents, the recommendations are clearly theirs. However, he or she may have to deal with details that they are less well versed to handle than you are.

My preference is for shared presentations. The client presents at least the agenda, the background, the preferred recommendations, and the next steps. I’m there to handle objections – most often surfaced in the facts/conclusions part of the presentation – and to lend the weight of my authority in what I’ve seen other companies do in similar situations.

Why not a report?

By definition, a “report” includes everything the reader would need to know to follow the fact finding (all the detail) and analysis (the actual analytical frameworks) through to the conclusions and recommendations. I never write a report unless required to by the client. This level of detail is rarely useful to the client and is very costly to capture in a fully professional manner. With a presentation, the client gets all the analytical tools needed to update and replicate the study results, if desired, and a good vehicle for taking the recommendation to the next steps of implementation. That’s should be all they need.

I have rarely found a client who wants a report once they understand what it involves. In an assignment where data gathering and analysis require 20 days work, a quality presentation can usually be prepared in 3 to 5 days, while a report will require 10 days.

Stay involved.

Consultants are sometimes blamed for being “hit and run” artists who deliver the answer and get away as soon as possible.

Consultants themselves frequently complain about the fleeting nature of their involvement with clients. Sometimes they wish they had a “real” job in management so they could realize the fruits of their work.

This sense of disconnection occurs primarily among the less senior consultants working at large consulting firms. There, due to the need to keep as many people as possible billable for as many hours as possible, a less senior consultant will work on a string of assignments with many different customers. Senior partners -- sometimes called “Client Officers” – are the only ones who work directly with a client over time and get the chance to develop an ongoing relationship.

For the independent personal consultant, developing and maintaining relationships is the key to maintaining and growing a successful consulting practice. You will need to play all consulting roles – including the role of Client Officer with your clients.

Involvement will require calling and visiting your client just to follow up on initiatives you have helped initiate. Sometimes you will work as an advisor to the implementation-oversight team and be paid for this follow-up. Usually you will stay in touch just to keep your relationship healthy.

CHAPTER 13: CONSULTING WITH INTEGRITY

Integrity is a big deal in consulting and will be a key element of your reputation. Everyone thinks they have integrity, but in practice it is tough to walk away from a paying client or a particular job opportunity. As a consultant you will be tempted to do things that are illegal, unethical, distasteful, or just uncomfortable, in order to please a client and get paid. Here are some examples that will illustrate what I mean:

Confidentiality

A good consultant is a trusted advisor and has access to a wealth of confidential client information. Most clients will require a confidentiality agreement. Even when they don't, there is a presumption that you will keep the information they share with you in confidence. You will have the opportunity to use this information for personal gain in many ways. Some uses are unethical . . .

- Sharing information with a competitor.
- Using the information to start a company.
- Using the information to help you sell assignments to others.

. . . while other uses of information are illegal and could send you to jail.

Once in my career I had confidential information about a company I was working with used for personal gain. An associate of mine knew that the company was likely to be acquired for a sizable premium. He talked about the situation with his wife and she, along with other members of her family, acquired stock in the company. Shortly after the company was bought, I was visited by the SEC. While I believe that my associate did not act with intent (and later provided a reference for him), he lost all the gain from

the transaction, he forfeited a large annual bonus, and he nearly lost his job. A promising career almost ended with a jail sentence because of a confidentiality lapse.

Whose idea is it?

When a client has a great idea, it is tempting to assume it as your own. This may be permissible in certain circumstances, but only with the explicit permission of the client.

Conflict of interest

When there's a hot topic, you may find yourself faced with multiple companies in the same market wanting help in the same area at the same time. With full disclosure, working for two companies that compete with each other may be fine. There are even opportunities for multi-client assignments that start in this manner. Without disclosure, you will run into serious problems with this behavior. Clients assume that your help will give them a unique, sustainable advantage unless they are told otherwise. Client conflict ceases to be an issue when:

- Your working situation is disclosed to all parties.
- The companies do not compete in the same markets.
- Enough time has passed between the first and second situation (I use two years as a safe guideline)

Misrepresentation

A source you gather information from today may become a potential client tomorrow. Since your goal is to build a series of trusted-advisor relationships, you must be careful to always present yourself as who and what you are. If a

company wants you to gather information on a competitor, it is not ethical to pretend you are someone else to get that information.

One consultant I knew did a “brilliant” competitive study based on information collected by posing as a potential customer of a series of target companies. In this role, he collected product descriptions, pricing information, and even specific proposal information that was not available to the general public. The client was delighted. His consulting firm, when the methodology came to light, was not. Several of the target companies were customers or prospects of this firm and this associate’s behavior put a series of important relationships at risk.

No value added

There will be times when a prospect asks for something that just doesn’t make sense. It is extremely tempting to do the requested work anyway. Pointing out the illogic of the prospect’s position can be embarrassing and could affect your ability to do business with that prospect in the future. The right answer, however, is to give the prospect an honest assessment and, if necessary, walk away.

In some cases, a client appreciates the honest assessment and gives you other work to do. In a few cases, I’ve had clients ask me to go ahead with the work anyway (for example, because they wanted to get revenge with a wrong-thinking board member). In the cases where refusing to do useless work has caused me to lose a potential client, I’ve decided they wouldn’t have been good to work with anyway (the wrong people – see below).

When you do an assignment for the client, you want to produce a win-win outcome. The client should be convinced they got good value, and you should

get both financial compensation and the pat on the back you deserve for a job well done.

You can't consult with either a chip on your shoulder or without clear boundaries for acceptable behavior – both yours and your client's.

A mentor at Booz Allen once suggested a way to know whether I am behaving with integrity. Assume that a *Wall Street Journal* reporter gets access to all the details of the situation and writes an article describing everything. If the reactions of the parties involved would be uncomfortable for me personally or harmful to me professionally, then the proposed course of action probably lacks integrity and should not be pursued.

CHAPTER 14: WHEN THINGS GO WRONG

Despite your best efforts, your career as a consultant won't be a string of unmitigated successes. Your clients won't all do exactly as you advise and then shower you with applause and vast amounts of money. It doesn't work that way. Not for anyone.

As you take on more projects and deal with more people, you will eventually run into trouble. Here are some practical suggestions to help you cope.

When you come up with the wrong answer ...

You will find that the best available data and the most brilliant analysis will sometimes yield the wrong answer for the client.

In some cases, you'll have early clues that you're on the wrong track – for example, you, your client, or others involved will feel uneasy about the answer as it emerges, even though everything about the project is coming along just as you expected. At other times, the answer just becomes wrong because things you can't foresee happen.

When things go wrong with an assignment, focus on being a partner with your client and help them reach their own decision about where to go from this point. Focusing on the relationship isn't a cop-out. You will still get the blame – and will accept it – when things go wrong. Focusing on the relationship does position you for working with the client again in the future.

If the answer you come up with proves to be wrong, DO NOT offer to refund your charges. The client is paying for your best effort and you have given it. Do offer to help them fix the problem at a reduced rate or for free depending on the situation.

Your obligation as a consultant is to give the client the best advice they could have gotten from anyone and to stand behind the work you do – even when the result is unfortunate.

I helped one bank client develop a new-product strategy and select a third-party vendor to provide products to be sold to the customers of the bank. The study was fairly lengthy, and the decisions were difficult (because few vendors were willing to do business in one of the bank's major markets), but I was pleased with the way the study went.

The strategy was carefully laid out with full bank buy-in. The vendor-selection criteria were agreed on and weighted. The best possible providers were identified and approached. The options were evaluated. Finally, the winning vendor was selected. The winner also happened to be a company that the bank was already talking to and with whom they wanted to "do a deal."

The program was implemented and then things began to go bad. The vendor provided poor service, broke promises, and lost the trust and confidence of the bank. The carefully negotiated contract was broken.

While the client was initially pleased with the study and I was paid for my work, I was blamed for the ultimate outcome. I have provided this company with free advice and counsel for several years to try to win back the trust of management – an effort that may never be successful.

When you shouldn't be in this situation at all ...

There will be times when the situation surrounding an assignment is so difficult that you will not be able to create value for the client over time. Your best bet is to acknowledge that fact as early as possible, talk to your client, and renegotiate your terms. Your options can include changing the circumstances to fit your basic needs or walking away from the assignment entirely. You shouldn't expect to work for this client again – but, then again, you don't want to.

A friend of mine was asked to help a bank in Jordan where the problems were dire and the answers were obvious. However, the job was not clearly defined in the client's mind, another firm was involved (but the nature of their involvement was not clear), and Americans were being harassed and killed in the neighborhood. My friend walked away. While this is an extreme example, you can find equally untenable situations and too-dangerous conditions in any city in America.

When you're working with the wrong people ...

Not all people are fun to work with, but in some situations, relationship issues can make an assignment intolerable. If you find out your client lacks personal integrity, it's time to leave. Here are three other types of situations that could warrant your exit:

Mandated answers

Clients will often hire a consultant to have them tell others a message the client can't credibly deliver themselves. So long as that message is one you believe makes sense for the client's company there is no issue.

Sometimes, however, a client will ask you to recommend something you

know will significantly harm the client company. If you can't get the client to settle for either a reasonable answer or no answer, you must walk away. A clearly bad recommendation for a client can do irreparable harm to your reputation.

On one assignment, I was asked to evaluate whether the client should move a major part of its operations out of New York City to suburban New Jersey (for lower cost) or to Delaware (for tax reasons). The client told me he felt no move would be justified but indicated he was open to a different answer if supported by the "facts." As the facts came in, they supported a recommendation to move most of the company's operations out of NYC. The client (who, I discovered, was politically tied to the NYC mayor's office) resisted the emerging study recommendations and I eventually resigned the assignment. I got paid for the work done, but another consultant was hired and gave them the answer they wanted. I never did work for them again.

Harassment

I will not allow a client to berate, yell at, insult, or belittle me or a member of my consulting team. When this happens (and it does happen), I will stand up to the offending manager and will either get an apology or have the individual removed from the client team we work with. Otherwise, I terminate the assignment. New clients are so hard to get that you should try to either avoid this type of situation or resolve it gracefully if possible.

Usually, mean-spirited prospects will not become clients. You will screen them out up front.

A client I liked and enjoyed asked me to help his company acquire an employee-benefits company. My friend was replaced by a new person whose management style was belligerent – to

employees, some peers, and consultants. An excellent acquisition candidate was ready to close a deal when the new manager came in. The new manager stopped the acquisition process, redirected our work toward internal growth (in areas where the company lacked competence), and made life difficult for me and the members of his team who were working with me. Because I also did work for other managers in the company, I was able to engineer an early end to this particular study and quietly distance myself from the new manager.

Payment problems

If you have managed client expectations properly (via proposal and contract), but the client still tries to cut your fees or defer payment, you have a serious problem. To continue work when this happens is to endorse the practice for this client and risk that others will find out you allow clients to treat you this way. A certain amount of flexibility with accounts payable areas is required and an occasional write-off for a major client may be okay (though risky), but you are on dangerous ground.

I've had only one client try to pay me less than the amount specified in my proposal and contract. This large company had a reputation for always negotiating tough on everything, with both suppliers and customers. When I submitted my first invoice, the company offered to pay me 60% of the amount we had agreed upon. This was to be the first payment in a very large assignment and potentially a long relationship. After much agonizing, I decided that (1) I would not be happy working for 60% of my standard rate; and (2) I didn't want to work for the type of client that would treat me this way. I resigned the assignment and referred the client to another consultant to finish the work. I have never regretted my decision.

CHAPTER 15: NUTS-AND-BOLTS SKILLS YOU WILL NEED

In Part 1, we looked at three characteristics that you must have in order to be a consultant. You have to be an expert ... you have to be able to sell yourself ... and you have to be able to work on your own. Those characteristics are all deeply rooted in your personality. If you have them, you can proceed on this career path. If you don't have them, you can't substitute. You should take a different path.

Those three deeply rooted, personal criteria are not the end of the story. You will also need a number of practical skills in order to do your work effectively and present your ideas to others.

A new consultant at a major firm arrives with basic writing, computation, presentation, and computer skills – after all, the new hires graduated at the top of their class from a top MBA program. Then the new consultant goes through weeks of “boot camp” to learn more skills they'll need to function in the firm. Finally, young consultants will have mentors to help them learn “on the job.”

You're not going to have a boot camp, mentors, or support staff. If you have good basic skills already, congratulations -- you're well on your way. If you lack basic skills starting out, consider a detour to do your own “boot camp.” Take the time now to learn what you need to do. Use the wide variety of sources available to you, through local business schools, community colleges, and on-line learning resources.

Fortunately, these practical skills can all be mastered. You don't need to achieve expert level at any of them. You're just looking for basic competence, an ability to maneuver and get things done. Presume for the moment that you have all the equipment and hardware in place (we'll get to that in Part V) – here's what you'll have to be able to do for yourself, as a bare minimum:

You'll need to be able to use Microsoft software.

Microsoft software products are so pervasive and valuable in the small-business world that they are virtually a necessity. As an independent professional, you'll have to write your own letters, develop your own spreadsheets, and prepare your own presentations. Microsoft products work together so that you can easily move back and forth between different programs. You'll also frequently exchange documents and presentations with others. Most business people are equipped to send and receive materials prepared in Microsoft programs.

- **Microsoft Windows.** This is the basic operating system you will use, in as late a version as your system can handle. Learn what files are and how to name, save, and retrieve them. Learn what directories and folders are and how to use them to organize your work. Learn how to copy and move files from one directory to another, from one disk to another, and onto a CD-ROM disk.
- **Microsoft Word.** This is the word processing program included in Microsoft Office. Learn how to format your documents, manage type styles, add headers and footers, and print. You should also learn how to print mailing labels and envelopes.
- **Microsoft Excel.** This is the spreadsheet program included in Microsoft Office. You'll need to set up your formulas, insert the correct calculations, and set up your "double-checks" to make sure your formulas are correct. You'll also need to manage type styles, add headers and footers, insert comments, set up Excel worksheets for printing, and print. If your work will involve complex calculations and formulas, you may also want to become proficient with Excel's macros, charts and graphs.
- **Microsoft PowerPoint.** This is Microsoft's standard program for presentations. You will need to be able to format presentations,

manage type styles, create graphics, import charts and graphs, and animate slide and slide element transitions.

- **Microsoft Outlook.** This is Microsoft's program for personal contacts, calendars, and Email. You will want to keep your address book – that is, your list of people identified by name, title, business address, office phone, cell phone, Email address, and other notations – all in one place. It's better to use your own program than an address book provided by your Email service (since you'll lose all your data if you ever change providers). Microsoft's Outlook is as good a choice as any and interfaces well with Microsoft Word and with their Email application. At minimum, learn how to enter data into your contact list, revise your entries when people move or change phone numbers, and find an entry quickly, in just a few keystrokes. (Also use Outlook's other tools for personal organization – including a calendar, journal, reminders, and so forth – if you like.) The Outlook Email engine is very powerful, fully integrated with the Outlook address book, and keeps your history of Emails organized in a very convenient manner. It is prone to attack by viruses (turning its powerful capabilities against you or others) and will not work with AOL.

You'll need to use the Internet.

There is so much information available on the Internet that being able to access it is necessary for your credibility. Here's what you'll need to know about to get around:

- **Internet browser.** Learn how to use Microsoft Explorer or Netscape Navigator. These are the most popular tools for accessing the Internet, and most sites are designed to display well with either. Learn how to enter URLs, follow links, go backwards

and forwards from site to site, move around within a site, save your “Favorites” for instant access later, and print out a hard copy of sites you like.

- **Search engines.** Learn how to do research on the Internet. Specifically, learn how to find information using leading search engines. Google, Alta Vista, Yahoo, and HotBot all work well, but I prefer Copernic (see Part V). Learn how to save the information you find, either by saving a file on your computer or by printing a hard copy.
- **Email.** Learn how to send a message, read a message, and reply to a message – replying to the sender only or to all those who were on the original mailing list. Learn how to attach another document to an Email, how to open and read an attachment that someone sends you, and how to format a document (using Adobe brand software) so that your recipient can read the document but not change it. Finally, learn how to save your Emails in Microsoft Outlook archives (if you use Outlook as your Email driver) or Windows Explorer folders (if you don’t). Your Emails will become important business documents, and you need to keep them in your records.
- **Industry links and newsletters.** Look up the main websites that relate to your field of expertise, mark them as favorites, and visit them frequently. Learn how to subscribe to the Email newsletters you want to receive and how to unsubscribe from those you want to cancel.

You’ll need good writing skills.

The core of what you do as a consultant will be expressed in writing, from your promotional letters and initial proposals ... through ongoing letters and Emails to

your client and the client's staff ... to your presentation at the end of the assignment.

Grammar and syntax

This is English 101. Writing poorly is the kiss of death for a consultant. If you can't write clearly, without grammar or syntax errors, find someone who will edit your work -- or find another profession.

Clarity

The old KISS mandate ("Keep It Simple, Stupid") is particularly important for business writing. If your memos and instructions are too complicated, people won't know what you want them to do. If arguments in a presentation become too convoluted to be easily and intuitively understood, they detract from the effectiveness of the whole presentation – and of the whole project, for that matter.

Making things clear for your audience is really just a matter of courtesy. Use a few basic tips to save your audience's time:

- **Use an easy-to-read format.** Microsoft Word and most word processing software programs give you templates (or "looks") for all of your communications needs – letters, memos, reports, invoices, and other common items. Use them. These templates have been designed by graphics arts professionals who understand type faces and sizes and what the human eye can decipher most easily. Trust them. The graphics arts pros have already played with fancier styles and formats and have decided to stick with what's most readable.
- **Logical organization.** Decide what you want to say and then say it in logical order. Use a highly structured outline and pay attention to parallelism and logical flow. If you aren't familiar

with this type of writing, take a business-writing or report-writing course. Anticipate questions. Good writing helps the analytical process because it forces you to test the logic (inductive and deductive reasoning) of your arguments.

After I had made the decision to become a consultant at Booz Allen, but before I made the move out of their finance area, I brought a two-page, single-spaced memo to the new CFO, Mal Schwartz, for review. Mal had been a client partner for many years and was well-respected in the firm. He said he'd get back to me.

About an hour later I returned to my office to find my memo and a short note on my desk. The note said "Good job. I was able to edit rather than rewrite." The memo itself was covered in red ink. Mal had used a fine point red pen to make hundreds (more than 200) of corrections of all types – spelling (a few), grammar ("between" versus "among"), tense (never passive), syntax, parallel construction, rhetorical construction, and more.

I felt like someone had knocked the wind out of me. I had taken many English/writing courses in college and thought of myself as a pretty good writer, but it was clear that Mal's standard was at a much higher level than I had ever experienced before. While some of Mal's corrections were based on his style preferences and not on good communication, I would have to learn, understand, and write to both to be successful with others at Booz Allen and with my clients.

- **Know your purpose.** If you want someone to take action after receiving your communication, say what you want them to do. If you're simply conveying information, tell your audience why it's important. Don't go on too long. When you're finished, stop.

You'll need good presentation skills.

As an outside consultant, you will often be called upon to address small and large groups, to explain what you're attempting to do ... to ask others for cooperation ... and to present your findings. You'll also make presentations as part of the selling process, to get new business. Here are the bare-minimum skills you'll need to be effective.

- **Presentation writing.** Learn how to choose a template (or "look") for your presentation, write your main talking points in short segments or bullets, use drawing tools to add simple art elements such as arrows and shapes, move slides from one position to another, print a hard copy, run your presentation automatically on your laptop, and project it onto a presentation screen.

MBA's generally get good quantitative training and want to show off what they've learned with their clients. When graphing two variables against each other, you often find that the relationships are exponential – as one factor doubles, the other increases by four times (2 squared). If the scale on one axis is logarithmic (or log), the relationship between the two variables can be portrayed as a straight line – something that is often desirable when you are trying to understand or illustrate a relationship.

Many junior consultants draft presentations with dozens of graphs or charts using log scales. Unfortunately, the use of log scales to describe straight-line exponential functions is neither simple nor intuitive for most clients. A senior partner at Booz.Allen actually had a sign on the wall of his office that said (paraphrased) ***"Thou Shalt Not Communicate with CEOs Using Log Scales."***

- **Public speaking.** You should be able to express yourself clearly, briefly, and loudly enough to command a normal sized room. Learn how to lead effective meetings and how to make your points in

meetings where you are not the leader. Get comfortable with addressing small and large groups in formal situations. Learn how to handle questions and challenges from a critical audience.

CHAPTER 16: MANAGING TRAVEL

Travel requirements vary widely depending on the type of consulting practice you have. Regardless of practice type, travel is often inefficient and is personally disruptive.

Issues with travel

Many new consultants look at the opportunity to travel and see new places as an exciting part of the job. After a few years, all consultants see travel as a necessary evil and something to be avoided whenever possible. Issues with travel include:

- It is often difficult to work because of the many transitions and interruptions – home to car to parking lot to terminal to security check to airline club to waiting area to plane to terminal to taxi/rental car to garage to hotel to room
- You have degraded technology on the road – slower modem speeds, more limited equipment access, and a less comfortable work environment. Some of the better hotels now make your life easier by putting a high-speed line in your room with a printer/fax and a two-line phone.
- Communications are more difficult. Cell phones are not as good as land lines, although they are getting better. You are often unavailable to take calls – for example, when you're airborne – and so you get endless call-back loops. You have delayed access to your Emails and faxes.
- Confidentiality issues often arise when you are working in public spaces (waiting areas, on planes, and in client offices when you're working on projects for other clients).

- Personal comforts go out the window when you're traveling. Some beds will hurt your back, and you have to eat out all the time.
- You are separated from family and friends. Business travel is lonely.

The only saving grace is that you tend to be so busy that you become numb to many of the disadvantages. Nevertheless, travel takes its toll over time.

It's not funny when you wake up in a hotel room one morning and can't remember what town you are in or why you're there ... or when you walk out of an airport and have to stop to think where you are. All of us who travel frequently have had these disorientating experiences.

Some jobs require more travel than others.

Consulting practices will require more travel if:

- The jobs are very short. Starting and ending jobs often requires the consultant's presence.
- Many people must be coordinated. Large, complex implementation projects require on-site supervision and hand holding.

Tips for managing travel

There are a number of ways to reduce the amount of travel required and still produce a good result for the client:

- **Explain the cost of travel to the client.** Many clients don't travel extensively themselves and don't understand the costs of travel, including the effect it has on your performance. As a rule of thumb,

I figure I'm about half as efficient when I do a task on the road than I am when working at my home office.

- **Explain to the client that your effort can't be monitored.** Many clients want you to travel because they think they have a better "fix" on the time you are really spending on their project if they can watch you work. They think they have to manage you the same way that they manage an employee they don't trust. Work on your trust relationship with such a client. Sometimes it helps to explain that the consulting process is not easy to supervise. Even if the client can see you, they can't be sure you are working on their job or that you are working effectively.
- **Use technology as much as possible.** Make frequent conference and one-on-one phone calls, provide regular update/progress reports by Email, and return your calls promptly.

I learned an interesting lesson when I had a final presentation on a large project to a large group of senior managers. I was unable to get to the city where the presentation was to take place because all flights were cancelled due to bad weather. My client manager and I had planned to deliver the presentation jointly – side-by-side. Instead, I Emailed the PowerPoint presentation to my client, we divided the presentation pages between the two of us (which pages each of us would present) and did a "dry run" on the phone (so he would know when to advance the slides). An hour later, we then gave the presentation - he in person and me over a speakerphone. The presentation, including several questions and answer periods, went off without a hitch. I was probably more surprised than the client by how well it went. I now use this approach for many presentations in situations where clients are comfortable with me.

- **Orient your mix of work toward projects that require less travel.** Simply stay away from big, people-intensive projects or needy clients who require too much “face time.”

I realized that, at the end of one recent three-month period, I had done no client-paid travel but had sustained my target level of billability. Cutting back on travel can work to your advantage and be more efficient for your client.

- **Organize trips to consolidate travel.** Sometimes you can visit multiple clients and prospects on the same itinerary. It’s easier to make one, multi-stop trip – particularly if you can drive among several clients and prospects once you have flown into an area – than it is to make separate trips for everyone.

On a recent trip to the Northeast, I flew to New York City and rented a car to visit a client there, a prospect in Pennsylvania, a prospect in New Jersey, and a client in Maryland before flying home from Baltimore.

- **Link personal and business travel.** Visiting friends or traveling with a spouse can often change the drudgery of a work trip into the delight of a personal one. Just don’t make the mistake of crowding the personal time with too much work or vice versa.

I now plan my trips to include personal elements – visiting friends and family or going early to a fun location with my wife. I have even learned that I can move my office to a beach house on the North Carolina shore for more than a month in the summer. I take time out for golf, swimming, and getting together with friends

and family. My month at the beach works well as long as I don't have to travel from there too much.

A COMMON MISTAKE OF NEW CONSULTANTS -- TRYING TO MAKE DECISIONS FOR THE CLIENT

When an assignment is done, the consultant leaves and the client must implement the consultant's recommendations. If those recommendations aren't owned by the client, the implementation often doesn't happen and the perception of the consultant's value is undermined. "Helping" the client come to their own conclusions and develop their own recommendations is a powerful way to institutionalize the work of the consultant.

Trying to make decisions for the client only causes trouble – you don't have the authority to enforce any demand you make on others, and you don't have the legal standing to negotiate on the client's behalf. As a former manager, you may be tempted to take on more responsibility than you really have. Remember that your role now is to help a manager, not be a manager.

PART III: GETTING PAID

CHAPTER 17: HOW WILL YOU BE PAID?

If you've always been an employee, you might not have had to worry about getting yourself paid. As a consultant, you obviously can't afford to neglect any part of this important process.

Here are four basics:

Set your price high enough.

When a prospect comes to you with a problem or opportunity, you'll need to determine how much to charge. Your pricing will be fully in line with your level of expertise and the value you provide to your client company. If you don't get any business at the right rates, you are in the wrong business. Underselling yourself is a dead option from the onset.

Most new consultants value their time too cheaply. If you set a low price for your time, it is very difficult to move it up later. Clients who get the low price for one assignment won't pay you more for the next one. Prospects and clients talk to each other, so charging multiple rates can be a real problem. Get your rate right the first time and avoid lots of difficulty.

You will always be paid on the basis of the time you spend. Set your daily rate and then determine how many days an assignment will take: that's your price.

I've been on client assignments that have lasted several years and others that have required less than a day. The trick is to determine what the scope of the job is and then set the client's expectations accordingly. Do not promise a result you can't deliver. If you are in doubt, use a broad range. I set a range with my best estimate at the low end and add twenty percent for the high end. I let the client know ahead of time that my time involvement may be more or less depending on what happens and what they ask for.

Unless the assignment is very short and simple, do not quote a fixed price. There are too many uncontrollable factors in consulting work, the most important of which is the behavior of your client. A client will often change the scope of the study, promise help and access to information they can't provide, or make the client-consultant communication process difficult.

In Chapter 18, you'll learn exactly how to determine:

- What is your time worth?
- How much consulting time will this job require?

Don't absorb – or overcharge for – expenses.

Your base billing rate covers your office overhead (supplies, phone, utilities, and so forth), as will be explained in Chapter 19. You do not charge your clients for these basic items.

You will charge your client for the expenses that you incur while traveling on the client's behalf. You may also incur other expenses to get the job done – for example, you may contract a research project or subcontract part of your study. You charge your client for these “outside expenses,” too.

In an effort to please your client or save time, you might be tempted to absorb some expenses that could legitimately be billed. Don't do it. Absorbing expenses unnecessarily is a certain path to failure, and no client expects you to suffer just to do business with them.

On the other hand, you might be tempted to overcharge for your expenses. Obviously, you won't do that either. Overcharging for expenses destroys your client's trust in you and assures you that you will get no further assignments from them.

In Chapter 19, we'll consider these two topics in more detail:

- Billing your travel expenses.
- Using outside contractors.

In the same chapter, we'll also consider the practice of marking up expenses. Should you mark up your travel expenses? I say never, although some consultants do. Should you mark up the expenses you incur with outside vendors? Sometimes. It depends on the circumstances and the agreement you have with your client beforehand.

Stay on top of your quotes and your invoicing.

Your pricing is a key element in setting and meeting your client's expectations – and, therefore, in building your own practice and reputation. Before you start work, you will reach an agreement with your client about your price, and you will put it in writing, in the "Quote" part of your proposal. You shouldn't begin work until your client agrees to meet your price.

As the project progresses, you will work with your client to keep the cost within the estimated range. You will notify the client regularly where the consulting time stands in relation to the proposal. If you start to go over your original time estimate, you will renegotiate with the client to restructure the job scope, reduce the level of detail/analysis, or increase the budget, as they wish.

In the day-to-day rush, it's easy to fall behind in the paperwork side of the consulting practice. You'll be tempted to go forward on loose verbal agreements or a general expectation that your client will remember why a particular aspect of the assignment was expanded. This is no place to cut corners. Quoting accurately in the first place -- and keeping up with your quotes as time goes by – is a key part of managing your client's expectations. And of getting paid.

In Chapter 20, we'll look at the details of:

- Quoting, updating your quote, and quoting for subcontracted work.

- Invoicing for your time, for your expenses, and for any outside services you contract for.
- Collecting.

Never quote a fixed price, but ...

There are two times when you may want to structure a proposal so that you will be paid more than your billing rate for the time you work on client business. First, you might want to be paid for the value of what you bring to the table, even if you spend only a short time on the assignment (I call this “value-based billing”). Second, you might want to be compensated in proportion to the success of the outcome you engineer (I call this “performance-contingent billing”).

It is often difficult for new consultants to ask for contingent payments, but such payments represent one of the few ways a consultant can build wealth.

In Chapter 21, we'll consider:

- When and why you might want to use value-based billing.
- When and why you might want to use performance-contingent billing.

CHAPTER 18: SETTING YOUR PRICE

Setting the price for an assignment is both a science and an art. To set your base rate – that is, to determine what your time is worth -- you'll use simple mathematical formulas. Determining how long a job will take is more complicated. You'll rely on your knowledge of what activities will be required ... your experience of what complications might arise ... and your intuitions about the client's organization -- whether your client's way of working will slow you down or help you finish your assignment faster.

What is your time worth?

If you have been employed by a consulting firm, you might have had your services billed out to clients at a set hourly rate. You realize that your billing rate was quite a bit higher than the salary you received. That's because, as an employee, you weren't doing billable work every minute of your work week. It's also because, as an employee, you received additional benefits -- insurance, car allowances, incentive bonuses, retirement contributions, and so forth -- that didn't show up in your paychecks directly.

Now that you're independent, you'll have to cover your non-billable activities yourself, and you'll have to fund your own benefits and overhead. You'll do this by means of your billing rate. Here's how to set your daily rate:

- Start off with your Targeted Annual compensation – for example, \$250,000.
- As an employee, you get paid for all days except weekends – that is, 261 days a year.
Result: $\$250,000 / 261 = \958 per weekday. This is your “base salary” rate as an employee.

- When you work on your own, you don't get paid for vacation time (assume 15 days), holidays (10 days), or personal days (assume 5 days). Your day rate must be increased to pay for the 30 days of time off. Only 231 of the 261 week days will be work days.
Result: $\$958 \times 261 / 231 = \$1,082$ per work day.
- However, you won't be working directly for a client every working day of the year. Divide the work day rate above by the % of time you expect to be billable (% of work days when you'll be working for pay). After you've been working for a while and have built your client list and pipeline of prospects, you may be able to work 60% of the time – your billability rate.
Result: $\$1,082 / 60\% = \$1,804$ per day worked.
- The above rate will cover your salary needs, but won't cover your benefits (the cost of health insurance, retirement plan contributions, and so forth). These costs, for full benefits, would be around 25%, so you'll need to increase your rate per day worked by this percentage to cover these costs.
Result: $\$1,804 \times 125\% = \$2,255$ per day worked.
- Finally, the above rate must be increased to cover your out-of-pocket, non-billable office and marketing expenses. The percentage that you increase your billing rate will depend on your cost estimates. (See Part V) and divide your costs by your revenue before adjustment. Revenue before adjustment in this case would be $\$2,255$ per day worked (from above) times 139 days worked (60% of 231) or $\$313,400$. If you estimate your non-billable expenses to be $\$100,000$ per year, you must increase your rate per day worked by 32% ($\$100,000$ divided by $\$313,400$).
Result: $\$2,255 \times 132\% = \$2,977$ per day worked or a client "billing rate" of about $\$3,000$ per day.

Note that your non-billable expenses may be lower than \$100,000 per year as you start out, but your revenues will be lower as well. You won't be 60% billable at the beginning.

\$3,000 may sound like a lot, but this is a 3.1 multiple of the base salary rate in the example above. McKinsey's multiple is over 4.5 for their top talent (which is what you are). Accenture's multiple is over 3.5. You have lower costs and no corporate profit requirements, so you can charge less even though your billability will be low by big consulting firm standards. And with you they get pure expertise (no green MBAs).

Starting with your standard billing rate, you may want to offer special options. You might charge a lower billing rate for long-term assignments, since your billability – percentage of workdays actually billed to a client – will be substantially higher. You might charge a higher billing rate for short-term assignments, since you will have the same start-up and administrative costs that you would have for a longer assignment.

Using the example above, your billing rates might be:

- | | |
|--|---------|
| ▪ Long-term, major assignment | \$2,500 |
| ▪ Regular assignment (6 to 50 days): | \$3,000 |
| ▪ A short assignment (2 to 5 days): | \$3,500 |
| ▪ A one-day, one-shot, full-day session: | \$5,000 |

Do not express your billing rate as a rate per hour. One full day's work should be your minimum involvement with a client. You should not do part days.

How much time will this job require?

As an expert in your field, you might feel you're on solid ground here. You know what has to be done and what steps are involved. Nevertheless, you're working for a relatively unknown client rather than for a familiar employer. You'll have to allow for situations, personalities, and politics you might not have encountered before. Sizing a consulting job is not easy. You want to minimize your surprises. Here are five factors to consider:

Factor 1: The scope and complexity of the work.

The real trick here is to be sure you understand what the client really wants and what answers or solutions will meet the client's objectives. Answering the wrong question or providing an answer that the client can't use is of no value to anyone.

There are consulting jobs that are of epic proportion and jobs that require simple direct solutions. Start by identifying exactly what it is that you are going to deliver to the client. For example, you might plan to provide one or more of the following:

- A simple, objective answer based on your experience.
- Customer or competitor research.
- An evaluation of the company's own capabilities (strengths and weaknesses).
- Financial modeling to help them understand economic impacts and options.
- Presentation support or coaching to help sell an idea.
- Extensive implementation support including hand-holding and change-management facilitation.

Lay out the tasks you think will be necessary to complete the job and estimate how long each task will take. The length of each step is governed to some extent by the preceding steps. For large jobs, it is often easier to divide the work into logical phases and propose the phases in succession (only quoting for Phase 1 up front). Doing the job in phases can make the scope seem less scary and more controllable for the client.

Factor 2: Your ability to construct a logical hypothesis.

Most jobs require that you help your client discover the answer to a question, figure out how to resolve an issue, or design the best way to capitalize on an opportunity.

You will usually start the job by reading reports, talking to key managers, and interviewing others who might provide ideas and insights on the subject of the assignment.

This up front work is often unstructured (some times referred to as “mucking around”) and can take anywhere from a few minutes to a few weeks, depending on the assignment. It ends when you have a hypothesis (a guess) at the most likely solution to the client’s question, issue, or opportunity.

Your hypothesis will then be the focus of all data gathering and analysis as you seek to develop conclusions/recommendations (proving the hypothesis or disproving it and developing an alternative one).

How quickly you can develop this hypothetical solution and how likely it is to be correct will depend on your level of experience with this type of assignment and the client’s particular situation.

A poor hypothesis can take an assignment into a dead end, forcing you to start over, though you will usually have learned a lot and will be able to develop and follow a second hypothesis much more quickly.

Factor 3: The fact basis and analysis required.

Sometimes a client will need a high level of detail, rigorous analysis, and full reporting of everything done during the assignment, beyond what might normally be needed to support the conclusions and recommendations. It's important for you to understand up front exactly how much back-up information this client is asking for and allow for it in your plan.

Factor 4: The level of constructive help you will get from the client.

Your goal is to help the client discover the right answer and to take that answer as their own. This cannot happen if you gather information and analyze without the client's involvement in the process. The more involvement the client staff has, the more likely they are to believe and own the answer.

Unfortunately, most staff people are not trained or disciplined to help much in getting the consulting job done. They will have to be taught and directed as the study moves along. (Of course, there is the rare situation where the client is an ex-consultant or has them on staff.) The more people who will have to be included ... and the more teaching and directing that will be required to keep them involved ... the more time it will take you to execute the study.

Factor 5: How quickly the work needs to be done:

Sometimes the work will need to be done by a specific date – for example, for a given meeting or event that is outside your client's control. In that case, you will need to carefully manage the client's expectations as to the fact basis and depth of analysis you will be able to provide. Those are the areas where you will be able to "squeeze" an assignment most easily.

The Story of a One-Day Assignment

A partner at Booz Allen whom I didn't normally work with asked me if I could help him on a short assignment the following Monday. I had the time, so I agreed. What followed was a perfect miniature of a full consulting study that has stayed with me through the years as an example of all the elements of a study.

7:30 to 9:00 AM: We met the client, a Long Island property manager who owned several dozen apartment buildings, for breakfast. The week before, the Booz Partner who was a friend of the property manager had agreed to do a one-day study for the property manager's business to help him figure out why his operating margins and profits were declining while units rented and average rent rates were going up. We spent an hour and a half asking him questions and taking notes on all aspects of his operations. At the end of the breakfast, we set a schedule of interviews with his key managers (some together and some separately).

9:00 to 9:30 AM: The partner and I talked through what we thought the problem might be (our hypotheses) and what the critical questions would be for each of the people we'd be seeing. We did some quick, handwritten interview guides and exchanged them to make suggestions and fill in gaps.

9:30 AM to Noon: Interviews.

Noon to 1:30 PM: We had lunch and talked through what we'd learned. We found we could make some conclusions and in other areas needed more data. We also decided we would need to put together a simple financial model to demonstrate the impact of some of the things we'd discovered.

1:30 to 4:00 PM: We started to write down what we'd learned, put together the financial model framework (on paper),

and gathered more data (much of it financial data from the bookkeeper).

4:00 to 6:00 PM: We prepared an outline and wrote (hand written) a 45-page presentation that outlined what we'd learned, what the implications were, and what changes the client could make to improve his operating margin and profits.

6:00 to 7:30 PM: We had dinner with the client and went through the presentation. He asked, listened, questioned, and took notes. At the end of the dinner, he thanked us, paid for dinner, and gave the partner a check for our fee.

CHAPTER 19: COVERING YOUR EXPENSES

As a consultant, you will almost certainly travel on your client's behalf. You'll attend meetings at the client's office or branch locations ... you'll visit your client's plants and retail locations to study the situation ... you'll meet with other advisors such as attorneys and marketing agencies ... you might even attend trade shows and meet your client's customers on the exhibit floor.

You may also be required to bring in additional experts. At one extreme, you might be asked to hire another firm to perform a specialized service – do marketing research, for example, design a corporate communications template, or do due-diligence (an exhaustive risk and business model assessment) of an acquisition target. On a much smaller scope, you might simply need to hire some temporary staff people on your own, to handle the scope of the project and meet the client's deadline.

Here are some things to think about, for both kinds of situations.

Travel expenses

Travel expenses generally include airfare or driving costs (expressed in mileage) that take you to and from the destination ... hotel costs for overnight stays ... meal costs (two or three meals per day) ... and the cost of renting a car to do client business.

Because you travel for many reasons – and sometimes for more than one client on the same trip – you will be presented with many “gray areas”: whether to charge your client for an expense ... whether to count it as your own business expense ... or whether to fund it as “personal.” Here are the guidelines I use:

Expenses must be specifically linked to the client.

Everything you charge to the client must be specifically related to doing business for that client. Two criteria apply. First, the client will benefit

directly from your activity during the trip – or at least, the client expects to. Things don't always go the way you plan. Second, the client will know about the expense ahead of time because the client personally asks you to travel – or, at least, knows that you are taking the trip for a particular reason. (You don't do surprise visits and then bill the client afterwards.)

- **No general expenses.** You shouldn't charge a client for "general" expenses of running your business – for example, the cost of a chair for your office. I don't even charge for phone calls, copies, report production, and so forth, unless the cost is both extraordinary and unique to a specific client – for example, the \$5,000 cost of promotional support materials to be used for a client trial you are helping the client do. In most cases, you can have the client incur this type of expense on your behalf.
- **No prospecting expenses.** You shouldn't charge your client for your own business-development expenses. If you attend a trade show or professional conference largely to network and find new clients, you can't expect a current client to pay.
- **No personal expenses.** When trying to determine whether an expense is personal or business related, you can ask yourself whether you'd be paying for the product or service yourself if you were at home. On that basis, toiletries and dry cleaning services that you buy on the road are not legitimately part of your travel expenses. Obviously, if you bring your spouse or family along, their travel expenses and entertainment are not billed to your client.

Expenses should be reasonable.

You should be comfortable, eat well, and travel conveniently, but you shouldn't expect the client to fund extravagance. The standard here is

that you should not charge a client for expenses you wouldn't incur for personal travel. You should be able to stay at good hotels (not Day's Inn), eat well (not fast food), and travel comfortably (not always the lowest-cost itinerary). Extravagant meals, suites in AAA hotels, limos, paid first class air travel, and similar spending patterns are not appropriate. Common sense is required: the simple test is to ask yourself whether you would be comfortable explaining the details of billed expenses to your client face to face. If the client has an expense policy they impose on you, accept it and raise your billing rate (don't fight the client on this).

Expenses must be real, incurred.

It is not acceptable to bill a client for anything unless you have cash receipts.

Multi-client expense should be shared fairly.

If you visit more than one billable client on a trip, split the travel cost fairly between or among them. Obviously, you should never double receipt (charge two clients for the same expense).

You can mix client, prospect, and personal travel.

It's okay to bill a client for the cost of a trip and also visit prospects and enjoy personal activities – visit friends, see family, or take some vacation time. Just be sure that the client does not pay more than they would have paid if you hadn't engaged in the personal activities. The client might pay for all of the airfare, for example, but only part of your rental car, meal, and hotel charges.

Travel expenses should not be marked up.

Some consultants mark up expenses – that is, they charge a flat percentage more than the actual costs of expenses (mark ups, when used, vary from 10% to as high as 35%). I strongly recommend against

following this practice for travel expenses. Mark-ups are hard to explain to the client (are not supported by receipts), difficult to invoice, and unnecessary. If you need more money, increase your billing rate.

Billing for “outside” contractors

Part of the reason you are an independent personal consultant is that you like to work on your own. Retaining a subcontractor makes you a boss and brings with it a series of management, administrative, and legal issues.

When might a subcontractor be needed?

As a one-person operation, you will often find that there are opportunities to do consulting projects that require more resources or different skills than you can provide in the time frame desired by the client. Before retaining a subcontractor, however, there are three things I will try to do first:

- I will generally try to change the start time (later), elapsed time (longer), or scope (more limited) of a project so it can be done without using a subcontractor.
- If this is not possible, I may then go to another consulting firm that has the skill sets needed and discuss the possibility of supporting their bid to do work on the project. I would become their subcontractor.
- Finally, I'll consider whether I really need to do the job. If the job is too big or requires skills I don't have, I ask myself if this is the type of work I should be doing (would want to do more of in the future). If I have enough work in the pipeline, I will often walk away from this type of opportunity.

If I need the work, like the type of project, like the prospect, and can only do it with a contractor, then I'll go in that direction.

Who hires the subcontractor, you or the client?

A subcontractor is only a subcontractor to you if you hire them. If the work is well defined, the scope of the work is limited, no direct supervision is required, and the contractor is not likely to encroach on the work you are doing, the client should retain the other contractor directly. For example, a firm might be retained to do a series of focus groups as part of your overall assignment. You can help your client frame work to be done by another contractor, but that does not put you into a subcontractor relationship.

Who pays?

The person who hires the subcontractor pays them. When you hire another contractor, make sure that your contract with that party specifies that:

- You will invoice their work on a combined invoice, but separately identified.
- They only get paid after you are paid by the client for the work done by the contractor
- If the client makes partial payment and identifies the specific invoice elements being paid for, the payment will be passed on to the subcontractor accordingly (e.g., if the contractor refuses to pay you for work the subcontractor did, you don't pay the subcontractor).
- If the client makes a partial payment without explanation, the contractor will receive a portion of the payment proportional with their part of that invoice.

Problems can arise if your subcontractor claims rights to receipts that are not tied to the work they have done.

Who supervises the sub-contractor's work?

You are the only one who can supervise your subcontractor and will be responsible for doing so legally.

A mentor once described the level of supervision that a manager must provide for junior consultants (or subcontractors). He maintained that unsupervised staff people are certain to undermine any assignment if left alone for too long.

Given a task to perform, a junior consultant will work constructively for an hour or two. After a half-day, they will encounter issues, problems, or distractions that will move them 30 degrees off task – still moving generally in the right direction, but straying somewhat from the target. After a day, they will be headed 90 degrees off task – not hurting the assignment, but not getting any closer to the goal and wasting their time. After two days, they will be headed 180 degrees off task – undermining the project and taking you away from your goal.

Only close, constant supervision can keep junior consultants and subcontractors, and the assignment that uses them, on target.

Managing your liability when subcontracting goes awry.

You are responsible for the actions of a subcontractor. While you can refuse to pay if the work is not done, judgments about work quality can be very tricky. Moreover, subcontractors can go directly to your client with complaints, undermining your client relationship. There are four things you can do to manage your liability:

- If you hire a subcontractor, you will have to notify your provider of Errors and Omissions insurance. The cost of this coverage is substantially higher if you use subcontractors.
- Select only people you know well and trust. Even if you know them, still get references and do a background check. Introducing a felon to your client would not be a good move.
- Have a strong contract with the subcontractor. Unlike the consulting contract, this is a document you may need to depend on in court if there is a problem. The contract must be explicit about the individual's status as an independent contractor (not an employee), that they can be dismissed at any time without cause, that they agree to submit to arbitration, and have no rights other than to receive their share of funds received from the client for the work that they did.
- Manage subcontractors closely with daily phone calls and weekly review meetings at a minimum. Require that you review all work before it is given to the client and be clear up front that your quality judgments are final.

How much should you charge for a subcontractor's work?

There are no rules here, but there are several factors you should consider:

- A subcontractor's client billing rate should never be more than your billing rate.
- If a subcontractor is positioned as a co-manager or partner, their billing rate may be the same as yours.
- Generally the subcontractor's client billing rate will be lower than yours, with the level dependent on both the skills and experience of the individual.

How much do you pay the subcontractor?

Your agreement with the subcontractor should reflect an agreed billing rate and the percent of receipts for billed subcontractor work that he/she will receive. You should retain part of the subcontractor's receipts to cover two things:

- Recruiting, supervising, invoicing for, collecting for, insuring, and controlling a subcontractor takes time and money for which you should be paid. I'd suggest you retain 20% to 30% for your services in this area.
- You are also the one who sold the assignment and that entitles you to a sales commission for any work done by the subcontractor. You should retain 10% to 20% for your sales commission.

That means that for every dollar billed for a subcontractor, you would retain 30% to 50%. If the subcontractor's client billing rate is \$2,000 per day, they would receive \$1,000 to \$1,400 per day and you would retain the rest.

CHAPTER 20: COMMUNICATING AND COLLECTING

It is vital that you appropriately manage your client's expectations concerning the value you are providing and the amount you are charging. There is never an excuse for a client being surprised by the amount of an invoice. Managing expectations requires explicit communication before, during and after each phase of work you do.

Quoting

Your quote to a prospect is the framework that will be used for everything else you do. If work or expenses are not referenced in the quote, you have no right to be paid for them (although a client who is pleased with your work may pay anyway).

Preparing your time estimate

Both the proposal (in detail) and contract (in total) should indicate what you will be doing and how much you will charge for the work. For small jobs (a few days) where proposals and contracts are not used, I send a short Email that summarizes the key points. Whether by proposal, contract or Email, you need to be sure to communicate in writing:

- What you'll be doing
- What time you'll be spending (a range)
- Your billing rate (or rates if there are others involved)
- The total likely cost of the project (a range).

Do you quote for expenses?

In most cases you will not quote for expenses, other than to indicate that the client will be billed for reasonable and actual out-of-pocket travel

expenses. If there are anticipated extraordinary expenses that you are expected to pay for, then the estimated cost of these expenses should be referenced in your quote.

Do you quote for taxes?

In most cases you will not quote for taxes but will indicate that the client will be billed for all applicable sales taxes – state and local.

Do you quote for subcontractors?

Your quote will always include all elements of work for which you are responsible including the work of all subcontractors.

When do you have an agreement and when can you start work?

The agreement that really matters is the oral OK from your client. However it is important that there is a written trail for your agreement that may take many forms.

- For a new client with a major job (more than five consulting days), you should always have a contract. If drafted properly, the contract will apply to the current assignment and “ALL ADDITIONAL WORK APPROVED BY THE CLIENT.” This initial contract then becomes the master contract for all work you do with the client in the future so long as your billing rate remains the same.
- Your proposals need not be signed and returned, but the oral acceptance of a proposal should be confirmed by Email.
- For small jobs (less than a week) with existing clients, you may decide to work without a proposal or a contract, but you should always confirm oral agreements with an Email.

Do you need a purchase order?

This varies by client, but you should always ask. I have had some cases where the client will not pay unless they have issued a purchase order. (In one case, it took me over four months to get paid for work that I did before the purchase order was issued.) If your client contact has not contracted to use consultants before, you should be particularly careful. In all cases, ask your client to introduce you by phone to the person in the accounts payable area who will be handling your invoices. That person will know what needs to be done before you can start work. Do not be surprised if the company has a battery of forms and contract materials that need to be completed before you can get a purchase order.

What about government contracts?

Consulting with city, state, or federal governments can be attractive, but it is a discipline in itself. It will take considerable time to become qualified to bid for government business, and each jurisdiction is unique. Contact the contracting authority for the governmental entity you want to work with. They will provide you with a road map. Everything about working with governments entities is different and will not be explicitly addressed in this book.

Updates

At frequent intervals during an assignment, you should meet with or call your client and review what you are doing, how much of the job is done, how many days you have worked, how much time the next work steps will require. All updates should be framed in the context of the proposal – what you told them up front you would be doing and how much it would cost. After each update meeting/call, you should send them a short Email summarizing what was discussed and explicitly referencing job to date, month to date, and total month expected time charges. If the scope of the job changes as the job progresses,

you must be sure to point this out before you begin doing out-of-scope work – providing a new written quote for the whole job.

Invoicing

Once you have revenues (you've done work for a client), you will need to invoice your client to get paid. Your accounting system (see Part V) will help you prepare invoices, but you still need to decide when to send them and how to collect them.

Elements of your invoice

There is certain required information that must be on or accompany your invoice:

- Client information: Company name, billing address, client contract name and title.
- Project identification information: Project title, purchase order number (if you have one).
- Invoice identification: Invoice number and date.
- Work description and charges: Who did the work, how much time they spent, their total charge, and the total of all charges for work done
- Expenses: I generally provide the client with a monthly expense report that reflects my specific expenses by date and type. Your client may also request copies of receipts. Never send the originals of your receipts. Keep copies of your receipts as you will need them for your tax records.
- Your identification information: Company name, address and your EIN (Employer Identification Number; see Part V). Even if

you aren't an employer (it's only you), you must include the EIN or the client's accounts payable department will not process your invoice.

Get to know the people in the client's A/P area. You need to make them your friends or you won't get paid on time.

Invoice timing and delivery

Send invoices by the second working day of a month for all work done in the previous month and at the end of a job. I would recommend that you send your invoices as an attachment to an Email – they get there faster, are easier for your client to pass on to their accounts payable area, and provide an automatic audit trail for follow up. You can use the Email message to resell yourself – sum up the work you've done in the time period and the value you've created. If you have identified your contact in the client's accounts payable area, send that person a copy of the invoice as well.

Keeping a time sheet

Your time is your primary asset and it is important for you to understand how you are using it. Time sheet discipline is often difficult for those who have not had to do it before.

Below is a sample time sheet template that you can create in Excel.

<u>Project Time Sheet</u>		<i>May</i>							
<u>Date</u>	<u>Day</u>	<u>Job 1</u>	<u>Job 2</u>	<u>Job 3</u>	<u>Job 4</u>	<u>Job 5</u>	<u>Job 6</u>	<u>Job 7</u>	<u>Total</u>
1	T	2		2	1				5
2	F		2	1					3
3	S								0
4	S	3							3
5	M	1	1	3	2				7
6	T	4							4
7	W		2	2	1				5
8	T		1		2	4			7
9	F			3	2		1		6
10	S								0
11	S								0
12	M				1	2	2	1	6
13	T	1							1
14	W			1				2	3
15	T				2		2		4
16	F								0
17	S								0
18	S								0
19	M							8	8
20	T			2					2
21	W		2						2
22	T					2	1		3
23	F						2		2
24	S								0
25	S								0
26	M		1					2	3
27	T						1	4	5
28	W						2	3	5
29	T						3	1	4
30	F		2				3	1	6
31	S								0
Total	Hours	11	11	14.00	11.00	8	17	22	94
	Days	1.4	1.4	1.8	1.4	1.0	2.1	2.8	11.8
Billing Rate		\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	
Time		\$ 4,125	\$ 4,125	\$ 5,250	\$ 4,125	\$ 3,000	\$ 6,375	\$ 8,250	\$ 35,250

A sample of this Excel template is available at
www.NellsonAssociates.com

There are several things I do that help me keep the discipline:

- I keep a hard copy of my time sheet at the side of my desk (or in my briefcase) at all times and note what I'm doing and for whom throughout the day.
- I don't try to keep time to the minute, but rather estimate in whole hours of time. When a client gives me work in little pieces, I tend to round up to the next hour. If I work a whole day for a client (e.g., on client site), I never charge more than 8 hours to a client. I may, however, charge 4 hours to three clients in a day when I do 12 hours of client work.
- Even if I'm value billing a client, I still keep track of my time. I want to know if the time I'm spending is more or less than what I'm billing.
- At least weekly, I update my Excel timesheet and print out a new copy. This helps me keep track of how I'm doing for the month and tells me when I've got to buckle down to sell or do more work.
- Keep copies of your timesheets even after you've finished assignments. They may be necessary later to help you resolve billing conflicts. They make good guidelines when you're estimating similar jobs in the future. If you are audited by the IRS, you will need them as documentation.

Collecting

Monitor receivables and do follow up after 30 days. Send an Email to the accounts payable area, attaching a duplicate of the original invoice, and copying

the client. In your message, ask them to verify that they received the bill, that it is approved for payment, and when payment will be made.

Only if this doesn't work do you have to make the potentially embarrassing late-payment call. Your first call will be to the accounts payable clerk. Finally, call your client.

CHAPTER 21: GETTING PAID FOR MORE THAN YOUR TIME

For most of the work you do, you should charge clients for the time you work at your agreed billing rate. There are two occasions when the value you bring to your client is worth more than the actual time you spend. Here's how to handle them:

Value-based billing

For every consultant, there are certain standard consulting projects that you sell often (several times a year) or in multiples that give a customer extraordinary value for the amount of time you spend. For these projects (or tasks within projects) it may make sense to quote a fixed price that is not tied to the time to complete the task.

The key in value-based billing is to be sure that you:

- Let the client know in advance the basis being used for your billings.
- Provide extraordinary value to the client for the amount being paid.

For any given phase or task, you use either time-based billing or value-based billing, never both.

General situations where value-based billing applies

I like to use value billing when I have a standard process, using standard analytical tools and standard output reports that I have refined over time. Using my own processes, tools, and output templates, I can gather data, analyze and report to the client much more efficiently than I can when I'm doing non-standard tasks or projects. In these situations, I can provide the client with extraordinary value with limited effort.

Value-based billing works best for small, easily defined, and controllable tasks. It is generally not appropriate for large projects unless there is a very large mark-up over what you would be paid using a time-based approach.

Why a fixed price?

A fixed price allows you to charge more than you could if you worked on a time basis. This makes sense, because the project or task involves very limited execution risk. You may not know what the answer will be in a particular case, but you do know how long it will take to run the process. You can be comfortable quoting a fixed price because of the low risk -- the completion of the process is practically certain. You can also be comfortable charging more than your time would cost because your client receives extraordinary value. This is not a situation where others can compete with you – you have something unique to sell.

How to explain value pricing to the client

In a few cases, I don't explain my rationale for value pricing. Rather, I assign a standard amount of time for performing certain tasks. Think about auto mechanics -- if they change your oil in five minutes, but the standard is 15 minutes, they still charge you for 15 minutes. My time sheet just reflects more time than I actually worked.

In most cases, I propose doing certain tasks at a cost-per-task and bill the client accordingly.

In no case do I sell the same work to multiple clients. In situations where I have developed and use a standard analysis or presentation that can be used by multiple clients, I generally give the work to each client for only the cost of the time required to explain/present it.

Examples of value-based billing

If a client wants me to do a standard analysis on 30 companies, I may quote a price of \$500 per company (or \$15,000) even though I can complete the analysis of 10 companies in a day (for a cost of \$9,000 at a \$3,000 billing rate for three days work).

If a client wants me to do a sales potential analysis for 30 products across five channels in an industry where I already have a potential model, I may charge \$5,000 for an analysis I can complete in less than one day.

Performance-contingent billing

When the goal of a project is to generate highly visible results and help the client grow to new levels of success, it is often appropriate to include an element of compensation that is contingent on the project's results. See Chapter 7 and determine where a particular project fits in among the 4 poles -- cutting costs, increasing revenues, inside the company, and outside the company. If your primary job is to cut costs, there's only so much you can do, and performance-contingent billing is probably not appropriate. But if your primary job is to increase revenue, your contribution might produce outstanding results for your client and you might want to participate proportionately.

Please note that a consultant is not an investment banker and should not offer to do projects that have only contingent billing – that is, with no time-based or value-based compensation component). Using only performance-based billing for clients is a “slippery slope” that would make it more difficult for you to negotiate appropriate pricing on regular consulting projects in the future. Depending on the level of the performance-based payment, the unique value the consultant brings to the project, and the competitiveness of the project, you may want to reduce your billing rate by up to 25% and make it clear to the client that you have done so.

Acquisitions

If you work on an acquisition or a divestiture project (helping a company buy or sell a company, division, or product portfolio), your involvement could take many forms:

- **Acquisitions Plan.** You will help your client decide what target companies to go after.
- **Target Screens.** You will develop criteria and identify firms that meet them.
- **Target Introductions.** You will introduce your client to selected targets.
- **Target Valuation.** You will identify economic, market, and walk-away values.
- **Process Management.** You will help your client organize to do what's needed.
- **Negotiation Support.** You will serve as a counselor/advisor as the deal is structured.
- **Due-Diligence Support.** You will help organize the fact-finding process.
- **Acquisition-Integration Support.** You will develop processes for putting businesses together.

If your role is limited to the execution of specific tasks, then a contingent payment may not be appropriate. As your involvement extends to more of the items on the list, a contingent payment makes sense.

The contingent payment is usually tiered for the size of the deal. The classic Lehman Formula (5% of the first \$1 MM, 4% of the second, 3% of

the third, etc.) or a similar step function is often used. Your percentage is typically reduced below rates charged by investment bankers because, as a consultant, you are also being paid for time you invest in the process.

This approach, combining percentage and time-based compensation, allows you, as a consultant, not only to do the right deal ... but also allows you to advise your client to walk away from the wrong deal. For an investment banker, there is rarely a wrong deal because only done deals generate income.

Product launches and distribution projects

Clients often want consultants to help them increase revenues by helping them launch new products through existing distribution channels or by opening new channels for existing products.

When the consultant's involvement in the project is pervasive (developing the concept, identifying options, supporting implementation, and setting measurements and controls for long term management), then a contingent payment may make sense.

This type of contingent payment is often set as a flat percentage of revenues generated over a 2 to 3-year period after the product/channel launch.

As a general guideline, the consultant's total payment should be around 10% of the expected, long-term annual profit the project will generate above a threshold level. For instance, in the launch of a new property and casualty insurance product or channel where the pretax profits are likely to be in the range of 20% to 30% of revenues, the contingent payment might be 2% to 3% of revenues after the first \$1 million in revenue for the first three years. If the project is not successful, you receive substandard compensation (75% of your normal billing rate) – if successful, you receive extraordinary compensation.

A consultant will often work with a client on this type of project for an extended period of time – helping them develop and implement plans. Without a contingent payment, the consultant’s earnings are maximized by extending and complicating the project. With an incentive compensation component, the consultant is motivated to get the project done quickly and to maximize the revenues generated – just what the client wants.

Cost-reduction projects

I believe that re-engineering projects should not have performance incentives because the consultant is then motivated to be Draconian in their efforts. For this type of project, client management should be most concerned that the project not destroy the culture, employee dedication, customer allegiance, and market delivery capability of the firm. The consultant should be compensated on the regular time basis.

A number of banks have retained consultants on an incentive basis to help them cut costs -- with disastrous results. After earning incentive payments of more than \$10 million at one bank, the consultant left a lower cost structure in place but had dispirited/demoralized the bank’s best managers and killed the organization’s ability to support meaningful internal growth. It took the bank nearly a decade to recover. Managers who were involved in the process attribute the company’s poor stock performance through that period to this ill-conceived project.

A COMMON MISTAKE OF NEW CONSULTANTS: -- CHARGING TOO LITTLE

Consulting is not easy and a lot of time is required to build a practice, refine processes/tools, and maintain relationships. When it all works right, you should be able to earn a good living if you charge the right rate and deliver the value to justify it. As an expert advisor, you should earn as much as a well-paid top executive. This can only happen if you set your billing rate (and other compensation benchmarks for value and contingent billing) at the right level and stick with it.

You will not lose an assignment because your billing rate is too high and you will not win an assignment by lowering your rate. If you can't sell yourself at the "right" client billing rate (what you need to feel properly rewarded), then consulting is the wrong profession for you. You do need to give yourself enough time for your practice to take hold – about a year – so you can judge your success or failure as a consultant fairly.

PART IV: GETTING CLIENTS

CHAPTER 22: THE MARKETING LANDSCAPE – YOUR MAP

In Part I, we asked the question, “Can you sell yourself?” If you answered yes, you established that you have the necessary personal characteristics to succeed as an independent consultant. Now we’ll move into practical territory. Where exactly will you find your paying clients, and how exactly will you “sell yourself” to them?

The selling discipline will be new for you if you’ve always worked inside a business organization. The work came to you. You never had to “walk the halls” and find customers. Don’t worry. If you have the basic aptitude, you can learn the particular skills.

The selling discipline is already familiar to you if you’ve spent time inside a consulting firm. You’ve certainly worked on new-business development projects in some way or another. You know that, in a large firm, many people – led by top-level managers or partners – are always out looking for new clients and presenting the firm’s capabilities. New-business (“rainmaking”) becomes second nature, a way of life, especially at the highest executive levels. Now new-business will become second nature to you, too, because you’re the top “rainmaker” yourself.

Selling or marketing yourself doesn’t have to be complicated. Obviously, you won’t have the big budgets that large firms have, and you won’t be able to conduct elaborate campaigns with dramatic multimedia presentations. You won’t even come close. But, then, you don’t need to keep a large staff of high-priced consultants busy, either

You do have to be persistent. You must constantly put yourself and your name in front of people in your field in order to get work. . More to the point, you must put your name in front of the right people ... again and again ... until one of your appearances at their doorstep coincides with a time when they need your services.

As you scout the landscape for business opportunities, you'll soon get into the habit of thinking about three simple elements: The people, the prospect list, and the pipeline.

The people

As you look out over the landscape with an eye for business opportunities, you will distinguish two groups of people: (1) possible clients, called "prospects"; and (2) past clients, those people for whom you have already done work. When you're just starting out as an independent consultant, of course, you don't have "past clients" *per se* – but you do have many personal contacts, including all the people in the industry you've ever worked with or for.

The eighty-twenty rules apply in independent consulting as in so many other businesses. The eighty-twenty rule is this:

- You can expect to spend 80% of your marketing efforts trying to make new contacts and convert them to clients.
- At the same time, 80% of your new business will actually come in "over the transom" – that is, you'll get new assignments from past clients, or your past clients will send you a new one.

Although the eighty-twenty principle doesn't work in your favor – What reasonable person would spend eighty percent of their efforts producing twenty percent of their results? – you can't fight it. You can't count on the good assignments coming in "over the transom" exactly when you need them, and, in the meantime, you have to keep busy.

The prospect list

Up until now you've only needed to know in a general way that you'd like to do a certain kind of work in a certain kind of industry. Now you'll have to name names. Which industries – exactly -- will you target? Which companies – exactly -- within

that industry would be ideal for you? Who – exactly -- within those companies might be in a position to hire you?

Some people wouldn't know a prospect if they tripped over one. That's too bad, because once in a while you will trip over one – at the bookstore, at church, at the carwash, or at the kids' soccer game.

So now you're going to make a list. Since you're already an expert in your field, you already have a pretty good grounding. Now you just have to do a little more homework and get a little more organized. For example, you can:

- List the ten or fifteen companies you'd most like to do work for. Keep track of their news releases and personnel changes. Watch for new trends they're addressing or changes in their way of doing business. Read their annual reports for their statements of core beliefs and goals for the year.
- Build a list of second-tier companies – other companies you might like to do work for, though they're not as prominent as your main group and you don't know as much about them. Your second-tier companies will be those that belong to professional organizations and/or advertise in your industry's trade magazines and professional journals. Get to know their names and the names of their top executives, and watch for more information as it comes along.
- Track careers. Watch trade publications to see who's moving where ... who's leaving ... and who's being promoted to what spot. You'll see many people you already know rising to positions that will amaze you. (Fine time to send a congratulations card or Email.)

Write down the names on your prospect list to organize them and force self-discipline. You should have far too many prospects to carry your list around in your head. At any given time you should have 100 active prospects – individuals

you are calling, Emailing, sending awareness letters to – who are on your list. It is important that you be clear in your mind about the precise companies and people you want to talk to so you can focus your marketing efforts to create opportunities.

The pipeline

What you're after is a steady stream of assignments that will keep you as busy as possible – 50 or 60% billable, as discussed in Part 3.

The process of getting an assignment takes time. First you make a contact or get a lead – that is, you connect with someone who is in a position to buy your services, or someone in a position to buy your services expresses interest in your work. Next you develop the contact or lead – that is, you cultivate your relationship with the prospect and present your capabilities in many different ways. Finally, the contact or lead turns into a sale – you get the assignment, and the prospect becomes your client.

Like it or not, the process of developing a contact or lead and turning it into a sale can take a long time. Not every contact or lead will pan out. That means you'll need a "pipeline" – a lot of contacts and leads that you're working on at any given time, enough that will eventually turn into assignments and keep you billable.

Just as you'll get used to looking at the landscape to detect new-business prospects, you'll also get used to thinking and talking about the pipeline. Here are some points to remember:

- The pipeline covers the time period of conversion – from the initial contact or inquiry to a completed sale. You ask yourself, "What's in the pipeline?" – meaning, "Exactly what assignments am I trying to get, from whom?" You ask yourself, "Where is it in the pipeline?" – meaning, "Is this particular prospect close to giving me an

assignment, or does this prospect just represent a loose possibility of some still-to-be-defined assignment at some point in the future?”

- Something is in the pipeline or it isn't. Something isn't in the pipeline just because you're thinking about making a call or writing a note. Something gets into the pipeline only when you make a contact with a person who is in a position to buy your services (or put you in front of a true buyer) ... or when such a person attempts to reach you ... and when there's a real opportunity to be addressed, with perhaps a real project already waiting to get assigned.
- You always need to have something in the pipeline – a pipeline with nothing in at the moment is a pipeline to disaster. It's better to have more projects in the pipeline than fewer, although the value of the contact or lead is also important – one good opportunity with a high likelihood of turning into an assignment is worth a lot of loose leads that might or might not convert.
- Projects can be in your pipeline for a very long time. It might take weeks or months for a company to decide what it wants to do and who should do it. You'll communicate with the prospect many times and give them lots of nurturing. You'll get used to being patient.
- Eventually, you'll develop a feeling for which contacts and leads are going to work out and which will never “convert.” You'll learn to direct your best marketing and sales efforts to prospects that seem to offer the best rewards. (And then a not-so-good prospect will completely surprise you and come through with a project.)
- Projects might go out of your pipeline but people never do. A particular project goes out of your pipeline when the company cancels it completely or gives the assignment to someone else.

You still keep in touch with the people you've been talking to. They stay at the top of your prospect list because you've already begun to build a working relationship with them. Hopefully, you'll happen to call them again on the very day another suitable project comes up.

CHAPTER 23: MAKING CONTACTS, GETTING LEADS

Since you have two different target audiences -- prospects and current or past clients – you'll develop two different marketing campaigns – one to get business from entirely new sources, and another to get more business from current clients.

Isn't it difficult to run two separate campaigns? Not really. Your core message – what you can offer a client and why they should choose you – is the same for both audiences. The difference is in the way you present yourself. New prospects don't know you at all, so you'll give them more information about your background and credentials. Current clients already have a basis for trusting you. With them, you'll stress the point that you can hit the ground running because you already know their company.

Making contacts: Reach out to new prospects.

A first objective of your new-business marketing efforts will be to reach out to new prospects. You make a solid contact every time you get a name, a phone number or Email address, an idea of what this prospect might be interested in, and some agreement that it will be okay for you to follow up.

It will be relatively easy – or, at least, relatively inexpensive – for you to make new contacts by becoming prominent in your industry. Since you've worked in your field for a while, you have the credentials to speak, teach, and voice your opinions. Now you can make more efforts to put yourself forward.

Here are some specific things you can do:

Join professional associations.

When you join an industry organization, you can usually get a listing in their "yellow pages" directory under your specialty. This is a relatively low-cost way to advertise. (You also get lists of other members and conference attendees, many of whom will be your prospects.)

Attend conferences.

Industry conferences give you an opportunity to see many potential customers at one place at one time. (And, thanks to your prospect list, you know who is a potential customer for you and who isn't.) Conference contacts are personal, face-to-face, and often take place in a social context. While you're there, you're less likely to be brushed off by unreturned phone calls and unanswered mail. You can take a prospect to dinner. What could be better?

As a matter of fact, you cannot be successful as a consultant unless you go to the conferences that are relevant to your area of expertise. You should attend at least two times a year.

- Conferences are not cheap. You will have to pay for your travel costs, hotel, and any meals not provided at the event. Conference attendance fees vary, but can run several thousand dollars and are higher if you don't belong to the sponsoring industry association or group.
- When you know you are going to attend a conference, immediately start cultivating the prospects you will see there. When you talk to a prospect, find out if they will be attending. If they are, invite them to have a meal with you in a one-on-one situation, not as part of a conference function. You'll pay for the meal, but it's worth the expense to get face-to-face contact with a prospect you really want to talk to.

Speak at conferences

Being a speaker/panelist in one of the breakout sessions or main sessions is a great way to position yourself as an expert and get instant publicity. Your name will appear on all advertising for the conference, including the sponsoring organization's web site and brochure.

Speaking also earns you personal credibility as an expert – assuming your performance is good. Your presentation materials, level of preparation, and presentation style should all be tailored to fit your subject, audience and any co-speakers. If you are on a panel, offer to coordinate presentation materials for all speakers, providing continuity and quality control for the session. A session or presentation that leaves a bad impression because a co-speaker is terrible will reflect poorly on you.

Most conferences are covered by the industry press. If you have something newsworthy to say, you may find a reporter interviewing you for an article – valuable free advertising.

I belong to two organizations that have annual or semi-annual conferences. I also helped start an industry exchange group – the Bank Insurance Group (BIG) – that brings together a dozen selected banks twice a year to discuss issues of common interest. I provide the facilitation and logistical support for the meetings and offer the participating banks a discount on my services. These banks don't represent a large part of my revenues, but my involvement creates a forum where I can learn from them. Facilitating the group adds to my credibility in the financial-services industry.

Write and publish articles

If you are an expert, you should have something to say that could be published. There are two ways to go: (1) get quoted as an expert in news articles; or (2) write articles that get published under your by-line in industry publications. Getting quoted is hard to do. You have to have a good relationship with the reporter and be consistently quotable. Writing articles is hard work and very time consuming, but there is an excellent chance you will be published. The trick is to write for the right publications. (Most articles are only good for one publication. Other

publications won't touch them). Make sure that every article includes your byline, your company name, your Email address, and your phone number. Remember, the purpose is to generate inquiries from potential paying clients.

When I was getting started and had more discretionary time, I wrote quite a few articles in order to build name recognition and a reputation. Now that I'm pretty well established, I write few general-publication articles. If I have ideas that I think have particular value, I want to share them with my clients and prospects and not with my competitors.

Make “cold calls.”

Here's where your prospect list comes into play again. Once you've identified the companies and people you're most interested in, you'll begin to notice their activities. You'll hear someone speak at a conference, or you'll read a news article about an interesting project the company is involved in. The speech or the news article will trigger an idea in you ... and you'll pass it on. A “cold call” doesn't have to mean telephoning someone you don't know. You can make an effective “cold call” by sending a note or Email message that simply acknowledges the work someone is doing and explains that you share their interest.

What about “linking up” with other professionals?

In some situations, your consulting services might complement the services that another independent professional provides. For example, your management specialty might dovetail nicely with the work of an attorney who specializes in acquisitions. Sometimes it might be appropriate for you to introduce another professional to one of your clients, for the purpose of working together. Typically, you'll make this type of introduction only if:

- You have complete confidence in the other professional's ability to deliver with high quality and integrity.
- You have a mutual confidentiality and non-compete agreement in place between you.
- You expect (and receive over time) referrals from that professional in return or you receive a commission from the other professional on the revenue generated from your referral. (Commissions can be taken only if the commission agreement is disclosed to your client.

I generally dislike commission agreements and find that only in rare cases do referrals made generate referrals received. More often, I find that the professional to whom I refer business tries to take over the primary relationship with my customer – an experience that has been widely experienced by others and has constrained sharing arrangements where there is an overlap of skills.

Capturing leads: Make sure prospects can find you.

Even while you're standing in front of audiences actively making contacts, a business manager somewhere is searching for the kind of help that you can provide. A second objective of your new-business marketing effort, therefore, will be to make sure that new prospects can find you.

Think ahead. Where will a business manager in your industry go to look for help? Then make sure you're there. You get a solid lead every time a prospect gives you a name, a phone number or Email address, and an idea of what they might be interested in.

Have a web site.

Many executives now use the Internet to seek out hard-to-find resources. A good web site gives prospects a quick way to “check you out” and make sure your business is real. It also gives you a chance to communicate your credentials and explain what competitive benefits you bring to your clients. (Why should they choose you instead of other similar consultants?)

Since you are a one-person business, your web site is particularly important. Many of your competitors will have their own web sites, making it easier for the prospect to list and compare candidates. Without a site, you might not make it to the second round of your prospect’s search.

Getting to your web site

While a professional, engaging, and usable web site is very important to your credibility as a professional, you do have a choice in how you want people to find you on the web.

- You can direct clients to your site by referencing your web address in letters, Emails, advertisements, calling cards, professional directories, etc. This approach assumes that most managers do not buy consulting services by doing open web searches, but are directed to the site by the consultant or someone else who knows the consultant. The site then becomes like a combination of your resume, your reference list, your brochure, and other materials all wrapped up in an easy to access bundle.
- You can set up the site to be found by a manager using internet search engines to find a consultant in your area of expertise. In this case you would need to anticipate what the manager might ask for in an Internet search and then game the search engines so your selection comes out on the top of the list. All web

professionals know how to set up your site to be selected if certain words or phrases are included in the search. You'll have to figure out the key word combinations that will be used. The Real trick is getting to the top of the list. It used to be that if you used the word consultant more time in your site than in someone else's site, you'd be listed before them. Now the search engines look for imbedded (not visible to the surfer) word repeats and other "tricks" that were used. Another factor is that new material tends to sort to the top of the list, so some sites are changed daily – even if only a little. The only sure way to get to the top of the list is to pay the search engine provider for the privilege of being there. For most consultants, trying to get leads from undirected Internet "hits" is either a waste of time or too expensive to afford. .

Should you pay to advertise?

Your objective with any advertising is to have your name in the places where prospects are looking for consultant services. You're not a commodity, and whatever advertising you do will not be designed to create a need that isn't there already. Common practices in your industry should govern your decision. For example, if all specialists in your industry run classified ads in the back pages of a professional journal, you should be there, too. Beyond that, let your budget be your guide. Experience will soon tell you whether advertising in various media works for you or doesn't.

CHAPTER 24: TURNING CONTACTS AND LEADS INTO CLIENTS

Following up on contacts and leads doesn't have to be expensive. That's a good thing. You don't have the budget for mass-market campaigns, and a mass-market campaign wouldn't be appropriate anyway – you couldn't handle masses of clients if you had them.

What you don't spend in money you will spend in time and attention.

You'll recall that in Part III I said that marketing will take 40% to 50% of your time as a consultant (leaving you billable for the other 50% or 60%). Now I will safely say that you'll spend about 90% of your marketing time turning your contacts and leads into assignments.

Let's take a look at how you're going to manage your contact- and lead-development activities. We'll also consider how you're going to communicate with your prospects over time – your contact-development media. And we'll look at what you're going to say – your contact message.

The discipline

Make sure that in all of your new-business efforts – whether you're speaking to large groups or placing ads in professional media – you have a system in place to “capture” the contact or lead when it comes in.

- **“Capturing” contact information.** When you're talking to new prospects in person, ask for their business card and make notes about what they're interested in. Before the day ends, write down the date you made the contact (you'll forget before you know it) and any other information about the prospect – favorite hobby, next vacation trip, or spouse's and children's names – that you might want to refer to in future communications.

- **“Capturing” leads.** On your web site and in any advertising, ask the reader to reply to you by phone or Email “for more information.” Again, ask for the prospect’s name, title, company, Email or phone number, and some indication of their area of interest.

- **Organizing your contacts and leads.** Once you have a contact or lead, you must be able to put it into a framework where you can “work” it. A contact control list is not the same as your record of contact information, but contains some of the same information – company name, contact name(s), title(s), phone number(s) are where you begin. The really important parts of the list are the History and the Next Action sections. In the History section, you record every interaction with the contact – the date, what you did and the contact’s reaction. This History is a quick refresher when you get an unexpected call-back from a contact. The Next Action section identifies when you will initiate your next action (date) and what you will do. I also note these future suspense dates in my calendar.

- **Working your contacts and leads.** You will send some marketing letters and Emails, but the large majority of contacts will be by phone – you trying to make contact or answering incoming calls. A very good marketing day is one where you actually talk to ten contacts. This requires many more phone calls – often talking to executive assistants (gate keepers) who can admit or bar you from contact with the “boss.” You need to pace your calls so you don’t become a nuisance, but are appropriately persistent. Each call you make without a response should wait a few days longer than the previous waiting period. After three calls with no response, switch your approach. Send an unsolicited Email or letter. Ask the assistant to schedule a conference call. Don’t let up unless the prospect tells you he/she has no interest in your services. Then put

them on a list of people who get your newsletter (if you have one) or occasional notes on topics of interest to individuals in a position like his/hers. Look for this prospect at the next conference. Be relentless but sensitive in your pursuit.

- **Contact Control List Tools.** It is essential to track all communications you have with a prospect so you have quick reference to where you are with them if they call. Use Microsoft Outlook, ACT, or even a simple “contact control sheet” in a Microsoft Word table to build your list.

The media

You’ll communicate with your prospects in a variety of ways. There are advantages and disadvantages to each method.

Phone

This is the first choice because it is the most personal and offers the best opportunity for interaction. It is also risky because if you aren’t well prepared or “up” when you call, a prospect can close you out. The risk is worth it. If the prospect is distracted or busy when you phone, schedule another time for a short call (15 minutes).

Email

Follow up on any contact with Email. It’s immediate, personal, and is an easy vehicle for attachments. Make sure you have a standard signature block that contains all your contact information (full name, title, mailing address, phone number, fax number, Email address, and website URL).

I now do most of my correspondence by Email.

I attach letters, contracts, and other more formal correspondence as attachments to Emails with signatures, logos,

colored elements – all the things I had used before in correspondence sent by mail. I always send this type of material in .PDF format (created using Adobe Acrobat – See Chapter 27) which “seals” documents so they can’t be edited or changed and also compresses graphic elements so the files are much smaller.

Email-based correspondence permits quick responses after meetings or phone calls, follows an executive while he is traveling, and facilitates sharing of information by a recipient with others in their company.

Mail

Regular mail (sending a package or envelope) is slow and expensive but can be very effective in certain circumstances. Sending token gifts (for example, an official wooden yoyo with instruction book for the stressed out manager) can be a good icebreaker. Holiday cards and gift items are also an effective way to stay in touch. Thanksgiving cards to thank clients for their relationship are particularly effective – the right theme (better than Christmas) and less likely to get caught in the flood of other Christmas cards.

In person

Sometimes “contact” is better handled in person than at a distance because it emphasizes the importance you assign to a prospect. The problem is that personal visits for marketing are very expensive. Here are some tips:

- Use conferences for in-person visits to the extent possible.
- Group your marketing visits for efficiency – try not to make an unpaid trip to visit just one prospect unless they are potentially very important or you believe there is a very high probability of closing a sale at this time.

The message

While you might have a somewhat “automated” or repetitive system for making contacts and getting leads in the first place, the process of converting them into a paid assignment is highly individualized, unique to the situation.

Generally speaking, your strategy will be to communicate with your prospect again and again, each time seeking to get more information about them and their precise needs ... and to give a little more information about how you can help them.

The more you know about the company and prospect, the more customized your approach can be. For example, if you discover that a prospect is particularly interested in a certain technology, you can build your communications around sending articles on that subject ... inviting the prospect to a workshop ... introducing a leader in the design of the technology ... and so forth.

Don't badger prospects. If they don't respond, wait a while and contact them again using a new idea or a different approach vehicle.

The value of any communication depends on how close it gets you to the sale – the moment when the prospect asks you to take on an assignment and you agree to do it. Usually, you have to be close to close the sale. Mail, Email, and phone calls are all excellent media for laying groundwork. To actually shake hands on an agreement, you have to be in the same room with your prospect.

Keep at it. It will take multiple contacts to gain awareness, so don't be discouraged. A working consultant needs to make at least ten completed calls a day. (“Completed” means that you talk to the person you call.) Working your contacts is the only way to get to a sale.

Developing repeat business

In an earlier chapter (Part II), I pointed out that you will always work to be a “trusted advisor” to your client. In everything you do, you will seek to add value to your client and your client’s company. You will in all things seek to have a good relationship with your client.

By using these two principles as your compass, you make your marketing job much easier. You’ll get a great deal of your new projects from current clients or those to whom they refer you. You won’t have to organize complicated campaigns to reach them. As you go about your work with a client company, you will simply stay alert to further opportunities. Some possibilities include:

- **Get the next project from your current client.** One study often leads to another. Or a study leads to a long-term project to execute a plan. You’re in a prime position to move from one project to the next. Never mind marketing --directly ask your client for the next assignment.
- **Search out more projects within the same company.** From your vantage point inside a client company, you’re likely to hear about other problems and concerns. Determine who the key players are and find a way to be introduced.
- **Follow your clients when they move.** Executives move from one company to another, and you can be a valuable asset that carries over. Make early efforts to visit your client in the new environment and determine how you might be able to solve problems and advance their career.
- **Get new leads from clients and other professionals.** People in an industry tend to hear what’s going on throughout it. Pay attention to what they’re talking about. Don’t hesitate to “mine” your sources

for background information about people and companies. (You, too, might have to come up with some industry news from time to time. Industry news is always a valuable currency in a company and is expected from “outsiders” who travel in interesting circles.)

CHAPTER 25: DEALING WITH THE COMPETITION

Competition in personal consulting is widely misunderstood. People think that personal consultants battle each other and actively seek to snatch assignments away from each other. Not so. I actively help other consultants who do what I do and have even helped some of my primary, direct competitors get started in the business. If you build on your role as a trusted advisor, you will find that dealing with the competition becomes very simple.

Why I try to help other consultants succeed

I believe I should help consultants be better at what they do because better consulting is good for all of us. Helping others succeed also helps me.

There aren't enough good consultants to serve the market.

The unmet need for personal consulting services – that is, the type of work that can be done by a single consultant working alone -- is two to three times the amount of consulting currently being done. The primary obstacle for personal consultants is not the competition but, rather, the business manager's belief that they don't need help. Managers routinely make poor decisions because they don't ask for help when they should. In effect, the consultant's job is to grow the marketplace by showing those who don't use consultants why they should let you help them be more successful. Having more top-quality consultants out there only helps the profession overall.

Bad consultants are bad for all of us.

When a consultant fails to provide value to a client, that client is not likely to react positively to consultants in the future. Moreover, one client's bad experience may affect the buying decisions of many others -- subordinates, peers, and acquaintances -- if the client communicates displeasure or institutes anti-consulting policies. Luckily, bad consultants

don't last long in the profession, but the damage they do to prospect/client trust can be profound.

As consultants, we're known by the company we keep.

Unlike professionals in some fields, consultants seem to be relatively open about who the strong and weak performers are in their industries. Good consultants tend to know, provide referrals to, and work with each other on larger assignments. A bad consultant has no friends in the industry.

Because there are no licensing or certification requirements (anyone can be a consultant), there is no way to apply sanctions except by word of mouth -- and word-of-mouth sanctions are always provided cautiously, given the liability risks. I help other consultants in order to stay involved in the network of excellent, top-quality professionals who serve their clients with integrity.

Competition is not important in a trust-based relationship.

A client who trusts you will go to you first, will not competitively shop, and will turn away proposals from other consultants in areas where you have a known expertise. Conversely, other consultants will often introduce you to a client or prospect if your specialty complements theirs. This is a form of the Macy's-Gimbels story where Macy's department store sent customers to competitor Gimbels when Macy's didn't have a product the customer needed, generating customer goodwill for Macy's. If a customer trusts you, you will be the first resource they will turn to because they believe you will do what's right for them.

Here are three practical tips for dealing with the competition:

Look for long-term client relationships.

It's not what you do, but how you do it:

There are no new ideas, just new ways of arranging them. In most cases, many people inside or outside a prospective client's company could come up with the "right" answer for a particular problem. The issue is whether you can surface and present the same answer in a way that will facilitate positive change in the business. The ability to help people change is more about building a trust relationship than it is about intellectual or analytical horsepower.

Look for people you'd like to work with, build a relationship, and competition shouldn't be a major issue. Yes, you'll lose some projects to other consultants, but you'll win your share and that will be enough over time.

Avoid and ignore the competition when marketing.

Look for a match between your expertise and the client's needs. If there's a "good" competitor – one with the necessary skills and trust -- already serving the client, don't waste your time. Competitive bidding situations are for large consulting firms that all get called for all the big assignments. If they don't compete, they cede a significant part of the market. For personal consultants, however, competitive bidding is largely a waste of everyone's time – the client's, the competitor's, and yours. Bring a new idea to someone who doesn't have a consultant with your skills and you dramatically improve the probability of winning the first assignment and building a relationship over time.

Constantly reinvent yourself.

In consulting, as in all business, a unique product that meets the client's needs will always have a market. Some consulting "products"– those that are based on a standard process or technology -- are easy to copy. If a consulting product works, competitors will copy it. The advantage of being the originator or developer of a successful process or product is that the originator is known as a creative force and prospects will be drawn to this

type of reputation. The only way to stay ahead of the “curve” is to have a constant flow of new ideas and solutions for your clients. The best consultants are always trying to find better solutions for their clients.

A COMMON MISTAKE OF NEW CONSULTANTS -- OVER-COMMITTING TO ONE CLIENT

Someone coming out of corporate America may draw considerable emotional comfort from a client relationship. There is always a tendency to focus on that one client to the exclusion of other clients and marketing activity. Consulting involves a tricky balance between marketing and execution. Focus too much on doing work and when the current job is over, you will have no work to do. The best way to handle this problem is to have a series of proposals and jobs running at any one time. This is not possible if you are fully committed to a single client. With only one client you become a de facto contract employee, but a very expensive one – a situation that is not sustainable. Of course you can work mostly for one client for a few weeks or even a month, but eventually things start to fall apart. In general, I commit no more than half of my time to any one client.

PART V: RUNNING A CONSULTING BUSINESS

CHAPTER 26: HOW TO ORGANIZE YOUR BUSINESS

As a small-business owner, you'll have to organize your practice as a legal entity, do accounting and pay taxes, and protect your long-term interests via insurance and retirement planning. You'll want to structure these parts of your business correctly in the first place to save time and trouble later on. Outside advisors – an attorney and an accountant, among others – can help you set up your systems and become permanent resources for you.

Legal organization

As a small business owner, you need a legal framework that will protect you from competitive infringement (protecting the equity you will build in your business identity) and legal assault (protecting your personal assets against business risks).

The form of organization you choose will depend on the level of legal protection required, how flexible you want the ownership and payout structure to be, and what tax treatment you want. Your lawyer may have a preference, but you should be asking pointed questions about any recommendation. Here are some general guidelines:

- No legal-entity structure is necessary if you're just getting started (you don't have any customers yet), if you are dealing with only a few customers you know well, or if you are billing through others (who provide legal protection). In this case, you can operate under a chosen name, as an individual Doing Business As (DBA) "XYZ Associates" (your chosen name). If you are doing work on your own for a broader market, you need the protection that comes from working behind the barrier of a legal entity.

- Most large companies are “C” corporations. The corporation pays taxes, and any dividends are also taxed. You do not want to organize as a C-Corp.
- You may organize as an “S” corporation. You get flow-through tax treatment (as a partnership does), but some of the ownership and payout options are limited or restrictive.
- You should consider an LLC or LLP (Limited Liability Corporation or Partnership) structure. An LLC structure is more flexible than an “S” corporation, has flow-through tax treatment, and is easy and cheap to set up. If you need S-Corp tax treatment, you can organize as an LLC or LLP and elect to file your taxes as an S-Corp.
- The legal costs should be less than \$1,000 for just the state filing, which any small, local law firm can handle. To set up an operating agreement to handle the relationship among partners, you’ll need a reputable lawyer with the right experience. This work will cost you \$3,000 to \$4,000. You must work with a lawyer in any case, because each state has its own LLC/LLP statutes, and some states have unusual and unattractive provisions. (In Texas, for example, an LLP or Limited Liability Partnership structure may offer some advantages. In California, an LLC is taxed in a manner that makes it unattractive unless you set it up to be taxed as an S-Corp.)

Nellson Associates, LLC, is not a law firm or a tax advisory firm. You should retain your own legal and tax professionals to review and recommend the best solution for your particular situation.

Selecting your lawyer

In order to complete the steps needed to organize as a business entity, you will need advice and help from a lawyer experienced in working with small businesses. Here are some suggestions about how to find one:

- The best way to select a business lawyer is to either get a referral from a successful local business person or from your personal lawyer (the one who handles your will and estate issues).
- DO NOT use your personal lawyer as your business lawyer. The two disciplines are very different. You'll need a business expert on your team.
- Have the billing rate discussion up front – before you start to use the lawyer. \$150 per hour is about right for the type of lawyer you'll need (with some paralegal help in support at a much lower rate).
- For each task you want your lawyer to perform, provide the information the lawyer will need to give you a specific quote. Remember, much of what you are doing is a one-time expense that is laying the groundwork for your business.

Accounting

As with your lawyer, you'll need to select your accountant. Even if you are just getting started, you'll need advice on sales and business taxes, how to set up your books, and a thousand other matters where you will have questions. Having an accountant becomes even more important as you start buying fixed assets (that need to be depreciated), incurring expenses (that need to be deductible) and doing client business (invoice customers and track receivables).

You find your accountant the same way you find your lawyer – be getting references from other small-business owners or from your personal accountant.

Here are some guidelines to follow as you set up your accounting infrastructure:

Using Quickbooks

Make sure your accountant is Internet knowledgeable and uses QuickBooks (www.Intuit.com). QuickBooks is a cheap, full-function, widely available alternative that is relatively easy to set up and use. You can get it at Office Depot, CompUSA, etc. Don't download it off the Internet, as you'll want the disks if you have to reinstall. Buy the help-line package for the first year. You'll save money and aggravation.

Accrual versus cash basis

You should keep your books on an accrual basis so you have a real picture of what the business is doing. However, you will want to be a cash-basis taxpayer (to get more deductions in the start-up period when you are losing money). Converting from accrual to cash-basis is easy. Just use the form below:

Pretax Income (Accrual)	_____
PLUS: End of Period Accounts Receivable	_____
LESS: Beginning of Period Accounts Receivable	(_____)
PLUS: Beginning of Period Accounts Payable	_____
LESS: End of Period Accounts Payable	(_____)
PLUS: Depreciation	_____
EQUALS: Pretax Income (Cash)	_____

Expense reports

You will need to prepare professional looking expense reports for each billing client and your marketing expenses on a monthly basis. I'd suggest you look at the ExpensAbles program from OneMind Connect (see www.OneMindConnect.com).

Checking account

You'll need to set up a business checking account as soon as you're doing enough business to move to QuickBooks. Many banks support on-line banking via Quicken. I'd suggest you look at Quicken to automate your check writing and deposit/transfer tracking. Quicken also provides a direct interface to QuickBooks, simplifying your accounting processes. See www.Intuit.com.

Payroll and benefits

If you remain a sole proprietorship (work on your own), you may not need to worry about having a “payroll.” Initially, you may want to just take the income of the business, deduct the expenses, and pay for benefits separately (see the “Insurance” discussion below).

If you have multiple employees (or want to treat yourself as an employee with full benefits options), check out a staff leasing company. A staff leasing company is a “shell” employer – it hires you, pays for your all your benefits (generally the type of benefit plans available to employees working for a large firm), and charges you for the full cost plus a profit margin for them. PayChex (www.paychex.com) and ADP (www.adp.com) are solid providers that are very professional and offer all the services you’d get in a major corporation, even HR advice. Staff leasing companies are expensive, but I still recommend using one for the first year while you get your procedures set up and need a lot of hand holding.

Taxes

Your tax picture will be much more complicated than it was when you were an employee. Once you have significant client activity, you will need a tax accountant to help you do both your personal and business taxes. A tax accountant will be particularly important if you have any venture investments. Here are some things to plan on:

- You will need an Employer Identification Number (EIN) for tax filing. You can use your Social Security Number, but that looks funny on your invoices when you’re trying to present yourself as a consulting firm. Download the EIN application form from www.IRS.gov. You may also need to register as a business with the state, county, or city depending on where you are. Your lawyer will be able to advise you.

- Your clients will file 1099s with the IRS on all the money they pay you for services (not for itemized expenses) under your Taxpayer Identification Number (TIN) discussed above. You must record all receipts and report them on your tax return, since the IRS automatically checks the revenues you report versus the 1099s they receive.
- All client expenses for which you were reimbursed just net out (income offset by expenses). Any expenses for which clients haven't paid you yet are deductible, but later payments against deducted expenses must be shown as income.
- You get to take a home-office deduction.
- All furniture and equipment purchased for the office can be depreciated over its useful life. (The IRS has guidelines. Your tax accountant will know them.)
- Office supplies, communication, and software costs are all deductible.
- Travel expenses for marketing are deductible. Meals and entertainment costs are partially or not deductible.
- If you don't use a staff-leasing firm, you will be receiving income without any withholdings. You'll need to file estimated tax returns each quarter.

Insurance

Insurance is a necessary evil once you start incurring real business risks -- that is, once you have paying clients. Here are the four types to know about:

- **Personal health insurance.** This will be your most expensive coverage. If you have COBRA from a previous job (for a limited period of time) or retirement coverage, that will be less expensive than private coverage. If you need private coverage, check with your local Chamber of Commerce and find out what coverages they offer members. It may be less expensive to pay the annual membership fee in order to get the discounted premiums available under their group policies. Your local Chamber of Commerce can point you to agents that give discounts to members.
- **Long-term disability insurance.** If you intend to live off what you earn from your consulting practice (you aren't retired), you should also have disability and long-term-care insurance. These are quite expensive. You've probably had them automatically while working for a large company. Again, your local Chamber of Commerce might be able to help you out.
- **General business-liability insurance.** This type of coverage protects you from general liability claims, property damage, and workers compensation (if you have employees). While you are a one-person shop, you may only need a home-office rider on your household policy (very inexpensive). If you need full business coverage (for example, if your clients require you to have it), you can get relatively low-cost business-owner coverage from The Hartford (www.thehartford.com) - (800) 473-8138; from Travelers (www.travelers.com); or Zurich (www.ZurichNA.com) - 800-382-2150.
- **Errors and Omissions coverage.** Many companies require that consultants have this coverage. Not all insurance carriers offer E&O coverage for consultants and the market place is currently very unsettled, with carriers getting in and out of the business and

premiums in general moving up. Contact your favorite Commercial Lines insurance agency. They should be able to access several carriers who can help you.

Retirement plan

You will be able to save for retirement through either a Keogh plan or a SEP IRA. They have different features and similar limits. Check with your investment advisor. I personally like the self-directed SEP IRA brokerage account. Fidelity, Vanguard and Schwab all offer SEP IRAs that are easy to set up and are funded by a wide variety of options.

- Fidelity's is higher cost and offers Fidelity funds (www.Fidelity.com).
- Schwab's is higher cost, but is "open architecture," offering a wide variety of funds from many providers (www.Schwab.com).
- Vanguard's is the lowest cost but offers only their no-load fund options (www.Vanguard.com).

CHAPTER 27: SETTING UP YOUR OFFICE

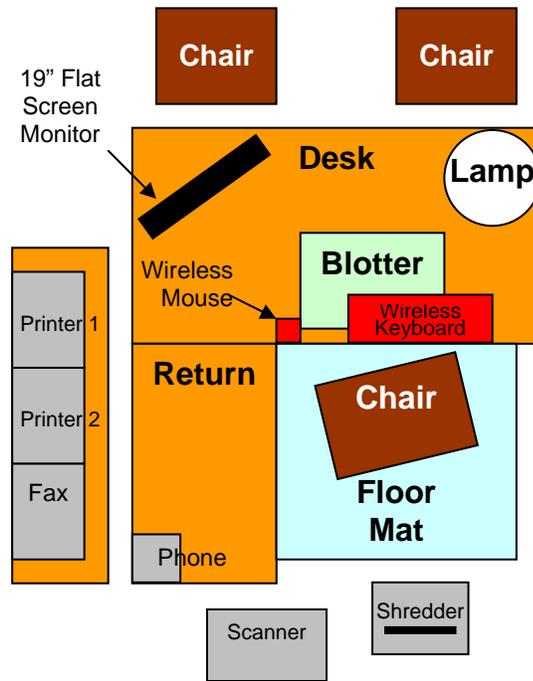
Your first decisions as a small-business owner will involve where you're going to work – probably at home, at first – and what equipment you're going to use. You're not in a big company now, and you can't simply requisition a new piece of equipment when an old one breaks down. Your equipment decisions will now cost you money. You'll choose tools with an eye to their capabilities -- you want to look professional in all your communications. You'll also place a high value on reliability -- you don't have time to handle breakdowns.

Office space

You'll probably need to work from your home during the year or so it takes to get your practice up and running. Moving out into a rented office might make sense later, depending on the situation of your home office and what else is going on in the house. Your office space will be deductible for taxes, but it won't amount to much.

- Your office needs to be functional, but it doesn't need to be pretty. You won't be meeting clients in your home.
- The room should provide a pleasant environment and should be relatively quiet. Have a door that blocks out sound.
- It's critical that you get a very comfortable, supportive chair. It's worth making an investment of \$300 to over \$1,000 for a top-of-the-line ergonomic model.
- Good lighting will help you avoid eyestrain. Use both overhead lighting and a desk lamp.
- Your desk should have lots of workspace with a side return if possible. Don't plan to put your computer or fax equipment on your desk. Use a small table next to the desk instead.

- Place a supply cabinet and file storage space close at hand.
- Here's my set up.



Your computer(s)

You should get a brand name laptop computer. This will be your primary machine. A desktop computer is a Round Two purchase, for later.

I recommend a Dell (first choice) or a Gateway laptop for their price, functionality, and service support. Check them out over the Internet and configure them using the web tools to finalize what you'll buy. Configure your laptop so it has:

- A fast, but not the fastest chip. You'll find that you have several options. Pick something in the middle – too slow and you'll regret it, too fast and you'll be paying too much for being on the leading edge.
- The most memory that the machine will take. Memory is cheap and is critical to the performance of the PC.

- An internal R/W CD drive. This is a “must-have.” You need the Read/Write so you can cut backup disks. (There is an option for DVD which may be of interest if you want to watch movies while you’re on the road.)
- A phone modem, so that you can connect from the field. Get the fastest option offered. A built-in network connection for the cable to your DSL or cable modem.
- The best battery that’s offered. You’ll be working from all types of situations on the road, and a long-life battery (about six hours) will be a big help.
- Light weight if your practice involves travel as nearly all practices do.

Some additional guidelines:

- Don’t try for the super-lightweights (weighing 3 pounds or less). They are less sturdy and drop a lot of functionality to keep the weight down. A laptop weighing 6 or 7 pounds is in the right range. A laptop weighing over 8 pounds is too heavy.
- A 3.5” floppy drive is nice to have but not critical. You can pass data to or get data from clients on the road using your R/W CD drive.
- A 15” display is adequate.
- 64-bit multimedia capability is not necessary. It weighs a lot and isn’t needed for business.

There are many computer brands you can pick from. For home delivery of high quality, price effective units you should try Dell (www.Dell.com) or Gateway (www.Gateway.com). Check these out first. You can also look at CompUSA

online (www.CompUSA.com), but I'd suggest you visit your local CompUSA store to look at what they have.

The laptop described above should cost about \$2,200.

I have both a laptop (as above) and a desktop computer fully loaded. The extra \$2,000 for the desktop machine gives me full computer redundancy that has saved me a dozen times in the last six years.

Software

You'll have to make decisions about software at the same time that you choose your laptop. Here are some guidelines.

- **Operating system.** Buy the most current option that's been in the market for at least six months (currently Windows XP Professional). Most computers come with a Windows operating system and you'll be able to swap or upgrade to later versions relatively cheaply.
- **Microsoft Office Professional:** This suite (www.microsoft.com) gives you four main application programs – Word for word processing, Excel for spreadsheets, PowerPoint for presentations, and Access for database applications. Get the version of Office Professional that works with your operating system (for example, Office XP Professional goes with Windows XP Professional). If you buy Office separately, it will cost about \$580 (or \$330 if you're buying an upgrade). If you're purchasing a new computer, Office should be included as part of the price or you should be able to add it in for less than \$200. (If you are a student, the Office price is about a third of the cost for a non-student.)

- **Microsoft Project:** If you will be helping clients manage projects, this application (www.microsoft.com) is the standard project-management program used by many firms. I'd make this a second priority after Microsoft Office. Get Project when/if you need it. It costs about \$600 (\$350 for an upgrade).
- **Adobe Acrobat:** This is a must-have. When you send out contracts, proposals, letters, etc. you should not send them in Word because your recipient can modify them. Adobe Acrobat (www.adobe.com) "seals" a document so it can be read but not changed. It also "fixes" the date of the document for tracking. The Adobe Reader is free and widely used, so anyone can read any Adobe document you send. This is the one document format that is readable by Apple users who don't have the Windows conversion program. Adobe Acrobat costs about \$260 (\$100 for an upgrade). The Adobe Acrobat Reader (that allows you to read an Adobe document) is available as a free download from the Adobe site.
- **Norton System Works:** Maintaining and protecting your computer are necessities. The Norton suite (www.norton.com) is my recommendation although McAfee (www.mcafee.com) works as well. Either one will cost about \$100.
- **Microsoft Streets & Trips:** This program will help you get anywhere in the US and find points of interest, restaurants, hotels, and so forth. It creates easy-to-read maps and directions quickly (www.microsoft.com). Downloads are available to let you update the program and get new road-construction alerts, but you'll need to replace the program annually to get data on new roads, hotels, and other points of interest. The cost is only \$30.

Other computer equipment

There are some things you should get up front and others you can wait to buy until “Round Two,” after the revenue starts to come in. Here are further suggestions for making good initial purchases:

- **A large monitor.** Get the biggest you can afford. Eyestrain is a big issue. Flat panels are not necessary, but they have much better contrast and brightness ratios and are **much** better than regular monitors. A regular 19-inch monitor should cost about \$400, and a flat-screen monitor should cost about \$600. A separate monitor is a Round-Two purchase. You can work with the laptop screen at first.
- **Wireless, ergonomic keyboard and mouse.** Sold by Logitech at just over \$80, a wireless keyboard and mouse gives you mobility and flexibility at your desk. The ergonomic benefit might be important to you, considering all the typing you’ll be doing. Note: The wireless feature may not work well with all laptops (no problem with desktop computers). Check with Logitech before you buy for a laptop.
- **A docking station.** A docking station links a laptop quickly and easily to printer, monitor, keyboard, mouse, and network. If you have just a laptop, a docking station can be very helpful. You can add it in Round Two for just over \$150 depending on your computer make and the integrated features you choose.
- **A black and white laser printer.** A low-end HP is sufficient. It should cost about \$350.
- **A color ink jet printer.** You don’t need a high-volume color printer, but you do need high quality. Make sure that the ink jets are built

into the cartridge so that you get new ink jets when you change cartridges. HP seems to offer the best options, with color ink jet printers at about \$200.

- **A flat-bed scanner.** You can get a relatively high-resolution machine for about \$150. This is a Round-Two purchase.
- **A stand-alone fax machine with a multi-sheet feeder.** This will double as a copying machine. Note: Do **not** try to use your computer as a fax machine or buy a combination printer/fax/scanner. You lose flexibility and speed with the combination, and if one part breaks, you lose everything. (Redundancy is vital.) If you can't find what you want in stores, look for an HP plain-paper fax on E-Bay for less than \$100. They're workhorses.
- **A wireless router.** A router provides a high-speed (54 MB/sec) connection among PCs, to the Internet, and to printers in your home. Even if you are alone in your firm, you can use a router to make one Internet hook up work for multiple machines (including your family computers) at the same time. You can also use a router to back up your files to a second computer easily and quickly. A router is a Round Two purchase unless you already have a cable modem. The base station that connects directly to your cable modem will cost about \$150. It will cost another \$90 to hook up each computer.

Back-up

Redundancy is vital, and you never want to risk losing important data.

- Organize your "My Documents" directory so it contains all your data files including your Outlook .PST files. Create subdirectories for

each client and then for each project. Create and maintain an “Old My Documents” directory for old files, those that you are no longer referencing and updating.

- Get an external hard drive (or extra internal drive for a desk top) for about \$100. This is a second-round convenience you can use to make nightly backups.
- Cut a CD of all your document files every week.
- If you use both a desktop and a laptop, copy your “My Documents” directory to both machines before every trip (via your wireless router).
- Remember that most of your work files will be Emailed to someone, so they’ll be on an Email server (and be downloadable) for some period of time. For a “quick and dirty” overnight backup, Email an important document to yourself.
- Stay away from Internet backup services. They’re not too expensive for small files, but the recovery process is slow and awkward. I’ve had problems here.

Communications

You will need a variety of phones and services, including three communications lines coming into your office.

Phone #1

This will be your primary business line. Choose these options:

- **Call waiting.** You won’t miss important calls while making less important calls.
- **Caller ID.** You’ll know if a waiting call is important.

- **Call forwarding.** You can forward office-line calls to your cell phone while you are traveling or just out for a while.
- **A voice mail service.** Others can leave a message when you can't pick up. Don't try to use an answering machine – it can't pick up while you are on the line, is more difficult to access from the road, and always sounds like a home answering machine (not like you're in a professional office). The message on your voice mail line should be simple and professional. Please, no cute messages.
- **Long-distance service.** You should pay no more than \$.05 per minute (flat rate) with no monthly fee. AOL offers a \$.05 option that is very good. Sprint and MCI have similar services. Tell them you're looking at the AOL service and ask if they can match the rate. Remember to get a phone credit card with the long-distance service.
- **The cost:** The price for all these features can vary widely depending on the local phone company you use. You'll be using the phone heavily. Plan to spend \$150 per month.

Phone #2

This will be a dedicated second line (not the home line) to use for conference calls, your fax, and computer modem (back-up). This line will cost about \$20 per month.

Computer line

If it's available in your area, get a high-speed computer line. A two-way cable modem works best (for example, ATT Broadband), but satellite or DSL service will work, too, although they are slower. If you can't get a separate high-speed line, then you'll need a third phone line. There are

many situations where you will need Internet access while you are on a conference call. High-speed service will cost between \$45 and \$55 per month, but will give everyone in the house high-speed access.

Internet access on the road

In addition to your local high-speed access, you'll need a service that will give you local dial-up access when you travel anywhere in the country.

- AOL is my favorite Internet-access service because it has the most local numbers, good response speeds, and good service. The problem with AOL is that it doesn't work with Microsoft Outlook, Microsoft's calendar/contact management program that can also manage and save Emails. (Some people feel this is a plus because most breeder viruses spawn where Internet access is through Outlook.)
- MSN (Microsoft Network) provides generally good access though there are some out-of-the-way places where you have to use an 800 number at a cost of \$.10 per minute.
- The ATT option would be my third choice, since it does not seem to have the geographic coverage of the other two.
- Any of these Internet access services should cost between \$15 and \$25 per month.

Cell phone

A cell phone is necessary. Get a nationwide plan such as the ATT One-Rate plan as you will use your cell phone for most of your calls when you are on the road. Forward your office calls to your cell phone number when you are out of the office. Plan for a cost of about \$100 per month for your cell phone service. For the cell phone itself, I'd suggest the standard Nokia phone. It has competitive features and a friendly price tag (less than \$100

if you buy it as part of your cell phone plan). With it you'll need a cigarette lighter plug, an ear phone/microphone, and an extra battery. Altogether the cost should be about \$175.

Phone equipment

Get a 2.4 GHz (minimum) cordless phone with speakerphone and two-line operation. Use it for conferencing (lines 1 and 2). Also buy a **separate** cordless phone with a headset. The preferred type of headset (sold by GE and others) has a sturdy headpiece (not the light type that plugs into a handset). Get extra batteries for both (you'll spend lots of time on the phone). The two phones together will cost a total of about \$250.

Conference calling

While you can conference two parties on your two-line phone, the quality is not great. ATT conference calling is expensive. I'd suggest Remote Link (www.remotelink.com) for cheap, easy-to-use conference calls. Reach them at (630) 536-3004.

CHAPTER 28: MARKETING TOOLS

You'll want to look professional, competent, and consistent in all your communications with prospects and clients. One phase of your start-up will involve developing a core set of marketing materials – starting with your company name and tag line, including all of your “generic” materials such as your business card and brochure. It will also be important to develop a web site. Many clients and prospects will use it as a way to “check out” your references and capabilities.

Your name

You need to pick a name and/or acronym for your consulting practice that is short, describes who you are, and (if possible) indicates what you do.

Once you start using a name, you will invest in it (logo, stationery, signs) and build equity in it as others get to know and recognize it. You need to select the right name the first time and do it early in your process.

For help developing a name, check out NamePro at (<http://www.namestormers.com/namepro.htm>). This service helps you “game” names. You record as many possible elements of a business name as you can think up, and the program combines them in all possible combinations to give you ideas.

Your company name should be:

- **Descriptive.** Pick a name that is descriptive of who you are or what you will be doing.
- **Unique.** If your last name is unique (e.g., Nellson), then adding “Associates” or “Consulting” to your name may be a good choice. “Smith Associates” would not work. Similarly, “Insurance Consulting Services” would not be a good choice if there are three other

consulting firms with similar names addressing your target market.
Don't use a name that may confuse prospects.

Most company names cannot be trademarked or protected. However, once you think you have the right name, you can run it against both national and state databases to be sure it's really unique.

Your logo and tagline

The tag line (like GE's "We bring good things to life") describes the essence of your business. It gets used anywhere you put the logo. Create it carefully. Keep it short, no more than 25 characters.

It pays to have your logo, with tagline, designed by a professional graphic designer. To have a logo professionally designed will cost \$1,000 or more but is vitally important.

The Nellson Associates logo was developed by a local design firm. We had a first meeting to talk about the name, tagline (I already had it), color preferences, and the image I wanted to portray (conservative, trustworthy, dependable, creative, hard working, and so forth). At the second meeting, the firm presented alternative designs for my review and selection. At the third meeting (with a number of Emails leading up to it), I approved the final design and ordered stationery and calling cards. The whole process took about two weeks.

Trademark protection

You only need to trademark your name or logo if you are going into a "real" business where you intend to advertise and build equity in your name and image. You can't trademark descriptive names (such as "The Print Shop") but may be

able to trademark an acronym (such as “TPS”) or a logo design. Trademarks must be filed both nationally and by state. The process involves:

- **An initial search to see if anyone else is already using the name.** You can do a national search yourself, at no cost, by going to the Trademark Center (www.tmcenter.com) and clicking on their free-search option. There are two limitations. First, Trademark Center doesn't cover state-specific filings. Second, Trademark Center will only indicate whether a name is in use. You still have to determine whether an existing filing is an issue for you -- for instance, whether the line of business of someone using the name is sufficiently different from yours.
- **A comprehensive search to assess possible state-level issues.** This costs some money, but can be done on-line or with a phone call to the Trademark Center. They do everything you can't do with the free search. The cost is a few hundred dollars.
- **Registering your trademark.** This requires an attorney. Local attorneys will want to do their own search and will typically charge several thousand dollars for the filing. I've used the attorneys at the Trademark Center several times and have been pleased with the result. The cost was less than \$1,000.

Business cards and stationery

Professional printing is a must. Everything should have your color scheme, your logo, your tag line, and (where appropriate) your contact information. All paper stock should be high quality (not copier paper) -- weight, rag content, and even water mark selected to make the right impression. Here's what you will need:

- **Business cards.** Don't get cute here. Just show your logo, tag line and basic info -- name, title, address, business phone number, fax number, and Email address. Order about 1,000 to start with.
- **Stationery and envelopes.** Get a high quality (rag content) bond paper in standard business-letter size. The paper color should fit with your color scheme – if there's bright white in your logo (or it fits with your logo color – say, bright red), your paper should be bright white. Order a ream (500 sheets) of letterhead, two reams of matching plain sheets, and 200 envelopes initially.
- **Note paper.** Use half-sheet size (5 ½ x 8 ½ inches) with your full name printed at the top. Use pre-printed note paper only for informal or quick notes to people outside your office who already know you well. For in-office notes, plain paper cut in half works fine. You'll generate lots of paper. Don't waste the good stuff.
- **Mailing labels.** These are labels for use with oversize envelopes that you will buy plain in bulk. The label will need to have your logo, tagline and return address, and the addresses you are mailing to. You can use 3 3/8" X 4" peel-off Avery labels and print them with a template (with your logo and return address already entered) using your laser printer. The problem with this is that your logo will be black and white only. You won't be able to print on your inkjet color printer, because the envelope feed won't handle single labels well. Alternatively, you can have the labels preprinted with your logo (in color) and your return address. Order at least 250 labels.
- **Stickers:** These have just the company name, logo, and tag line and can be used to "brand" other materials you may use. Order 250 of these.

- **Two-pocket folders.** You'll use these to send out proposals and hand out promotional packages at conferences and meetings. You can have them printed up (which can be pretty expensive) or use standard "off the shelf" folders and put a sticker on the front. These folders should have slits to hold your business card. 100 folders should be enough to start with.

Good quality stationery is expensive, but you need to demonstrate that you are professional and serious. Go to a specialty print shop (not Kinko's) that has a multilith press. Have your stationery and cards done by offset printing if possible. Some thermographic processes are acceptable. The total cost for the stationery package will be about \$1,500 -- or more if everything is top grade. The above material should last you for about a year before you'll need to reorder elements.

Your brochure

You will need a simple tri-fold brochure that explains who you are and what you do. This is what you distribute at conferences, enclose with prospecting correspondence, and hand out with your business card whenever an occasion arises.

Use a standard letter-size sheet and fold twice, like a letter, to create three panels. Here's what goes on each panel:

- **Top panel:** Your logo and tag line on top of a picture that shows two professionals talking (or any other picture you think works).
- **Back panel:** Smaller logo and all your contact information.
- **First inside fold:** A picture of you and information about you – a few lines of resume info and a few lines listing past clients (when you have them).

- **Inside spread (three panels):** Here's where you explain what you can do for a client. Organize your ideas carefully into three or four major topics and provide some descriptions and examples.

Make sure that the color scheme plays off your logo and hangs together. Don't make the type too small or try to put too much content into the brochure. The brochure serves as an introduction and helps you get in the door. It doesn't have to close the sale. Leave some white space. If you can, have a designer look at what you do yourself and get suggestions (minimum) or a rework (more expensive). Print brochures as you need them on any high-quality color printer. Use two-sided, glossy brochure paper and do the folds by hand.

Your web site

A web site is an absolute requirement for anyone in business today. While the web is not a proactive medium and won't go out and get prospects for you, you must expect that every prospect and client will eventually come to your site to check you out.

What should your web site say?

Your site should contain, at a minimum:

- Your mission statement – your purpose and principles.
- A description of your products and services – what you can do for your clients.
- Sample project descriptions (can be made up).
- Client list with client testimonials (when you have them).
- A benefits statement (what good things you can make happen).
- A sample contract.

- Information about you (mini resume and a photo).
- Links to other sites –the people you work with, your venture companies, and so forth.
- Contact information including an Email template.
- Your privacy policy.

How will you get your web site produced?

“Do It Yourself” web sites look like what they are (unless you happen to have web-development experience). A do-it-yourself site won’t help you and will probably hurt you (make the wrong impression).

The type of site you want can be put together by a professional relatively inexpensively using available “brochureware.” The cost is likely to be \$1,000 to \$2,000 depending on what you need and assuming that you can give the developer clear direction up front. (Your tri-fold brochure makes a great start for your web site.)

The best way to find someone to help you with your site is to look at the sites of local businesses and organizations until you find one you like, then look for the “webmaster” link on that site (usually on the Home page). You will get more control over the development process if you use local resources. College students or recent graduates often have the technical skills you need, but be sure to check the sites they have done and their references.

A high-quality site for a new consultant should cost you less than \$1,000 if you find the right student to help you. If you want extra functionality (for example, multiple flash presentations, lots of links, an on-line store, background music, etc.) you might get the price up to \$2,000. I’ve seen really bad sights that cost 10, 20 or 30 times as much.

The developer will ask you to sign a contract. Be sure you pay in three parts – a third up front, a third when a sample site is up containing all the agreed-upon elements and text (though not necessarily in final form), and a third when the site is as you want it. Also be sure that you own the work product as it is done so you can change developers if necessary without having to start over.

Make your web site attractive but not complicated.

A good website developer will be a good graphic designer, but the design should not draw attention to itself. A good website is one that the user can navigate quickly and easily. That means that your developer should use the common conventions to take the visitor from one page to another. To make visiting your site a pleasant experience, do this:

- Integrate your logo and color scheme for design continuity.
- Have type that is legible, links and logic that are clear, and plenty of white space.
- Use special effects judiciously. Flash animation, music, and complex art elements can help make your site memorable, but they can also slow your visitor down. Speed is everything on the Internet. The viewer has come for specific information and wants it now.

If you bought this book online, you've already visited my personal website – www.NelsonAssociates.com . I do most of my consulting work through DeHayes Consulting Group, so this is not a personal consultant site, but you will see the general look and feel a personal consultant site should have. Having no site is better than having a poor one.

Off-the-shelf presentations

Over time you will develop a core marketing presentation. Like your brochure and web site, it will cover the basics of who you are, what you can do, some of the work you've done for others, and how, in a general way, you work with your clients.

You'll also develop variations on the core marketing presentation, to go into more depth for particular situations. For example, your "Banks" marketing presentation might emphasize the work you've done for banks and financial institutions, while your "Technology" marketing might emphasize your ability to oversee the purchase and installation of specialized equipment.

You won't have to develop new marketing presentations from scratch. Rather, start with one you've done before and add new or updated information for the occasion. Eventually you'll build a "library" of presentations that you can use in a variety of ways – to get new business from key prospects, to introduce yourself to a client team at the beginning of a new projects, even for paid overview sessions or to explain the progress of an assignment.

PowerPoint, the presentation software by Microsoft, is the best vehicle I've found. Use its charts and graphics features to illustrate your main points. Keep your text short and to the point. Normally, you will guide your audience through a presentation, either in person or by phone. Unless it's very detailed and covers a specific complex concept, don't send a presentation off by Email and expect your audience to view it carefully and understand it.

I now have over thirty "off-the-shelf" presentations. They are my most important marketing tools. The ability to talk with a prospect on the phone, discuss a topic of interest, and immediately send them a relevant presentation is extremely powerful.

CHAPTER 29: HOW TO FINANCE YOUR START UP

Every business needs a business plan and that plan is particularly important for a start up business. Consulting practices have a few special quirks, but the business model is pretty simple.

What you'll need to set up your practice

Each practice will be different, but a full set-up will include your:

Legal Organization	\$1,000
Logo/Tagline	\$1,000
Trademark Protection	\$1,000
Office Furniture	\$0 to \$3,000 (depending on what you already have)
Computer and Software	\$3,500 (plus \$1,500 round two later)
Phones (Cell, 2-line, and Headset)	\$ 400
Stationery	\$1,500
Brochure	\$ 500
Website	\$1,000 to \$2,000
Association Memberships	\$1,500 to \$4,000
Total	\$11,000 to \$18,000

Your start-up cost will vary depending on the type of practice you are building and what you already have (for example, whether you already have a computer, a home office, a cell phone, and other equipment.). Review the items covered in the previous chapters in this section and make your own detailed list of up front expenditures.

Cutting corners on up-front expenditures is not a good idea. It will leave you without the tools you'll need to be successful. Or, you'll find yourself be unable to

address potentially valuable opportunities because you don't have -- (or are still spending time to put in place --) the things you need to do your work.

Your monthly practice “burn rate”

The costs here are pretty standard for any “at home” sales business that requires travel. The key line items include:

ITEM	COST
Phones, broadband, and Internet	About \$350 per month.
Supplies	\$50 per month for the first year – your one-time expenses include everything you'll need to get started and much of that is more than you can use up in a year.
Insurance	Nothing until you get a client, then about \$5,000 per year including basic liability, property and particularly E&O coverage. Most carriers offer a monthly payment plan.
Printing	Your need for replacement stationery, brochures, and other material will be nominal in the first year (see one-time expenses).
Marketing and Travel	Depends on how aggressive you are.

Your total could vary between \$500 and \$2,500 per month when you have no clients. Once you have clients, a lot of your marketing efforts will involve getting follow-up work with current clients and much of your marketing travel will piggy-back on client-paid travel. Your marketing costs will therefore be lower. To be safe, assume that your monthly costs will be about \$1,500.

Be realistic about your consulting earnings.

It will take you at least a year to build a pipeline and get enough jobs lined up. You might get your first job right away or not for six months. I'd suggest you assume that you will have no earnings during your first six months and half your target earnings (at your assumed billing rate and billability) during your second six months. Remember that work done during one month will take four to six weeks after the end of that month to collect. You'll have to carry an average of a month and a half average revenues as accounts receivable.

Know what you will need to live.

You need a realistic estimate of the net amount of money you'll need to support your household and family. Cutting your lifestyle may be necessary during the start-up period, but avoid it if you can. Consulting is hard work and you do not want to add to the hardship at home if you don't have to.

Save enough to bridge the down times.

Once you are up and running as a business, you will still need a cushion of savings – at least six months' earnings would be an appropriate target. You'll need this buffer as long as you are in business.

When September 11th happened, all consulting work stopped, proposals were suspended, and prospects wouldn't even consider new work for three months. It took me 12 months to rebuild my business – almost like starting from scratch. You need a savings cushion (or a line of credit) to bridge times like this.

When you put all of the above pieces together, you'll see what it takes to launch your business.

MONTHS	0	1-3	4-6	7-9	10-12
START-UP	\$15,000				
REVENUES *	0	0	0	\$15,000	\$15,000
OPERATING COSTS	0	\$4,500	\$4,500	\$9,000	\$3,500
LIVING EXPENSES **	0	\$18,000	\$18,000	\$18,000	\$18,000
NET	(\$15,000)	(\$22,500)	(\$22,500)	(\$12,000)	(\$6,500)
CUMULATIVE	(\$15,000)	(\$37,500)	(\$50,000)	(\$62,000)	(\$68,500)

* Based on target earnings of \$200,000 per year and a 40% tax rate.

** 60% of target earnings after tax.

With a 50% contingency, you should assume that you'll need about half your target earnings (\$100,000 in the case above) to get your practice up and running. Getting started works if you either have substantial savings to draw upon or can get a lot of the set-up work done while you're still working at a regular job or you have another source of income (retirement payouts, severance, or other savings you can tap).

CHAPTER 30: THE LAST CHAPTER --KNOWING WHEN AND HOW TO QUIT

In Part I you decided to be an independent personal consultant. You used Part II to help you work on your consulting skills. You used Part III to set your billing rate, invoicing and collection procedures. You used Part IV to design and execute your marketing strategy and sales plan. Finally, you used Part V to set up your consulting business. You've done it all and done it with all the skill, commitment and energy you have. Now what happens? There are three situations you will face and each will require different responses:

If you never get your practice going ...

There are three reasons why you couldn't get a practice going:

- **Your self-assessment was wrong.** Some people want this answer to be right so much that they bias their self-assessments. People with a "can do" attitude - those who think they can make anything work if they try hard enough – face the reality that they simply can't be what they need to be to do an independent personal consultant's job. People in this situation generally forgot to ask others for an assessment of their chances as a consultant, or didn't really listen to the answers they got.
- **The consulting environment was wrong.** Your self-assessment was right, but the market turned against you in a way that makes it difficult to recover.

I know one individual who tried to start a practice in June of 2001. Getting started in the summer was tough to begin with, but when 9/11 happened, his one client put him on hold and his pipeline of leads dried up. Marketing calls became difficult to

make because everyone was canceling or deferring consulting work.

By December, with prospects looking bleak, he started looking for a “real” Job.

- **Your execution was weak:** Your “best” effort wasn’t good enough – you didn’t try hard enough. You have the skills, the right intentions, and appropriate ground work, but you become distracted, tired, or demoralized before things begin to work. Your capabilities are never fully applied.

Whatever the reason, if you don’t see leads starting to build after three months of marketing efforts or if you don’t have a client after six months, it’s time to fold your tent and take a tax loss.

If your practice builds, but never becomes successful ...

This is a variation on the case above. You are successful enough to get clients and start things moving forward, but once your practice is up and running you aren’t happy with the result:

- **You aren’t making enough money:** You either can’t sustain a high enough level of billability, or you set your consulting rates too low. If billability doesn’t improve over time, you have to shut down. If your billing rate is too low, you should adjust it – to the desired level for new customers and increase it when you bid new jobs for existing customers. If you are early in your career without too many established relationships, you should be able to make the transition to higher rates, but you will lose some momentum in the process.
- **You don’t like the work you are doing.** If you have been unlucky and have a series of difficult clients up front, the situation could be self correcting. One good assignment, to illustrate concretely what

consulting can be, is enough to carry you through a number of boring or difficult projects. If your self assessment was wrong (you really don't like this type of work), then you need to shut down. Deciding which situation applies may not be easy.

- **You don't like the life you are living:** The change in your family life due to working at home, traveling, or even the pressure of assignment deadlines may prove to be more of an issue than you thought it would be (a self assessment problem again). While you may be able to structure your work so you travel less or you get an office outside the home, these changes may not be sufficient to fix the problem.

I know dozens of consultants who are no longer married to the wife they had early in their careers. I left Booz Allen because my continuous absence from home was becoming an issue in my marriage.

For later-in-life new consultants I have worked with, absence from home is less of an issue than constant presence at home -- invading the wife's space for those with at home wives, loneliness for consultants working "home alone."

If a successful practice starts to die ...

You got your practice running at a level that brings in enough money, you enjoy the work, and the life style works for you. Then, after several years of successful operation, things go wrong. Some of the causes are self-correcting, some are correctable (if you are willing to make the effort), and some represent a permanent change that signals the end of your consulting career.

Self-correcting situations

An economic shock (a recession in your target industry), a political shock (9/11, the Iraq war), or even the loss of a key client (who may have become too big a part of your business) can send a consulting practice into a temporary tailspin. Consistent normal marketing activities and the passage of time will correct this type of situation without further action. If money is your main worry, know that you are likely to get future income faster by working your practice than by any other route -- unless you have a standing job offer and want to quit the consulting game immediately.

Correctable situations

You have observed over time that new business is harder to sell, the assignments you are doing don't last as long, and your "trusted advisor" relationships aren't continuing to be as active as they were in the past. It is likely that your practice has become stale. You will need to either:

- Restructure the types of assignments you do so there will be new work to do for old customers. As a consultant, you always should be looking for ways to reinvent yourself and your practice to keep it fresh and to have new reasons to go back to old customers. The act of reinvention is hard work, but it is generally fruitful because selling old customers is generally easy if the product is good.
- Or move to new markets (industries, geographies) where your current practice offering will be well received. If you can't reinvent yourself (always my first choice), you will have to change your target market. From a marketing perspective, this course of action basically means starting over and leaving your trusted advisor relationships behind to some degree. Again, this is hard work, but is doable.

Several consultants I know who are older (late fifties and beyond) are having problems because their key contacts are retiring or moving. Replacement executives have to be sold as if they are new prospects with one added problem – the consultant is linked to the old administration which can frequently be a negative.

Uncorrectable situations:

If you lose your health, your energy, or are unable to take the corrective actions indicated above (can't reinvent yourself), then your consulting career may be over.

One important piece of advice – make sure which of the three situations above applies to you before taking action. You may need as much as six months to differentiate among them.

Final decisions – your options

If you are able to bring up your practice successfully and adapt successfully to keep it healthy, you need no further advice. If not, you can't continue to be a full time independent personal consultant. You have some decisions to make and things to do. Here are your four options:

Close shop and get a “real” job.

If you need a job (don't have the money to live without one) and consulting isn't for you, you will need to dust off your resume and start networking to get a job. Since many people who try the independent personal consulting path are older, their job opportunities may be limited.

Options for older consultants who want to leave consulting are often limited. One close friend has become a successful day

trader. Another has re-entered the workforce at a level below any job he would have accepted in the past. A third cut his billing rate by 40% so he could continue to work as a consultant.

Guidelines on how to close shop are covered at the end of this chapter.

Close shop and move in with a larger consulting firm.

This may not be a real option, because larger consulting firms generally have little interest in second career consultants who can't demonstrate their ability to sell, bringing a pipeline of business with them. If you could sell and had an active pipeline, you would only consider this move if working on your own or at home was your primary issue.

Retire.

Some people have the money to retire and interests beyond work to keep them active and engaged.

Become a part-time consultant.

Some people enjoy consulting, but don't really need the money, so they continue to do what they can for as long as they can. They lack outside interests and need to be "employed." Consulting, even on a part time basis, provides the involvement they need.

Closing shop

If you need to close shop, be sure you do it in a professional manner:

- Handle your current clients appropriately – don't leave them halfway through an assignment without a reasonable option for completing the assignment (for example, you can introduce and brief another consultant).

- Do the appropriate things required to shut down your company from the accounting, tax, and legal points of view.

Be fair with your suppliers – pay all your outstanding bills.

FINAL THOUGHTS: CAN YOU BE A FRIEND?

I believe that client friendships are the tapestry that makes consulting a delight.

Some consultants believe you can never be friends with your client – that you're the hired help and that familiarity will breed contempt. I simply do not agree with them.

You do have to be careful and recognize there are steps you must take -- that recognition, respect, and trust must precede friendship. But consulting without making friends would make the profession a job instead of a joy and a passion.

My best consulting relationships have evolved to friendship. My clients and I will go out for dinner and not talk business or get together with our spouses on a purely social level. I have client/friends visit me in Florida to play golf or be guests in my home with their spouses.

For the last twenty years, I have maintained a standing offer to all former client managers I've worked with. If they ever have a problem with their career – in a company or moving to a new job – I will help them. I now talk with two or three people every month who want to discuss their situation and ask for advice. I give them encouragement, remind them of their past successes, and help them consider what might make sense for them as a next step, even help them rewrite their resumes. I introduce managers to search executives and potential employers. I even help some of them get started as consultants to compete with me. I don't charge money for these services. The dividends in friendship over the years have been worth more far more than a check.

APPENDIX A: SAMPLE PROPOSAL

Date

This is a real proposal for a small job that was approved and completed. The answer was that they couldn't do what they wanted to do, but it resulted in additional work in other areas.

Name

Title

Company

Address

City, State ZIP

Sent By Email to: [Email](#) Address

I usually send proposals by Email as it cuts the cycle time and gets to the prospect while your last conversation is still fresh in their mind.

Subject: *Project Title*

Dear *First Name*:

It was a pleasure to talk with you last week about ways the [XYZ Associates \(XYZ\)](#) might be able to help [ABC Company \(ABC\)](#) develop a more effective insurance program. This letter addresses your request for information about how XYZ might help you position certain insurance related costs so they can be netted against revenues, lowering ABC's expense ratio.

Our response is organized into five sections:

- XYZ's understanding of the situation.
- Issues to be addressed.
- Our approach to the project.
- Timing and costs.
- XYZ's qualifications.

XYZ'S UNDERSTANDING OF THE SITUATION: ABC, like most publicly traded banks, is focused on improving market value for the shareholders. Management believes that one way to accomplish this is to reduce the bank's expense ratio, to indicate that the institution is efficiently run. The insurance business, which doesn't tend to use the balance sheet of the bank, can have either a very positive or negative effect on the expense ratio depending on how elements of the business are configured. The goal of a XYZ project would be to help the insurance business configure the business for optimum impact on the value of the bank, with a particular focus on the expense ratio.

This section lets them know that you've listened to what they have said and that you understand what they say they want (which may be different from what they need).

This is the most important part of the proposal because it demonstrates how you think, where your initial focus will be and any up front biases you may have about the answer.

ISSUES TO BE ADDRESSED:

- **How The Expense Ratio Impacts Value:** A lower expense ratio is not always a good thing.
 - Most independent agency operations consider a 30% pretax margin to be an admirable achievement and one that returns substantial value to the agency, particularly because there is little credit risk and actuarial, market, and operational risks can be highly controlled.
 - Unfortunately, a 30% pretax margin for an insurance agency translates into an expense ratio of 70% that is unacceptable for most bank businesses – even though bank businesses take substantial amounts of credit, market, and operational risk.
 - Being more efficient is always good for value, but cutting expenses to achieve unrealistic expense ratios could attract compliance or operational risks that are inappropriate.

Are these relationships well understood by the bank’s management and the finance area?

- **Revenue-Cost Netting For Banks:** Specific accounting rules address the circumstances where expenses may be netted against revenues. Are these circumstances well understood by the bank’s finance area? Have the practices of other banks been reviewed? Are letter rulings and other special guidelines available?
- **The Bank’s Appetite For Accounting Risk:** In the post-Enron environment, few firms desire to be seen as aggressive in the accounting approaches they take. As a result, bank finance areas often take very conservative approaches to the application of accounting principles. To what degree is there flexibility to address new or different approaches within the letter and spirit of current guidelines?
- **Using Third Parties To “Pre-net” Revenue and Expense:** One way to improve the expense ratio without raising accounting issues is to have a third party “front” for the bank, manage certain cost elements, and deliver “net” revenues to the bank. An example of this would be firms that market A, D, & D insurance to bank customers where the bank has no expense and receives a fee that represents a 0% expense ratio.
- **Trade-offs Among Value, Profits, and Efficiency:** Most banks have a hierarchy they use to make internal decisions – to help them decide what’s most important.

In order, these priorities might be:

- Value created – the present value of future cash generated by a business, initiative, product, etc. (often referred to as the dividend discount value).
- Current value created – profitability adjusted for all risk costs (including the cost of capital).
- Profitability – Traditional net profit (and the related EPS measure) that is the focus for most external reporting.
- Key Performance Measures (KPMs) – These might include net interest margin, fees as a percent of net revenues, reserve and charge-off ratios, efficiency ratio, etc. These measures are used to help illustrate what’s happening behind the three measures above.

To some extent, you will be comparing economic performance with the “window dressing” used for reported results. Understanding the unique hierarchy employed by ABC will be critical to deciding how to apply initiatives designed to improve the bank’s efficiency ratio in the appropriate context.

- **Explain, Rather Than Change:** Banks that have a unique business mix (e.g., State Street Bank) often choose to explain how the mix affects the efficiency ratio, rather than change it. To what extent might this be an appropriate option for the insurance businesses at ABC?

OUR APPROACH TO THE PROJECT:

Outline your work steps and deliverables (what they will get from you as part of the study).

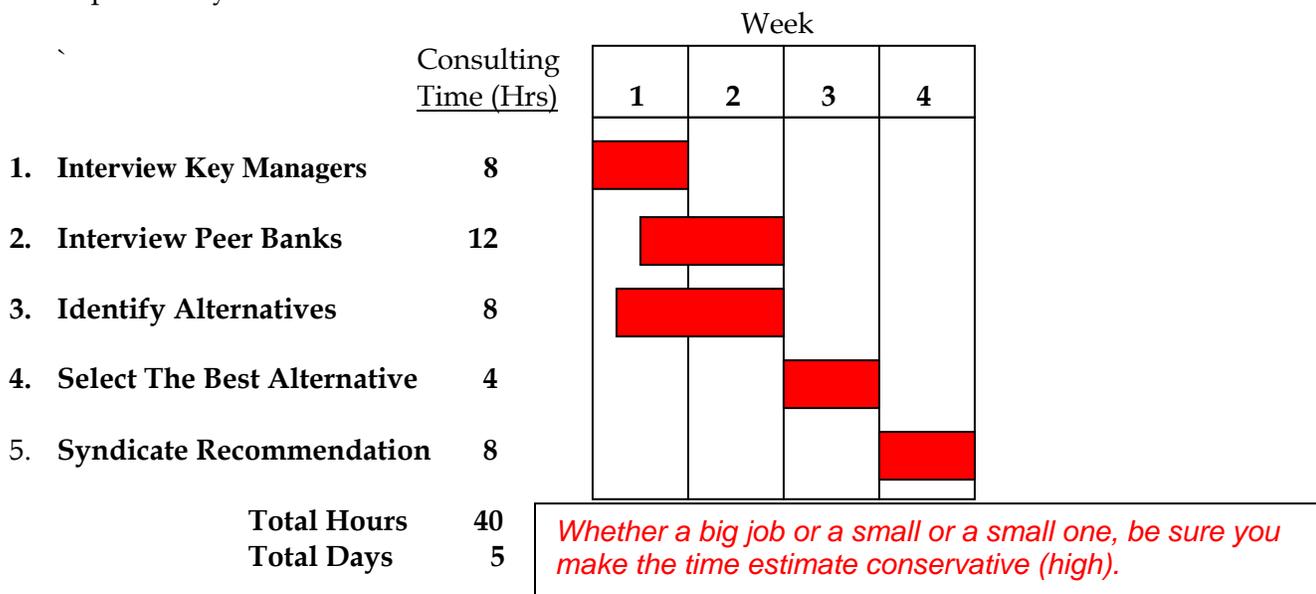
1. **Interview Key ABC Managers:** We will talk with 6 to 8 finance, insurance, and general managers about their:
 - Views on the issues above.
 - Suggestions concerning alternatives that are viable.
 - Suggestions for peer banks.
 - Input on factors/weightings to be used for priority setting.
2. **“Blind” Interview Selected Peer Banks:** We will interview key financial managers at selected ABC peer banks about the issues above.
3. **Identify A Set Of Possible Alternatives:** After collecting ideas from ABC managers, practices from peer banks, and suggestions from XYZ, we will develop a set of possible options for consideration/evaluation.
4. **Select The Best Alternative:** XYZ will facilitate a process to prioritize the options (generally employing a factor analysis with factors, weights, and ratings as

selected by ABC).

- Syndicate The Recommendation Among Key Managers:** We will review the preliminary recommendation with key managers who would have to “buy in” to any decision (presumably those interviewed in the first step). We will get their input regarding all steps in the process. We will try to resolve remaining issues (areas where managers don’t agree) through a facilitated meeting if required.

TIMING AND COSTS: I will do all the work on this project.

- Based on similar assignments for other banks, the work outlined above would require 5 days as follows.



- The cost for the work will be in two parts:
 - Base billing rate: \$3,000 per day of consulting.
 - Actual out-of-pocket travel expenses.

Always be explicit about both the day rate and the total estimated cost and then tell them that the quote is not fixed.

The total estimated cost would be \$15,000 plus out-of-pocket expenses.

- This is a “time & materials” estimate, not a fixed-price bid. However, XYZ will work toward the estimated time above and charge ABC less if less time is required. If there are indications that more time may be required, XYZ will contact the bank to discuss options (changing the focus, level of effort, the deliverable, or the budget as appropriate).
- XYZ will bill monthly for work done during the previous month.

XYZ QUALIFICATIONS AND EXPERIENCE

XYZ has a unique set of skills and experience to help ABC position the insurance business appropriately to create value for bank:

- XYZ understands what makes insurance sales work for a bank and has led many life carriers through the process. XYZ has extensive experience launching insurance activities through large and small banks.
- XYZ knows what creates market value for a bank better than most consulting firms and has broad experience in value management, financial reporting, and acquisitions across insurance, banking, and processing businesses.
 - XYZ Principal (*name*) has managed financial reporting for Fleet Boston Financial Group and has implemented full economic reporting and value management metrics throughout the bank.
 - XYZ has an unusual combination of consulting and M&A skills. XYZ Principal (*name's*) background includes 33 completed acquisitions (including 23 banks, an insurance company, and a mutual fund complex) and dozens of supplier/venture agreements.
- XYZ has process strengths in marketing, distribution, operations (e.g., call centers), systems, product positioning, finance and strategic consulting addressing a wide range of business issues.
- XYZ is uniquely positioned to approach the top management of the 100 largest insurance companies. The company is personally known and trusted by more of these carriers than any other consultant or individual investment bank.

A copy of my CV is attached to illustrate the depth of my experier

Your CV (resume) must support the claims above.

First name, I look forward to working with you and your team and will call you after I get back from Europe on June 6th.

Sincerely,



Your Name
Principal and Managing Director

For Emailed letters, use an image signature and Adobe the document so it can't be edited by the prospect.

Attachments

APPENDIX B: SAMPLE CONTRACT

NOTE: Nellson Associates is not a legal firm and this contract is only a sample. You should have your personal lawyer prepare a prototype contract for your particular type of consulting, the laws of your home state, and your desired balance between protection and brevity.

This consulting agreement (hereinafter referred to as "Agreement") has been entered into effective as of April 1, 1999 (hereinafter referred to as the "Effective Date") by and between ABC Company and its affiliates (hereinafter referred to as the "Company"), located at [address](#), and XYZ Associates (hereinafter referred to as "XYZ"), a Florida Corporation, located at 24652 Misty Lake Drive, Ponte Vedra Beach, Florida 32082, (hereinafter collectively referred to as "The Parties").

FEES AND EXPENSES

In consideration of the consulting services provided under the terms of this Agreement, XYZ shall receive the following compensation:

1. Professional Fees. Based upon the number of consultant days required to complete the engagement. Consultant days shall be billed at the rate of three thousand dollars (\$3,000.00) per day, due and payable monthly, in advance, upon submission of invoices by XYZ.
2. Expenses. The Company shall pay any out-of-pocket expenses incurred, upon submission of invoices by XYZ.

TERM

This Agreement shall have a two (2) month term period (hereinafter referred to as the "Initial Term"). Upon the completion of the Initial Term, this Agreement will renew at the option of the Company on a month-to-month basis. Either party may terminate at will, without the necessity to have or specify a reason for such termination.

No termination of this Agreement, however brought about, shall deprive XYZ of the right to receive the Professional Fees and Expenses that have been earned but have not yet been paid to XYZ with respect to any period prior to such termination. Concurrently with termination, the Company shall pay to XYZ any such earned, unpaid fees and expenses.

MISCELLANEOUS

The Parties acknowledge that during the term of this Agreement they shall receive non-public, confidential, and proprietary information (hereinafter referred to as "Proprietary Information") from each other. The Parties agree that without the agreement or consent of the other, neither of The Parties nor their affiliates or advisors shall use, divulge or communicate any of such Proprietary Information, except as may be necessary or appropriate in the course of the engagement hereunder or as may be required by law. This restriction shall cease to apply to any Proprietary Information which may come into the public domain.

The Company shall hold harmless and indemnify XYZ against any and all claims, liabilities or losses (including counsel fees and expenses) based upon, arising from, relating to or by reason of the services to be provided by XYZ pursuant to this Agreement, unless based upon XYZ' negligence, including any and all claims, liabilities or losses based upon, arising from, relating to or by reason of communications by XYZ to third parties, of the Company's information and opinions given to XYZ by the Company.

The Company agrees that during the term of this Agreement and for one (1) year after termination of this Agreement, neither the Company nor any of its affiliates or employees will hire, directly or as an independent contractor, any person who is employed by XYZ until such time that such employee of XYZ has been separated from service with XYZ for a period of time in excess of one (1) year.

In furnishing services hereunder, XYZ, its agents, and its employees are, at all times, acting and performing as an independent contractor in relation to the Company.

XYZ shall devote such time as it, in its reasonable discretion, determines is necessary to fulfill its obligations hereunder. Nothing herein shall preclude XYZ from performing consulting services for others, and XYZ shall inform the Company if such work may be reasonably adjudged to conflict with the interests of the Company. XYZ will not knowingly and intentionally perform any consulting services which will conflict with the consulting services which XYZ has been engaged to perform for the Company.

This Agreement constitutes the entire agreement between The Parties hereto and merges and supersedes any prior negotiations between The Parties. No amendments or additions to this Agreement shall be binding unless executed in writing and signed by both of The Parties hereto.

XYZ Associates

ABC Corp

Signature of Authorized
Representative

Signature of Authorized
Representative

Printed Name of Authorized
Representative

Printed Name of Authorized
Representative

APPENDIX C: YOUR BUSINESS START-UP TIMETABLE AND CHECKLIST

You may feel that you are under pressure to launch your business quickly, particularly if you are currently unemployed and need income. After all, the clock for the start-up financials in Chapter 29 doesn't start until you "launch" your business.

After working with many consultants starting personal practices, I can assure you it is best to take whatever time necessary to do your planning, decision making and set up the right way, before you start to present yourself to prospects. Here (below) is a summary of the tasks you will have to complete, in approximately the order in which you can complete them.

Many of the items outlined in this section are dependent on each other and so have to be done in a particular sequence. To make it as easy as possible for you, I've numbered the items and shown them in checklist form.

Each of the steps corresponds to activities covered earlier. You'll find most of them described in more detail in Part V, "Running a Consulting Business."

The checklist will vary depending on your particular needs. For example, If you already have a full home office, you may be able to skip some of the steps. Please note that where some steps must be done before others, the dependencies are noted.

If possible, you should try to complete all steps through Item 74 while you are still working at a full time job

.

Situation: Start-up Phase	Employed With Home Office	Employed Without Home Office	Not Employed With Home Office	Not Employed Without Home Office
Business Planning	5 to 7 Weeks	5 to 7 Weeks	3 to 4 Weeks	3 to 4 Weeks
Key Business Decisions	4 to 5 Weeks	4 to 5 Weeks	3 to 4 Weeks	3 to 4 Weeks
Business Set Up	2 to 3 Weeks	5 to 6 Weeks	1 to 2 Weeks	3 to 4 Weeks
Business Launch (Total Time)	11 to 15 Weeks	14 to 18 Weeks	7 to 10 Weeks	9 to 12 Weeks

Step #	Description	Dependency	When Complete	Current Status
BUSINESS PLANNING				
1	Complete the diagnostic in Chapter 6 to decide whether you should be a consultant and what type of consultant you should be.	Complete before proceeding		
2	Develop your prospect list and marketing plan	1		
3	Estimate the level of marketing expenses (travel, conference, etc.) required	1		
4	Complete your first cut revenue estimate	1		
5	Select your lawyer (will help with planning)	1		
6	Select your accountant (will help with planning)	1		
7	Select where your office will be	1		
8	Determine what upgrades to your office space (storage, lighting, decor) are required.	1		
9	Define the office furniture you need	1		
10	Define your computer needs and get a computer if required.	1		
11	Define your other computer equipment needs and buy it	1		
12	Define your software needs	1		
13	Define your communication needs	1		
14	Decide whether you want to use a staff leasing company or be on your own	1		
15	Decide what insurance you will need	1		
16	Select the retirement plan you will use	1		
17	Complete your business plan	All Steps Above		

Step #	Description	Dependency	When Complete	Current Status
	KEY BUSINESS DECISIONS	17 before any steps below		
30	Select the name you want			
31	Select the form of legal organization you will use			
32	Select your "tag line"			
33	Have your logo designed	30, 31, 32		
34	Decide if you will protect your trademark	33		
35	Do a trademark/trade name search	33 35		
36	File for trademark protection			
37	Decide whether you want to use a staff leasing company			
38	Select your accounting system			
39	Decide whether you will use cash or accrual basis			
	BUSINESS SET UP			
50	Set up you business checking account	35		
51	Get personal benefits plans (as required)	35, 50		
52	Get your Employer Identification Number (EIN)	35		
53	Order new phone lines (if required)	35, 50		
54	Order broadband service (if required)	35, 50		
55	Order your stationary	34, 35, 50		
56	Upgrade office space (as required)	17, 50		
57	Buy office furniture (as required)	17, 50		

Step #	Description	Dependency	When Complete	Current Status
58	Buy your computer (if required)	17, 50		
59	Buy software (as required)	17, 50		
60	Buy other computer equipment (as required)	17, 50		
61	Buy new office phones (if required)	17, 50		
62	Buy your cell phone and service (if required)	17, 50		
63	Install computer equipment	56, 57, 58, 59, 60		
64	Install modem, router, and other computer communications	54, 60		
65	Install phones	53, 61		
66	Order long distance service for the business	53		
67	Set up phone options (phone mail, forwarding, etc.)	65		
68	Get your initial office supplies	50, 56, 57		
69	Order your conference calling bridge (As required)	53, 66		
70	Develop marketing materials			
71	Set up initial web site	17, 34, 36, 54, 70		
72	Schedule conferences	17, 36, 50		
73	Get insurance (as required)	17, 36, 50		
74	Set up your retirement plan (once you have revenue)	17, 36, 50		

Step #	Description	Dependency	When Complete	Current Status
	BUSINESS LAUNCH			
90	Start making active phone calls and writing letters	17, 55, 65, 66, 67, 70, 71		
91	Attend conferences	50, 55, 65, 66, 67, 70, 71		
92	Schedule marketing trips	50, 55, 65, 66, 67, 70, 71		

APPENDIX D: PARTNERS AND SUPPLIERS REFERENCE GUIDE

Throughout Part V, I referred to possible suppliers of products and services for your new business. In this section I have summarized those suggestions to give you one easy-to-use reference guide.

- **Reference Guide:** The table below lists all the references mentioned in the text above. Items are ordered alphabetically by product/service. For each, I've included a short description and the website URL – use it to learn more, to order the product or service, or find out where to buy it near you.
- **Using the Guide.** This guide should cover all your most likely needs, but if you find something you need that is not in the guide, please send me an Email at Bob@NelsonAssociates.com. I'll try to find a good source for any product or service you need for your consulting business. .
- **Updating the Guide:** You can go to www.NelsonAssociates.com for a free update of this Reference Guide (in PDF format) reflecting my latest recommendations and for a list of hot links to the web cites referenced.

PARTNER/SUPPLIER REFERENCE GUIDE

Product/Service	Provider/Description	Website
Accounting System	QuickBooks: Supplier of an inexpensive, easy-to-use, full function accounting system	www.Intuit.com www.CompUSA.com
Checking and Bill Payment Program	Quicken: An automated tool that is inexpensive, full function, supported by most banks, and interfaces easily with QuickBooks.	www.Intuit.com www.CompUSA.com
Computers	Dell, Gateway, and CompUSA: All options that provide high quality product with good service.	www.Dell.com www.Gateway.com www.CompUSA.com
Computer Monitor	Many Brands: There are many brands and the best for either conventional or flat panel will be a function of who's leap-frogging whom.	www.CompUSA.com
Computer Printers	Hewlett Packard: My favorite for reliability and print quality.	www.HP.com www.CompUSA.com
Computer Router	LinkSys: The standard, low-end workhorse.	www.LinkSys.com www.CompUSA.com
Computer Wireless Mouse and Keyboard	Logitech: Seems to have the consistently best on the market.	www.Logitech.com www.CompUSA.com
Conference Calling	Remote Link: Offers an easy to use service that is branded for your business and is less expensive than ATT.	www.Remotelink.com
Document "locking"	Adobe Acrobat: The reader is free and used by everyone. The compiler is easy to use.	www.Adobe.com www.CompUSA.com
Employer Identification Number	Internal Revenue Service: You can download the forms and instructions or get the 800# to apply for your EIN from this site. You should get and use this number even if you will work alone.	www.IRS.gov
Expense Reporting Program	ExpensAble: from OneMind Connect generate high quality expense reports to attach to your invoices. The program makes doing expense reports easy.	www.OneMindConnect.com www.CompUSA.com

Product/Service	Provider/Description	Website
Mapping	Microsoft Streets & Trips: A cheap, highly effective mapping tool.	www.Microsoft.com www.CompUSA.com
Naming Software	NamePro: Helps you create unique names	www.namestormers.com/namepro
Payroll and Benefits Processing	PayChex and ADP: Both are reliable, full function programs that will support payroll processing if you decide to have multiple consultants in your practice.	www.paychex.com www.adp.com
Project Planning	Microsoft Project: The most widely used project planning software.	www.Microsoft.com www.CompUSA.com
Property and Casualty Insurance	Hartford, Travelers and Zurich: Reliable, high-rated providers of Business Owner Policies for small businesses.	www.thehartford.com www.travelers.com www.ZurichNA.com
Purchasing	Office Depot, CompUSA, EBay and eScout: Three different models for getting general office supplies (see section above)	www.OfficeDepot.com www.CompUSA.com www.eBay.com www.eScout.com
Retirement Plan	Fidelity, Vanguard and Schwab: Provide easy to set-up SEP IRA that is funded by a wide variety of fund options.	www.Vanguard.com www.Schwab.com www.Fidelity.com
Search Engine	Copernic: Accesses many other search engines and eliminates duplicate "hits." Free.	www.Copernic.com
System Protection	Norton and McAfee: Both provide robust virus protection and system maintenance tools.	www.Norton.com www.McAfee.com www.CompUSA.com
Time Sheet	Nelson Associates: A simple Microsoft Excel template that will make it easy to keep track of the time you are spending on client work.	www.NelsonAssociates.com
Trademarks and Patents	Trademark Center: Has a free access to the national name search data base, provides state searches, and will file trademark applications (their lawyers – flat fee).	www.tmcenter.com
Word Processing, Spreadsheet, and Presentation Software	Microsoft Office: Used by all of your clients, so it's the only choice you have.	www.Microsoft.com www.CompUSA.com

More tips on purchasing:

You will be surprised how much “stuff” you will need to set up and maintain your office. Where should you shop?

- Office-supply mega stores such as Office Depot and CompUSA offer everything you need. You pay list price. Office Depot will offer free home delivery on relatively small orders with one day turnaround.
- Some online shopping services (www.eScout.com) let you register your new firm and offer you better prices plus free delivery (a big time and money saver). In many cases, you pay no sales tax in the web-based marketplace. On the other hand, many online shopping services are not yet user friendly. Their product-search engines and pricing comparisons are difficult to use. If you have supplies that you need regularly (e.g., paper, toner), their staff will help you find what you want and set them up on your personal catalog.
- You can get the best of both worlds by ordering from the online channels of well-known mega stores. For regular office supplies and equipment, I use Office Depot. You can order on line (www.OfficeDepot.com) and delivery is also free for orders above a threshold size. For computer equipment other than the base systems, go to CompUSA (www.CompUSA.com).
- For office furniture, look for a retailer that specializes in this type of furniture. Check out their used, floor-samples, and scratch-and-dent inventory.
- If you are shopping for a particular new item (e.g., a digital camera), you may want to try a shopping search engine. I like the Copernic shopper (www.copernic.com) – there’s a free trial version that works well.

For a single large or unusual purchase, don't forget about E-Bay (www.ebay.com) where you can set up an account and bid for used "stuff" at a substantial savings. You have to know what you want and what current prices are; for used items, expect to bid about 60% of the price for the item sold new. To get a stand-alone fax machine, I bid for a used HP Fax-700 (no longer offered new) and got a great deal. Buying on E-Bay takes a while, so try it out when you have no time urgency. Also, many dealers offer new (in original packaging) products on E-Bay at discount prices.

APPENDIX C – SAMPLE CV OR PROFESSIONAL RESUME



NELSON
ASSOCIATES
Financial Business Solutions

ROBERT L. NELLSON

24652 Misty Lake Drive
Ponte Vedra Beach, FL 32082

Email: RLNelson@aol.com

Office: (904) 280-2595
Fax: (904) 273-9236

EXECUTIVE SUMMARY

Highly developed project leadership skills at the executive level, emphasizing growth strategies, new product introduction, and change management. Specific areas of expertise in the financial services industry include:

Earnings Growth

- Sales Productivity
- Asset Accumulation
- Fee Production
- Re-engineering

Corporate Development

- Acquisition Plans
- Target Screens/Research
- Deal Structure/Integration
- Value Management

Product Management

- Life and P&C Insurance
- Deposit Strategies
- Mutual Funds & Annuities
- Relationship Pricing

PROFESSIONAL EXPERIENCE

DEHAYES CONSULTING GROUP, Jacksonville, Florida (1997 to Present)

Managing Director - Managing the firms Bancassurance practice, with work split between banks and carriers.

- Successfully led a wide variety of consulting and M&A assignments.
- Further information and references can be provided on request.

BARNETT BANKS INC., Jacksonville, Florida (1995 to 1997)

Executive Director - Reporting to the Chief Asset Management Officer and responsible for creating and implementing a balanced strategy for managing customer assets.

- **The Insurance LOB:** Established Barnett's direct marketing capability for life and auto insurance products using direct mail and bank branch referrals to feed a specialized 800# response center that provided 1000 quote, underwriting and customer service calls daily.
- **Investment Products:** Managed Barnett's proprietary no load mutual funds, introduced the SelecTrack process for third party fund promotion and selected 12 complementary annuities.
- **The Deposits LOB:** Managed this \$350 million (profit) business including development of a full business strategy, implementation of size tiered pricing, definition of a value-based branch incentive system, restructuring of all transaction product fees and mapping out operational goals that included implementation of image technologies.
- **Third Party Advisor Business:** Launched a business to sell ultra affluent individuals a multiple advisor selection and monitoring discipline on a consulting fee basis.

THE NEW ENGLAND, Boston, Massachusetts (1994 to 1995)

Senior Vice President - Reporting to the CEO and responsible for facilitating strategic change within this mutual insurance and investment management company. Areas of responsibility included:

- **Corporate Development:** Managed the merger of TNE into the MetLife.
- **Strategic Planning:** Evaluated alternate distribution channels and rationalized the 401K business.
- **Financial Planning And Management Reporting:** Implemented a value management framework (EVA), risk measurement and funds transfer pricing.
- **Internal/External Consulting:** Selected a new actuarial model and evaluated commercial real estate loan loss migrations.
- **Quality Management Programs:** Completed a corporate quality assessment

FLEET FINANCIAL GROUP, Providence, Rhode Island

(1985 to 1994)

Corporate Vice President

- **Corporate Development:** Managed the identification, due diligence, valuation/pricing, negotiation and integration of over thirty acquisitions that were responsible for Fleet's growth from \$5 to \$50 Billion. Examples of deals include:
 - Bank of New England - A \$23 Billion failed bank acquisition done with KKR financing
 - Norstar - A \$12 Billion merger of equals
 - AFSA - An acquisition of the nation's largest private student loan processor
- **Strategic Planning:** Developed the company's first comprehensive strategic plan and managed the functional/subsidiary planning processes for Fleet's banks, mortgage banking, consumer finance and processing companies serving 41 states through 1200 offices.
- **Financial Planning and Management Reporting:** Managed the preparation of financial plans and internal management reports, including implementation of line of business reporting disciplines.
- **Internal/External Consulting:** Coordinated hundreds of internal projects and managed the definition, screening, selection and monitoring of about 20 studies per annum that reduced costs, defined markets and reconfigured organizations.
- **Management Sciences:** Managed statistical, actuarial and other analytical disciplines across the firm including risk measurement, synthetic mortgage appraisals, price elasticity analysis and cost of capital measurement.

BOOZ.ALLEN & HAMILTON INC, New York, New York

(1978 to 1985)

Senior Associate - Manager for major projects in finance and general manufacturing:

- Evaluated the strategic fit of a finance company with its conglomerate parent; divestiture recommendation followed
- Identified \$20 MM in annual cost savings for a major travel services firm
- Developed cost reduction programs for an insurance company pension division
- Led a turnaround strategy for a leading consumer textiles manufacturer
- Reorganized the finance, systems and planning functions for a turbine engine manufacturer

Director, Financial Services - Reporting to the VP Finance, directed the financial planning and management reporting activities for the firm, reviewed/controlled capital expenditures, selected a new GL system, analyzed partner/staff compensation and benefits, and developed computer models for strategic planning and cash forecasting.

MARINE MIDLAND BANK, New York, New York

(1973 - 1978)

Assistant Vice President - Credit officer with a \$1 Million individual lending authority for merger/acquisition, venture capital and project lending situations. Structured Eurocurrency, domestic and trade financings for real estate, mining, chemicals and transportation companies worldwide.

SERVICIOS de ANUARIO TELEFONICO INTERNACIONAL S.A.,

(1972 - 1973)

Assistant Controller - Managed all financial reporting, budgeting and subsidiary internal audit functions for this Panamanian-based publishing company operating in eleven Latin American countries.

U.S. ARMY ADJUTANT GENERAL CORPS

(1969 - 1972)

First Lieutenant - Managed an administrative and logistics computer center for a Division in Germany

EDUCATION

MBA in International Finance, University of Chicago, Chicago, Illinois
Bachelor of Arts in Economics, Ohio Wesleyan University, Delaware, Ohio