

How to Start a Consulting Business

Everyone has an untapped reservoir of knowledge. Put yours to work as a consultant and teach your skills to others.

The dictionary defines a consultant as "an expert in a particular field who works as an advisor either to a company or to another individual." Sounds pretty vague, doesn't it? But unless you've been in a coma for the past decade, you probably have a good idea what a consultant is.

Businesses certainly understand what consultants are. In 1997 U.S. businesses spent just over \$12 billion on consulting. According to Anna Flowers, spokesperson for the Association of Professional Consultants in Irvine, California, the association has recently noticed an increase in calls for information from people who want to get into the business. "The market is opening up for [the consulting-for-businesses] arena," Flowers says.

Melinda P., an independent consultant in Arlington, Virginia, thinks more people are getting into the consulting field because technology has made it easier to do so. "The same technology that has helped me to be successful as a consultant has made it easier for others to do the same," she says.

A consultant's job is to consult. Nothing more, nothing less. It's that simple. There's no magic formula or secret that makes one consultant more successful than another one.

But what separates a good consultant from a bad consultant is a passion and drive for excellence. And--oh yes--a good consultant should be knowledgeable about the subject he or she is consulting in. That does make a difference.

You see, in this day and age, anyone can be a consultant. All you need to discover is what your particular gift is. For example, are you very comfortable working around computers? Do you keep up with the latest software and hardware information, which seems to be changing almost daily? And are you able to take that knowledge you have gained and turn it

into a resource that someone would be willing to pay money for? Then you would have no trouble working as a computer consultant.

Or are you an expert in the fund-raising field? Maybe you have worked for nonprofit agencies in the field of fund-raising, marketing, public relations or sales, and over the years you have discovered how to raise money. As someone who has turned a decade of fund-raising successes into a lucrative consulting business, I can tell you that fund-raising consulting is indeed a growing industry.

Things to Consider Before You Become a Consultant

- **What certifications and special licensing will I need? Depending upon your profession, you may need special certification or a special license before you can begin operating as a consultant. For example, fund-raising consultants don't need special certification, although you can become certified through the National Society of Fund Raising Executives. And in some states, you may need to register as a professional fund-raising consultant before starting your business.**
- **Am I qualified to become a consultant? Before you hang out your shingle and hope that clients begin beating your door down to hire you, make sure you have the qualifications necessary to get the job done. If you want to be a computer consultant, for example, make sure you are up to date in the knowledge department with all the trends and changes in the computer industry.**
- **Am I organized enough to become a consultant? Do I like to plan my day? Am I an expert when it comes to time management? You should have answered "yes" to all three of those questions!**
- **Do I like to network? Networking is critical to the success of any type of consultant today. Begin building your network of contacts immediately.**
- **Have I set long-term and short-term goals? And do they allow for me to become a consultant? If your goals do not match up with the time and energy it takes to open and successfully build a consulting business, then reconsider before making any move in this direction!**

Top 20 Consulting Businesses Thriving Today

Although you can be a consultant in just about any field these days, the current top 20 consulting businesses include:

1. **Accounting:** Accounting is something that every business needs, no matter how large or small. Accounting consultants can help a business with all of its financial needs.

2. **Advertising:** This type of consultant is normally hired by a business to develop a good strategic advertising campaign.

3. **Auditing:** From consultants who audit utility bills for small businesses to consultants who handle major work for telecommunications firms, auditing consultants are enjoying the fruits of their labor.

4. **Business:** Know how to help a business turn a profit? If you have a good business sense, then you'll do well as a business consultant. After computer consulting, people in this field are the next most sought after.

5. **Business writing:** Everyone knows that most businesspeople have trouble when it comes to writing a report--or even a simple memo. Enter the business writing consultant, and everyone is happy!

6. **Career counseling:** With more and more people finding themselves victims of a corporate downsizing, career counselors will always be in demand. Career counselors guide their clients into a profession or job that will help them be both happy and productive as an employee.

7. **Communications:** Communications consultants specialize in helping employees in both large and small businesses better communicate with each other, which ultimately makes the business more efficient and operate smoothly.

8. **Computer consulting:** From software to hardware, and everything in between, if you know computers, your biggest problem will be not having enough hours in the day to meet your clients' demands!

9. **Editorial services:** From producing newsletters to corporate annual reports, consultants who are experts in the editorial field will always be appreciated.

10. Executive search/headhunter firms: While this is not for everyone, there are people who enjoy finding talent for employers.

11. Gardening: In the past decade the demand for gardening consultants has blossomed (pun intended) into a \$1 million-a-year business. Not only are businesses hiring gardening consultants; so are people who are too busy to take care of their gardens at home.

12. Grantsmanship: Once you learn how to write a grant proposal, you can name your price.

13. Human resources: As long as businesses have people problems (and they always will), consultants in this field will enjoy a never-ending supply of corporate clients, both large and small. (People-problem prevention programs could include teaching employees to get along with others, respect and even violence prevention in the workplace.)

14. Insurance: Everyone needs insurance, and everyone needs an insurance consultant to help them find the best plan and pricing for them.

15. Marketing: Can you help a business write a marketing plan? Or do you have ideas that you feel will help promote a business? If so, why not try your hand as a marketing consultant?

16. Payroll management: Everyone needs to get paid. By using your knowledge and expertise in payroll management, you can provide this service to many businesses, both large and small.

17. Public relations: Getting good press coverage for any organization is a real art. When an organization finds a good PR consultant, they hang on to them for life!

18. Publishing: If you're interested in the publishing field, then learn everything you can and you, too, can be a publishing consultant. A publishing consultant usually helps new ventures when they are ready to launch a new newspaper, magazine, newsletter--and even Web sites and electronic newsletters.

19. Taxes: With the right marketing and business plan (and a sincere interest in taxes), your career as a tax consultant can be very lucrative. A tax consultant advises businesses on the legal methods to pay the least amount of tax possible.

20. Writing services: Anything related to the written word will always be in demand. Find your specialty in the writing field, and the sky will be the limit!

The contents of this Start-Up Kit are excerpted from *How to Start a Consulting Service*, an Entrepreneur Start-Up Guide. Visit SmallBizBooks.com for more information. Your idea may be the best one you have ever thought of, but there needs to be a market for your ideas. Someone must be willing and able to pay you for your expert advice.

In other words, who are your potential clients? Will you be marketing your consulting services to large corporations? Or will you offer a specialty that would only be of interest to smaller businesses? Perhaps your services will be sought after by nonprofit organizations. Whatever the case, before you go forward, make sure you spend time preparing both a business plan and a marketing plan. You won't be disappointed with the results--especially when clients begin paying you!

Why an Organization Wants to Hire You

According to a recent survey, here are the top 10 reasons organizations hire consultants:

1. A consultant may be hired because of his or her expertise. This is where it pays to not only be really good in the field you have chosen to consult in, but to have some type of track record that speaks for itself. For example, when I mentioned earlier that I had become an expert as a fund-raising consultant, I knew that every client who hired me was doing so partly on the basis of my track record alone. After all, if you are a nonprofit organization that needs to raise \$1 million, it makes sense to hire someone who has already raised millions for other organizations.

2. A consultant may be hired to identify problems. Sometimes employees are too close to a problem inside an organization to

identify it. That's when a consultant rides in on his or her white horse to save the day.

3. A consultant may be hired to supplement the staff. Sometimes a business discovers that it can save thousands of dollars a week by hiring consultants when they are needed, rather than hiring full-time employees. Businesses realize they save additional money by not having to pay benefits for consultants they hire. Even though a consultant's fees are generally higher than an employee's salary, over the long haul, it simply makes good economic sense to hire a consultant.

4. A consultant may be hired to act as a catalyst. Let's face it. No one likes change, especially corporate America. But sometimes change is needed, and a consultant may be brought in to "get the ball rolling." In other words, the consultant can do things without worrying about the corporate culture, employee morale or other issues that get in the way when an organization is trying to institute change.

5. A consultant may be hired to provide much-needed objectivity. Who else is more qualified to identify a problem than a consultant? A good consultant provides an objective, fresh viewpoint--without worrying about what people in the organization might think about the results and how they were achieved.

6. A consultant may be hired to teach. These days if you are a computer consultant who can show employees how to master a new program, then your telephone probably hasn't stopped ringing for a while. A consultant may be asked to teach employees any number of different skills. However, a consultant must be willing to keep up with new discoveries in their field of expertise--and be ready to teach new clients what they need to stay competitive.

7. A consultant may be hired to do the "dirty work." Let's face it: No one wants to be the person who has to make cuts in the staff or to eliminate an entire division.

8. A consultant may be hired to bring new life to an organization. If you are good at coming up with new ideas that work, then you won't have any trouble finding clients. At one

time or another, most businesses need someone to administer "first aid" to get things rolling again.

9. A consultant may be hired to create a new business. There are consultants who have become experts in this field. Not everyone, though, has the ability to conceive an idea and develop a game plan.

10. A consultant may be hired to influence other people. Do you like to hang out with the rich and famous in your town? If so, you may be hired to do a consulting job simply based on who you know. Although most consultants in this field are working as lobbyists, there has been an increase in the number of people entering the entertainment consulting business.

The contents of this Start-Up Kit are excerpted from How to Start a Consulting Service, an Entrepreneur Start-Up Guide. Visit SmallBizBooks.com for more information. Your consulting business will probably not require a large capital investment at first. In fact, if you are able to, you should consider operating out of your home. (Certain deed restrictions and local laws may prohibit you from doing this; check with an attorney before you proceed.)

There are many advantages to having a home office. Among them are:

- Low overhead expenses. You don't have to worry about paying rent or utilities for an office; you will appreciate this feature until you establish a regular client base.
- Flexibility. There is little doubt that operating as a consultant at home gives you a great deal of flexibility. You can set your own hours and take time off as you need it.
- No rush-hour nightmares. For anyone who has had to commute to and from a job during rush hour, this will be a welcome change of pace.
- Your home office space will most likely be tax-deductible. The IRS has relaxed the rules for people who work at home, but check with your account or income tax preparer to see if you qualify for this deduction.

Employees

When you first open the doors to your consulting practice, you may be able to handle all the operations by yourself. But as your consulting business begins to grow, you may need help handling administrative details or help completing the actual consulting assignments.

You need to make some important decisions. For example, do you have the time it will take to make labels and insert your brochure into 1,000 envelopes? Can you afford to spend time doing administrative tasks when you could be using that time effectively marketing your services--and signing up new clients?

There are many options when it comes time to decide if you need help with your paperwork. For example, a quick look through the Yellow Pages will reveal a number of small secretarial support firms. The rates will depend on a variety of factors, including how large or small an organization it is and what types of services it provides.

While it will pay you to shop around for these types of services, don't select a secretarial service just because it happens to have the lowest prices in town. Instead, ask for references, preferably from other consultants who have used their services, or from small-business owners. A good, reliable support service is worth the price in the long run.

There will come a time, however, when you may find it more cost-effective to hire someone to work in the office with you. Hiring a good administrative support person can sometimes mean the difference between success and failure--between obtaining more clients or constantly losing clients. There are some benefits to having someone in the office with you. Among them are:

You save time and money. By having someone concentrate on the more routine tasks (opening the mail, filing, answering phones, etc.) you can focus all your efforts on recruiting new clients. Think about this: Would you want to lose a \$500-a-day client because you were too cheap to hire someone to stuff your brochures into envelopes?

- You don't worry about being out of the office. If you are a one-person operation, it's hard to be out on the road

- marketing your services if you're worried about clients calling--and only getting your answering machine.
- You have someone to offer another perspective. Sometimes it can be pretty lonely trying to do everything yourself. Having someone around the office during the day who can offer another perspective can be worthwhile.

The contents of this Start-Up Kit are excerpted from *How to Start a Consulting Service*, an Entrepreneur Start-Up Guide. Visit SmallBizBooks.com for more information. Now that you have made the decision to open your consulting business, you need to get serious about how much money you will charge your clients. If you charge too little, you won't succeed in business. If you charge too much, you won't get any clients. So how do you find that middle ground that seems fair to everyone involved? One way to help you decide how much to charge is to find out what the competition's rates are. A simple telephone call, asking for their brochure and rates, should do the trick. Then set your rates so that you are competitive with everyone else in the community.

Before setting your fees, make sure you have listed all of your expenses. There is nothing worse than setting your rates, having your client pay you on time and then finding out you failed to include several expenses that materialized. This brings up an important point to remember in every job you take from a client: Include a "miscellaneous" line item in your fee proposal. But don't pad the miscellaneous figure to make additional income.

Most clients will understand that in every project, there will no doubt be additional expenses. Just be sure everyone knows upfront an approximate figure for those expenses.

Before you set your rates, find out what other consultants in your community are charging for their services. Sometimes a simple telephone call to another consultant's office asking what their fees are will give you the answers you need. Or you may have to have a friend call and ask for their brochure, or any additional information they can collect regarding fees and pricing. If you live in a small town and there are no other consultants in your field, then rejoice and be glad, but set your fees at a reasonable level!

When setting your rates, you have several options, including hourly rates, project fees and working on a retainer basis. Let's examine each one closely.

Hourly Fees

You need to tread carefully when setting hourly fees, because two things could happen: A) Your hourly rate is so high that no one could ever afford you (therefore no client will ever knock on your door). B) Your hourly rate is so low that no one will take you seriously.

Keep one important rule in mind when establishing your fee, no matter which structure you decide on: The more money people pay for a product or service, the more they expect to get for their money. In other words, if a client agrees to your hourly rate of \$400, then you had better give \$400 worth of service to that client every hour you work for them.

Some clients prefer to be billed on an hourly basis, while others hate the idea of paying someone what they perceive to be too much per hour. Those clients usually prefer to pay per project.

Project Rates

When working on a project rate basis, a consultant normally gets a fixed amount of money for a predetermined period of time. A few of my fund-raising clients actually preferred to be charged this way, so it wasn't unusual for me to charge \$36,000 for a one-year project in which I consulted them on how they could raise money. Because of the amount of money involved, most agencies preferred to be billed on a monthly basis. This worked out fine until I realized that many agencies were late paying their monthly bills.

Because of this, I decided that all future clients who wished to be billed on a monthly basis would pay the first-month fee and the last-month fee at the signing of the contract, which meant that if the agreed-upon amount of the project was \$36,000, to be paid on a monthly basis, **I received a check in the amount of \$6,000 before I began any work (\$3,000 for the first month's fee and \$3,000 for the last month's fee).**

Retainer Basis

Working on a retainer basis gives you a set monthly fee in which you agree to be available for work for an agreed-upon number of hours for your client. While in the ideal world you would have a dozen or so clients who hire you and pay you a hefty sum each month (and never actually call you except for a few hours here and there), don't get your hopes up. Most companies that hire a consultant on a retainer basis have a clause in their contract that prohibits you from working for their competitors.

Working and getting paid in this method certainly has its advantages. You are guaranteed income each month, and when you are starting out in your consulting business, cash flow can be a problem. Some consultants actually offer a percentage reduction in their fees if a client will agree to pay a monthly retainer fee. The average income when a consultant is paid on a retainer basis is \$3,500 per month.

The contents of this Start-Up Kit are excerpted from *How to Start a Consulting Service*, an Entrepreneur Start-Up Guide. Visit SmallBizBooks.com for more information. If your consulting business has no clients, then you have no consulting business. But you must remember that selling your consulting services is not the same as selling a car or a house. In the case of the car or the house, the customer is probably already in the market for one or both of those products. Your job, then, becomes harder, because you are marketing your services to people who may not even be aware that they need those services.

There are a variety of methods you need to become both familiar and comfortable with in order to begin attracting and keeping clients. Let's look at some of the more conventional ones that are being used by many consultants today.

Brochure Basics

There are five issues your brochure should address. They are:

1. It should clearly convey what your services are.
2. It should tell customers why you are the best.
3. It should give a few reasons why you should be hired.
4. It should include some brief biographical information.

5. It should include some information about who your other clients are.

That's it. Keep it simple, but do it right. Remember, your brochure represents you in the marketplace, so make sure you polish it before you send it into action. Your entire consulting career depends on it!

Cold Calling

You must do whatever it takes to make cold-calling work and make it easier for yourself. There are a few tricks you can use to make cold-calling a little easier for you:

- Prepare a script ahead of time. Spell out word for word what you expect to say when you get someone on the telephone. Remember, though, that your goal is to get a face-to-face interview and, eventually, a new client. So before you end up stumbling over your sales presentation (either in person or over the telephone), write your script and practice it again and again.
- Be creative in your efforts to reach the decision maker. Most times you will encounter a secretary or administrative assistant who has years of experience turning away cold callers like yourself. But don't give up! Don't let any obstacle stand in your way! To avoid being screened by the secretary, try calling before she is on the job. Yes, you may have to call before 8 a.m. or after 5 p.m., but at these times, chances are the decision maker you are trying to reach will answer their own telephone.
- Limit your cold calls to just several days each month. And look forward to those days, making sure you put your best effort into the process. That way, not only will it become easier to make those cold calls, but you will find yourself actually looking forward to making them!

Advertising

The limits you place on advertising your consulting services will be directly tied to your advertising budget. If you are lucky enough to have a very healthy advertising budget, remember that you don't have to spend the money on ads just because you have it to spend. Advertising can be very expensive. Jeffery B., a Harrisburg, Pennsylvania, consultant, advertises in his

association's publication. "They publish what is called the Green Book, which is a directory of research and marketing consulting businesses around the country. It has helped me generate new business," he says.

Other consultants, such as Merrily S. in Newark, Delaware, depend on word-of-mouth. "The best form of advertising [for my business] has been word-of-mouth and recommendations from other people," she says.

Depending upon the type of services you offer, it may be necessary to advertise in specialized trade journals or magazines. For example, as a fund-raising consultant, I have placed ads in such publications as The Chronicle of Philanthropy, Non-Profit Times and Fund Raising Weekly.

Before you spend any money, start looking through professional journals and newspapers relative to the fields you specialize in. Take some time and examine ads that have been placed by other consultants, and then carefully determine how effective you think their ads may be. Then design one that suits you best.

Newsletters

Whatever your consulting field is you should have more than enough information to produce a newsletter as a means of attracting potential clients. If you don't have the time, or don't feel comfortable self-publishing your own newsletter, hire a local freelance writer and graphic designer to do the job for you. Again, you don't have to make it an expensive, four-color, glossy publication. The simpler you keep it, the better. A good newsletter will sell itself based on the content rather than the splashy design.

Start collecting newsletters that are being published in your consulting field. If you think there are none being published, or if you think there are only a few in your field, guess again. A quick visit to the library will reveal several newsletter directories--Oxbridge Directory of Newsletters (Oxbridge Communications) and Hudson's Newsletter Directory (The Newsletter ClearingHouse)--which list, by subject, newsletters that are published not only in the United States, but in other countries. Take some time and write for sample copies before

you design and write the first issue of your own newsletter. You'll be surprised at the quality of the newsletters that are being produced today.

Newsletters are an effective means of communication and, in my opinion, represent the best advertising media for a consultant to sell his or her services. Think about it the next time you receive a newsletter in the mail. Did you put it aside to read it later? And why did you do that? Probably because you wanted to make sure you weren't missing any important news or information.

But what about that brochure you received in the mail the same day? Did you put it aside to read later? Or did it go directly into the trashcan? Think about this before you spend big bucks on a glitzy brochure that may not even be read.

Public Speaking

Public speaking is another excellent way to recruit new clients and to earn a reputation for excellence in your community. Unless you live in a town so small it doesn't have a chamber of commerce or a Lion's Club, Rotary Club or other similar service organization, you can begin offering your services as a speaker for luncheons, dinners or any other special occasion.

In addition to using the telephone directory, see if anyone has published a directory of service organizations in your community. You can visit the library and ask at the reference desk. Go through and make a list of organizations that hold monthly meetings and therefore may use guest speakers. Contact each group and offer your public speaking services.

Ask for Referrals

This often-overlooked method of finding new clients is such an easy marketing tool (which is why it's usually not thought of), you'll kick yourself for not thinking of it yourself. When you have finished your consulting assignment and your client is in seventh heaven (and is no doubt singing your praises), that is an excellent time to ask for a referral! **Simply send a note or a short letter asking for the names of any colleagues, friends or business associates they feel might be good prospects for your consulting services. Ask their permission to mention their name**

when you write to the people whose names they pass on to you. Sometimes all it takes is having a mutual friend or respected business associate to get the potential client's attention.