

A Guide to
Starting and Running
a Consulting Business

By sharing the richness of your previous business experiences, a consultant can help other companies see their operations differently and more efficiently. But operating as a free agent can have its advantages and disadvantages, personally and professionally. Learn to how to help your business succeed as you help others to do the same. These are just some of the special considerations of consulting businesses that will be outlined in this *Guide to Starting and Running a Consulting Business*, brought to you by BizFilings and Business Owner's Toolkit®.

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The consulting industry thrives. Welcome to the world of consulting — a dynamic part of the ever-growing service sector of our economy! Whether you will be helping to solve problems and make decisions, to offer instruction and training to staff, or to serve as a catalyst for change (or do the “dirty work” of change), you will be providing an essential service to your clients. You have the opportunity to add significant value to their operations and to help them be the best that they can be.

Consultants add value. A consultant is a person considered an expert in a specified field—with a wide knowledge of the subject matter and a depth of experience — who gives professional advice and counsel to another. You can put your special knowledge and experience to work, and provide an important service, by sharing your wisdom and expertise with others. Consulting is simply the sharing of knowledge, wisdom and experience. And maybe one thing more — a passion and enthusiasm for the subject matter, whatever it may be.

Clients need consultants. Engaging a consultant offers the client some real added value — access to deeper levels of experience and expertise for a special, often short-term, need when it is not feasible to accomplish a particular goal through in-house experts. It is cost-effective because the client can purchase only as much service from the consultant as is necessary to meet the need.

How do you start, run and grow your consulting business?

In these next several pages, we review a series of considerations and decision points you will face in the process of planning for a new consulting business and then implementing the plan.

- First, we take a look at the many challenges of starting a new consulting business. It begins with the initial soul-searching question — “Do I have what it takes?” — and continues on through a series of practical considerations that must be faced as you plan and initiate your business. These considerations include, among others, understanding your roles in running your business, structuring your business, defining and marketing your services, and setting-up recordkeeping and compliance procedures.
- Then, we identify the continuing challenges of running and growing your consulting business after you get it off the ground. The analysis here focuses attention to the ongoing needs of the business — things like continuous learning, effective networking, consistent promotion and marketing of your services, and maintaining adequate cash flow.

Special Considerations for Starting Your Consulting Business

Consultants add value to their clients' businesses.

Consultants are hired by clients to help develop and implement solutions to their operational or organizational problems and challenges. A consultant's services can be targeted on very specific challenges: bringing a fresh perspective to an old, nagging problem; offering objectivity in a situation where emotions and biases may run deep; sharing special knowledge and/or experience in tackling a particular type of problem or challenge.

Your clients will be looking to you for some particular skills such as critical thinking, problem-solving, or project management. They will look to you for leadership and rely on your communication skills to achieve the goals for which they seek your service.

A client will come to you because of a belief that he or she personally does not have the necessary capacity, or the necessary capacity can not be found within their organization, to address a particular challenge. The client will look to you, the consultant, for wisdom and good judgment. You may have heard the old saying, "Good judgment comes from experience, and experience comes from bad judgment." A wise client wants to learn not only from your earlier successes, but from your earlier mistakes, too. From whatever source it comes, your client wants the benefit of your wisdom.

Consulting comes in many shapes and sizes. Different types of consulting exist, each with a slightly different focus. For example, *strategic consulting* aims at identifying the overall direction, goals and strategies of a company or organization within its specific industry sector. Management consulting focuses on how an organization can achieve its stated goals through choosing and implementing strategies, enhancing and streamlining operations, and improving information technology. *Information technology (IT) consulting*, as its name suggests, pursues applications of technology to help an organization become more efficient and achieve its goals. *Industry specific consulting* focuses on an industry's special concerns, but may involve any or all the other aspects of consulting described above.

New and different types of consulting continue to blossom and grow. Consultants are used for training, personal coaching and team building. There are consultants for marketing, for fundraising, and, of course, for campaigning. In short, if there is an activity in life, and you have experience in that activity, you could become a consultant in that field, whatever the activity may be. Consulting is simply the sharing of knowledge, wisdom and experience. And maybe one thing more — a passion and enthusiasm for the subject matter, whatever it may be.

Preliminary questions

What do you need to know before you begin?

Before you begin your consulting business, there are many things to be considered. Ask yourself a series of questions, and be thoughtful in your responses to them.

- ***Do I have what it takes to start a consulting business?*** Running a consulting business requires more than merely providing consulting to clients. Whether I have the competence and capability to provide a valuable service is just the first consideration. Is my character up to the challenge of leading a business, effectively coordinating all the responsibilities of a professional enterprise, and balancing the needs of the business and the clients with the needs of family and personal relationships? Do I want the responsibility?
- ***What roles will I have to perform that I don't perform now?*** Managing a business, promoting a business, providing a service to clients, billing and collecting fees, maintaining records, employing people and paying taxes are just a few of the responsibilities of running a business. Which of these roles can I perform? What are my strengths and weaknesses? How can I compensate for my lack of skills in a given area?
- ***What will my business plan look like?*** If I am going to start a successful business, I need a business plan to identify my goals and lay out the steps for achieving those goals. What are my goals? What are my strategies for success?

- **How will I structure and operate my business?** What kind of business entity do I need to set-up? Can I be informal, or do I need to set up a corporation or LLC? How will I obtain the services I need to operate the business? Will I hire employees, either full-time or part-time, or will I hire independent contractors to meet my needs? Will I buy or lease an office facility and equipment, or will I start out at home with what I have?
- **How will I define the consulting service I intend to provide?** Can I describe what I have to offer in a way that helps me know who my target market is and helps my target market know the value I can add with my services?
- **Will I provide products with my services?** If I use training materials, DVDs or other products when I consult, how will I protect my rights in these products? If a consulting project includes the development of products, who actually owns them — me or my client? How should ownership issues be clarified?
- **How do I determine my pricing?** Settling pricing issues in my own mind up-front will eliminate ongoing stress. How much do I need to charge to be satisfied with my compensation? How do I determine market rates? Do I use hourly rates? Project rates? Monthly retainers?
- **How will I market myself and my business?** Self-promotion may have to become a basic part of my life as I start and grow this business. Am I ready, willing and able to do that? How can I do that in a positive way?
- **How can my current relationships help me in starting my business?** Can I identify current business or personal relationships that are likely to refer future clients or become future clients? What strategies can I implement to benefit from these existing relationships? What obstacles stand in the way, such as non-compete agreements?
- **How will I finance my start-up?** There are some up-front costs to starting a business, though perhaps not so much for a consulting business. Have I thought adequately about how I will make it through the early stages of the business from a financial perspective?
- **How will I handle compliance issues?** What tax compliance matters will I have? What legal and regulatory compliance matters will I face? Do I need help? Can I find resources on the Internet, or do I need a lawyer or tax accountant?

Do you have what it takes to start a consulting business?

Starting a consulting business is not a decision to be taken lightly. You need to think seriously about whether you have what it takes. It involves a substantial commitment of personal time and energy. Before you get started, you need to do a preliminary gut-check and ask yourself the question, “Am I ready, willing and able to start, run and grow a consulting business?”

Are you ready? You must already have the skills, experience and maturity that will benefit your potential clients. But in addition you must ready yourself for a broad array of responsibilities related to operating a business, and you must have the confidence that you can effectively coordinate all your business and consulting activities at one time.

Perhaps you have been a professional in your particular field for a number of years already. The expertise you have developed and the business relationships that have grown through the years are likely to help you tremendously as you begin your new adventure. In fact, more than anything, your experience and relationships will be the key foundation on which to build your business. Can you add value to the lives or businesses of your target clientele? Can you transform your current relationships into a customer base and/or a pipeline for business referrals?

Are you willing? Armed with special knowledge and experience in your field, and having relationships that can be transformed into business, you meet the first criterion for having what it takes. But there is more. You need to be ready to run a business. Are you willing to take on the added responsibility of starting and running a business, not just providing a service as a consultant?

Will you take the initiative to see to it that all the tasks to keep the business going will be carried-out? Will you put energy into promoting the business and pursuing new clients? Will you “do what it takes” to successfully meet the needs of your clients through the performance of your consulting services? Will you stay on top of ongoing administrative matters like recordkeeping, tax compliance and collecting fees? In short, does your passion and enthusiasm extend beyond mere consulting to running a business?

If you can get excited about both serving your clients and running your business, then you meet the second criterion for having what it takes to start your own consulting business.

Are you able? Armed with your expertise in your field of consulting and your passion for both serving clients and running a business, you have passed the first two tests for starting your business. You next need to consider your capacity for running a business in terms of both competence and character. You also need to think about whether there are any constraints on your ability to start your business. Finally, you need to assess the various keys to success in consulting.

Competence and character essential for starting a consulting business

Do you have the management skills and temperament to run your own business? Do you have the capability and competence to run a business? You surely have strengths and weaknesses, and it will be important to consider the impact of your strengths and weaknesses on your ability to run a business. Essentially, you want to take full advantage of your strengths while either working on or compensating for your weaknesses.

For example, you may know a lot about your field of consulting and can be very orderly and methodical in providing your service, but you've never kept business books and records or filed tax forms before. How are you going to deal with that weakness? You may need to obtain some training in that specific skill, or perhaps you can hire an accountant to perform that task for you. Maybe you're great at one-on-one interaction, but you're not very gregarious, and self-promotion and marketing are just plain scary to you. How will you accomplish the necessary business-building communication? Do you need another person to be your promoter and cheerleader, or do you need to take public speaking classes or join Toastmasters?

In addition to having the capability and competence to run the business, you need to consider whether your character is up to the task. Do you have the character qualities necessary to make a success of your business venture? Are you a self-starter that can take the initiative to build a business and keep it running? Can you set a vision, plan a course of action, and enthusiastically pursue it? Can you discern your strengths and weaknesses and creatively work with them and work on them to bring out the best in yourself and others? Can you balance the responsibilities of your work with your responsibilities to your family and friends?

Here is a list of just a few character qualities that can be put to good use in starting and running a consulting business: Attentiveness; boldness; dependability; determination; endurance; enthusiasm; initiative; orderliness; resourcefulness; thoroughness; truthfulness; and wisdom. There are many other character qualities to take into account, as well. In the same way you did an inventory of strengths and weaknesses in your skill set, do an inventory of your strengths and weaknesses related to these and other character qualities. Before you move ahead, be certain that you have both the competence and the character qualities that you need to succeed.

Constraints on launching a successful consulting business

When you have completed your consideration of the issues surrounding your competence and character, you next need to consider the circumstances you find yourself in. Are there circumstances that would restrict your ability to move forward with plans to start a consulting business? Constraints can come in various shapes and sizes. They can be legal, financial or personal.

From a legal perspective, to perform some types of consulting a license or certification may be necessary. Even if it is not mandatory, you may find that having additional training that results in earning a special certification will be important for marketing your consulting business. Special credentials speak to potential clients about your professionalism.

Also, if you are intending to consult in the same field in which you are currently working, you may need to consider any conflict of interest that would arise by consulting with a competitor of your current employer. If you have entered into a non-compete agreement with your employer, you must abide by the provisions of the agreement. Often, when employees and officials leave a government post they are prohibited from consulting with contractors in a manner that would be considered lobbying. Be certain that you don't create an ethical hazard for yourself as you start your business.

From a financial perspective, you need to consider whether you can afford to make the jump into starting a consulting business. Do you know how you will finance your start-up? If you already have clients in the pipeline, you may be in great shape, with a source of new revenue ready and waiting. If not, then your strategy for starting-up should take into account your financial needs. You may need to continue working your "day job" as you begin to set-up your business to keep some income flowing your way or perhaps to maintain your health insurance coverage for a family member with health problems. You may need to work out of your home instead of opening an office right away. Remember to "count the cost" before you make the jump.

Finally, from a personal perspective, you must count the cost of starting your own business on your relationships with family and friends. While it is possible that starting your own consulting business will be less demanding than continuing to do what you are doing now, the likelihood is that you are taking on a greater workload that will take more of your time and energy and attention than work currently requires. Be aware of this, and work through these issues with your family as you make your decision to start your business.

The keys to success in consulting

A successful consulting business doesn't just happen. There are several, inter-related keys to success.

First, you must have a solid base of knowledge and experience in your field that you can effectively share with your client to add value to his or her life or business. And, as time goes on, you must continue to grow and develop your expertise, keeping up to date in your field.

Second, you must have an existing set of relationships that can be transformed into clients or into referrals for clients. These are the people that know you and your capabilities best. They know the value you can add. Enlist their support.

Third, you need a dynamic plan to promote your business and yourself to your target market. Networking will be key to growth. Take opportunities — and make opportunities — to expand your network of relationships with others in your field and with potential clients.

Fourth, your ability to communicate effectively with both the spoken word and the written word will be your strongest and most essential tool for starting, running and growing your consulting business. After all, what is consulting but communication? Keeping clients informed, communicating explanations and recommendations clearly, listening carefully and speaking truthfully are all essential aspects of effective communication that will lead you to success.

Fifth, your reputation for excellence and effectiveness will be key to your ongoing success in the consulting field. But a good reputation is only secure when built upon a foundation of good character. Give the best that you have, and work for your clients with an attitude of service and a passion for excellence.

Finally, make sure you enjoy your work. Your passion and enthusiasm for work you enjoy can be contagious. Find ways to keep the business fresh and exciting, and share your enthusiasm with those around you.

Your roles as owner of a consulting business

Running a consulting business requires a whole lot more than merely providing consulting services to your clients. Certainly, that is the core of the business, but it takes a lot of effort in other areas in order to be able to perform your consulting service on an ongoing basis. Let's look at some of your *other* roles.

Rainmaker (promoter). If you don't have a client, you can't consult. It's that simple. Therefore, rainmaking is your first role — promoting your business and yourself, and bringing in the clients. You may do this by transforming current relationships into sources of referral or actual clients. Networking (and a bit of self-promotion) will be key to this role. You may even have to learn how to do some cold-calling to mine for clients.

Client relations manager. Careful attention must be given to your relationships with your clients. Merely providing specified consulting services won't be enough. Rather, the relationships must be nurtured to assure client satisfaction and to encourage a continuing business relationship. Clients may not be aware that they have needs for additional service unless you let them know.

Marketing/advertising manager. Marketing methodologies will have to be developed and implemented. Whether it's simply the creation and distribution of a homemade brochure, establishment of a website, or development and purchase of print, radio or television advertising, you will need to pursue a marketing strategy.

Office manager. The general administrative activities related to running a business must be handled. Until you can hire some support, the responsibility rests with you.

Accountant/bookkeeper/tax manager. Organization and orderliness are important characteristics of a well-run business. Accounting and recordkeeping are key to maintaining order in your business. You'll be much happier in the long run if you keep up with these duties on a routine basis.

Collections manager. The lifeblood of a small business is cash flow. Billing and collecting fees cannot be ignored. Set this function in place right away.

Personnel manager. There may come a time when you are ready to hire staff or some outside help to assist you in providing consulting or performing some of these other functions of operating a business. You'll need to have some understanding of employment law, payroll taxes, and other related matters, and then begin to manage people as well as functions.

Janitor. Just a reminder that you're responsible for everything as you start your business.

Planning your consulting business

Early in the process of starting your consulting business, having a business plan will help direct you through the various steps of building your enterprise. As with other decisions and choices you must make, keeping the business plan relatively simple is a good idea. Focus on the 'who, what, when, where, why and how' of your consulting business. Outline your goals in terms of the type and the amount of consulting work you want to have and also in terms of the financial results you want to achieve. Describe how you intend to achieve the goals operationally. Provide a marketing plan that you can implement in your drive to achieve your goals.

The purpose of the business plan is to make you think about your goals and what you must do to achieve them. When you know your goals, you can plan effective strategies to identify and overcome obstacles. Preparing a business plan early in your start-up process will even help you decide whether to keep moving forward with your plan.

As you consider your goals, think about both the time you can devote to actual consulting and the time you will have to devote to running your business. Your consulting revenues will have to cover *all* of your time and expenses, so consider these issues as you plan your hourly rate structure. For instance, based on a regular work week of 40 hours for 50 out of 52 weeks in the year, there are 2,000 hours to allocate. How much do you expect to (and how much can you) devote to consulting, and how much will you devote to running the business. If 80 percent of those hours are devoted to consulting, then you need to make all your income for the year on 1,600 hours of work. You need to set your hourly rate accordingly.

Then consider how you will meet your goals operationally — keeping expenses low by having a home office and using temporary help to meet some of your needs for administrative support; creating efficiencies such as template documents that can be used for routine activities; developing brochures and other effective marketing and promotional tools. Describe how you will implement marketing and promotional activities that allow you to reach your goals.

One other word of advice — don't get so caught up in preparing a perfect business plan that you never begin to consult and perform billable services. Don't let the business plan be an obstacle to taking first steps to initiate your business. It can, and should, routinely be revised and updated.

Structuring and operating your consulting business

Settling the legal structure of your consulting business early in the process helps to get things on track with your business. Different factors will come into play as you make the decision on choosing a formal business entity.

A handful of operational matters require your attention early in the process of setting-up your consulting business. You need to think about how you are actually going to accomplish the various tasks of operating your business. Just as with choosing your legal structure, keeping things simple should be your watchword.

What form of business entity will you choose?

If you are starting out relatively small, then keeping it simple may work best. Working as a sole proprietor is the easiest way to begin. You really don't have to do anything to get started, unless you are going to operate under an assumed name, in which case you'll need to file for the use of the assumed name. Otherwise, there isn't much you need to do.

The only legal downside to a proprietorship is that you will remain personally liable for legal liabilities incurred in your business. However, your biggest risk of liability

in a consulting business is likely to be your own professional malpractice, which you can't escape by operating in a corporate entity.

There are a couple of practical downsides to operating as a proprietor, too. First, many potential clients will only want to contract with a consultant who is operating as either a corporation, limited liability company (LLC) or limited liability partnership (LLP). They are concerned that the IRS might later interpret the relationship with the consultant as an employment relationship rather than an independent contractor relationship, which would result in the imposition of taxes and penalties. Second, many clients just perceive that a person operating in a corporation or LLC is more professional. It's not the reality, but it is the perception of some.

To address the legal and practical downsides of operating as a sole proprietor, you may want to structure your consulting business as a corporation, LLC or LLP. If you set up your business as a corporation, it is probably best to apply with the IRS to be an S-corporation, because if you set up as a regular corporation you will be taxed as a "professional service corporation," for which higher tax rates apply at the corporate level. If you set up as an S-corporation, all income tax issues flow-through to you as an individual, but you still have the protection of a corporate entity.

An LLC or LLP provides the same kind of liability protection as a corporate entity as well as the flow-through of income tax issues that exists with the S-corporation. LLCs and LLPs are a bit more flexible than S-corporations, and require less administrative effort to keep up-to-date will legal compliance requirements.

Setting-up your business in corporate, LLC or LLP form could offer you some additional tax planning flexibility, too, especially when it comes to issues related to salaries, distributions, and employee benefits.

In short, keep your business structure as simple as possible, especially as you are starting out. But be aware that you may have greater success building your business if you set it up in a corporate, LLC or LLP legal structure relatively early in the life of your business.

How will you operate and organize your business functions?

First, are you going to do it all yourself, or are you going to enlist the help of others? And, if you get help from others, will you hire them as either part-time or full-time employees, or will you seek their services as independent contractors? The simplest approach when starting out small is to contract for the services you need. But you have to be careful to treat the work relationship properly for tax compliance purposes. If you hire a person to do office work under your supervision, in essence to function as an employee, don't treat the relationship as an independent contractor type. However, if you hire someone to handle the accounting, run a marketing campaign or provide legal services, those professional services fall pretty safely into the category of independent contractor relationships. Think through the services you need help with — functions you're weak in or functions you just can't devote time to — and get the help you need.

Second, how will you set up your base of operations? Do you want to start out in an office in your home, or do you feel you need to have a business office? Can you perform your consulting services at your client's business location? Your decision on this subject will be based on financial considerations, client service requirements, and attitudes about professionalism and the kind of image you want to project. Remember, simple is better when you're starting out. You can always make adjustments as you grow and prosper.

Third, what are some of the "business office basics" that you need to have in the early stages of your consulting business? Many of these basics relate to communication. You'll need a business phone (land line, cell or both) with an answering service or voice mail. You'll want a business email address and, preferably, a web site so that people can access your business on the Internet. Old fashioned forms of communication live on, too, so you will want business cards, letterhead and invoice statements, and a brochure that describes you and your business. Obviously, good computers and a high-quality printer are also important business assets to have so that you

can provide your clients with efficient service and professional-looking work product.

Another business office basic that will prove valuable to you over time is the development of templates for some of your basic business transactions — especially a template for proposals to provide consulting services. This will protect you from "reinventing the wheel" each time you make a proposal. Templates are also useful for consulting contracts and standard forms of work product created during consulting, and even for promotional talking points, mini sales pitches and scripts for cold-calling.

What consulting services will you offer?

It sounds simplistic to remind you that you need to know what you're selling. But consulting comes in many shapes and sizes. And selling consulting services isn't the same as selling a TV or a car, where the customer/client is already in the market when they start looking. Sometimes, a potential consulting client may not even be aware yet that they need your services. Thus, you have to be able to describe to them both your service and their need for it.

The focus of your consulting services can have many variations. It may vary from client to client or from project to project. So it is important for you to know what your focus is and what value you can provide to your potential clients. It is important so that you can clearly explain it to them.

Clients may want to hire you as a consultant for any of a number of reasons. They may want you simply to identify and analyze problems or needs inside their organizations. You may be asked to design and/or implement a project. They may just want you to supplement their staff for a short-term need. A client may want you to serve as a catalyst for change, as an objective outsider applying a fresh perspective in a challenging situation, or as a "hired-gun" to do its dirty work in the midst of reorganization and downsizing.

Or you may be hired to teach/train your clients or their staff members in a skill so that they can then perform the task for themselves (give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime).

Another possibility is that you may be asked to influence others on behalf of your client. Lobbying, campaigning, fund-raising and marketing activities would fall into this category.

Be clear — for yourself and for your potential clients — about the services you are prepared to offer and perform. Be clear about the value you can add to your potential client's organization or operations.

Will you develop products as you provide consulting services?

Consulting is a service business. It's easy to forget that in the process of providing a service, you may also be producing a product. Take, for instance, a consulting contract that calls for the development of a training program. Perhaps you provide the training live for the staff of your client, but you produce a DVD or CD with the same presentation that can be sold or distributed more broadly. Or perhaps you tape the live training session so that it can be used later.

This raises some questions that you will need to consider as you plan your business. First, when you create training materials, for instance, in the form of a DVD, CD, or hardcopy materials and later sell them or incorporate them into your consulting work, how will you protect your rights in these products. Copyrights can be an important protection for your work. And when a consulting project includes the development of such materials or other forms of work product, a question is raised regarding who actually owns the materials — the consultant or the client.

Be careful to protect your rights to products that you develop on your own for use in later consulting activities. Also, if work product is to be developed within the parameters of a consulting contract, address clearly the issue of ownership and control of the work product after completion of the contract.

Setting your pricing for consulting services

As you get started in your consulting business, you must seriously consider how much you will charge and in what manner you will charge your clients. These may be the most important issues you need to figure out before getting started. To settle these issues in your own mind up-front will remove much of the ongoing stress of revisiting the issues from scratch with every potential new client. You can still be flexible on the questions of how and how much, but having a "standard" practice will help you analyze just how flexible you want to be.

As far as 'how much' is concerned, look at it from more than one perspective. First, what do you need to make to be satisfied that you are being paid adequately for your service and that you are earning enough to make a sufficient living? Recognize that the rates you charge for your consulting services have to cover all of your costs of running the business, too — your time devoted to management, marketing and administration, all of your operating and overhead expenses, and so on. And don't forget the costs of health insurance and retirement savings you want to provide for, or the taxes you will pay.

Second, what do you need to charge so that the clients you are intending to attract will find the price attractive? Another way of asking that question is how can you make your rates competitive in the market? Before you set your rates, consider doing a survey of other consultants your market area to see what their fees are and how they calculate them. This can help you set your rate and your financial expectations realistically.

You have many options to choose from as a rate-setting methodology, including hourly rates for services, lump-sum fees for specific projects or retainers for your ongoing availability. Whichever methodology you use, remember that your rates need to cover more than just your time spent in consulting, as described above. Your rates must be set so that they can cover all your costs. Yet, they must also be competitive in the market.

Different clients will typically have different preferences about rate methodology. Some like the hourly basis of charging while others would much rather know the overall cost of a proposed project. Others prefer having your ongoing availability over a period of time on a retainer basis, where you and your client set a periodic fee (eg., monthly) and you agree to be available for work for your client for a certain number of hours. This method can be particularly useful when you are seeking to establish a long-term relationship with your client and develop a secure financial base for your business. Many consultants feel that they can offer a discount for a client willing to establish a retainer-based relationship.

However you design your pricing structure, be sure to put it in writing. Know it well enough so that it rolls easily off your tongue when someone asks you about it. Then, when a potential client is ready to get serious about working with you, you can be as flexible or inflexible as you want to be about the pricing for that particular proposal.

Your marketing strategy for your consulting business

Don't believe that excellent skills and a good reputation alone will keep you in business. Your reputation for competence and character among friends and colleagues may get you your first client or two as you start-up your consulting business, but don't expect it to grow dramatically without conscious and very intentional marketing and promotional efforts. Unless other potential clients have exposure to you and your business, how can they know to seek you out?

Certainly, transforming existing relationships with people you know into consulting relationships is step one in your marketing efforts. Step two may be to seek referrals from this group of people, and to encourage them to pass on the news of your new business by word of mouth.

But you need to continuously expand your network of relationships that can serve as a pipeline for new business. Networking through participation in various business and civic organizations can be very important in this effort. The more contacts you have, the better your chances of getting new clients. Having a standard presentation about you and your consulting business that you can quickly and comfortably communicate in conversation with new acquaintances can be a big help.

You can expand on the networking theme by making yourself available for public speaking. You can even develop some specific presentations that would be of interest to certain audiences and would spotlight your expertise. If public speaking isn't your bailiwick, then perhaps writing articles or newsletters is more your cup of tea. Whether in print or online, your byline at the beginning of a well-crafted story or article (or even a book) serves as a great promotional device for you and your business.

You may want to use more traditional methods of advertising to draw new clientele, as well. Print advertising in newspapers or business journals that relate to the type of consulting you do can draw clientele your way, and there may be a place for some form of direct mail advertising, especially when you have a specific target market.

Finally, don't forget everyone's favorite method for getting new business — cold-calling. With effective researching and listening skills to ascertain a potential client's needs, and a solid sales presentation that clearly explains what those needs are and shows how your services can address them, you can influence the decision-makers in potential client organizations and win new business.

In short, winning new business requires more than just being a great consultant. It requires a constant process of self-marketing and self-promotion. Hopefully, a lot of the promotion comes from others so you don't have to 'blow your own horn' so much. But you can't just focus on being a consultant. You can't sit back and wait for your next client. You need to promote your business — and yourself!

Tapping existing relationships for consulting business

Your current pool of business and personal relationships almost certainly will be the source of your first clients as you start-up your consulting business. Your reputation for competence and character among these people, and their interest in your future success, will be key to getting your business going. Transforming some of these relationships into consultant/client relationships may be the first step in your marketing plan. The transformation can occur in two ways — first, by winning some of these people over as clients and, second, by winning their support as cheerleaders for your business and sources for referrals.

Make sure you enlist the support of the people you know best, and who know you best. Identify the people who you think would most want to help you as you start your business. Also identify the people who you think would be most *able* to help you. Let them know what you are doing, and give them the opportunity to help with business opportunities or referrals.

If, prior to starting your business, you spent many years working as an employee of a company, perhaps you can treat the company as your first potential client. The people you have been working with, more than anyone else, know your capabilities. They know your value to the ongoing operations of the company. If you have good working relations with leadership and staff in the company, then they may want to continue the relationship on a contractual basis, especially if you can identify specific ways in which you can provide valuable service. If the company can't become a client, perhaps it can still become a cheerleader and source of referrals.

Perhaps you have developed solid business relationships through the years with customers or suppliers or business partners of the companies you have worked for. Could these businesses have need of the services you intend to provide? If so, pursue these business relationships to see what develops.

Maybe you have participated in organizations or activities where you met others who are prominent in your field or who work in organizations that could benefit from your services. Who among this group do you think would be interested in your success and willing to help you get started? Give them the opportunity to help you grow your business.

Financing your startup consulting business

The good news on the financial front is that a consulting business typically doesn't require a substantial up-front investment as you begin to do business. But that doesn't mean you can ignore financial concerns as you start your business.

Unless you already have your first clients lined up, and they are ready to pay you a retainer, you may need to consider how you are going to survive financially during the early days of your new consulting business. It may mean you start consulting part-time as you continue to work in your employment capacity. It may mean that you minimize your business expenses until you are satisfied that the flow of income is sufficient to expand. It may mean that you negotiate with that first client for an advance payment of part of your fee. And it may mean seeking financing through small business loans or other sources.

Often, a consultant starting a new business can get started using personal funds. Even if that is true, it is a good time to develop a business relationship with a local banker so that the relationship is there as financing needs arise in the future as your business grows. You will want to have a separate bank account for your business, and you may want to establish a line of credit or obtain a business debit or credit card for more convenient financing and recordkeeping for your business.

You will want to plan for uncertainties. You can't assume that the cash flow will constantly or consistently pour in as you conduct your consulting business. There are likely to be down times when there isn't much work, or times when it's tough to get the clients to pay. So right from the beginning, try to set aside some of your revenues to cover yourself during those more difficult times.

Tax and legal obligations of consulting businesses

If you set up a corporation, LLC or LLP in which to operate your new consulting business, you will have a lot of new legal and tax compliance obligations as you begin business. You can handle all these things yourself if you want to, but you'll probably be better off looking for some help. Bizfilings can help you register a new corporate or limited liability entity, and can help you maintain compliance with state registration and reporting requirements over the lifetime of your business.

In addition, it may be well, early in the process of starting your business, to hire an attorney and/or a tax specialist to help you with many of the other tax and regulatory compliance issues that you will face in your new business.

Here are just a few of the issues you will need to learn about: Federal income tax and payroll taxes (FICA); federal self-employment tax; state and local income taxes; state and local sales taxes; federal and state unemployment insurance programs and related payroll taxes; state workers' compensation programs; local business licenses or permits; assumed name authorizations. Each of these areas should be studied so that you understand your compliance obligations before you are forced to learn the hard way — by getting caught out of compliance.

Some states may also have requirements for minimum professional liability insurance coverage for your new consulting business. As you set up your entity and register with state authorities, be sure to confirm your obligations for coverage.

Also, some states may have registration or certification requirements for those who perform consulting services in your particular field. You will want to make sure that you comply with these requirements before starting out.

So now you've gotten your consulting business started. Congratulations! Now comes the harder part — running and growing your business day by day. Maybe you think that starting a business is the hardest part, and then it's all a downhill ride after that. Well, if that's what you think, it may be time for a bit of an attitude adjustment. Running a business is a constant responsibility, and the responsibility only grows as the business grows.

Starting a business is new and adventurous and exciting, so it's pretty easy to maintain enthusiasm. Running a business is more about persistence, perseverance and processes. It's about consistently maintaining business function. Growing a business takes creativity. You have to have energy and imagination to pursue your vision and flexibility to make course corrections along the way to keep things fresh.

In the following pages, we'll be looking at a number of the special considerations for running and growing your consulting business, including:

- Updating your consulting competencies through continuous learning
- Expanding your consulting network and relationships
- Promoting and marketing your consulting services
- Monitoring billing and collecting in your consulting business
- Managing compliance issues in consulting
- Mentoring consultants for your business's growth
- Improving your consulting communication skills
- Building the character of your consulting business

Updating your consulting competencies through continuous learning

The foundation of your consulting business is your ability to provide special knowledge and experience in your field to your clients. A consultant must pursue continuous learning so that he or she maintains up-to-date skills and abilities. You cannot grow a consulting business without keeping abreast of the latest information and methods in your field.

Information is part of the lifeblood of the consulting industry. Therefore, you will want to make sure you know and use the resources that will provide you with the best information in your field. For consulting generally, there are many associations and institutes that support the industry with information available on the Internet, with distance learning programs, with seminars and conferences, and with training materials and periodicals that offer the latest information. Here are just a few of these resources:

- Institute of Management Consultants USA
www.imcusa.org
- Association of Professional Consultants
www.consultapc.org
- Association of Communications Consultants
www.consultingsuccess.org
- Independent Computer Consultants Association
www.icca.org
- Consultants Mall
www.consultants-mall.com

Expanding your consulting network and relationships

A successful consulting business is a game of numbers, and expanding the number of people you know and, more importantly, who know you is essential to the ongoing health of your consulting business. So don't stop.

Find new ways to connect with people that can help you grow your business. Stay active in business and industry associations related to consulting and, more specifically, to the field in which you specialize.

Promoting and marketing your consulting services

Never stop promoting yourself and your business. Consulting is a pipeline business. It is often several months between the time you first start to pursue a client relationship, then make a proposal and then actually enter a contract and begin to provide services. That means you always want to have that next client or that next project somewhere in the pipeline.

So take advantage of opportunities to speak at public events about your field of work. Write articles and newsletters that you can make available to your clients and potential clients so that they have a better understanding of the value that you can add to their organizations or operations with your consulting services. Market yourself and your business actively, and encourage your clients to refer you to others.

Don't forget that you can advertise, do some direct mailing, and even do some cold-calling to sell your services to potential clients who you don't know and who don't know about you...yet.

Monitoring billing and collecting in your consulting business

In the consulting business, just like in any other small business, cash flow is king. We all know that billing and collecting our fees is a tedious task, but an essential one. Don't ignore the cash flow needs of your business.

Develop and maintain routine practices of billing your clients and following-up to make sure that payment is made. Developing strong client relations is really the key to making the billing and collection process flow smoothly.

Clear communication about your fees and about your client's level of satisfaction with your services will go a long way toward making this task easier on everyone.

Managing compliance issues in consulting

Few people like to spend much time thinking about the details of compliance with tax and regulatory requirements. It's boring, it's tedious, and it can get you into a whole lot of trouble if you're not attentive to it. So the message is simple — just do it.

Make sure that you have procedures in place to comply with filing requirements and payment requirements in a timely fashion. Talk to a lawyer and/or a tax accountant about the various obligations your business will have for withholding and paying income taxes and payroll taxes, unemployment and workers' compensation obligations, annual organizational reports and other matters.

Don't make the mistake of ignoring it until you have a big legal problem or a big financial obligation for taxes and penalties.

Mentoring consultants for your business's growth

If you want your consulting business to grow and prosper, then you need to think about training-up a new generation of consultants to work with you and after you in your business. You may want to slow down some day, but at the same time keep your business going and growing.

That will be possible if you begin to work with and train other consultants to take on greater responsibilities. Consider managing and mentoring other consultants in your business as your business grows and you have more work than what you can do by yourself. It will pay dividends later on.

Improving your consulting communication skills

Everything in consulting revolves around communication. Everything. Therefore, make excellence in communication your goal from the beginning, and never let the level of excellence falter.

What is it about communication that makes it so key to the growth and success of a consulting business?

- Client satisfaction is the core measure of success in consulting, and building a strong relationship with a client through consistent, straightforward communication is essential to that satisfaction.
- Consulting itself is communication. Without effective communication skills, you can't provide the basic service of your industry.
- As you get busier, coordination of business functions requires more effective communication, especially as more people become involved in the process. As your

business grows, and you have others working with you, and more work to do, and more deadlines squeezing together, and more pressure building, then the role of timely, constructive, encouraging communication becomes crucial.

- To promote your business, communication skills are essential. Just having the ability to describe who you are and what you do in your business in a 30-second sound bite during everyday conversation can help grow your business. In addition, the ability to perform public speaking or to write readable articles and newsletters provides an excellent avenue for raising awareness of your business and your expertise. Developing brochures, web sites, advertising, and phone scripts that can effectively speak to your target market can boost your client base, and it all hinges on effective communication.

Don't underestimate the value of effective communication for growing your consulting business.

Building the character of your consulting business

A lot of people count on their reputation to get them by in business. But reputation without a strong foundation in character is a very insecure asset that can be lost in the wink of an eye.

Make character count in your consulting business, and you will find that you will have more satisfaction in your successes and greater peace and confidence during the challenging times. Show your character not only in your actions but your attitudes.

You are providing a service, so be service-minded, and treat your clients the way you want to be treated yourself.