

Chapter 1

Introducing the Wonderful World of Consulting

In This Chapter

- ▶ Understanding what a consultant is and why people become consultants
 - ▶ Exploring the contents of this book
 - ▶ Taking the consulting challenge quiz
-

Consulting has taken the world of business by storm, and it seems today that there is a consultant to do most anything you could ever want done. A consultant can be a partner in a large management consulting firm or a freelance writer. A consultant can be a self-employed Web site designer or a part-time cosmetics salesperson. A consultant can be an architect who works out of his or her home, an expert witness hired to testify at the latest Trial of the Century, or a virtual stock trader who provides investment advice to clients around the globe over the Internet.

In this book, we use the term consultant quite loosely. We define a *consultant* as someone who sells his or her unique expertise to someone else. This expertise can be anything from showing someone how to properly lay out, plant, and fertilize an organic vegetable garden, to analyzing and recommending changes to a complex aerospace manufacturing operation.

So, while many people think of consultants only in terms of the narrow field of professional management consulting — firms such as KPMG, Bain & Co., PricewaterhouseCoopers, and others that specialize in fixing “broken” organizations — the world of consulting is much bigger than that. Anytime someone pays you for your unique expertise or advice — whether it’s creating a snazzy Web page for a friend’s business, measuring the stress that a Category 4 hurricane might exert on a new home, or suggesting where to dig a new water well on a ranch in Wyoming — you are acting as a consultant.

In this chapter, we consider the many reasons why energized and talented people like you are becoming consultants, and then we briefly cover the topics of starting up your own consulting firm, understanding the consulting process, selling your services, and taking your business to the next level, all of which are covered in more detail later in the book. Finally, we invite you to take our nifty Consulting Challenge Quiz, which helps you determine whether you have what it takes to become a successful consultant.

The Reasons for Consulting: Money, Yes . . . But What Else?

Men and women from all walks of life with all manner of experience and expectations have reasons for becoming consultants. Some are leveraging their knowledge to help their clients, while others enjoy the variety of assignments that consulting can bring. Some prefer working for large, diversified consulting firms — with offices scattered all across the globe — while others are simply tired of working for someone else and ready to start their own consulting firms in a spare bedroom of their house. Still others are just looking for a way to make some extra money.

Whatever your reason for becoming a consultant, businesses of all sorts — and individuals and organizations — are using consultants more than ever. According to market research published in 2007 by consulting experts Kennedy Information, both consulting revenues and profits are up in the United States across the board, and are projected to continue to grow well into the future. One key reason for this is that skilled consultants can be brought into an organization on short notice, fix a problem, and then move on to another organization in need. No need to hire someone, pay them a salary, and provide them with benefits and a retirement plan.

And although some think that money is the main reason people choose to become consultants, that's not really what it's all about. Sure, a lot of people make good money as consultants — make no mistake about it. But to many people, the benefits of being a consultant go far beyond the size of their bank accounts. This section talks about some of the most compelling nonmonetary reasons people enter the consulting field.

Leveraging your talent

Everyone is especially knowledgeable about at least one thing. You may, for example, have worked for 20 years as a construction loan specialist for a large bank. When it comes to construction loans, saying that you are an

expert is probably an understatement. And because of the huge network of contacts that you have developed over the years, many other organizations could benefit from your unique experience.

Or you may enjoy exploring the Internet in your spare time. You've built many Web pages for yourself and your friends, and you always keep up with the latest in authoring tools and other developments. Although you work at a grocery store as a cashier ten hours a day, five days a week, you always manage to find time to pursue your favorite hobby. Would it surprise you to find out that many businesses would hire you and pay you good money to build and maintain Web pages for them? It shouldn't — that's what consultants do.

Being tired of working for someone else

Most people have dreams of what they want to do with their lives. Some dream of buying their own home. Others dream of establishing a career or family. Still others dream of winning the lottery and moving to Bora Bora. However, in our experience, one of the most common dreams — the one that everyone who works in an organization dreams at least once or twice a day — is the dream of being your own boss.

It's not that all bosses are bad. Both of us have had many great bosses over the years, and we hope that we have been good bosses to those who have worked for us. Most people, however, are born with a strong desire to be independent and to make their own decisions rather than to have others make their decisions for them. And when, as time goes on, you begin to know more about what you do than your supervisors or managers, working for someone else can become especially difficult.

Getting laid off or fearing you will be



The days of having a job for life are long gone. Today's economy is one of rapid change and movement. As companies continue to search for ways to cut costs, they increasingly turn to hiring temporary workers or contracting work out to consultants. Having a job today is no guarantee of having one tomorrow. When you work for a company — no matter how large — you can be laid off at any time, for almost any reason, with little or no notice. If you're lucky, you get a severance package of some sort — maybe a few weeks' or a few months' pay. If you're not so lucky, your last day is just that, and you're on your own.

Becoming a consultant is a good way to ensure your financial future in the face of economic uncertainty. Why? One, because you control the number of jobs you take on and how much or how little extra work you want to keep in reserve. Two, because you can often make more money consulting for a firm than you can as an employee of that same firm. Many companies are more than willing to pay a premium to hire an expert consultant to do the same job that an employee could do for much less money.

Having a flexible second source of income

If you want a flexible second source of income, then consulting is just what the doctor ordered. When you're a self-employed consultant, you set your own schedule. If you want to work only on weekends, you can decide to work only on weekends. If you want to do your work late at night, that's fine, too. And because you decide exactly how much work you take on, you can work for one client at a time or many clients at once. Decisions about your schedule and your workload are all up to you.



And another thing: If you conduct your business from your home, this second source of income can mean a sizable write-off on your income taxes. The government allows owners of home-based businesses to take a variety of tax deductions that are not available to most other individuals. Even if you don't work out of your home, you can write off the majority of your business-related expenses. Check out Chapter 5 for some basic information about the tax benefits of becoming a self-employed consultant. More detailed information can be found in the most current edition of *Taxes For Dummies*, by Eric Tyson, Margaret A. Munro, and David J. Silverman (Wiley).

Finding a higher calling

Many organizations benefit greatly from the services of good consultants because they generally bring with them an independent and objective outside perspective. Unfortunately, many small businesses and noncommercial organizations cannot afford to pay for a consultant's expertise like most larger, well-established businesses can. Schools, churches, charities, and other community-based organizations rely on members of the community to provide expertise and assistance. Many consultants make a regular practice of providing their expertise to community organizations at no charge as a way of giving back. (We discuss this concept more in Chapter 20.) If you are one of these people, you may already be consulting without even realizing it!

Why would anyone want to do that?

- ✓ If you really believe in something — whether it's the goals of a particular political candidate or your kid's elementary school — then the psychological benefits are much greater than any financial benefits.
- ✓ The work you do for your favorite charity or community group may get you noticed, resulting in paying work. Most community organizations are supported by a variety of people from all walks of life. The network that you establish with these individuals can be invaluable to you in your working life as well as your social life. Although establishing a network of contacts may not be the main reason that you decide to offer your services to the group of your choice, it's not the worst thing that could happen to you, is it?

Preparing to take a step up

More than a few consultants have parlayed their consulting skills and experience into top executive jobs — often with the companies that had employed them as consultants. Before Robert Kidder became CEO of Duracell, Inc., and later chairman and CEO of Borden, Inc., he was a management consultant at McKinsey & Company. John Donahoe, named CEO of eBay in 2008, was a consultant at Bain & Company for more than 20 years (as was his predecessor, Meg Whitman, who consulted for Bain for eight years). And Hubert Joly, a former McKinsey & Company consultant, was recently tapped to serve as president and CEO of hospitality industry giant Carlson.

So, if your ultimate goal is to take a step up in your corporate career, then honing your skills — and building your business network — as a consultant might be just the ticket.

Taking the First Steps toward Becoming a Consultant

While many consultants work for someone else — in all sorts of companies, in all sorts of industries — for many others, a major attraction of becoming a consultant is starting their own consulting firm. The good news is that many millions of consultants have successfully made the transition to being their own bosses and are enjoying the financial, professional, and lifestyle benefits that result. The bad news is that starting up your own consulting firm — and keeping it on an even keel — is a lot of hard work.

Understanding the consulting process

If you hope to become an effective consultant, then you should be familiar with the most effective approaches to consulting. People have been consulting for hundreds — maybe thousands — of years. Over these many years, a five-step method to consulting has emerged that is the standard approach for many consultants today — whether self-employed or working for someone else. This five-step consulting process includes

- 1. Defining the problem**
- 2. Collecting data**
- 3. Problem solving**
- 4. Presenting recommendations**
- 5. Implementing recommendations**

No matter what kind of consulting you do, you will find that your efforts will be focused on this approach, which will help you find the answers your clients seek.

Finding your forte

Before you can start your own successful consulting firm, you need to be certain of the kind of consulting you want to do. Some of you will find the answer obvious — “I want to help small engineering firms learn how to better use computer-aided design software to their benefit,” or “I want to show young couples how to plan now for their financial futures.” However, some of you won’t be quite so sure. In this case, you need to assess your skills and personal preferences to help you decide. And whether or not you already know what kind of consulting firm you’d like to start, you need to be sure there’s a market for what you want to do.

Taking the leap

Finally, once you’ve decided that you do indeed want to start your own consulting business and you know what kind of consulting you want to do, you need to decide when the time is right, and exactly how and when you’ll make the transition from your current employer to the new world of self-employment. This requires assessing your professional, financial, and personal considerations, and creating a step-by-step plan for making the transition, a topic we cover in detail in Chapter 3. While some self-employed consultants simply walk into their boss’s office one day and quit — starting their own business that very moment — others make the transition over a period of weeks, months, or even years.

Keys to making your business a success

According to the U.S. Small Business Administration (SBA), there are four key indicators of business success.

- ✓ **Sound management practices:** An ability to manage projects, handle finances, and communicate effectively with customers
- ✓ **Industry experience:** The number of years you have worked in the same kind of

business you intend to start and familiarity with suppliers and potential customers

- ✓ **Technical support:** Your ability to seek out and find help in the technical aspects of your business
- ✓ **Planning ability:** An ability to set appropriate business goals and targets, and then create plans and strategies for achieving them

Beginning Your Own Consulting Firm

The first thing to keep in mind when starting up your own consulting firm is that you are starting your own *business*. If this business happens to be home-based, then there is good news for you: According to surveys conducted by IDC/LINK, an average of only about 5 percent of home-based businesses fail each year. So, after five years, only approximately one-quarter (25 percent) of home-based businesses fail — far less than the average failure rate of more than 50 percent for all businesses after five years.

The many issues that need to be addressed as you begin building your consulting business are the same as those faced by most other businesses, from setting up an office to securing support services and dealing with legalities, taxes, and insurance. You have to figure out how much your services are worth, and then find the means to track down and engage those who are willing to pay for them. Communicating and problem-solving naturally come into play along the way.

Getting started

You need to attend to a variety of matters when starting up your own consulting firm — from getting your business set up (including finding a space for it in your home or elsewhere, and getting office equipment and supplies) to securing the services of a good accountant, banker, and perhaps even a lawyer. We cover these topics in detail in Chapter 4. In addition, there are legal issues to consider, such as deciding what form of business to adopt, picking a name for your business, and dealing with zoning laws, licensing, and permits. And, of course, you need to set up a bookkeeping system and be prepared to pay your taxes, buy insurance, and perhaps secure health care and other benefits. These subjects are the focus of Chapter 5.

And there's one more thing you need to address when starting up your own consulting firm: the fees you'll charge your clients to consult for them. Many different approaches exist for setting your fees. Ultimately, you need to adopt fees that are appropriate for your industry, that create value for your clients, and that provide you with enough profit to make a good living. If your fees are too high, you may not get enough business to stay afloat. However, set your fees too low, and you may find yourself swamped with business, but not really making any money. Ideally, you'll find a win-win approach where both you and your clients are happy with the results. Chapter 6 is dedicated to helping you zero in on this magic number.

Selling your services

Like any other kind of business, consultants have to sell themselves — their expertise, their experience, their ability to get the job done — and convince someone to pay the kind of fee that makes consulting worth their while. In a way, every consultant — at least, every *successful* consultant — is also a salesperson. And the better salesperson you become, the better able you will be to land the clients and projects you need to become profitable and to grow your business.



Selling your services involves many different parts of an equation that add up to a client signing a contract with your firm. These parts include such things as identifying the real decision-maker in your client's company, making a sales pitch, promoting your business, building business and referrals through your current clients, and building business with new clients. We tackle all of these topics in Part IV. Remember: The success you find as a consultant is often directly proportional to the time and expertise you apply to the selling process.

Taking care of business

As we say many times in this book, consulting is a business, and you need to plan accordingly to attend to its unique needs. Every consultant relies on contracts to formalize agreements with clients: How long will an engagement take? What work will be accomplished? How much will your client pay you for your services — and when? Negotiating agreements with your clients is a vital skill for consultants. We cover the subject of contracting in detail in Chapter 16.

Also of great importance is the tracking of your time (the hours you put into a particular project) and your money (the fees that are attributable to a particular project). This involves setting up and maintaining client activity logs or time sheets, and creating budgets. Turn to Chapter 17 for more on these issues.

You'll also need to be sure that you become an expert communicator — in writing, over the telephone, and via e-mail and other technology-enabled modes of communication. Chapter 18 discusses the ins and outs of communication. Finally, your business *will* run into problems and challenges from time to time — every business does. Whether the challenge is poor cash flow, getting clients to pay, or finding the right client for your kind of business, recognizing that there is a problem — and then correctly diagnosing and solving it — is a critical skill that you'll need to master if you want to help ensure your long-term success as a consultant. We dedicate Chapter 19 to troubleshooting issues such as these.

Taking Your Business to the Next Level

Building and growing a consulting business that will be successful over a long period of time involves more than the basics of setting up your office, finding good clients, working through the consulting process, becoming an effective salesperson, negotiating contracts, and keeping track of your time and money. You also have to understand how to tune up your firm's growth engine (the subject of Chapter 20), how to integrate advanced pricing strategies into the way you do business (see Chapter 21), and how to create a top-rank image and reputation in your particular industry (turn to Chapter 22).

Many consultants are happy building a certain level of business and then simply maintaining it. If that's the situation you're in and you're happy with it, then that's perfectly fine. However, if you dream of building a consulting business that will expand to hire others and serve customers in a variety of markets — outside of your city or state, or even internationally — then you'll want to do what it takes to move your business to the next level. Who knows? Maybe you'll be so successful that you will have to hire a consultant or two along the way to help you with your own business.

The Consulting Challenge Quiz

Maybe you're thinking that this consulting thing may not be such a bad idea. Now the big question is: Do you have what it takes to become a consultant? Do you want to find out? Then simply take the Consulting Challenge Quiz. It's quick, it's easy, and it's guaranteed to help you sort fantasy from reality. Don't forget to total your score at the end of the test to see where you fit.

Quizzing yourself

Here are the questions. Read each one and circle the answer that comes closest to your personal feelings. If you're not sure how to answer a question on your first attempt, move on to the next question and come back to the tricky one later.

1. Do you like to solve problems?

- A. Yes, solving problems is my sole reason for being.
- B. Yes, I like solving certain kinds of problems.
- C. Can I trade one of my problems for one of yours?
- D. Is there someone else who can solve them?
- E. No. Yuck. Never.

2. Can you set your own goals and then follow them to completion?

- A. I don't know what I would do if I didn't always have goals to pursue.
- B. Yes, I set my own goals, but I don't always follow up on them.
- C. I haven't tried before, but if you show me how, I will.
- D. I don't set my own goals; they set themselves.
- E. Sorry, I don't have any goals.

3. Are you an independent self-starter?

- A. I don't need anyone to tell me what to do — let's get going!
- B. I'm independent, but I sometimes have a hard time getting motivated to do things on my own.
- C. No one has ever let me make my own decisions before. I kind of like the idea of doing things on my own, though.
- D. Hum a few bars, and maybe I can sing it.
- E. Do I have to be?

4. Are you confident about your ability to get the job done?

- A. Without a doubt.
- B. I'm fairly certain.
- C. I'm not sure.
- D. Can we discuss this some other time?
- E. Absolutely, unequivocally not.

5. Do you enjoy pursuing tasks to completion, despite the obstacles in your path?

- A. I am very persistent.
- B. Usually, although I sometimes avoid tackling problems directly.
- C. As long as we understand upfront that no one is perfect.
- D. Is any task ever truly complete?
- E. Some things were just never meant to be done.

6. Can you adapt to rapid changes?

- A. My middle name is change.
- B. It's easier for me to adapt to good changes than to adapt to bad changes.
- C. If you've seen one change, you've seen them all.
- D. As long as it's you who changes and not me.
- E. I am a rock.

7. Are you creative?

- A. Just give me a pencil and a piece of paper, and you'll have your solution in five minutes.
- B. Usually, but it depends on what mood I'm in.
- C. Let me think about that for a while.
- D. Why expend a lot of effort creating something that someone else has probably already figured out the answer to?
- E. I like things the way they are.

8. Do you like to work with people?

- A. Working with people is what makes work fun.
- B. Definitely — some people more than others, however.
- C. Yes — it definitely beats working with trained seals.
- D. I really prefer my computer.
- E. I want to be alone!

9. Are you trustworthy, loyal, honest, and brave?

- A. All of the above and more!
- B. Well, three out of four isn't bad, is it?
- C. How about two out of four?
- D. I'd like to believe that there are other, more important human qualities.
- E. Next question, please.

10. Are you interested in making a decent living?

- A. My opportunities are unlimited.
- B. Sure, as long as I don't have to work too hard at it.
- C. I don't know; I'm pretty comfortable the way things are now.
- D. Just how do you define decent?
- E. I'm going to win that lottery one of these days!

Analyzing your answers

Get out a calculator right now and add up your results. Give yourself 5 points for every A answer, 3 points for every B, 0 points for every C, -3 points for every D, and -5 for every E. Don't worry. We'll wait right here until you're done. Finished? Okay.

We have divided the possible scores into six separate categories. By comparing your total points to the points contained in each category, you can find out whether consulting is in your future.

25 to 50 points: You are a born consultant. If you're not already working for yourself as a consultant, we strongly suggest that you consider quitting your job right now and start passing out your business card to all your friends, acquaintances, and prospective clients. Read this book for tips on how to sharpen your already well-developed skills.

1 to 24 points: You definitely have potential to be a great consultant. Consider starting your own consulting practice in the very near future, but make sure you keep your day job until you've got enough clients to keep you afloat. Read this book to understand the basics of consulting and find out how to grow your new business.

0 points: You could go either way. Why don't you try taking this test again in another month or two? Read this book to ensure that you pass next time.

-1 to -24 points: We're sorry to tell you, but consulting is not currently your cup of tea. We strongly recommend that you read this book and then take this test again. If you don't do better after all that, then maybe working for someone else isn't the worst thing that could happen to you.

-25 to -50 points: Forget it. Your DNA just doesn't have the consulting gene built into it. Sell this book to one of your co-workers right now. Maybe he or she will score higher on this test than you did.

More than 50 or less than -50 points: Take your calculator to the nearest repair shop and get it fixed!