

SECTION 1

Office and Practice Management

The material in this section deals with the elements of running your home or remote office, support for your practice, and daily routine. You may choose to skip this part if you already have a lean, mean consulting machine in action, or you may choose to apply it as a quality control check. But if you're just starting out, read carefully and slowly!

EQUIPMENT

The checklist describes the basic and advanced equipment required for a home or remote office. Whether you own, lease, or share some of this equipment is dependent on your personal situation and finances.

There are subcategories where the equipment can be further specified. As a rule, high technology demands ongoing upgrades and replacements, but not constantly, since you will use less than 25 percent of the capabilities of many devices (e.g., people using word processing extensively may not utilize graphics editing, and those with a personal

digital assistant (PDA) device may use it to track expenses but not receive e-mail).

Prices are highly volatile, and I won't make an attempt at a budget. However, if you are setting up an office for the first time, assume a \$5,000 minimum investment. If you have an existing office, assume an annual \$2,500 upgrade/addition cost, and an additional replace cost of about \$5,000 every three to five years, depending on your need (or craving) for the latest technological breakthroughs.

Generally, purchasing warranties on equipment is *not* a good investment, since the reliability of machines and technology is good and most warranties that cost extra are nothing more than profit items for the provider (in many cases more lucrative than the equipment sale).

I'm ignoring the obvious: You will need a comfortable chair, roomy desk, organized files, and the like.

EQUIPMENT CHECKLIST

- Multiline phone:
 - Two-line minimum.
 - Conference calling.
 - Headset.
 - Speaker.
 - Speed dial, minimum of 10 lines.
- Fax machine (if not incorporated into your computer):
 - Dedicated, separate phone line.
 - Memory.
 - Redial and speed dial.
 - Minimum 50 pages of capacity for printing.
- Copier:
 - Minimum six pages per minute.
 - Accommodates legal and regular paper.
 - Enlarging and reducing capability.
 - Single-feed and multifeed capability.

- Postage meter and electronic scale:
 - Minimum 15-pound scale that can automatically trigger meter.
 - Meter refillable via phone line.
 - Capability for tapes (for packages) as well as envelopes.
 - Automatic upgrades when rates change.
- Computer and peripherals:
 - Maximum storage and speed you can afford.
 - High-speed Internet connection (preferably cable).
 - Backup dial-up phone line.
 - Wireless connection capability for laptop when traveling.
 - High-speed laser printer.
 - Automatically searches for and recommends software updates.
 - Minimum “footprint” or space requirements.
 - Minimum software requirements:
 - Word processing.
 - Spread sheet.
 - Database filing system.
 - Contact management system.
 - Graphics creation.
 - Two e-mail programs (in case of crash or problems).
 - Two browsers (in case of crash or problems).
 - Synchronization with your personal digital assistant (PDA).
 - CD/DVD drive(s).
- Alternative and optional items that may help considerably:
 - Television and radio, with VHS capability.
 - Stereo system.
 - Small refrigerator.

COMMENTARY

I think that Apple computers are the best investment. On average, you can use one for five years with appropriate upgrades before having to replace it. They don't get viruses and are intuitive, idiot-proof, and absolutely reliable. Apple's service is good, which is all you can expect in the high-tech industry.

Microsoft Office offers a highly convenient suite of software services, useful separately for the average person, but highly integrated for the techie.

Once upon a time it made sense to lease equipment, but today the purchase prices are so reasonable that you might as well buy what you need and simply deduct the expenses from the company receipts. It's easier, for example, to buy a new fax machine than to fix a broken one.

Pitney Bowes owns the postage meter market for all practical purposes. The equipment works well, but the service is mediocre. The best place to buy copiers and fax machines may be Staples.

Make sure you have a backup, old-fashioned dial-up modem connection. That way, if the cable fails, which it can do, you aren't isolated and can still access e-mail and the Internet, albeit much more slowly.

CLIENT FILES

These days files should be physical *and* electronic. You need to retain client publications and reports that are in hard copy (and where scanning is not feasible). However, virtually all correspondence can be captured electronically.

In either medium, organization is everything.

CLIENT FILE CHECKLIST

- Client name, address, phone number, e-mail, web site.
- Total contact information for key buyers, recommenders, and relevant others.

- Annual report and related public information.
- Buyer profile: family, interests, experience, preferences.
- Copies of *all* correspondence generated in either direction, including e-mail.
- Copy of signed proposal or agreement.
- Copies of all invoices and fee check stubs.
- Copies of client document requests: Form 1099, nondisclosure forms, and so on.
- Notes on individuals met: potential buyers, resisters, sponsors, and so on.
- Directions to all sites and office locations, whether obtained from the client or the Internet.
- Copies of all expense statements.
- All graphics and models created expressly for client (work product).
- All graphics previously created by you and used in client's business (proprietary).
- Speech notes, requirements, and graphics used.
- Accolades, testimonials, and other rave reviews.
- Any planned recontact dates.

COMMENTARY

Physical files are still required, despite the computer. They serve as an excellent backup and as a repository for items not easily entered on the computer (e.g., a payment stub from the client, a physical manual, etc.). You may want to take the checklist and actually staple or tape it to the front of your main client file area so that you can ensure a comprehensive file.

I recommend that you retain physical files for three years after ending a client relationship; if the relationship is ongoing, purge older material every other year. Keep all computer and electronic files on a CD or other media indefinitely.

INSURANCE

Counterintuitively, life insurance is not a primary business need, though it's obviously an important part of your life planning. But you have much more of a chance of becoming disabled with disastrous results for your family as a solo practitioner and provider.

Disability insurance, like almost all insurance, is least expensive when purchased through a group. Individual policies can be expensive, but are nonetheless a mandatory business investment (though they need to be paid from after-tax income, not company money, so that the proceeds are tax free if ever needed). Normally, disability policies will pay a maximum of 80 percent of the prior year's (or average of the most recent several years') income. It's important to be vigilant about this, since consulting income can vary so much, especially on one's personal W-2 form. Although more expensive, disability policies that pay benefits until you can resume your prior work, rather than simply resume *any* work, are far superior. Otherwise, you may find your disability payments suspended because you are qualified to work at much lower-paying jobs than your consulting work.

Long-term care (LTC) insurance has become increasingly popular and protects you and your spouse should you become infirm in older age. Policies may provide for extensive home care, with the benefit of avoiding institutionalization and remaining with loved ones. Normally, LTC insurance can be paid for by the firm with pretax money, making it an excellent investment and deductible expense.

Liability insurance protects you should you be sued for negligence, such as a participant injuring himself during a workshop by tripping over a computer power cord you are using. It will also cover you should you break a client's computer, for example.

Malpractice insurance—often called errors and omissions (E&O) insurance—is another mandatory coverage. This protects you should a client sue you for bad advice (e.g., you advise a strategy approach or financial investment that results in a huge loss). In an increasingly litigious society, this coverage is crucial. Moreover, many major

organizations (e.g., Hewlett-Packard) won't permit you to work for them unless you show evidence of an in-force E&O policy. Premiums are generally based on the volume of your business.

Make sure that your business equipment is covered by your homeowner's policy if your office is in your home, or by renter's or lessor's policies if you have space in someone else's facility. (That includes shared space that your accountant or attorney is providing for free.) If your homeowner's policy doesn't cover your business equipment, you can usually arrange for either a rider at small extra cost or a separate policy with a firm specializing in such coverage.

Finally, consider personal umbrella coverage. This is usually a several-million-dollar policy at relatively small cost that kicks in when you have a claim against you that exceeds your normal automobile, homeowner's, or other coverage. It is very effective last-resort insurance. (We'll talk about incorporation in Section 8, but for now be aware that you *must* incorporate in some form. You do not want litigants pursuing your personal assets, so you must create a firewall of protection. I've heard even some lawyers claim that incorporation isn't critical for professional services firms. They don't know what they're talking about. Incorporate as a limited liability company, Chapter C corporation, or Subchapter S corporation.)

INSURANCE CHECKLIST

- Disability insurance:
 - Automatically renewable until at least age 65.
 - Maximum 90-day waiting period to begin collecting benefits.
 - Pay with personal, after-tax income (cheapest to pay on annual basis).
 - Ensure benefits from all policies will total at least 80 percent of projected income.
 - Choose policy that pays benefits until *regular* job can be reclaimed, not any job.

- Long-term care insurance:
 - Allows for home care and 24-hour support.
 - Allows for rehabilitation and therapy.
- Liability insurance: covers you on client site and clients visiting your site.
- Malpractice insurance:
 - Covers up to prior two years when issued (for delayed claims).
 - Minimum of \$1 million in coverage.
 - Coverage in effect if you are in high-risk consulting (finance, mergers, etc.).
- Business equipment coverage:
 - Covers all threats (e.g., robbery, power surge, flood, spills, etc.).
 - Covers owned as well as leased equipment.
 - Reasonable deductible (e.g., maximum \$500).
- Umbrella liability coverage: broadest spectrum of coverage you can arrange (may not cover malpractice).

COMMENTARY

I've had the best experience dealing with insurance brokers who can offer coverage from a wide variety of companies, seeking out the best deal for me. Therefore, my malpractice coverage might be with one company, but my liability coverage with another.

Group coverage is always less expensive, but not always attainable. If you have group disability coverage, for example, make sure the policy allows for transition to a personal policy, even at increased cost, should you leave that group for any reason (or if it disbands or is denied renewal insurance, which sometimes happens to trade associations).

Regularly ask your broker to investigate better deals, since all of these products change periodically due to a competitive market.

Don't stint on insurance coverage of any kind. My experience is that Provident Life provides good individual disability policies, and Philadelphia Indemnity offers competitive malpractice coverage. But if you give your business to just one or two brokers who handle the full array of coverage, you'll probably find the best coverage at the best price.

PROFESSIONAL ASSISTANCE

We all require specialized help. I just love it when someone says, "There's a software package that will allow you to create your own web site or your own PowerPoint slides," because even if I could master the technology, it would require \$50,000 of my energy and the results still wouldn't be as good as with a professional. (Can you imagine if someone offered a book such as *The Substitute for a Consultant Book*, which sold for \$29.95 and enabled business executives to become their own consultants?)

The checklist details the major types of professional assistance, and my suggestion is that you develop two philosophies:

1. Try to create a long-term relationship to maximize familiarity, speed, best prices, priority treatment, and so forth.
2. Always develop a backup and provide a bit of work in case the first philosophy is undone by circumstances (a rift, they leave the business, larger customers usurp their time, you outgrow them, etc.).

Bear in mind that you're paying for these services, so that even the expert you're employing needs to be sensitive to your objectives and position. The best financial adviser won't be effective if he or she doesn't take the time to understand your family situation, retirement plans, alternative sources of income, investment comfort, and the like.

PROFESSIONAL ASSISTANCE CHECKLIST

- Financial planner:
 - Partner in the firm.
 - Face-to-face access when needed.
 - Experienced with self-employed and entrepreneurial.
 - Does not sell anything other than advice.
 - Certified financial planner (CFP) or equivalent certification.
- Tax professional:¹
 - Certified public accountant (CPA).
 - Partner in the firm.
 - Face-to-face access when needed.
 - Experienced with self-employed and entrepreneurial.
 - Does not sell anything other than advice.
 - Proactively suggests tax-savings ideas.
- Bookkeeper:
 - Master's or equivalent in accounting.
 - Provides computerized spreadsheets, balances, ledgers.
 - Willing to deal directly with tax professional as needed.
- Attorney:
 - Understands solo practices and professional services providers.
 - Can provide trademark and other protection assistance.
 - Partner in the firm.
 - Can provide litigation assistance (e.g., plagiarism claims).
- Web designer:
 - Excellent sites created that can serve as references.
 - Can register and perpetuate domain names and ownership.

¹This person may or may not be your financial planner.

To download sample templates and checklists, go to www.summitconsulting.com. For more information, visit www.wiley.com/go/summitconsulting.

- Can take care of maximum search engine exposure (“meta-tags,” etc.).
- Accessible by phone within a business day.
- Does all web site work, navigation, and links, but *not* copy (that’s your job).
- Graphics designer:²
 - Evidence of superb work.
 - Can guarantee reasonable delivery/response times.
 - Always will provide options from which you can choose.
- Printer:
 - Maintains extensive hours of operation.
 - Can provide duplication while you wait.
 - Can provide color copies and color printing.
 - Can accept work and provide work electronically.
 - Can bind, provide covers, collate, provide inserts, and so on.
- Travel agent:
 - Extensive hours.
 - Finds the best deals.
 - Available to change plans and reservations during a trip.
 - Inserts and tracks frequent-flier credits.
 - Reasonable fees.

COMMENTARY

I’ve not mentioned specific fees here because you often get what you pay for, but all of the financial and legal people are going to charge by the hour, ranging from \$75 to about \$250. You’re actually better off

²This is the individual who creates your brochures, publicity pieces, product covers, and the like.

this way, even though it's a dumb way for them to run their own practices because they charge by a time unit, not *value*.

I haven't mentioned the obvious in the checklist, which is to get references and talk to each professional. Never use anyone in the family or someone's uncle Louie.

Your travel agent will probably assess a \$25 or so charge for each transaction, since most travel providers have stopped paying commissions. These charges are reimbursable by your client if you're traveling on client business, and are company deductions for taxes in any case if you're traveling for marketing purposes.

You can, of course, make your own reservations through a wide variety of Internet sites, but beware of saving \$100 on a ticket at the expense of three hours of your time.

I've found that law firms with a variety of services in one practice are better choices than doing business with separate firms for trademark, incorporation, litigation, and so on. But I do like to use separate firms for tax purposes and investment strategy.

I've also omitted "virtual assistants," those people who are shared resources in a remote location and may do correspondence, billing, follow-up calls, and the like. I find most of them a needless expense who don't represent you well (how can they, when they represent two dozen or more people?) and you're better off with a local part-time student if you absolutely need help with typing, filing, and so on.

Many people will tell you that you can do things such as file for trademark protection over the Internet. But the fact is a good trademark attorney will cost only a few hundred dollars more than the Internet site and will be much more capable of ushering your application through, dealing with challenges, doing a thorough search, and so forth. After all, this is your intellectual property and brand you're trying to establish and protect.

TIME AND SPACE ALLOCATION

The second most popular question I'm asked (after the question about how to set fees based on value) is: "How do I best allocate my time?"

I've found that a physical calendar is vital. That is, electronic devices are inadequate, because they are not constantly in front of you, you can't view a year in one glance, the amount of text is condensed or abbreviated, and so forth.

There is a rubric that you can't deliver and market at the same time. That's totally false, *provided* that you have planned your time and activities well.

Your space allocation needs to maximize your time efficiency and privacy. I've found that even relatively small rooms can become great offices. Keep frequently used files in proximity, but keep infrequently used files in a more remote area (climate-controlled storage, spare room, climate-controlled garage, etc.) so that space isn't wasted.

TIME AND SPACE ALLOCATION CHECKLIST

- Physical calendar:
 - One day or one week on each page.
 - Full year at a glance foldout.
 - Room for notepaper and personal digital assistant (PDA).
 - Fits in your briefcase.
- Furniture:
 - Comfortable swivel chair.
 - Desk and credenza with maximum drawer and storage space.³
 - Wall calendar with full year schedule visible.
 - Files to accommodate hanging folders.
 - Platforms as needed for fax, copier, stereo, and so on.
 - Photos, drawings, plants to create aesthetic appeal.
 - Fully closing door for privacy.

³Rolltop desks are excellent because they have scores of compartments in which to store things.

- ❑ Monthly files:
 - ❑ Bills, follow-up, projects, in the month before deadline when due.⁴
 - ❑ “To do” folder on desk: contains current projects, daily tasks.
- ❑ Client files:
 - ❑ Electronic by client on computer.
 - ❑ Physical by client in nearby file to hold hard copy.
- ❑ Promotional literature: brochures, press kits, reprints, cards, and the like, readily accessible for mailing.

COMMENTARY

If you're setting up a room from scratch and have the funds, a designer can do wonders. Mine actually asked what kind of equipment I'd be using and designed a curving, built-in credenza under the windows that accommodates all of my electronics, phone, postage meter, and so forth. I can swivel from my desk to the credenza and perform 90 percent of my work without ever having to leave my chair.

I've found that Filofax makes the best personal calendars, and they have space inside for a PDA. I use a Palm PDA for two purposes: to store all contacts and phone numbers, and to track expenses. This is synchronized with my computer, so that expenses are easily printed for reimbursement by clients, and contacts are shared between my PDA and main computer.

Long file drawers that pull out laterally are less intrusive than the traditional files that pull out directly at you, and a unit of four can accommodate your client files, reprint literature, testimonials, financial records, and so on.

Make it clear to your family that when the door is closed you are “at the office” and are not to be disturbed. Use remote controls for the

⁴If the deadline is early April, the item should be in the March folder, for example.

stereo or television so that they can be quickly shut off if you want to answer your phone.

These days, voice mail is quite acceptable (as long as messages are promptly returned) and you can usually subscribe to one for about \$50 or less a month, complete with options for the caller. These can be remotely accessed while traveling.

Don't skimp on your office. You'll be spending a lot of time there and it therefore must be a comfortable—and comforting—place.

