

IEEE Central Savannah River Section and Greater Aiken SCORE Chapter

Starting a Consulting Business

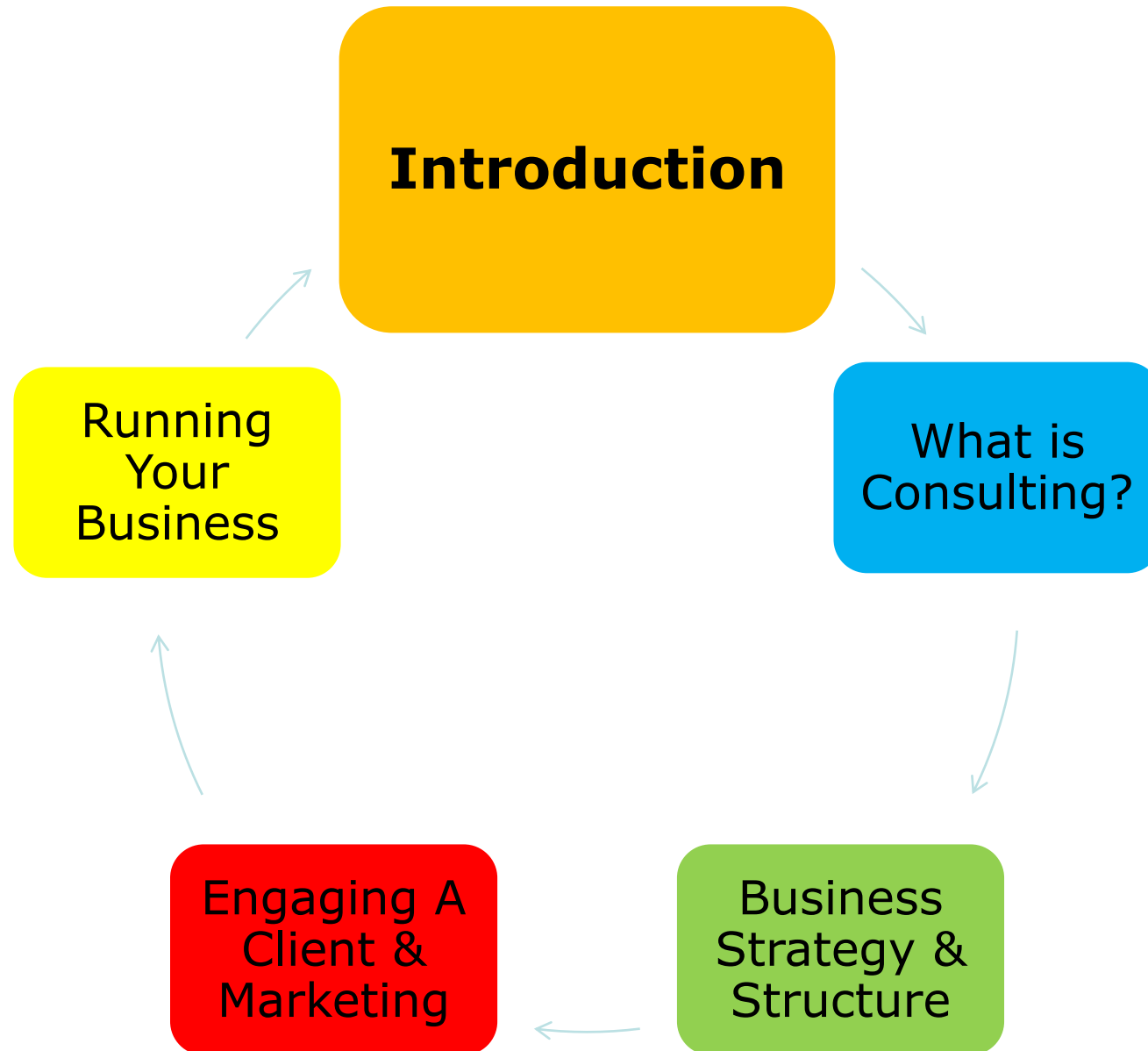
Dennis M. Moen, Ph.D., P.E.

Nicholas "Chip" Retson, J.D., LL.M.

Agenda

- Introduction
- Being a Consultant – Positives and Negatives
- Setup – Business Structure, Choice of Entity
- Getting Clients – Business Development and Marketing
- Running Your Business Ethically
 - Proposals and Contracts
 - SOW, NDA's, Important Terms
 - Pricing – Fee Structures and Costs

AGENDA

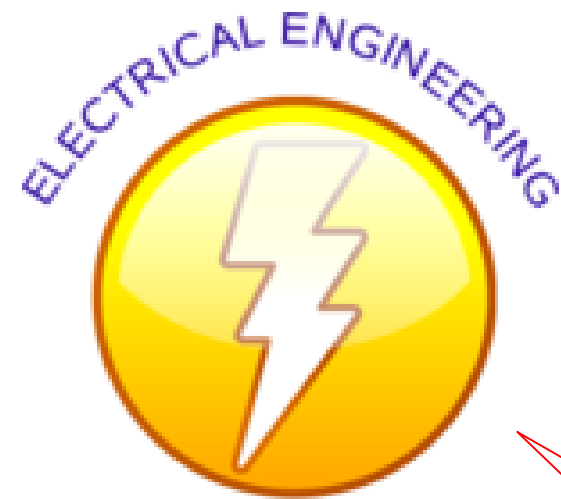


Your Presenters

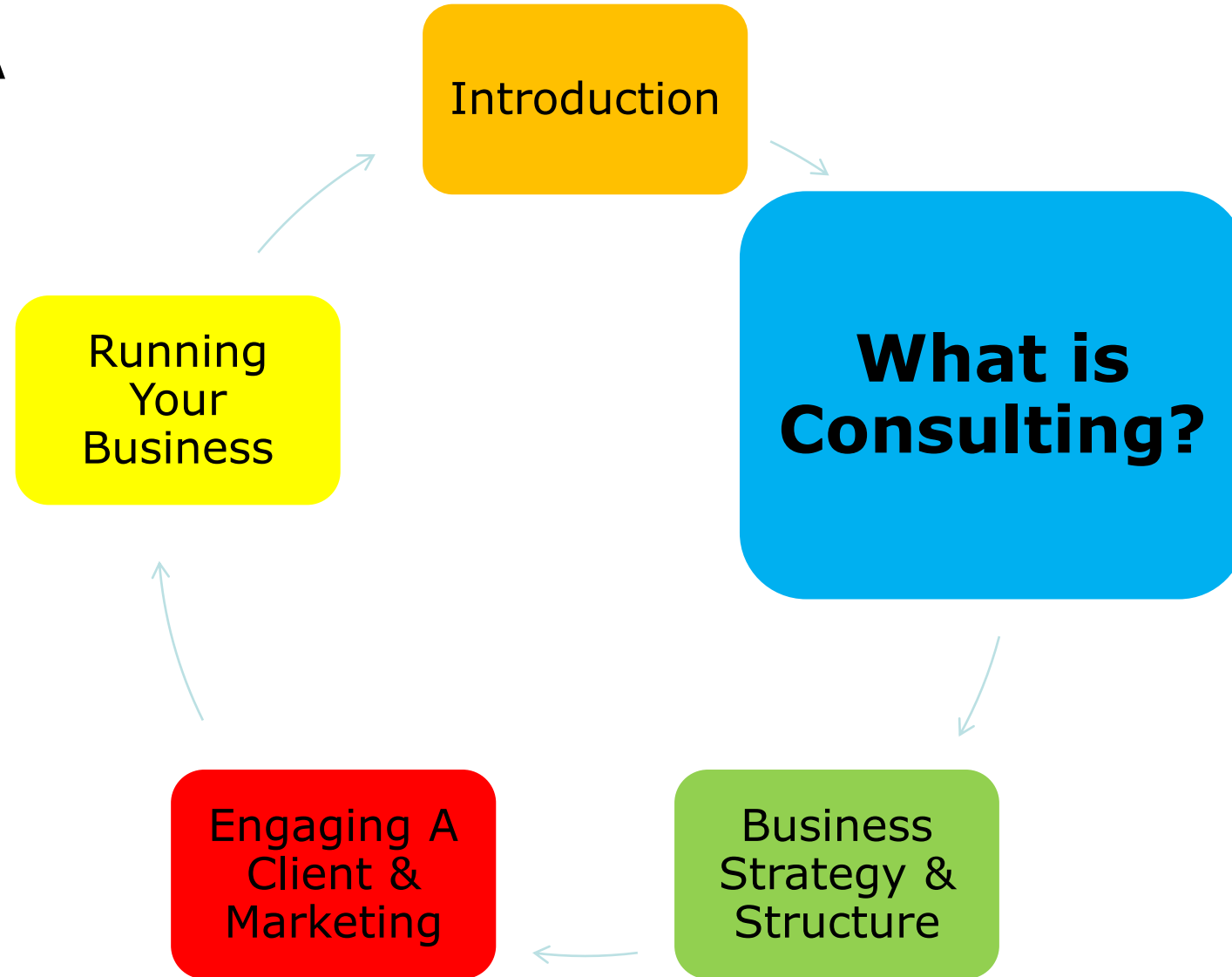
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AGENDA



What is a consultant?

Wikipedia:

A ***consultant*** is a person who provides professional or expert advice in a field of science or business to either an organization or individual. A ***consultant*** provides expertise that a client lacks or support that a client is unable to fulfill.

What is a consultant? (cont)

- Consultants are often hired to supplement an organization's staff while saving the costs of hiring a full-time employee. They are considered experts in their field and are paid to share their knowledge and expertise to help solve problems and reach goals.
- Consultants are often self-employed and offer an outside, objective view (opinion) to help organizations spot problems or improve performance or a product.
- (Not going to discuss being a contract employee)

What makes a good consultant?

- Industry experience or expertise in a specific field often demonstrated by professional license (by a government entity) or third-party certification (e.g., Microsoft certified system administrator).
- A “People Person” able to get along with variety of clients and client needs.
- Experience giving presentations, solving difficult problems, and navigating office politics.
- The ability and comfort to take on temporary assignments that could last weeks, months, or years.

Where do consultants work?

- Some of the most common problem areas that consultants are hired to help with include
 - Accounting and finance
 - Human resources and employee training/development
 - Technology
 - Branding and marketing
 - Management,
 - Project management

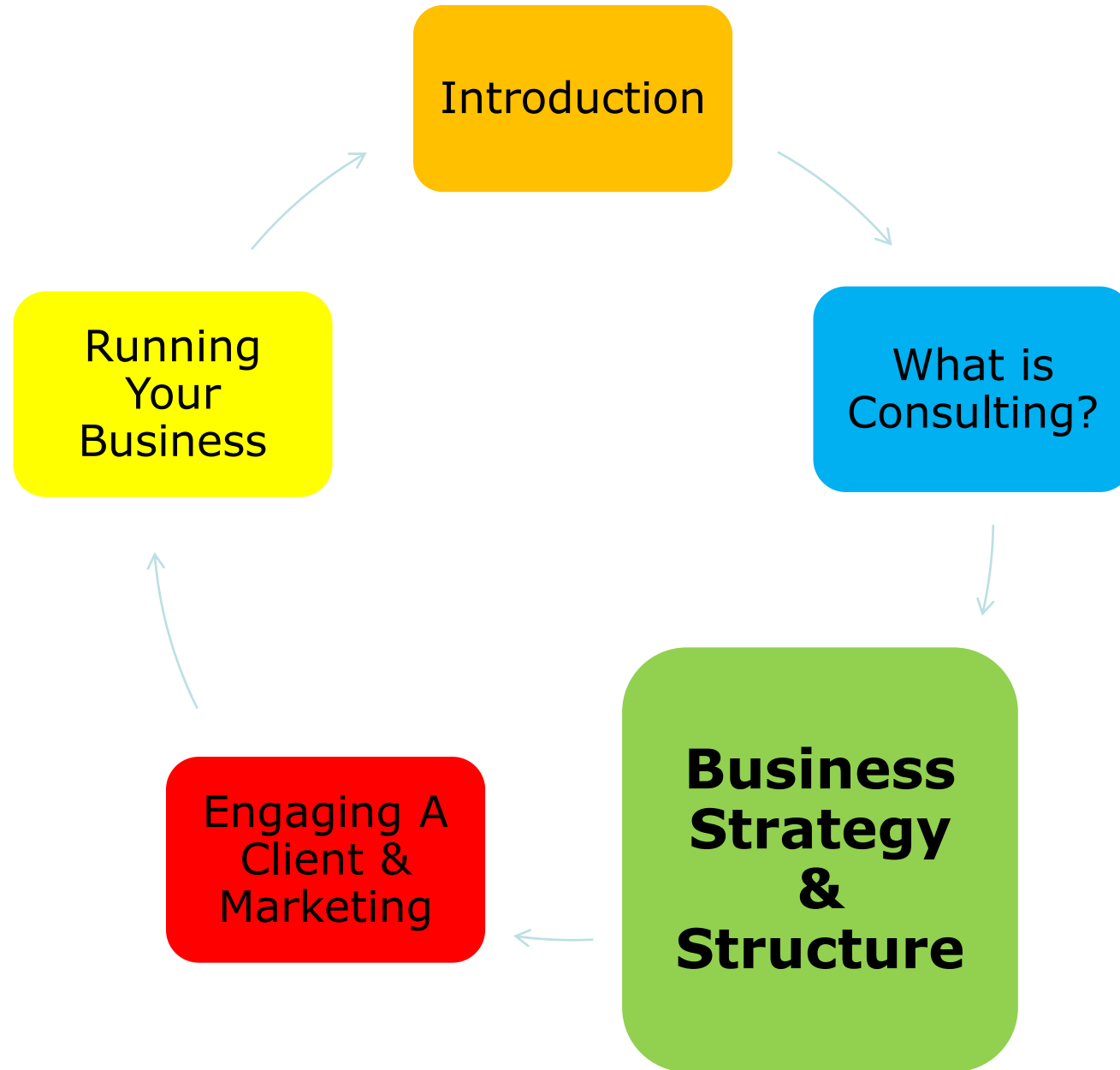
Why be a consultant?

- Your Current Job Ends (retirement, project ends, etc.)
- Build a Business or just Need Income
- In transition until you find your next job
- Positives or negatives

Is consulting right for you?

- Are You... Able to Travel? Flexible/Adaptable? Good at elevator speeches, sharing ideas and concepts?
- There are plenty of opportunities within firms waiting for you to seek them out—somewhere to volunteer, some proposal to write, some article to contribute to—but that, combined with your client work, can equal burnout. It can be intense and overwhelming, don't be afraid to say no. **Balance in your life!**

AGENDA



What is your business STRATEGY?

- To survive you must maintain positive profit margins and meet customer expectations.
- What differentiates you?
 - Cost?
 - Quality?
 - Unique skills?
 - Look ahead and find the tools and strategies that drive the creation of new ideas.
 - Continuously recalibrate your skills and keep them up to date.

Business STRUCTURE and Choice of Entity

- Sole proprietor
- Partnership
- LLC
- S-Corp
- Corp
- Entity business licensing

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1st



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CORPORATIONS

ELECTIONS

LICENSING

SECURITIES

CHARITIES

**“Create Or Change
An Entity”**

2nd





South Carolina Secretary of State

Mark Hammond

- From the Secretary's Desk
- Online Services
- Business Filings
- Public Charities
- Raffles
- Notaries and Apostilles
- Trademarks
- Cable Franchise Authority
- Service of Process
- Boards and Commissions
- Municipalities
- Consumer Information
- Forms and Fees

Welcome to the Secretary of State's Office

Thank you for visiting the online office of the South Carolina Secretary of State. Our goal is to provide you with easy access information from the convenience of your home or office.

Each division of the Secretary of State's Office provides diverse services and information to the citizens of South Carolina. This Website is designed to serve as your one-stop site for accessing general information as well as providing information specifically related to each division. I invite you to take advantage of this convenient resource.

Mark Hammond

News and Important Notices

- SC Secretary of State Announces Settlement Agreement with Professional Fundraiser - 5/31/2018**
Donor Services Group fined for solicitation on behalf of Planned Parenthood Action Fund
- South Carolina Secretary of State Wins International Award - 5/8/2018**
Hammond recognized for innovative customer service with state-of-the-art online filing system.

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CHARITIES, PFRs & RAFFLES
FILE

CHARITY
SEARCH

CHARITABLE SOLICITATION COMPLAINT FORM NEW

YOUR IDEA

Your Product or Service

What customer problem/need/want does it address?

1

Customer Alternatives

How else can the customer meet this problem/need/want?
What competition do you have?

2

Competitive Advantage

Why would customer buy yours instead?

3

Risks & Challenges

What obstacles or hurdles do you anticipate?

4

YOUR CUSTOMER

Ideal Customer/Business Type

What characteristics do your customers share?

5

Your Elevator Speech!

6

Marketing Plan

How will you reach your customers? How will you test the market?

7

Customer Retention

How will you collect customer info and build loyalty?

8

HOW THE \$\$s WORK

Costs

What are your major start-up, fixed, and variable costs?

9

Pricing and Income Projection

What is your pricing plan? What sales do you project?

10

Important Relationships

What key business partners does your business depend on?

11

Measurements

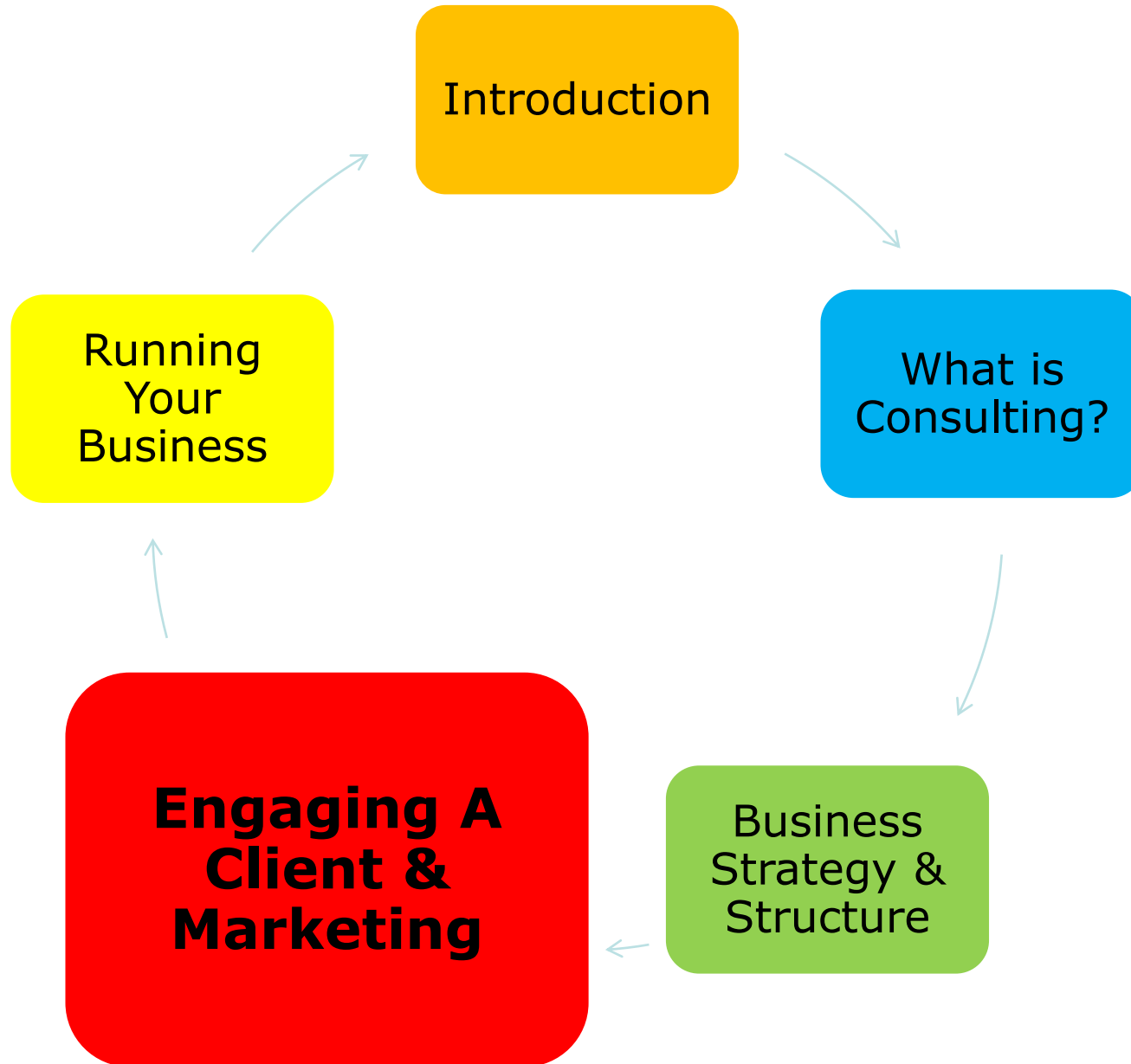
How will you quantify whether the business is viable?

12

Key Activities

What are the next tasks that need to be carried out?

AGENDA



Marketing and media

- Networking
 - Personal Network
 - Professional Network
- Internet & Social Media presence
 - Facebook
 - Domain registration, email and Web site
 - Twitter
- Conferences
- Publishing/Presenting

Marketing and media (cont.)

Networking Your Professional Associations

- IEEE Consultants Network
- Armed Forces Communications & Electronics Assn (AFCEA)
- American Society of Civil Engineers (ASCE)
- Chambers of Commerce
- SCORE (The Volunteer arm of SBA)
- theClubhou.se
- Client organizations

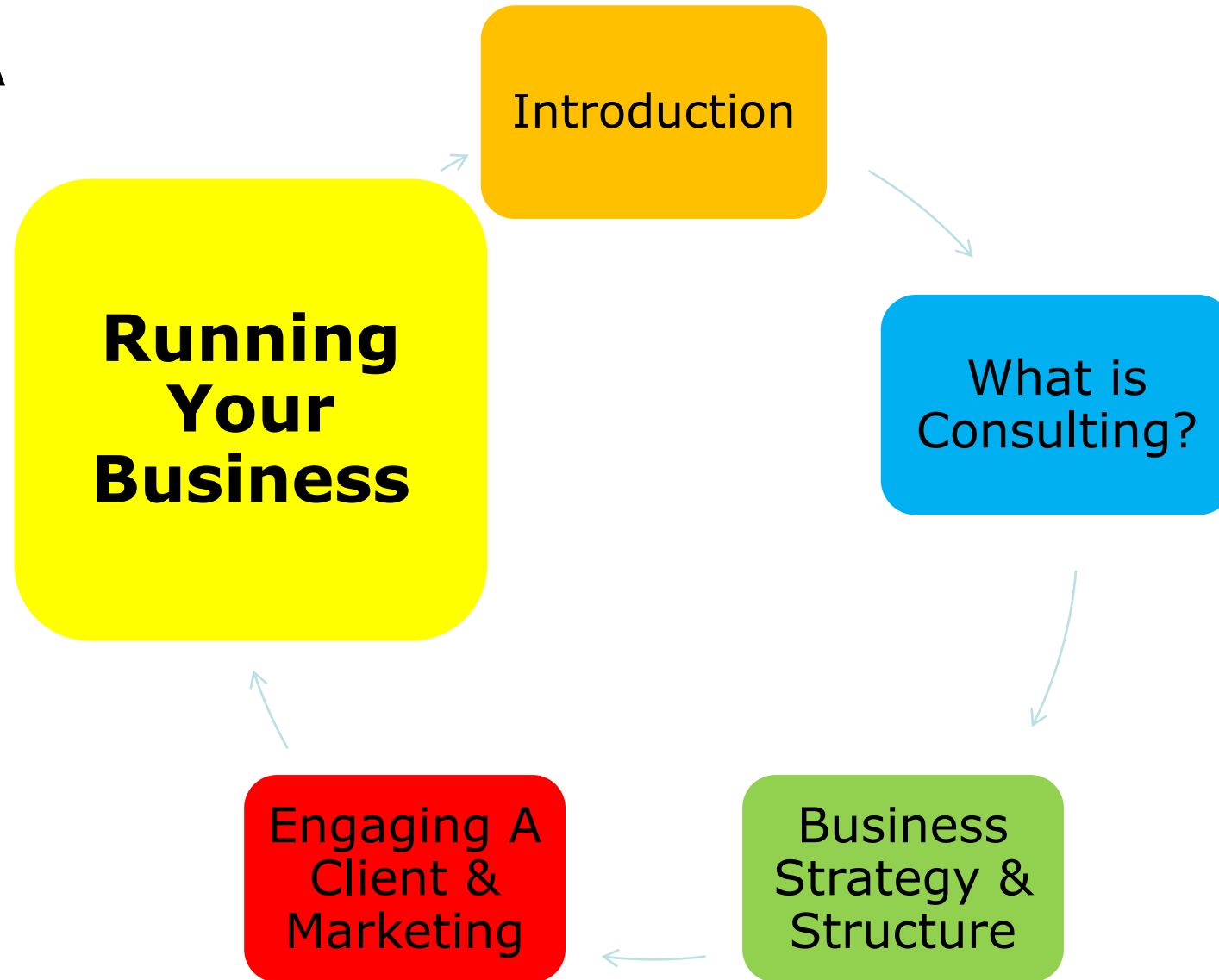
Engaging the client

- First meeting preparation
- Interviewing
- Using questionnaires
- Observing decision maker behavior
- Listening

Engaging The Client (cont.)

- Developing flow diagrams for defining the real problem to be solved
- Feedback to client to ensure problem to be solved is the correct one.
- Don't take projects where you are to solve a problem and the client tells you **how** to do it!

AGENDA



Business Operations

- Organization name
 - Dun and Bradstreet number (DUNS Number)
 - SAM (System for Award Management)
- Web and email (www.WHOIS.com domain name)
- Accounting, invoicing, payroll, and taxes
- Insurance: Health, Disability, Professional Liability, workers comp, unemployment insurance
- Employee benefits
- Policies and procedures
- Run your business ethically

Be a Responsible Consultant: Run Your Business Ethically

IEEE Ethical Code of Conduct

We, the members of the IEEE, in recognition of the importance of our technologies in affecting the quality of life throughout the world, and in accepting a personal obligation to our profession, its members and the communities we serve, do hereby commit ourselves to the highest ethical and professional conduct and agree:

- To accept responsibility in making decisions consistent with the safety, health, and welfare of the public, and to disclose promptly factors that might endanger the public or the environment.
- To be honest and realistic in stating claims or estimates based on available data.
- To improve the understanding of technology; its appropriate application, and potential consequences.

Proposals and Contracts

- Statement of Work (SOW)
- Pricing and fee structures
- Nondisclosure agreements (NDAs) [yours & theirs]
- Types of contracts (Time and Materials, Fixed Price, Cost Plus Fixed fee, Cost Plus Incentive Fee)

Protecting Your Intellectual Property

- Who owns your report?
- Can you use the report elsewhere (license)?
- Who owns the methodology you used to find the result? E.g., you create an algorithm.
- Who owns your website content/format? Will your client allow you to reference them?

Managing the project

- Allocating resources
 - Cost
 - Schedule
 - Performance
- Necessary capabilities: Time and expense reporting and resource management

Tools and skills

- Licensing of tools: i.e., MS Office, Matlab, Mathcad, Cad, accounting...
- Periodic training and learning new skills
- Licensing and certifications

The Daily/Hourly Billing Rate

Equals: Daily Labor Rate + Overhead + Profit

- Daily Labor Rate:

Your worth as a labor commodity per year/260 days

- $\$120,000/260 = \460

- Overhead:

Independent Consultants Average 65-145% of direct labor.

- Average = about 95%

- Profit: 10-25% of final price

Example Rate

- Daily labor rate = \$460
 - + Overhead (95% of 460) = \$437 \$897
 - + Profit (20%) [100%-20%=] divide by .80 \$1121.25
- Say \$1100 or \$1120 per day
- Or \$1121.25/8 hours = \$140 per hour
- Establish minimum engagement periods
- Consider hourly rate premiums
 - \$1100 per day
 - \$160 an hour (\$160 x 8 = \$1280)

Consider Alternatives

- All inclusive rate
 - *e.g.*, includes travel expenses per day
- Priority availability
- Retainers
- Fixed pricing for a project with defined deliverable
- Expedited deliverables

Example: Full-Time Management Consultant

Daily Labor Rate =		\$325.00			
Expectation of Billing Clients = 14 days per month (168 days per year)			168		
CATEGORY OF EXPENSE			MONTHLY		ANNUAL
Secretary (\$1,575/month)			\$1,575.00		\$18,900.00
Office Rent			\$625.00		\$7,500.00
Telephone & Postage			\$325.00		\$3,900.00
Automotive			\$475.00		\$5,700.00
Personnel Benefits/Employment Taxes			\$810.00		\$9,720.00
Equipment & supplies			\$150.00		\$1,800.00
Marketing					
Personnel (4x\$325)		\$1,300.00			
Direct		\$250.00	\$1,550.00		\$18,600.00
Practice Management			\$650.00		\$7,800.00
Dues and Subscriptions			\$75.00		\$900.00
Professional development			\$200.00		\$2,400.00
Business Licenses and Taxes			\$65.00		\$780.00
Business Liability/Theft/Fire Insurance			\$70.00		\$840.00
Accounting & legal			\$150.00		\$1,800.00
Miscellaneous			\$200.00		\$2,400.00
TOTAL			\$6,920.00		\$83,040.00
DAILY OVERHEAD	\$83040/168 =	\$495.00			
DAILY BILLING RATE					
Daily Labor rate		\$325.00			
Overhead	137.69%	\$495.00	\$820.00		
Profit	16.50%	83.50%	\$982.04		
(16.5%) [100%-15,5%=83.5%]					
DAILY BILLING RATE =			\$982.00		

Example: Full-Time Management Consultant (Cont.)

<u>DAILY BILLING RATE</u>				
	Daily Labor rate		\$325.00	
	Overhead	137.69%	\$495.00	\$820.00
	Profit	16.50%	83.50%	<u>\$162.00</u>
	(16.5%) [100%-16.5%=83.5%]			
	DAILY BILLING RATE =			\$982.00

Fixed Price Contract

Determining Total Fee

<u>DIRECT LABOR</u>					
Senior Professional		15 days x	\$325.00	\$4,875.00	
Associate		10 days x	\$250.00	\$2,500.00	
Secretarial		8 days x	\$100.00	\$800.00	\$8,175.00
<u>OVERHEAD</u>	95.00% of \$8,175.00				\$7,766.25
<u>DIRECT EXPENSE</u>					
Air Travel				\$505.00	
Postage				\$120.00	
Rental Car				\$245.00	
Printing				\$135.00	
Per Diem				\$170.00	
S. Smith, Ph.D.				\$1,450.00	
Auto Mileage				\$110.00	\$2,735.00
					\$18,676.25
<u>PROFIT</u>	15.00%				\$2,801.44
				TOTAL FIXED PRICE	\$21,477.69

Signs of Bad/Unethical Business

- Lack qualifications to perform adequately
- Personality conflicts
- Unrealistic Client Expectations
- Illegal, unethical acts and actions that might create conflict of interest
- Client failure to appreciate the value of your services
- Insufficient time availability

Turning Down Unwanted or Bad Business

- “I don’t do that”
- “I’m too busy”
- Re-definition
- High bid
- “Conflict of interest”
- Take just a piece of the assignment

When are You Likely to Give Away Your Services for Free?

- Proposal Writing: Don't provide too much detail on **how** you will do it, concentrate on **results you will produce**.
- The Follow-Up Situation: Spell-out and limit your contract to the amount of follow-up assistance you will provide.
- Diagnosis and Needs Analysis: Diagnosis and needs analysis is likely your most valuable service—don't give it away, charge for it.
- Diversion: Don't provide services beyond your agreed scope of work without additional charge.
- Friends/Associates/Relatives: Pick your own charities.

Additional Resources (Examples)

- Secretary of State (SC) www.sos.sc.gov (GA) www.sos.ga.gov
- Greater Aiken SCORE www.greateraiken.score.org
- SCORE National www.score.org
- Institute of Electrical and Electronics Engineers (IEEE) www.IEEE.org
- Armed Forces Communications Electronics Association (AFCEA) www.AFCEA.org
- American Society Of Civil Engineers (ASCE) www.ASCE.org
- theClubhou.se <https://theclubhou.se>

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Discussion

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IEEE/SCORE PACE Workshop December 4: Introduction to Consulting and Starting Your Own Business

This initial workshop objective is to focus on how to begin a consulting career. We will present what it means to be a consultant, why clients need your skills, how to leverage your expertise and what the requirements are to be successful. We will review basic pricing strategies and basic contracting for services.