

START & RUN A CONSULTING BUSINESS

Douglas Gray, BA, LLB

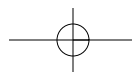


Self-Counsel Press

(a division of)

International Self-Counsel Press Ltd.

USA Canada



Copyright © 1985, 2010 by International Self-Counsel Press Ltd.

All rights reserved.

No part of this book may be reproduced or transmitted in any form by any means — graphic, electronic, or mechanical — without permission in writing from the publisher, except by a reviewer who may quote brief passages in a review.

Self-Counsel Press acknowledges the financial support of the Government of Canada through the Canada Book Fund (CBF) for our publishing activities.

Printed in Canada.

First edition: 1985; Reprinted: 1985

Second edition: 1986; Reprinted: 1987; 1988; 1989; 1990

Third edition: 1990; Reprinted: 1991; 1992; 1993 (2); 1994

Fourth edition: 1995; Reprinted: 1995

Fifth edition: 1996; Reprinted: 1997; 1998; 1999; 2000

Sixth edition: 2002; Reprinted: 2003; 2005

Seventh edition: 2006

Eighth edition: 2008

Ninth edition: 2010; Reprinted: 2013

Library and Archives Canada Cataloguing in Publication

Gray, Douglas A

Start and run a consulting business / Douglas Gray. — 9th ed.

ISBN 978-1-77040-045-0

1. Consultants. 2. New business enterprises. I. Title.

HD69.C6G73 2010

001.068

C2010-900112-5

Self-Counsel Press

(a division of)

International Self-Counsel Press Ltd.

1704 North State Street
Bellingham, WA 98225
USA

1481 Charlotte Road
North Vancouver, BC V7J 1H1
Canada

CONTENTS

INTRODUCTION	xix
1 UNDERSTANDING THE CONSULTING BUSINESS	1
1. WHAT IS A CONSULTANT?	1
2. WHO GOES INTO CONSULTING?	4
3. WHY DO ORGANIZATIONS USE CONSULTANTS?	4
3.1 Temporary assistance	4
3.2 Objective review	4
3.3 Third-party request for problem identification and resolution	5
3.4 Surviving a crisis	5
3.5 Initiating change	5
3.6 Obtaining funding	5
3.7 Selecting personnel	5
3.8 In-house education	5
3.9 Dealing with internal personnel difficulties	5
3.10 Delay tactics	5

3.11	Executive assistance	6
3.12	Government regulatory compliance	6
3.13	Socio-economic and political changes	6
3.14	Government excess funds	6
4.	REGULATIONS AFFECTING CONSULTANTS	6
2	SELF-ASSESSMENT	7
1.	INTRODUCTION	7
2.	ATTRIBUTES OF SUCCESSFUL CONSULTANTS	7
3.	ASSESSING YOURSELF AND YOUR MARKETABLE SKILLS	8
4.	RESOURCES FOR IDENTIFYING CONSULTING OPPORTUNITIES	8
4.1	Consulting newsletters and websites	8
4.2	Newspapers and magazines	8
4.3	Consulting and professional associations	9
4.4	Government agencies and publications	9
4.5	Public and university libraries	9
4.6	Continuing education courses and seminars	9
4.7	Competitors	10
3	SETTING UP YOUR BUSINESS	13
1.	START-UP COSTS AND MONTHLY EXPENSES	13
1.1	Start-up costs	14
1.2	Monthly overhead expenses	14
1.3	Personal expenses	14
2.	SELECTING A NAME	15
2.1	General considerations	15
2.2	Fictitious name	18
3.	SELECTING AN OFFICE	18
3.1	Home office	18
3.2	Office outside of home	19
3.3	Equipping an office	22
3.4	Office supplies	24
3.5	Personnel	25

4. SELECTING A TELEPHONE SYSTEM	26
4.1 A separate phone at home	26
4.2 Business line terminating at answering service	26
4.3 Business line terminating at home and answering service	27
4.4 Overline	27
5. SPECIAL TELEPHONE FEATURES	27
5.1 Call waiting	27
5.2 Call forwarding	27
5.3 Three-way calling	27
5.4 Speed calling	27
5.5 Phone/fax	27
5.6 Call display/name display	27
5.7 Call return	28
5.8 Call again	28
5.9 Call answer	28
6. SAVING MONEY ON LONG DISTANCE PHONE CALLS	28
6.1 Charging long distance calls to clients	28
6.2 Calling cards	28
6.3 VoIP	28
7. OTHER COMMUNICATION OPTIONS	29
7.1 Voice mail	29
7.2 Generic telephone number	30
7.3 Pager	30
7.4 Cellular phone	31
7.5 Email	31
7.6 The Internet	31
8. DEVELOPING YOUR WEBSITE	32
8.1 Pitfalls to avoid	32
8.2 Keeping the website interesting	33
8.3 Designing an effective web page	33
8.4 Key options for marketing your website online	34

4	LEGAL FORMS OF BUSINESS STRUCTURE	37
1.	INTRODUCTION	37
2.	SOLE PROPRIETORSHIP	37
2.1	Advantages	38
2.2	Disadvantages	38
3.	PARTNERSHIP	39
3.1	Advantages	39
3.2	Disadvantages	39
3.3	Partnership agreement	40
3.4	Kinds of partners	40
4.	CORPORATION	40
4.1	Advantages	40
4.2	Disadvantages	42
4.3	Corporate purposes	42
4.4	Shareholders' agreement	42
4.5	Maintaining the corporate protection	43
5.	S CORPORATION (SUB-CHAPTER OR SUB-S) (UNITED STATES)	45
6.	LIMITED LIABILITY CORPORATION (LLC) (UNITED STATES)	45
5	SELECTING BUSINESS AND PROFESSIONAL ADVISERS	46
1.	GENERAL CRITERIA FOR ADVISER SELECTION	46
1.1	Recommendations	47
1.2	Credentials	47
1.3	Clientele	47
1.4	Fees	47
1.5	Technical competence and industry knowledge	48
1.6	Style and personality	48
1.7	Confidence	48
1.8	Communication	48
1.9	Commitment	49
1.10	Availability	49
1.11	Length of time in practice	49

1.12 Ability to aid growth	49
1.13 Small firm versus large firm	49
1.14 Comparison	49
2. LAWYER	50
3. ACCOUNTANT	50
4. BANKER	51
5. INSURANCE BROKER	52
6. CONSULTANTS	52
6.1 Private consultants	52
6.2 Consultants subsidized by the government	52
6 PREPARING YOUR BUSINESS PLAN	54
1. WHY PREPARE A PLAN?	54
2. FORMAT	55
2.1 Introduction	55
2.2 Business concept	55
2.3 Financial plan	55
2.4 Appendixes	58
3. ESTIMATING YOUR START-UP FUNDS	58
3.1 Assessment of personal monthly financial needs	58
3.2 Estimated business start-up cash needs	58
4. SUMMARY	58
7 HOW TO OBTAIN FINANCING	71
1. TYPES OF FINANCING	71
1.1 Equity	71
1.2 Debt	72
2. SOURCES OF FINANCING	74
2.1 Equity	74
2.2 Debt	75
3. COMPETITION BETWEEN LENDERS	75
4. TIPS ON APPROACHING YOUR LENDER	76
5. WHY LOANS ARE TURNED DOWN	77

6. TYPES OF SECURITY A LENDER MAY REQUIRE	78
6.1 Endorser	78
6.2 Co-maker	78
6.3 Guarantor	78
6.4 Promissory note	79
6.5 Demand loan	79
6.6 Realty mortgage	79
6.7 Chattel mortgage	79
6.8 Assignment of accounts receivable	79
6.9 Postponement of claim	79
6.10 Pledge of stocks or bonds	79
6.11 Assignment of life insurance	79
8 KEEPING RECORDS	80
1. ACCOUNTING AND BOOKKEEPING	80
1.1 Separate record-keeping	81
1.2 Double-entry and single-entry bookkeeping	81
1.3 One-write accounting system	82
1.4 Cash or accrual record-keeping	82
2. BASIC ACCOUNTING RECORDS	82
2.1 Sales journal	82
2.2 Cash receipts journal	82
2.3 Accounts receivable ledger and control account	83
2.4 Accounts payable journal	83
2.5 Cash disbursements journal	83
2.6 Payroll journal	84
2.7 General ledger	84
3. NONFINANCIAL RECORDS	84
3.1 Personnel records	84
3.2 Tax records	84
3.3 Service records	85

4. OFFICE SYSTEMS	85
4.1 Handling new clients and projects	85
4.2 Time records	85
4.3 Standard form letters of agreement or contracts	85
4.4 Billing, credit, and collection	86
4.5 Calendars	86
4.6 Filing systems	86
9 HOW TO LEGALLY MINIMIZE PAYING TAX	90
1. TAX AVOIDANCE AND TAX EVASION	90
2. CASH OR ACCRUAL METHOD	91
3. FISCAL YEAR-END	91
4. CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS	91
5. MAXIMIZING DEDUCTIBLE EXPENSES	92
5.1 Home office	92
5.2 Automobile	93
5.3 Entertainment	93
5.4 Travel	93
5.5 Bad debts	94
5.6 Insurance	94
5.7 Education and professional development	94
5.8 Salaries	94
5.9 Equipment	95
5.10 Furnishings	95
10 INSURANCE	96
1. OBTAINING INSURANCE	96
1.1 Agencies	96
1.2 Insurance brokers	96
1.3 Clubs and associations	97
2. PLANNING YOUR INSURANCE PROGRAM	97
3. TYPES OF BUSINESS AND PERSONAL INSURANCE	98
3.1 General liability	98
3.2 Products or completed operations liability	98

3.3	Errors and omissions liability	98
3.4	Malpractice liability	98
3.5	Automobile liability	98
3.6	Fire and theft liability	99
3.7	Business interruption insurance	99
3.8	Overhead expense insurance	99
3.9	Personal disability insurance	99
3.10	Key person insurance	99
3.11	Shareholders' or partners' insurance	99
3.12	Business loan insurance	100
3.13	Term life insurance	100
3.14	Medical insurance	100
3.15	Group insurance	100
3.16	Workers' compensation insurance	100

11 PROFESSIONAL LIABILITY 102

1.	CONTRACT AND TORT LIABILITY	102
1.1	Contract liability	102
1.2	Tort liability	103
2.	REASONS FOR CLAIMS	104
2.1	Counterclaims	104
2.2	Conflict of interest	104
2.3	Conflicting interest of clients	104
2.4	Delegation of part of contract to employee or subconsultant	104
2.5	Third party damages	104
2.6	Unclear expectations by client	104
3.	HOW TO AVOID PROFESSIONAL LIABILITY AND PREVENT LOSSES	104
3.1	Client control	105
3.2	Cost estimates	105
3.3	Carefully drafted contracts	105
3.4	Free opinions	105
3.5	Law	105
3.6	Subconsultants	105

3.7	Records, systems, and procedures	106
3.8	Continuing education	106
3.9	Quality control	106
3.10	Communication	106
4.	PROFESSIONAL LIABILITY INSURANCE	106
4.1	Increasing deductibles	106
4.2	Comparing prices	107
4.3	Changing the type of coverage	107
5.	PRACTICING WITHOUT INSURANCE	107
12	CREDIT, BILLING, AND COLLECTION	108
1.	DISADVANTAGES OF EXTENDING CREDIT	108
2.	ASSESSING THE CLIENT	109
3.	AVOIDING CLIENT MISUNDERSTANDINGS ON FEES	110
3.1	Communication	110
3.2	Written contract	110
3.3	Invoice	110
4.	MINIMIZING RISK OF BAD DEBTS	111
4.1	Advance retainer	111
4.2	Prepaid disbursements	111
4.3	Progress payments	111
4.4	Regular billing	111
4.5	Billing on time	111
4.6	Accelerated billing	111
4.7	Withholding vital information	112
4.8	Holding up completion of important stage of project	112
4.9	Personal guarantee of principals of a corporation	112
4.10	Monitoring payment trends	112
4.11	Follow-up of late payments	112
4.12	Involving client in assignment	112
5.	BILLING FOR SERVICES	112
6.	WHY CLIENTS PAY LATE	113
7.	COLLECTING LATE PAYMENTS WITHOUT LEGAL ACTION	114

8. LEGAL STEPS IF ACCOUNT REMAINS UNPAID	117
8.1 Collection agency	117
8.2 Small-claims court	117
8.3 Lawyers	117
9. BAD DEBTS AND TAXES	117
13 SETTING FEES	118
1. DAILY BILLING RATE (PER DIEM)	118
1.1 Labor	118
1.2 Overhead	118
1.3 Profit	119
2. HOURLY RATE	120
3. CALCULATING A FIXED PRICE QUOTATION	120
3.1 Determining a fixed price estimate	120
3.2 Tips on preparing fixed price estimates	121
4. FIXED PRICE PLUS EXPENSES	123
5. CONTINGENCY FEE	123
6. PERCENTAGE FEE	124
7. PROJECT VALUE FEES	124
8. RETAINER FEES	124
9. EQUITY FEES	124
10. UTILIZATION RATE	125
11. VARYING YOUR FEES	125
12. INCREASING FEES	125
13. INCREASING PROFITS WITHOUT INCREASING FEES	126
14 DETERMINING MARKET OPPORTUNITIES	128
1. PRIVATE SECTOR	128
1.1 Individuals	129
1.2 Small businesses	129
1.3 Medium-size businesses	129
1.4 Large companies	130

2. PUBLIC SECTOR	130
2.1 Making contacts and obtaining information	130
2.2 Understanding the government approval system	132
3. GRANT CONSULTING	132
15 MARKETING YOUR CONSULTING SERVICES	134
1. WHAT YOU NEED TO MARKET YOUR SERVICE	134
2. MARKETING PLAN	135
3. MARKETING TECHNIQUES	135
3.1 Newspaper	136
3.2 Trade or professional journals	136
3.3 Directories	136
3.4 Brochures	136
3.5 Direct mail	137
3.6 Contact network	139
3.7 Membership in professional, trade, or business associations	140
3.8 Donating your services	140
3.9 Attending public and professional meetings	140
3.10 Lectures	140
3.11 Teaching	141
3.12 Seminars and workshops	141
3.13 Free media exposure	142
3.14 Radio and television talk shows	142
3.15 Letters to the editor	142
3.16 Writing articles	143
3.17 Writing a book	144
3.18 Have articles written about you	144
3.19 Announcement columns	144
3.20 Newsletters	144
3.21 Website	145
16 THE CLIENT INTERVIEW AND CLIENT RELATIONS	146
1. PURPOSE OF INTERVIEW	146
2. BEFORE THE MEETING	146

3. DURING THE INTERVIEW	149
4. AFTER THE INTERVIEW	150
5. WHY YOU SHOULD TURN DOWN BUSINESS	150
6. HOW TO TURN DOWN UNWANTED BUSINESS	151
17 CONSULTING PROPOSALS	152
1. WHAT IS A PROPOSAL?	152
2. PUBLIC VERSUS PRIVATE SECTOR PROPOSALS	152
3. SOLICITED VERSUS UNSOLICITED PROPOSALS	153
4. SIMPLE AND FORMAL PROPOSALS	153
4.1 Simple proposal	153
4.2 Formal proposal	153
5. GUIDELINES AND FORMAT FOR A SUCCESSFUL PROPOSAL	154
6. PRESENTING YOUR PROPOSAL	154
7. PROPOSAL FOLLOW-UP	155
8. WHAT TO DO IF YOUR PROPOSAL IS NOT ACCEPTED	155
9. HOW TO AVOID GIVING AWAY FREE CONSULTING	155
9.1 Potential client interview or discussion	158
9.2 Analysis of client's need	158
9.3 Detailed advice in the written proposal	159
9.4 Potential future benefit	159
9.5 Additions to the original fixed price contract	159
9.6 Follow-up consultation	159
9.7 Relatives, associates, and friends	160
18 CONTRACTS	161
1. ESSENTIALS OF A VALID CONTRACT	161
1.1 Offer	162
1.2 Acceptance	162
1.3 Consideration	162
1.4 Competency	162
1.5 Legality	162
2. WHY A WRITTEN CONTRACT IS NEEDED	162
3. STRUCTURE OF FORMAL CONTRACT	164

4. TYPES OF CONTRACTS	164
4.1 Letter of agreement	164
4.2 Letter of agreement with general terms and conditions appended	168
4.3 Formal contract	168
4.4 Subconsulting agreement	168
4.5 Agency agreement	180
4.6 Letter of retainer agreement	181
5. PREPARING YOUR OWN CONTRACT	181
19 TIME MANAGEMENT	182
1. KEY STRATEGIES	182
1.1 Set priorities	182
1.2 Be organized	183
1.3 Delegate	184
1.4 Be decisive	184
2. AVOIDING TIME WASTERS	184
2.1 Use voice mail effectively	184
2.2 Avoid too many telephone calls	185
2.3 Avoid overscheduling	185
2.4 Avoid too much paper	185
2.5 Follow meeting agendas	186
2.6 Avoid perfectionism	186
20 EXPANDING YOUR PRACTICE	187

CHECKLISTS

1	ARTICLES IN A PARTNERSHIP AGREEMENT	41
2	GOVERNMENT CONTRACT	178

TABLE

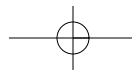
1	MAJOR CONSULTING SUBJECT AREAS	2
---	--------------------------------	---

SAMPLES

1	START-UP EXPENSES	14
2	BUSINESS PLAN FORMAT	60
3	GENERAL INVOICE	115
4	DETAILED INVOICE	116
5	FIXED PRICE COSTING SHEET	122
6	PROPOSAL FORMAT	156
7	CONTRACT FORMAT	165
8	LETTER OF AGREEMENT (PREPARED BY CONSULTANT)	169
9	LETTER OF AGREEMENT (PREPARED BY CLIENT)	170
10	STATEMENT OF GENERAL TERMS AND CONDITIONS	172
11	FORMAL CONSULTING CONTRACT	174

WORKSHEETS

1	SELF-ASSESSMENT	11
2	ESTIMATING START-UP EXPENSES	15
3	MONTHLY EXPENSES	16
4	MONTHLY PERSONAL EXPENSES	17
5	OPENING BALANCE SHEET (NEW BUSINESS)	66
6	INCOME AND EXPENSE FORECAST STATEMENT (NEW BUSINESS)	67
7	CASH FLOW BUDGET	68
8	PERSONAL NET WORTH STATEMENT	69
9	STATEMENT OF ACCOUNTS RECEIVABLE	70
10	PROSPECTIVE CLIENT SHEET	87
11	NEW CONSULTING ASSIGNMENT SHEET	88
12	TIME AND SERVICE RECORD	89

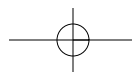


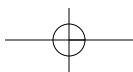
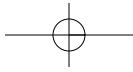
NOTICE TO READERS



Laws are constantly changing. Every effort is made to keep this publication as current as possible. However, the author, the publisher, and the vendor of this book make no representations or warranties regarding the outcome or the use to which the information in this book is put and are not assuming

any liability for any claims, losses, or damages arising out of the use of this book. The reader should not rely on the author or publisher of this book for any professional advice. Please be sure that you have the most recent edition.





INTRODUCTION

Throughout this book there are references to a CD, or to forms you will find on the CD. In this edition, we have removed the CD from the book and replaced it with a downloadable kit which will work on Microsoft, Apple, and Linux desktop computers. A link to download that kit can be found on page 188 at the end of the book.

This book is designed primarily for the beginning or potential consultant, but consultants who have been in practice for a considerable time should also find it helpful. The purpose of this book is to provide essential information and practical step-by-step guidelines to assist you in starting and developing a successful and profitable consulting business. All the information necessary to set up and maintain your own business is included in this book.

The book is organized to reflect a typical consulting business, from getting the original idea to generating income sufficient for your needs and expectations. You will assess your consulting potential and determine your marketable skills in Chapter 2. In Chapters 3 through 13 you will learn all the basic steps you have to consider before starting your business. Chapters 14 and 15 deal with the marketing techniques essential to success. Without effective ongoing

marketing, you simply will not succeed. Chapters 16, 17, and 18 inform you how to negotiate a consulting assignment from the first interview to the proposal to obtaining the contract. Chapter 19 shows you ways of effectively managing your time. Chapter 20 discusses ways of expanding your practice.

The checklists, samples, and worksheets have been provided to make the text as meaningful as possible. There are many good reference books that can assist you further; these are listed in the Bibliography and have been divided into various section headings for easy reference by subject area. Directories of consultants and consulting organizations which can be found in your local library contain up-to-date information on addresses and phone numbers. Consulting is basically a knowledge industry, and access to ways of improving your knowledge should assist you in marketing your business more effectively.

Each chapter in this book stands independently but is linked to the others. If you know little about consulting or being in business, you should read the chapters sequentially to appreciate the need for dealing

with basic business considerations. Understanding and managing the business side of consulting is as essential as performing the consulting service.

Every year the demand for consultants increases as our society becomes more complex. Business, education, health care, government, military, labor, social service, church, and volunteer organizations employ consultants on a regular basis. Consulting in North America has become a multi-billion dollar industry.

Consultants are people who are determined to succeed, who thrive on challenge, and who believe in themselves.

Consultants are entrepreneurs in the knowledge field. Consultants are individuals who believe that they are competent and capable of rendering a worthwhile service to others.

Consulting offers a continual challenge and can present opportunities for freedom, growth, and satisfaction far beyond those of employment or other forms of business. This book will increase your chance of capitalizing on the opportunities and assist your business to success.

Chapter 1

UNDERSTANDING THE CONSULTING BUSINESS



1. WHAT IS A CONSULTANT?

A consultant is someone who has expertise in a specific area or areas and offers unbiased opinions and advice for a fee. The opinion or advice is rendered exclusively in the interests of the client and can cover review, analysis, recommendations, and implementation. A consultant generally works in conjunction with the resources personnel of the client, but uses employees, sub-consultants, or others as required for the specific project and in accord with the agreement. A consultant is not an employee but an independent contractor, usually self-employed, contracted to perform a short-term or long-term task and paid on an hourly, daily, or project basis or other fee arrangement.

There are numerous consulting opportunities in the private and public sector. Table 1 provides a brief summary of some of

the major consulting areas. The consulting profession has grown extensively over the past 15 years and is now one of the major service industries in North America. The outlook for continued growth of consulting is very positive. Demand exceeds the projected supply.

The consulting industry prospers in most economic conditions. The amount of income that a consultant can earn is, of course, related to many factors, including the field of knowledge and level of expertise in that field. The degree of profit is also directly related to how effectively time is managed and how efficiently the business is administered. New consultants spend a large portion of time managing the task, researching their field of expertise, improving on techniques, and marketing their expertise. Most of these tasks are essential but unbillable hours.

TABLE 1
MAJOR CONSULTING SUBJECT AREAS

Acoustics	Educational services <ul style="list-style-type: none"> - Curriculum development - School/camp selection 	Fundraising
Actuarial services		Furnishings
Advertising	Electronics	Government relations <ul style="list-style-type: none"> - Municipal - State/provincial - Federal
Architecture	Employee benefit planning <ul style="list-style-type: none"> - Pension planning - Profit sharing 	Graphics
Association management	Energy management and conservation	Health services administration
Audiovisual services	Engineering <ul style="list-style-type: none"> - Aeronautical - Chemical - Civil - Electrical - Electronics - Environmental - Industrial - Marine - Mechanical - Mining - Nuclear - Petroleum 	Heating
Automation <ul style="list-style-type: none"> - Office - Industrial 		Hospital administration
Building management		Hotel and motel management
Business administration		House publications
Business forms and systems		Human factors engineering
Cable television		Human relations
Career guidance		Human resources development <ul style="list-style-type: none"> - Employee selection and training - Employee surveys - Industrial psychology - Personnel productivity
Communication <ul style="list-style-type: none"> - Electronic - Interpersonal 	Estate planning	Immigration and naturalization
Community relations	Executive development and recruitment	Industrial/manufacturing services <ul style="list-style-type: none"> - Industrial classification - Industrial development - Industrial testing - Production management
Conference and convention planning and management	Exhibit planning and design	Information storage and retrieval
Construction services <ul style="list-style-type: none"> - Management - Heating/ventilating/air-conditioning - Inspection and estimates 	Financial management <ul style="list-style-type: none"> - Banking - Budgeting - Investment counseling 	Insurance
Curriculum development	Food facilities design	Interior design <ul style="list-style-type: none"> - Color - Furnishings - Lighting
Data processing <ul style="list-style-type: none"> - Computer hardware - Computer software/programming - Systems analysis 	Food retailing	International business and trade
Direct marketing	Food services	Inventory control
Economic research, analysis, forecasting	Foreign licensing	Labor relations
Editorial services	Forestry	
	Franchising	
	Freight transportation and shipping	

TABLE 1 — CONTINUED

Land use planning	Planning (long range, strategic)	Sports
Landscaping	Political campaigning	Standardization
Leasing	Pollution control	Statistical services
– Equipment	– Air	Stockholder relations
– Transportation	– Noise	Systems analysis
Library design and services	– Water	Taxes
Licensing	Product design	Technology transfer
Lighting	Professional practice management	Telecommunications
Lithography	Public relations	Television and radio
Mail order	Publishing	Traffic and parking
Marketing programs and services	Purchasing	Transportation
Marketing research and analysis	Real estate	Urban renewal
Marriage and family relations	Records management	Utilities management
Material handling	Recreation planning	Venture capital
Materials science	Reliability and quality control	Wage and salary administration
Mergers and acquisitions	Religion	Warehousing
Microforms	Relocation services	Women's issues and concerns
Museum and exhibit planning and design	Research and development	
National security and defense	Safety services	
Naturalization	– Accident investigation	
New product design	– Expert witness	
New product introduction	– Fire protection	
Nutrition	– Product liability	
Office design	– Program design and installation	
Office management	Sales	
Operations research	– Forecasting	
Opinion polls	– Management	
Organization analysis and development	– Personnel recruiting	
Packaging	– Policy and planning	
Personal image	– Retail/wholesale	
Personnel	Salvage and reclamation	
	Sanitation	
	Security (investigation and loss prevention)	
	Shipping	
	Small business development	
	Social services	

2. WHO GOES INTO CONSULTING?

Basically, a consultant is a person with a marketable skill, a perceptive mind, a need for independence and challenge, an ability to communicate with others and persuade them to follow advice, a desire to help others in an effective way, and a wish to be an agent of positive change. In general, the people who go into consulting include:

- People frustrated with their current careers, who see the solutions to problems but are unable to effectively influence decision-makers
- People who want a stimulating, dynamic, growing career that satisfies the need for personal development
- People dissatisfied with the lack of challenge, opportunity, or creativity in their existing jobs
- People graduating from school with training but little experience who wish to work for a large consulting firm
- People who are between jobs and seeking new opportunities and careers
- People who see that they may be laid off and wish to establish themselves in a business to earn a living; these people may start on a part-time basis while still employed
- Retired people who have expertise and wisdom to offer
- People who wish to supplement their present income by using their managerial expertise, or technical and academic skills
- People with work experience and industry knowledge or other skills who want to combine a family life with work at home

- People who understand government operations and the contract process, or who have built up contacts in government, politics, or industry over the years

3. WHY DO ORGANIZATIONS USE CONSULTANTS?

There are many reasons why the private and public sector need consultants for problem solving. Some of these reasons are discussed below.

3.1 Temporary assistance

Clients frequently wish to supplement skills in their organization by hiring trained, proven, motivated consultants on a short-term or long-term basis. Consultants may be hired on a project, seasonal, or new funding basis.

By hiring consultants, clients do not have to contend with the training, instruction, and long-term commitment for salaries and fringe benefits entailed in hiring a skilled employee. Recruitment costs alone for a skilled employee can be considerable and cannot be justified for short-lived or cyclical need. Consultants are independent contractors and therefore no tax deductions or fringe benefits are involved.

3.2 Objective review

Consultants are retained as impartial advisers without any vested interest in the outcome of the recommendations. Internal staff may not be able to see the problems or may not be sufficiently objective. A consultant can perform a competent and thorough analysis of the issues. It is easier psychologically for personnel to adapt to external advice rather

than the internal advice of someone who may be acting out of self-interest.

3.3 Third-party request for problem identification and resolution

For example, banks are naturally concerned about any signs of a problem that might put their investment at risk. A bank may need to know whether the organization's problems are related to administrative, personnel, financial, market, or product difficulties and how the problems can be solved. Only an outside consultant's opinion would be credible.

3.4 Surviving a crisis

A business owner suffering from serious business problems may seek an outside consultant to investigate the causes and recommend solutions.

3.5 Initiating change

A consultant can act as a catalyst for stimulating ideas in a highly structured organization that otherwise might be resistant to change due to its size, bureaucracy, and institutionalized nature.

3.6 Obtaining funding

Many nonprofit organizations or small- and medium-size businesses need assistance in obtaining grants or loans for their continued survival. They may lack the expertise, ability, or time to research the availability of funding and prepare a persuasive application. Consultants with an expertise in this area act as advisers or agents.

3.7 Selecting personnel

A client might hire a consultant for recruitment of key executives. The consultant is

looked upon as being independent and unbiased with the expertise and time to selectively screen and recommend prospective candidates.

3.8 In-house education

Consultants are hired to provide in-house training to keep staff informed of new management and supervisory techniques or technical knowledge and to improve employee morale.

3.9 Dealing with internal personnel difficulties

Outside consultants are retained to review and make recommendations on internal structure, for example, consolidation of departments or services or elimination of redundant employees or executives. The consultant's report provides the rationale for making the decisions. The consultant then leaves and is not affected by the decision.

Consultants can also be used to resolve conflicts between various levels of management. The consultant plays an arbitrating or mediating role that permits frustrations to be expressed so that energy can be directed toward constructive resolution.

3.10 Delay tactics

Consultants can be hired to perform research studies which take the pressure off a company that is being exposed to public or government scrutiny. This also permits the organization to use the excuse of a consultant's study to justify a delay in decision-making. The consultant is frequently asked to be the contact person, which reduces media attention toward the organization concerned.

3.11 Executive assistance

An executive who is aware of his or her personal limitations may request that a consultant review a problem situation, provide advice on how to deal with it, and possibly follow up with implementation.

3.12 Government regulatory compliance

Government regulations at all levels are constantly changing, and companies are frequently not prepared or trained to comply. Consultants may be retained to provide expertise to assist a company in complying economically, efficiently, and with the least amount of trauma to the organization.

3.13 Socio-economic and political changes

Socio-economic and political matters are always in a state of flux. These changes present opportunities for consultants. For example, pollution problems create a need for environmental protection experts, and fuel shortages create a need for energy conservation experts.

3.14 Government excess funds

Consultants benefit considerably from the expenditure of large amounts of government money. The government may be funding the private sector with the hope of stimulating the economy; there may be political reasons before an election; there may be a balance in a department's budget that must be spent before the end of the budget year so as not to reduce the allotment requested by that department the following fiscal year. Governments also frequently hire consultants to assess needs, provide solutions, and to conduct in-house training.

4. REGULATIONS AFFECTING CONSULTANTS

Some professional organizations are empowered by legislation to exercise rights of practice, membership, and discipline. However, there is no government control or regulation of consultants as such. The term consultant is similar to the term accountant: anyone can use the word to describe his or her activity without credentials, experience, competence, or accountability.

There are many organizations for specific areas of consulting, but membership is voluntary. These organizations or associations have little power or authority to investigate complaints.

Management consultants can apply to become a member of the Institute of Management Consultants (www.imcusa.org). This group provides guidelines for professional practice.

The benefits of membership in a consulting association include:

- (a) Certification status if the consultant meets minimum acceptable standards of skill and knowledge
- (b) Opportunities for self-development in seminars and workshops
- (c) Interaction and networking with other consulting professionals
- (d) Representation of the membership's areas of interest to government and other professional bodies
- (e) A code of ethics and code of conduct
- (f) Keeping current on issues in the area of consulting by means of newsletters or other publications