

***Consulting***  
FOR  
**DUMMIES<sup>®</sup>**  
2ND EDITION

**by Bob Nelson and Peter Economy**



WILEY

Wiley Publishing, Inc.



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**Consulting For Dummies®**, 2nd Edition

Published by  
**Wiley Publishing, Inc.**  
111 River St.  
Hoboken, NJ 07030-5774  
[www.wiley.com](http://www.wiley.com)

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Published simultaneously in Canada

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Library of Congress Control Number: 2008924957

ISBN: 978-0-470-17809-6

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1



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## ***Dedication***

To the many unsung consultants who quietly dedicate their working lives to helping others reach their goals.

## ***Authors' Acknowledgments***

We would like to give our sincere thanks to the talented consultants whose personal experiences helped bring this book to life, including Bill Eastman, Peter Psychogios, and Ray Wilson. Thanks also to Bill VanCanagan for his expert legal advice on the manuscript.

Bob and Peter are especially appreciative of all the talented folks at John Wiley & Sons, especially Joyce Pepple, Stacy Kennedy, and Alissa Schwipps for their infinite wisdom, guidance, and support on this project.

On the personal side, Bob would like to acknowledge the ongoing love and support of his father Edward, his wife Jennifer, and his children Daniel and Michelle. Peter thanks his wife Jan, and his children Peter J, Skylar, and Jackson, for love everlasting. *May the circle be unbroken.*

## **Publisher's Acknowledgments**

We're proud of this book; please send us your comments through our Dummies online registration form located at [www.dummies.com/register/](http://www.dummies.com/register/).

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# Contents at a Glance

---

<b><i>Introduction</i></b> .....	<b>1</b>
<b><i>Part I: So You Want to Be a Consultant</i></b> .....	<b>7</b>
Chapter 1: Introducing the Wonderful World of Consulting .....	9
Chapter 2: Determining Whether Consulting Is Right for You .....	21
Chapter 3: Taking the Plunge into Consulting (Or at Least Getting Your Feet Wet) .....	35
<b><i>Part II: Getting Your Consulting Business Off the Ground</i></b> .....	<b>49</b>
Chapter 4: Setting Up Your Consulting Firm .....	51
Chapter 5: Getting a Grip on Legalities, Finances, and Ethics .....	71
Chapter 6: Setting Your Fees .....	89
<b><i>Part III: The Short Course in Consulting</i></b> .....	<b>107</b>
Chapter 7: Defining the Problem and Writing a Winning Proposal .....	109
Chapter 8: Collecting the Client Data You Need .....	127
Chapter 9: Problem-Solving and Developing Recommendations .....	137
Chapter 10: Tell It Like It Is: Presenting Your Recommendations .....	147
Chapter 11: Implementation: Making Your Prescriptions Stick .....	159
<b><i>Part IV: Selling Your Consulting Services</i></b> .....	<b>167</b>
Chapter 12: The ABCs of Selling .....	169
Chapter 13: Getting the Word Out: Promoting Your Business .....	185
Chapter 14: Building Business and Referrals through Current Clients .....	199
Chapter 15: Building Business with New Clients .....	211
<b><i>Part V: Taking Care of Business</i></b> .....	<b>229</b>
Chapter 16: Contracting for Business: It's a Deal! .....	231
Chapter 17: Keeping Track of Your Time and Money .....	249
Chapter 18: Communicating Your Way to Success .....	263
Chapter 19: Troubleshooting Common Consulting Issues .....	277

<b><i>Part VI: Taking Your Consulting Business to the Next Level</i></b> .....	<b>289</b>
Chapter 20: Building on Your Success .....	291
Chapter 21: Advanced Pricing Strategies .....	301
Chapter 22: Enhancing Your Image and Reputation .....	311
<b><i>Part VII: The Part of Tens</i></b> .....	<b>321</b>
Chapter 23: Ten Ways to Improve Your Cash Flow .....	323
Chapter 24: Ten Effective Marketing Strategies for New Business .....	329
Chapter 25: Ten Ways to Build Business with a Client .....	335
<b><i>Index</i></b> .....	<b>341</b>

# Table of Contents

---

## ***Introduction*..... 1**

About This Book.....	2
Conventions Used in This Book.....	3
What You're Not to Read.....	3
Foolish Assumptions.....	3
How This Book Is Organized.....	4
Part I: So You Want to Be a Consultant.....	4
Part II: Getting Your Consulting Business Off the Ground.....	4
Part III: The Short Course in Consulting.....	4
Part IV: Selling Your Consulting Services.....	4
Part V: Taking Care of Business.....	5
Part VI: Taking Your Consulting Business to the Next Level.....	5
Part VII: The Part of Tens.....	5
Icons Used in This Book.....	5
Where to Go from Here.....	6

## ***Part I: So You Want to Be a Consultant*..... 7**

### **Chapter 1: Introducing the Wonderful World of Consulting . . . . . 9**

The Reasons for Consulting: Money, Yes . . . But What Else?.....	10
Leveraging your talent.....	10
Being tired of working for someone else.....	11
Getting laid off or fearing you will be.....	11
Having a flexible second source of income.....	12
Finding a higher calling.....	12
Preparing to take a step up.....	13
Taking the First Steps toward Becoming a Consultant.....	13
Understanding the consulting process.....	14
Finding your forte.....	14
Taking the leap.....	14
Beginning Your Own Consulting Firm.....	15
Getting started.....	15
Selling your services.....	16
Taking care of business.....	16
Taking Your Business to the Next Level.....	17
The Consulting Challenge Quiz.....	17
Quizzing yourself.....	18
Analyzing your answers.....	20

**Chapter 2: Determining Whether Consulting Is Right for You . . . . . 21**

Pondering Your Preferences .....	22
What do you really like to do? .....	22
What do you really dislike doing? .....	24
Assessing Your Skills .....	25
What are you really good at? .....	25
What aren't you so good at? .....	26
Matching Your Skills with Your Preferences .....	27
Is Your Idea Marketable? .....	30
Who are your clients and what are their needs? .....	30
Can your business become profitable? .....	31
Is the timing right? .....	32
Do You Have What It Takes? .....	33

**Chapter 3: Taking the Plunge into Consulting  
(Or at Least Getting Your Feet Wet) . . . . . 35**

Deciding When the Time Is Right .....	36
Professional considerations .....	36
Financial considerations .....	37
Personal considerations .....	38
Preparing for Stops along the Way .....	39
Working for an established consulting firm .....	40
Working part time .....	40
Working full time .....	41
Landing a big contract .....	42
Immersing yourself completely .....	42
Taking the First Steps .....	43
Talking to people who do what you want to do .....	43
Starting small .....	46
Evaluating the results .....	46

***Part II: Getting Your Consulting  
Business Off the Ground . . . . . 49*****Chapter 4: Setting Up Your Consulting Firm . . . . . 51**

Getting Your Home Office Up and Running .....	52
Your space .....	52
Your furniture .....	54
Your equipment .....	56
Other business essentials .....	57
Leveraging Support Services .....	58
Getting a good assistant .....	59
Finding a good lawyer, an accountant, and a banker .....	60
Lawyers .....	62
Accountants .....	62
Bankers .....	63

Outsourcing — You can do it, too! .....64  
 Moving out of your home-based office .....66  
     Renting or leasing office space .....66  
     Renting or leasing an executive suite .....68  
     Subleasing space from another business .....70  
     Meeting on the fly: Airport offices .....70

**Chapter 5: Getting a Grip on Legalities, Finances, and Ethics . . . . .71**

    Taking Care of Legal Considerations .....72  
     Selecting a form (legal structure) for your business .....72  
         Sole proprietorship .....72  
         Partnership .....73  
         Limited liability company .....74  
         Corporation .....75  
     Choosing and registering your business name .....76  
     Dealing with zoning, licensing, and permit issues .....77  
     Finessing the Financial Stuff .....78  
         Taxing matters .....78  
             Surveying types of taxes .....78  
             Understanding the home-office deduction .....79  
         Setting up a bookkeeping system — or not .....80  
         Providing your own benefits .....81  
         Managing risk with insurance .....82  
     Doing the Right Thing: Ethics and You .....83  
         Facing ethical land mines .....83  
         Developing your personal code of ethics .....85

**Chapter 6: Setting Your Fees . . . . .89**

    Determining What You’re Worth to Your Clients .....90  
         Knowing why you’re being hired .....90  
         Seeing how much you can save your clients .....92  
         Avoiding the commodity trap .....94  
     Setting Your Fees in Different Ways .....96  
         Hourly rate .....97  
         Per-item or per-project basis .....99  
         Retainer basis .....99  
     Making Changes to Your Fees .....100  
         Increases .....101  
         Decreases .....102  
     Taking a Stand .....104

***Part III: The Short Course in Consulting . . . . . 107***

**Chapter 7: Defining the Problem and Writing a Winning Proposal . . .109**

    Making the Most of Your Client Conversations .....110  
         Discovering the nature of the problem — and your client .....110  
         Preparing for client meetings .....113

Make the best possible impression.....	113
Ask your clients lots of questions .....	115
Building Partnerships with Your Clients .....	116
Crafting Winning Proposals .....	118
Considering popular proposal types .....	118
The letter proposal.....	119
The narrative proposal .....	121
Proposal success secrets .....	122
Know your competition — inside and out .....	122
Help your client develop the specs for the job .....	123
Talk through the proposal with your client first .....	123
Include great references .....	123
Submit your proposal in person .....	123
Be prepared to answer every question.....	124
Be sure to follow up.....	124
A few more tips .....	124

## **Chapter 8: Collecting the Client Data You Need . . . . .127**

Identifying Key Data Sources .....	128
Direct observation .....	129
Internal documents and records .....	129
External documents and records .....	129
Surveys and questionnaires.....	130
Interviews and group meetings .....	130
Personal experience.....	131
Getting Help from Your Clients in Collecting Data.....	131
Watch Out! Avoiding Data Disasters .....	133
Overlooking key data sources .....	134
Missing client biases .....	134
Ignoring personal biases .....	134
Accepting incomplete data .....	134
Failing to fully document data .....	135
Receiving intentionally false, misleading, or fraudulent data from your client.....	135

## **Chapter 9: Problem-Solving and Developing Recommendations . . .137**

Making Sense of All That Information .....	138
Sort and consolidate the data.....	138
Put steps and processes in time sequence .....	139
Look for patterns, trends, and themes .....	139
Ignore and set aside extraneous data.....	139
Focus .....	140
Problem-Solving the Right Way .....	142
Determining the Best Recommendations .....	143
Evaluate the best courses of action.....	144
Draft recommendations .....	145
Rank your recommendations.....	145

**Chapter 10: Tell It Like It Is: Presenting Your Recommendations . . .147**

Giving Client Feedback: Setting the Stage.....148  
 Conducting a Feedback Meeting.....149  
 Making Great Presentations.....151  
     Preparing to present .....151  
     Using visual aids artfully .....153  
     Making your presentation on stage .....156  
 Building Client Ownership of Your Recommendations.....156

**Chapter 11: Implementation: Making Your Prescriptions Stick . . . .159**

What Gets Planned Gets Done.....160  
 Just Do It! Implementation Tips .....163  
 Assessing the Results .....165

***Part IV: Selling Your Consulting Services ..... 167***

**Chapter 12: The ABCs of Selling .....169**

The Classic Selling Process.....170  
     Prospecting for leads .....170  
     Qualifying your leads .....173  
     Preparing to make your pitch.....175  
     Making your pitch .....176  
     Addressing client concerns.....177  
     Closing the sale.....179  
     Following up.....180  
 Considering New-and-Improved Selling Methods .....181  
     Relationship selling.....181  
     Extra credit: The SPIN model.....183

**Chapter 13: Getting the Word Out: Promoting Your Business . . . . .185**

Getting Up Close and Personal with Personal Selling .....186  
 Using Fame to Build Your Fortune: Public Relations and Publicity.....188  
 Paying to Put the Word Out: Advertising.....190  
 Factoring In a Little Fun: Sales Promotion.....193  
 Creating a Simple Marketing Plan that Really Works.....194  
     Be prepared: Getting ready to plan .....195  
     Create a one-paragraph marketing plan .....195  
 Measuring Your Results.....196

**Chapter 14: Building Business and Referrals through Current Clients . . . . .199**

Considering the Benefits of Referrals.....200  
 Deciding Who to Approach for Referrals.....201  
 Setting the Stage with Current Clients.....202

How to Get Referrals.....	204
Use the direct approach .....	205
Keep in touch with your clients .....	205
Reward your clients for referrals .....	205
Build a contact database .....	207
Make referrals yourself.....	207
Following Up on the Referral.....	208

## **Chapter 15: Building Business with New Clients . . . . . 211**

Giving Your Introduction a Personal Touch .....	212
Making a great first impression .....	212
Asking and listening .....	214
Talking about yourself .....	215
Building Relationships with Prospective Clients .....	216
Establishing rapport .....	216
Helping them get what they want .....	217
Building a foundation of trust.....	218
Meeting Clients.....	219
Determining whether to meet in person .....	219
Finessing successful face-to-face meetings .....	222
Whom to meet.....	222
Where to meet.....	223
When to meet .....	223
Following Through Is Everything!.....	224
Setting a date for the next step.....	224
Mastering the art of the thank-you note.....	225
Following up via phone, e-mail, or letter.....	226
Moving On.....	226

## ***Part V: Taking Care of Business.....229***

### **Chapter 16: Contracting for Business: It's a Deal! . . . . . 231**

Getting the Lowdown on Contracts .....	231
Honing in on key contract elements .....	232
“Unmaking” a contract.....	233
Dealing with Different Kinds of Contracts .....	234
Oral contracts .....	235
Written contracts .....	237
Purchase orders.....	239
Simple contracts .....	239
Complex contracts .....	240
The ABCs of Contract Negotiation.....	241
Anticipate the negotiation.....	242
Be in keeping with the basic rules of negotiation .....	245
Close the deal .....	246

---

<b>Chapter 17: Keeping Track of Your Time and Money</b> . . . . .	<b>249</b>
Tracking Your Time.....	249
The daily client activity log.....	250
Client time sheets.....	252
Billing Your Clients and Collecting Your Money .....	253
Billing for your services .....	254
Billing for reimbursable expenses.....	256
Collecting delinquent accounts.....	256
Building Better Budgets .....	259
Differentiating between budgets .....	259
Creating a budget .....	260
Staying on budget.....	261
<b>Chapter 18: Communicating Your Way to Success</b> . . . . .	<b>263</b>
Putting It in Writing.....	264
What to put in writing.....	264
Composing two basic consulting reports .....	265
Progress reports .....	266
Final reports .....	267
Improving your writing skills.....	268
Harnessing the Power of the Spoken Word .....	270
Being an ace communicator face to face.....	270
Asking the right questions at the right time .....	272
Asking questions: Why to do it .....	272
Asking questions: How to do it .....	273
Making the most of in-person meetings .....	275
<b>Chapter 19: Troubleshooting Common Consulting Issues</b> . . . . .	<b>277</b>
Alleviating Poor Cash Flow .....	277
Requiring payment immediately (or sooner!) .....	278
Paying no sooner than you have to .....	278
Making sure your invoices are right .....	279
Invoicing upon delivery.....	279
Billing more often .....	280
Managing your expenses .....	280
Handling Clients Who Want Free Advice.....	280
Getting That First Sale .....	282
Check your marketing.....	282
Check your pricing.....	283
Check your product or service.....	283
Check your competition .....	283
Check your expectations .....	283
Dealing with Clients Who Are Slow (or Refuse) to Pay .....	284
Knowing who owes you what .....	285
Collecting your money when your client doesn't pay.....	286
Getting Clients to Pay You What You're Worth .....	287

## ***Part VI: Taking Your Consulting Business to the Next Level* .....289**

### **Chapter 20: Building on Your Success** .....291

Tuning Up Your Growth Engine.....	292
Deciding whether to grow.....	292
Charting the stages of growth.....	293
Implementing growth strategies.....	294
Using Nine Keys to Unlock Success.....	295
Forming Partnerships to Build on Your Success .....	296
Giving Back .....	298

### **Chapter 21: Advanced Pricing Strategies** .....301

The Zen of Pricing.....	302
Factoring in how buyers determine your price.....	302
Delving deeper into common pricing strategies .....	304
Taking a Closer Look at Value-Based Pricing.....	305
Considering Contingent Fees and Performance-Based Pricing.....	308
Counting on contingent fees .....	309
Basing the price on your performance.....	309

### **Chapter 22: Enhancing Your Image and Reputation** .....311

Creating a Professional Image .....	312
Enhancing Your Reputation .....	313
Building a First-Class Web Site .....	315
Building your own Web site .....	316
Hiring someone to build and maintain your Web site .....	317
Optimizing your site.....	317

## ***Part VII: The Part of Tens*.....321**

### **Chapter 23: Ten Ways to Improve Your Cash Flow** .....323

Manage Your Accounts Receivable.....	323
Budget Your Cash.....	324
Push for Advance Payment.....	324
Hold On to Your Money as Long as You Can .....	324
Make Sure Your Invoices Are Right.....	325
Bill More Often.....	325
Give Prompt-Payment Discounts .....	326
Manage Your Expenses.....	326
Don't Be Afraid to Push for Payment.....	327
Call in a Pro .....	327

**Chapter 24: Ten Effective Marketing Strategies for New Business .....329**

- Choose Your Targets.....329
- Discover What Works .....330
- Use Client Success Stories .....330
- Encourage Word-of-Mouth Referrals .....331
- Become a Media Animal .....331
- Hire a Good Public Relations Person.....332
- Start a Newsletter.....332
- Offer Free Samples .....333
- Be Responsive to Media.....333
- Help Clients Even If You Can't Do the Work.....333

**Chapter 25: Ten Ways to Build Business with a Client .....335**

- Always Be On Time and Within Budget.....335
- Anticipate Your Clients' Needs (And Suggest Ways to Address Them).....336
- Be Easy to Work With .....336
- Keep in Touch.....337
- Be Honest and Ethical .....337
- Give More than You Promise .....338
- Ask for Testimonials and Referrals .....338
- Offer Incentives or Send a Gift.....339
- Educate Your Clients .....339
- Do Great Work .....339

***Index* .....341**



# Introduction

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Anyone can become a consultant. Becoming a *successful* consultant, however, is a different story. Prospering as a consultant requires you to have expertise that others are willing to pay you to provide, and it requires having good business skills. Oh. And it requires some amount of motivation on your part to *want* to consult for others.

Writing this book was a labor of love for us. We are both consultants and have been for many years. If we don't do a good job, we don't get paid. And if we don't get paid, we don't eat. Our goal is to provide you with the skills you need to become a successful consultant, whether you're a beginner who is just getting his business off the ground, or an experienced consultant who wants to fine-tune her already successful practice.

As you may have already discovered or suspected, consulting can be an exciting and rewarding profession — and not just in a financial sense. Working with people to help solve problems can be an immensely satisfying thing to do. Of course, in the real world, consulting involves much more than tapping your client's head with a magic wand and watching all the problems go away.

*Consulting For Dummies*, 2nd Edition, is specifically written to address the unique needs of both new and experienced consultants as well as consultants-to-be. If you're new to the business, you can find everything you need to know to be successful and in demand. If you're an experienced consultant, we challenge you to shift your perspective and take a fresh look at your philosophies and techniques — what's working for you and what's not. We offer some new approaches and techniques to help you take your business to a higher level.

## About This Book

*Consulting For Dummies*, 2nd Edition, is full of useful information, tips, and checklists that any consultant or consultant-to-be can use right away. Whether you're just thinking about becoming a consultant or you're already a seasoned pro, you can find everything you need to make consulting fun and profitable for you and your clients.

The good news is that the information you find within the covers of this book is firmly grounded in the real world. This book is not an abstract collection of theoretical mumbo-jumbo that sounds good but doesn't work when you put it to the test. We've culled the best information, the best strategies, and the best techniques for consulting from people who already do it for a living — including us. This book is a toolbox full of road-tested solutions to your every question and problem.

*Consulting For Dummies*, 2nd Edition, is *fun*, which reflects our strong belief and experience that consulting can be both profitable and fun. Nobody said that you can't get your work done while making sure that you and your clients enjoy yourselves in the process. We even help you to maintain a sense of humor in the face of upcoming deadlines and seemingly insurmountable challenges that all consultants have to deal with from time to time. Some days, you will be challenged to your limit or beyond. However, on many more days, the satisfaction of resolving a production bottleneck, recommending a new accounting system, or installing a new client-server computer network will bring you a sense of fulfillment that you never could have imagined possible.

The material in this book is easy to access. What good is all the information in the world if you can't get to it quickly and easily? Have no fear; we have designed this book with you, the reader, in mind. Here's how to find the precise information you seek:

- ✓ If you want to find out about a specific area, such as gathering data or setting up a home office, you can flip to that chapter and get your answers quickly — faster than you can say, "The check's in the mail." Let the table of contents and index be your guides.
- ✓ If you want a crash course in consulting, read this book from cover to cover. Forget squandering lots of money on high-priced seminars and videos or spending countless nights poring over some fly-by-night correspondence course. Forget learning by trial and error. Everything you need to know about consulting is right here.

We know from personal experience that consulting can be an intimidating job. Consultants — especially those who are just learning the ropes — are often at a loss as to what they need to do and when they need to do it. Don't worry. Help is at your fingertips.

## Conventions Used in This Book

When writing this book, we included some general conventions that all *For Dummies* books use. We use the following:

- ✓ **Italics:** We *italicize* any words you may not be familiar with and provide definitions.
- ✓ **Boldface type:** We add **bold** to all keywords in bulleted lists and the actual steps in numbered lists.
- ✓ **Monofont:** All Web sites and e-mail addresses appear in monofont.

Also, we should note that, in this book, we use the term consultant quite loosely. We define a *consultant* simply as someone who sells his or her unique expertise to someone else, often on an hourly basis. There are many different kinds of consultants, from those who advise businesses on how to become more effective to those who advise lawyers on which members of a jury they should try to remove before a trial to those who can help you set up your home computer's wireless network.

## What You're Not to Read

While we spent hours and hours — and many late nights — writing the words you'll read in this book, we know that you won't want to read it all. Truth be told, it's highly likely you won't need to. So, we make it easy for you to identify “skippable” material by sticking it into sidebars. This is the stuff in the gray boxes that's interesting and related to the topic at hand, but not absolutely essential for the success of your consulting business.

## Foolish Assumptions

While we were writing this book, we made a few assumptions about you. For example, we assume that you have at least a passing interest in starting your own business that specializes in helping others solve their problems or capitalize on opportunities. Maybe you're already a consultant, or perhaps consulting is something that you might like to try. We also assume that you have a skill or expertise for which your friends, relatives, or clients will be willing to pay. This expertise may be providing your advice on anything from postage stamp collections to Internet consulting to aerospace engineering services. One more thing: We assume that you don't already know everything there is to know about consulting and that you're eager to acquire some new perspectives on the topic.

## *How This Book Is Organized*

*Consulting For Dummies*, 2nd Edition, is organized into seven parts. Each part addresses a major area of the how, what, or why of becoming a consultant — and growing your business. Because of this organization, finding the topic that you're looking for is simple. Whatever the topic, you can bet that we cover it someplace! Here's a quick overview of what you can find in each part.

### *Part I: So You Want to Be a Consultant*

Consultants are many things to many people. In this part, we provide an overview of the entire book, and then consider how to determine whether or not consulting is for you, before diving into the topic of starting your own consulting business.

### *Part II: Getting Your Consulting Business Off the Ground*

Consulting is just like any other business — there are certain things you need to do to get it off the ground and running smoothly. This part focuses on starting up a successful consulting business as well as the financial, legal, and ethical considerations that you will encounter along the way. Finally, we take a look at how to set your fees.

### *Part III: The Short Course in Consulting*

Consulting can be done one of two ways: the right way or the wrong way. In this part, we discuss the right way. We explain how to clearly diagnose the client's problem (and write a winning proposal), collect data effectively, and analyze it quickly and efficiently. Finally, we talk about how to give feedback to your clients and ensure that your advice gets implemented.

### *Part IV: Selling Your Consulting Services*

To be a successful consultant, you have to learn how to sell your services (and yourself) effectively. This part considers the selling process and how to spread the word about your business. We consider how to build business through current clients, as well as how to build business with new ones.

## *Part V: Taking Care of Business*

In this part, we dig a bit deeper into the business side of consulting, taking a close look at contracts and negotiating deals, keeping track of time and money, communicating with clients, and troubleshooting the kinds of issues and problems that every businessperson has to face from time to time.

## *Part VI: Taking Your Consulting Business to the Next Level*

Once your consulting business is well established, you'll want to take it to the next level to make it even more successful than it already is. In this part, we consider different approaches to build on your success, including the use of advanced pricing strategies and enhancing your image and reputation.

## *Part VII: The Part of Tens*

Here, in a concise and lively set of short chapters, you find tips that can really launch your consulting practice into orbit. In these chapters, we address using the Internet and other publicity tools to market your services, avoiding consulting mistakes, writing proposals, negotiating contracts, and building business with existing clients.

## *Icons Used in This Book*

To guide you along the way and point out the information you really need to know about consulting, this book uses icons along its left margins. You see the following icons in this book:



This icon points you to tips and tricks to make consulting easier.



Watch out! If you don't heed the advice next to these icons, the entire situation may blow up in your face.



Remember these important points of information, and you'll be a much better consultant.



These real-life anecdotes from yours truly and other consultants show you the right — and occasionally wrong — way to be a consultant.

## *Where to Go from Here*

If you are a new or aspiring consultant, you may want to start at the beginning of this book and work your way through to the end. A wealth of information and practical advice awaits you. Simply turn the page and you're on your way!

If you're already a consultant and you're short of time (and what consultant isn't?), you may want to turn to a particular topic to address a specific need or question. If that's the case, the Table of Contents gives a chapter-by-chapter description of all the topics in this book, and the thorough index can help you find exactly what you're looking for.

Regardless of how you find your way around *Consulting For Dummies*, 2nd Edition, we're sure that you'll enjoy getting there. If you have specific questions or comments, please feel free to visit our Web sites at [www.nelson-motivation.com](http://www.nelson-motivation.com) (Bob) or [www.petereconomy.com](http://www.petereconomy.com) (Peter). We would love to hear your personal anecdotes and suggestions for improving future revisions of this book, and we promise to take every one of them to heart.

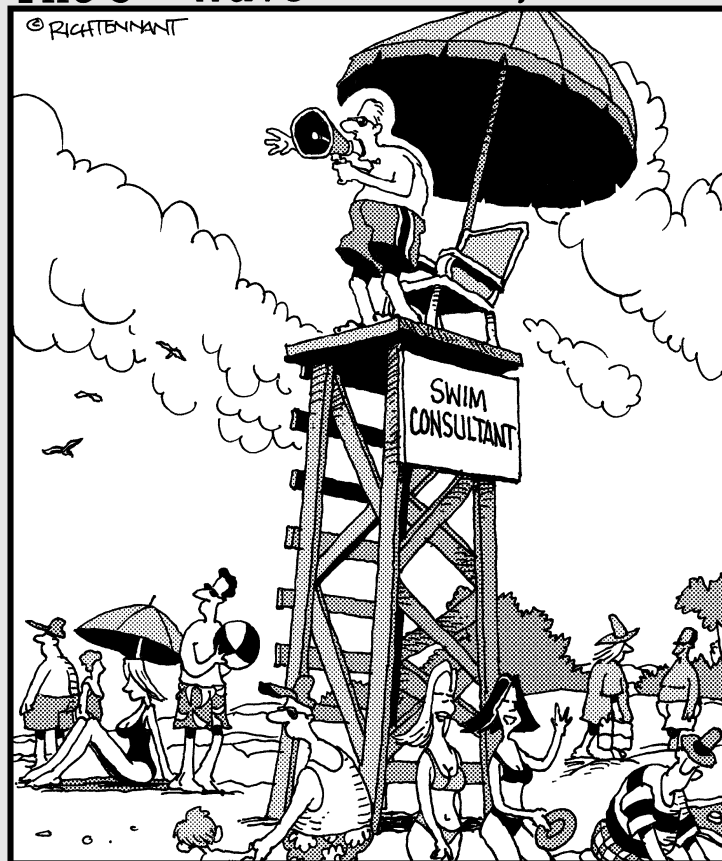
Here's to your success!

# Part I

# So You Want to Be a Consultant

The 5<sup>th</sup> Wave

By Rich Tennant



“Try to keep your head above water! Swim parallel to the beach until you’re out of the riptide! Keep your insweep at a 60 degree diagonal and your head pointed forward!”

## *In this part . . .*

**A**lthough the term *consultant* can mean different things to different people, if you've decided to become one, then you need to decide exactly what it means to you. In this part, we take a 50,000-foot overview of the topic, and then dig in a bit deeper by exploring whether or not consulting is right for you. We show you how to assess your own skills and preferences, and how to prepare to make the move to consulting. Finally, we consider exactly what you need to do to take the plunge into starting your own consulting business — as painlessly (and profitably) as possible.

## Chapter 1

# Introducing the Wonderful World of Consulting

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### *In This Chapter*

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

**C**onsulting 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.