



CONSULT O'CLOCK

BETA

Time to Achieve.

Whitepaper

All You Need to Know to become a
Freelance Consultant

All You Need to Know to Become a Freelance Consultant

- An Introduction Guide

1st edition

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Introduction:

Here at Consult O'clock we believe everyone in business should have at least a short spell as a business consultant, whichever area it may be. The variety and excitement of a consultant's life and work is intriguing to all and who knows you may love it and never want to leave it!

The challenges you face, the collaboration you carry out with others in your field who share similar interests, the satisfaction you receive when you are appreciated by a client for a job well done all form part of the existing work life of a consultant. The fact that clients will listen to you to understand how better their companies could be run will make you an important asset in your field of specialism and to all clients you advise.

That said, it is a lot of fun, you get to meet some interesting people, and if you like problem solving and steep challenges there are always plenty to take on. You might want to go into consulting at any point in your career and, if redundancy has curtailed a job you enjoyed, it is a very common option for business professionals to consider becoming freelance or independent consultants in e.g. IT, HR, Project Management, Marketing, Management Consultancy, Finance, Social Media, Profitability, Information Security.

Many of the most interesting boutique consulting practices or independent freelancers have begun because talented individuals have broken away from bigger firms or have been made redundant when billings have looked dangerously low. The consulting business always needs new talent and there is quite a lot of competition for the best people. You'll find our step by step instructions here on Becoming a Freelance Consultant and what to expect to be paid when you start getting job at client.

With regards to the 'How much consultants are paid' we have relied on information collected from 30 years of combined experience in the field of consulting across several areas. The pay brackets will change over time.

How do you know if you want to be a consultant?

To become a good consultant in these tough business times, you need to ask yourself 3 questions and depending on your reply you can then decide whether to move on to the Step by Step guide.

1. Am I really good at something in business?

Do you have the necessary expertise in an industry, sector or business discipline and have good interpersonal skills? If you don't it will be very difficult to get any initial clients, repeat business or referrals. You need to be able to apply the expertise and knowledge you have in several different settings across clients in different industries and you will need to be comfortable in sharing your expertise with clients. Additionally,

you must be able to think in a structured and objective manner, be good at problem solving, have the ability to write proposals that clients will be prepared to read and act upon, and be able to manage a team and project.

2. Am I exceptionally good at selling and marketing - selling myself, selling my ideas, selling my pricing, selling my methodology?

You may be good at what you do but how are you going to get the work? Selling in this context is hard for newcomers especially if you have either no experience or you have only sold to a captive internal audience in your previous role. You have to have the courage to ask for the order, learn how to close the deal and be comfortable networking and looking for business. If you have no idea what we're talking about, get yourself on a course or work for a firm that will provide the right training because you won't survive otherwise.

3. Am I good at building relationships with clients?

You have to understand it is not just about delivering project requirement within the agreed budget and timeframes. You will need to be good at building relationships with clients, getting involved in their interests and adding value to your role. This will help ensure you are lined up for repeat business at a client or you may be referred by the client to another organisation looking for your expertise.

If you have answered YES to each of the questions above, please read on this guide is definitely for you!

Your brand name

One of the first things you will need to do as a consultant is decide on a brand for yourself. You might want it to be personal (i.e. your name – John Smith Consulting') or something grander such as, 'Eclipse Business Strategy Consulting'. Whatever you go for, you will need a business identity to work under and for clients to associate to you.

Other things that come hand in hand with your new company name are a logo, business cards and a website to help you get in front of clients and stay in their minds. Remember that you are now a business and all your materials need to be polished and professional. It's nice to be personal, but don't let your hobbies, rants or photos into the business, particularly on your website. When it comes to your website, make sure you get a domain name that is:

1. **Easy to remember.** Really long domains can be confusing (myamazingprofessionalconsultingcompany.com), also steer away from domain ones with unknown acronyms or letters in them.
2. **Easy to spell.** If you have to say your web or email address over the phone it's always better if you don't have to say it letter by letter with things like dashes or underscores mixed in.

Make no mistake, having a website and particularly a domain name is essential. Consulting off a Gmail email account and no website can work but usually just does not come across as professional or serious to a client. Remember, all client impressions count.

When it comes to building your website, there are a few key pieces of information that must be on there, they are:

- An introduction of some sort – usually just a statement of what you are about is best
- Your services, or else how will anyone know what you do?
- Examples of your previous work
- Contact details

Where do you find work?

The key to getting started as a consultant is to have work. But where do you find your first job and indeed your later jobs too? Now, you might have connections in the field that will be amongst your first clients however, you will need to find ways to get new business -always. So what can you do?

Consult O'clock offers a job board, moderated and filtered so you only see consulting related jobs with specific areas of interest you can specify. The job board can be found here: <http://www.consultoclock.com/page/jobs-projects>

Other ways to find work is to stay active on Consult O'clock. Clients operate on this site and are always out and about looking for advice and support from consultants, give them some initial advice and assistance and most of the time they will hire you for a bigger project with exciting pay checks!

Outside of Consult O'clock, when it comes to getting your first job, it really is a matter of using your contacts, and that means telling everyone you know that you are available for hire. If you do not have many leads then you will also want to make sure potential clients know that you'll come cheap to develop your client base. It might be a good idea to send a mailer around to family and friends, or you might prefer to talk to people in person, whatever the case remember, no one will hire you if no one knows about you.

Another good starting point for work is places that you have worked at before or where you know someone who works. If all the options mentioned above don't really work for your situation and you have nothing to show as previous experience in your consulting field, then you had either better be a great talker or find something to put as a sample. This might mean:

- Creating an imaginary job for yourself and executing
- Offering your services for free to someone
- Talking your last employer into allowing you to show some of your old work for a specific period of time.

In any case it's difficult for a client to hire you on the strength of your word alone. From time to time you will be asked to do what is known as free pitching, where the potential client will ask you to do some of the work prior to payment and you will see this on Consult O'clock – clients will expect to receive some Pro bono activities or deliverables to then be able to judge if they want to hire you on a longer term basis. You should be investing a lot of time and effort in your pro bono work because it can lead to sales and clients will come back to consultants they like.

Once you have worked a fair amount of jobs, you should find that you steadily get an increase in repeat work and referral work and that you depend less and less on new jobs. If this is not the case you are either too expensive, getting the wrong types of clients or not good enough at your work (which in turn means you're too expensive). You can and should generally look for outside ways to get more work – advertising, yellow pages listings, getting your

website found and so on, but if you have trouble retaining your clients or having them refer you on, then these are cosmetic fixes and you should be looking at addressing the main problem.

Pricing your consulting projects

Once you have a job or a prospective job, you will need to provide an estimate or quote for the job. Estimates differ from quotes in their degree of fixedness. Estimates are not guarantees of the final price and in essence declare that the final cost of the work will be within about 20% of that price if nothing changes. Quotes on the other hand mean that the price you give is a firm amount that is agreed upon for the amount of work specified. Most clients prefer quotes as estimates have a tendency of becoming more expensive by the end and hardly ever the other way around. Still, estimates can work if you have a good reputation either generally or with that client specifically. They can also work if you guarantee that the price variation will be within a certain margin (e.g., 10%, 20%).

Itemising your quotes and estimates means laying out the quote so each part of the job can be seen separately. This is not only useful for your client who for example gets to see why a deliverable costs what it does, but is also good for you, as it will force you to think each part of the process out. At the end of the job it is an excellent idea to review your original quote and compare the final times to your estimates. This will help you refine your understanding of what each job takes and make you better able to win jobs in the future. There is plenty of good time tracking applications around like Basecamp (www.basecampHQ.com) and a variety of others. Get one and use it.

From time to time a project will blow out its schedule. This happens for one of two reasons:

1. ***You underestimated how much work was involved*** - unfortunately no one said consulting was easy, and nine times out of ten you just have to swallow and bear the cost for your mistake. If you have made it clear to your client for one reason or another at the beginning that you are unsure, then they may accept to pay further fees however generally speaking if you aren't competent enough yet to price your services, you are the one that deserves to carry the cost.
2. ***The client has miscommunicated what the project entailed*** - Clients do this for many reasons. They might not understand what's involved, might not know what you need to know, might be too busy or might just have gotten overexcited and started adding to the job midway. Whatever the reason, it is your job to pull them up. And it is here that an itemized quote will help you out. You can point to exactly what was quoted for. If there is something you are doing which is not in there, it is your right to ask to charge for that additional service.

When sending your initial quote it can be a good idea to send your Terms & Conditions (T&Cs) along with it. Generally speaking they work to protect you and your client from transactions that go wrong. They might include things like:

1. How long the client has to pay your final invoice – also called your Payment Terms (usually 30 days after you raise the invoice);
2. How you deal with re-billing extra costs;
3. The exact scope of the project and the details of the deliverables;
4. Out of pocket expenses and other third party costs you have used for this project;
5. Copyright for the work you do;
6. Ownership before and after payment; and
7. Your rights and responsibilities and their rights and responsibilities.

Taking the time to make sure you have a set of terms that protect you and your client is important. When both you and your client have agreed on them it means you have a firm footing to work from. As a consultant you will sometimes be asked to sign a contract or terms from your client as well, make sure you read them carefully as they often will have clauses to specify that they supersede your own terms.

How much should you charge a client?

That brings us to the hardest part of consulting – deciding what to charge. Most consultants work with an hourly rate. They will then either lease themselves out at that rate, or they will use that hourly rate to determine the price of a job by estimating how many hours it involves.

Finding your hourly rate involves the following considerations:

- **What do others charge?** Naturally finding the industry norms for the consulting topic or business area you work in is probably the most important factor, especially when you first start out. If everybody else is charging £200 p/hr and you are £500 p/hr you may find work hard to come by. Ask around, particularly of people in the same specialisation and skill level as yourself.
- **What is the maximum you can charge?** If your services really are worth £200 p/hr and there are sufficient clients who can afford that rate, then you would be foolish not to charge it. In essence your cost is what the market can bear. Finding this out however tends to be a matter of trial and error and overestimating can often lose you potential jobs. Do this over time in small increments.
- **What do you need to charge?** One way of determining your hourly rate is to work backwards and calculate how many hours you will be billing in a week, what your costs are and therefore how much you need to charge in order to meet those costs. This can be a good way to

go about it, unless of course you have no idea how many hours you will be billing in a week because you are just starting out.

Another important consideration to take into account is that the hours you bill make up only a part of the hours you work. It is tempting to think of maths like this: £40 p/hr x 40 hours a week = £1600 a week. In reality every hour you work will accompany an hour of non-billable work such as accounting, relationship development, invoice raising, chasing client contacts for work you are relying on, searching for other work, marketing yourself and other duties. Plus you also need to consider time you are sick, time you have taken for holidays and everyone's favourite – time when you just plain don't have any work to do. For these reasons your hourly rate should generally be higher than you would first guess when you are starting out.

On the other hand there are benefits to undercharging, particularly at the beginning of your career. Namely a low rate gets you work, repeat work and most importantly referral work. Since jobs are the lifeblood of your consulting business, this value cannot be underestimated. If you are doing good work at a low cost, word will get around. Of course in the beginning you will have to work very hard to make ends meet, but what you can do is raise your prices just a little with each successive wave of clients. Eventually you should find yourself in a position with lots of work and a reasonable rate.

Based on our experience in the field of consulting these are some examples of what we have seen consultants charge and clients pay for different services:

Typically when a small business is looking for a consultant, it is because they need help with a tool or solution, strategy, need more leads, need to convert more leads, or need to increase customers of their product or service. There are a number of people who will say that they can help you with these things. Below are the most common experts that a business will turn to for help of this kind.

1. **Consultant from a big firm:** Upwards of £2,000 per day. Typically, a consultant from Accenture, PWC, KPMG will have trained with their firm, have a decent degree, and will have delivered a range of projects for similar businesses. They will have access to a wealth of resources (research, etc.) and discipline specialists in their firm. However, they have rarely been in your position, or actually managed a budget for themselves.
2. **One-to-one business coaching:** About £2,000 per month for about a day over the month, for the decent franchise coaching companies (e.g. Shirlaws, ActionCoach, etc.). A business coach will usually have a decent CV behind them, probably with a senior job or two under their belts. They will be working to tried and tested techniques, usually a particular methodology that they apply to all their clients to a varying degree.

3. Decent strategic planner: circa £1,500 per day. If a consulting agency has a range of offerings, you are likely to work with a member of their team on the project or advice you are after. These people have typically worked their way up through account management in the agency. They will have seen a number of clients of your kind, but won't have sat in your seat.

4. Freelance consultants: Ok, so the agencies and big firms are great resources to use but usually way above budgets any small or medium business has. As a business owner you are not able to call up the CEO of these consulting firms and ask him to dedicate some time to your cause, they have bigger fish to fry, always! So this is where we recommend you take freelancers on board, you would always get a real range of people here... all broadly called 'consultants'. They will range from £200 to £1,000 per day. The way I would break this down is:

- a. **Business Direction – the strategy:** you should be paying £400-£1,000 per day for this, and you're looking for at least:
 - 10+ years experience.
 - Business diploma at the very least, ideally MBA or similar.
 - Experience of running a business budget of more than £500k.
 - Ideally they will have reported directly to an CEO with responsibility for the business operations.
 - They should demonstrate an excellent understanding of business process and measurement right through to profit.
- b. **Business Management Consultants – making it happen:** you should pay £150-£400 for this, and you're looking for at least:
 - 7+ years experience.
 - Business diploma, or equivalent experience.
 - Experience of putting together integrated business execution plans, turning the strategy above into an action plan.
 - Proven project managers with examples of scheduling, cost-control, etc.
 - Proven ability to manage third-party suppliers and an excellent network of them to call on.
 - Relevant discipline experience, e.g. direct mail, web development, events print, etc.
 - Ability to report on business programme success, key metrics, etc.
- c. **Business Execution Consultants – the daily grind:** you should pay £50-£150 per day for this:
 - 3+ years experience.
 - Graduate level, intelligent, IT literate.

- These people will do stuff like implement ideas you have in mind, help you with your website, proof read your marketing and business strategies, etc.

Here at Consult O'clock we have been on both sides of the fence – as consultants and as clients hiring consultants. We would recommend you to have a look at the list of questions below and either have responses ready if you were asked any of these by the client during the interview or even think about each of these points in the back of your mind when you are interviewing for a role because either directly or indirectly we can assure you the client is asking these questions:

In addition to checking out your previous work (ideally by picking up the phone to a client), here are some other things to think about before you engage a consultant of any kind. There are loads more, but this is a high level view of what I going through a client's mind during the interview.

1. Are they a member of any professional bodies?
2. How do they keep their knowledge up to date?
3. Do they include online project management tools in their costs?
4. Do they have access to market research, best practice guides, etc?
5. Will they transfer the skills to me as they go or will I need to go back to them each time?
6. Do they have a decent network of experts on which to draw? Their black book is part of what you're paying for.
7. Do they have legally sound terms of business?

Raising invoices

Now it's all very well to get your price right, but at the end of the day quotes don't get paid, invoices do. Getting your invoicing right can mean the difference between a healthy business and a defunct business. I would recommend you check out Ronin App (<http://www.roninapp.com/?ref=zjRezFM6kv4>) for your invoicing – Ronin is a simple online invoicing and time tracking and seems to work very well for small and medium business and consultants equally, check it out and you can sign up for a 30 day trial.

Where a quote is a declaration of what the client will eventually pay, the invoice is the piece of paper that says 'pay this amount now please'. The exact format of an invoice differs in different countries, but generally involves a few components:

- **Legal information.** This might include your business registration, address and invoice record number.
- **What needs to be paid.** The final cost, spelled out in an itemised fashion to match the quote.

- **How to pay.** It's good to make this as easy as possible! Offer multiple options such as a bank transfer, an address to send cheques to and a service such as PayPal to accept credit card payments.
- **The due date for payment.** The length of time you give a client varies, and is typically anything from cash on delivery to 30 days after the invoice is raised.

With a large job, you may wish to break it down into components and set what are called milestones, the completion of which will involve a partial payment. So for example you might split the job into three stages, and then ask for a 25% deposit and a further 25% at the end of each stage. When you set the milestones make sure there are specific deliverables that the client will see at the end of each before raising invoices. You may also wish to estimate dates and provide a schedule of how it will happen. The advantage to milestone payments is that your cash flow situation will be significantly more stable. Rather than waiting months for the job to complete and then waiting again another month for actual payment, you can be taking chunks of cash as you go. The other major advantage is that you decrease the chance of not getting paid for your work on a large job.

On almost any job it is a good idea to take a deposit at the beginning. This is particularly true of clients you are unfamiliar with or who have a history of slow payment. The deposit may range anywhere from 25% – 50%. Needless to say once you take a deposit you had better finish the job and finish it well. Perhaps the most important point about invoicing however is to stay on top of it. Sometimes when you have a lot of work on it can seem like a tedious thing to do, but the earlier you send your invoice the sooner you get paid. Invoicing and chasing invoices should have a very high priority in your to-do list.

Getting paid

Unfortunately during your consulting career, there is a good chance you will find a client who either refuses to pay, tries to reduce their payment or delays payment for as long as humanly possible. These clients can cause significant problems for a small consulting business, particularly if their job makes up a large portion of your billable work during a specific period. Before we discuss ways to ensure you get paid, it is worth noting that for this very reason it is a good idea to always keep a cash reserve in your business or personal account to weather such times. Not having enough cash to pay your daily costs while you wait for bills to be paid – also known as cash flow problems – is a major cause of small businesses closing shop.

When a client refuses to pay, you generally find yourself looking back to the original quotes, emails and invoices for assistance. It is a good idea to have clear, itemised quotes so that you can show that you have completed the

work you were commissioned for. It is also a good idea if your invoice has a clear payment date that you can point to. If you have emails that show the client was satisfied with the work, this will also help to state your case.

So let us look at the three main scenarios:

- 1. Clients take as long as humanly possible to pay** - On your quote and later your invoice you will have written your 'terms of payment', or in other words the length of time after your invoice is issued that payment must be made. This ranges from cash on delivery to 30 day terms. Now if a client delays their payment outside your terms, it is your responsibility to begin reminding them and reminding them constantly. Remember the only people who should be embarrassed by this are the people who haven't paid, so if you feel a sense of shame about constantly calling or writing about money, swallow the shame and keep doing it until you have been paid.
- 2. Clients try to reduce the payment** - In this scenario the client will often either state that they have not had delivered all that was asked for. It is for this reason that it is so important to have a clear and itemised quote. If at all possible it is good if your quote has been 'signed off' – i.e. you have a printed copy which holds the client's signature on it. If you don't have a signed copy, generally a deposit payment or some sort of written go-ahead will suffice to show that the client had accepted the quote. The best thing to do in this situation is to visit the client in person. Rather than take an adversarial stance, go in with two thoughts in mind: (a) You wish to ensure your client's needs have been met and that if they are asking for reductions it may very well be for a good reason; and (b) You will also not cave in simply to please the client, you must ensure that you are firm without being aggressive.
- 3. Client refuses to pay outright or avoids you** - When your situation goes from a very late payment or a dispute over payment into a refusal to pay, it is time to seek legal advice. Every situation is a little different and laws in different countries vary on how this plays out. Generally speaking you should always have a lawyer that you have some contact with so that in a situation you can call on their services. You may also consider hiring a debt collector. Debt collectors take a percentage of the amount they are hired to collect and are usually very experienced at extracting money from rogue clients by both persistence and threats of legal or financial ramifications to their actions.

Setting the scope, deliverables and timeframes

When a client pays you to do a job, it is your responsibility to do not only a good job, but also to do it on time. In fact the quality of the job and the efficiency with which you do it all are almost equal in the sight of many clients and you will get an extremely high reputation if you always deliver on time or

ahead of schedule. Determining when work is due must happen at the beginning of the job. For this reason it is a good idea to do some form of scoping to determine what the job entails. This is more important in some fields of work than others; in particular software and programming often require very in-depth analysis before work commences.

Once you have a good idea of how much work there is to be done and you and your client have agreed upon its nature it is time to provide delivery dates and time frames for the work. These milestones will usually have deliverables for the client to inspect and can include payment schedules as was discussed previously. After committing to a schedule it is absolutely imperative that you stick to it. I cannot stress how important delivering on time is and how much repeat and referral work it will get you.

Your value add as a consultant: the service

There are four defining characteristics to a business; quality, price, reliability and service. If you can deliver all four, you will be much sought after. We deal now with the fourth and final of those characteristics: service.

As in any other business, service sets you apart, keeps the client and relationship happy and justifies your cost. In consulting, service takes four main forms:

- 1. General Relations.** This means the quality of your face-to-face relations, your phone conversations and your emails. It means being approachable, affable and easy to get along with. It means taking an interest in your client and their business above and beyond the job. It means being someone they want to work with.
- 2. Accessibility.** Clients want to be able to get in touch with you. There is nothing worse than not being able to get a hold of a consultant in a critical moment, so make sure you are available by phone, email, internet chat and possibly even at your business address.
- 3. Occasionally Over-delivering.** Over-delivering on a job means going the extra mile for a client and giving them that value add. It might be an extra feature in a software job, an extra application of their graphic identity, or some deliverable they desperately needed but didn't ask for in your project. It is work that when delivered makes the client feel they are being taken care of and that you have their best interests at heart.
- 4. Saving the Day.** In consulting you will often get the chance to save the day for your client and I recommend taking advantage of these opportunities when they come up. It occurs often for a consultant because your client will often have their own client that they are working for, and all clients have deadlines. So when your client comes to you with an emergency deadline that no one else can handle, it looks great if you can produce results at that critical moment. But a

warning as well, saving the day over and over again will result in it becoming something the client will rely on. So use your powers sparingly to make them most effective!

Becoming a full-fledged corporation

Taking a successful consulting business and expanding out to hire employees in order to transform from a one-man-band to a full-fledged business may or may not have been your intention from the start. It is however a relatively common occurrence and is a very good way to get a larger business started without investing lots of capital.

The principle pitfall is that when you are working for yourself you only have one person to worry about – you. You know when you like to work, what your capabilities are, how much money you need, when you have been slacking and when you are working hard. In other words you make your consulting business successful and you are totally under your own control. When you decide to start hiring consultants and employees you are stepping into a much larger fish bowl where you will increasingly find yourself managing rather than practicing your primary skill. There are many ins and outs to growing into a larger consulting business and it can be very worthwhile. For the purposes of this article I will say my advice is to go slowly and not expand beyond your means.

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