

The 6 Things You Should Know Before You Become a Consultant

- ① The Difference between a “Job Shopper” and a Consultant.
- ② The Four Jobs of a Consultant
- ③ The Economics of Consulting
- ④ How to Look Like a Business
- ⑤ How the Consultant finds “jobs”
- ⑥ Is there a Consultant Type? Are You It?

Let's get started

Important Disclosure

- Craig Goldman is not a lawyer
- Craig Goldman is not a CPA
- Craig Goldman has “made a living” as a consultant/”job shopper” for over 15 years (since 1997)

TONIGHT,
YOU MAY THINK YOUR HEAR LEGAL OR
ACCOUNTING ADVICE,
YOU ARE MISTAKEN.
IT IS ONLY FRIENDLY ADVICE

Job Shopper Vs. Consultant

Do you know the differences?

*Ironically, most of the
“consultants” you have met, are
really
“Job Shoppers”*

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee

Consultant

- Work as “Contract Labor”

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply
- Wages Reported on Form W2

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply
- Wages Reported on Form 1099*

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply
- Wages Reported on Form W2
- Contract Agency finds jobs for you

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply
- Wages Reported on Form 1099*
- You find jobs for yourself

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply
- Wages Reported on Form W2
- Contract Agency finds jobs for you
- Submit hours weekly
– paid in 6 days

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply
- Wages Reported on Form 1099*
- You find jobs for yourself
- Submit invoices ?
– paid in ? Days

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply
- Wages Reported on Form W2
- Contract Agency finds jobs for you
- Submit hours weekly
– paid in 6 days
- Rate established by client – some negotiation may be possible

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply
- Wages Reported on Form 1099*
- You find jobs for yourself
- Submit invoices ?
– paid in ? days
- Rate established by you – you decide how much negotiation

Job Shopper Vs. Consultant

Job Shopper

- Work for Contract Agency as employee
- Employer/Employee Laws apply
- Wages Reported on Form W2
- Contract Agency finds jobs for you
- Submit hours weekly
– paid in 6 days
- Rate established by client – some negotiation may be possible
- Rate = 1X - 1.2X hourly salary
100K salary => \$50/ - \$60/hour

Consultant

- Work as “Contract Labor”
- Employer/Employee Laws do not apply
- Wages Reported on Form 1099*
- You find jobs for yourself
- Submit invoices ?
– paid in ? days
- Rate established by you – you decide how much negotiation
- Rate = 1.5X - 2.5X hourly salary
100K salary => \$75/ - \$125/hour

Job Shopper Vs. Consultant

Job Shopper

- You work for one client at a time.

Consultant

- A consultant SHOULD work for more than one client at a time.

Job Shopper AND Consultant?

Job Shopper AND Consultant?

...No

Job Shopper And Consultant, Why Not?

Agencies price the contract at 40 hours/week
-- they get **very unhappy** if you work less.

Your marketing efforts wasted when you work
as a Job Shopper

It costs \$\$\$ to run your company, but
time/income are limited if you also “Job Shop”

IRS may limit some or even all of company
deductions if you are not dedicated, full-time

The Four Jobs of a Consultant

Do you know how a consultant uses and bills his/her time?

Consultant's who do not know what their "jobs" are often called "unemployed"

The Four Jobs of a Consultant

1) Professional Services

2) Management Services

-- task scheduling, coordinating with others (meetings)

a) Marketing/Sales

-- networking, web site, proposals

b) Administrator/Accountant

--tracking hours, sending invoices, paying bills, buying supplies, cleaning the office

The Four Jobs of a Consultant

Typical Week

- 32 – 34 working for client
- 2 – 6+ hours networking
- 2 – 4+ hours website, writing papers, etc,
- ~1 hour invoicing
- ~1 hour paying bills
- 1 – 2 hours organizing office, purchasing supplies, etc.

...not one of the jobs is “The Boss”

As a comment on the side...

For those of you who wish to be a consultant
because you can be your own boss.

...not one of the jobs is “The Boss”

As a comment on the side...

For those of you who wish to be a consultant
because you can be your own boss.

**When the client calls and tells you must be at a
meeting tomorrow at some awkward time...
that’s when you decide who really is the boss**

The Economics of Consulting

Do you know how a consultant makes a living?

The Economics of Consulting

Two simple, but important statements.

You only get paid for when you work.

You must charge enough to “earn a living”.

The Economics of Consulting

You only get paid for when you work.

Means...

The Economics of Consulting

"You only get paid for when you work"

Means...

- You do not get paid for holidays.
- You do not get paid for vacations.
- You do not get paid for training.

The Economics of Consulting

"You only get paid for when you work"

Means...

- You do not get paid for conferences.
- You do not get paid when the client puts the project on hold.
- You usually don't get paid for proposals.

The Economics of Consulting

You must charge enough to “make a living”.

Things to remember when setting your hourly rate

- Know your house-hold monthly expenses
- A “good” week is billing 30-32 hours.
- Don’t forget you need to pay yourself benefits.
Family Health Insurance runs over
\$1700/month

The Economics of Consulting

You must charge enough to “make a living”.

Things to remember when setting your hourly rate

- Don't forget you pay the government extra taxes – the other side of FICA/Medicare, unemployment.
- Try to set-aside 10% for future time-off.
- You are entitled to a premium for being 'expendable'

The Economics of Consulting

Bad Reasons to Discount

- Discount to match someone else's rate.
- Discount in exchange for royalty.
- Discount because its your first consulting job.

The Economics of Consulting

Good Reason to Discount

- Discount to get a job you know you can do but is in a new area that you attracted to.

The Economics of Consulting

Some quick thoughts on invoicing “net”

- Don't let the client treat you as a bank
- Ask what the client means by “Net 30”
“Net 30” can easily become 39 days
- Never give a discount for “quick payment”
- State it clear – work stops when the check is late.

The Economics of Consulting

You **will** get asked your rate.

Be prepared with your short answer.

Practice your answer in a mirror.

The Economics of Consulting

Last thought.

Some consultants fail because they do not “get” work.

Even more consultants fail because they do not charge enough to make a living.

How to Look Like a Business

Most important piece of advice

If you are serious about being a consultant...

Visit with a lawyer and talk about the legal form of your business.

Know the rules, even a proprietorship may require some forms.

How to Look Like a Business

- Get a business name
 - “John Smith Electronics Consulting” is OK
 - “DynaCorp Electronics” sounds more business

Make sure your name is unique, at least in your geographical area.

Made-up words often are best, if they are pronounceable

How to Look Like a Business

- Get a Domain
Try to get a “.com” name
They can be cheap - \$12/year - try “GoDaddy”
- Put up a 1-page web site
It’s easy – lots of cheap or free tools
- Get REAL Business Cards

How to Look Like a Business

- Second best piece of advice
Get a business checking account

How to Look Like a Business

Two last thoughts

- Find a tax accountant – the IRS does not have a sense of humor that they are aware of
- Consider purchasing Workman's Compensation Insurance if you think you will work at a client site.
It will cost you about \$325- \$375 depending upon "what you do" – emphasize the clerical nature of your business.

How the Consultant Finds “Jobs”

Clients will hire you only when they believe you can solve their problem.

How the Consultant Finds “Jobs”

- Problem ...

Without a Track-Record, it can be hard to convince a stranger that YOU can solve their problem.

How the New Consultant Finds “Jobs”

- For the new consultant the best source for a “job” is often referred to the 3 F’s

Family, Friends and Fools

Actually, few hiring managers are foolish

How the New Consultant Finds “Jobs”

- For the new consultant the best source for a “job” is often referred to the 3 F’s

Family, Friends and Friends-of-Friends

How the New Consultant Finds “Jobs”

The first thing you must do is decide what you do.

Develop a brief, simple message that describes what you do

How the New Consultant Finds “Jobs”

- You pick up the phone and you start calling people who know you. – “warm” calling

Give these people your brief speech; make sure they understand; give them a contact email or phone number.

The goal is not to get a job – the goal is to get an interview.

How the New Consultant Finds “Jobs”

- Previous employers make great first, second, third, etc. jobs for the new consultant.

Even the employer who just “unemployed” you, can be a great potential for a contract.

How the New Consultant Finds “Jobs”

- “Cold” Calling does not work.
Waste of your time.
It is like spinning the roulette wheel.
- Advertising is a waste of your money.
It’s like buying a lottery ticket – or lots of lottery tickets

How the Consultant Finds “Jobs”

- Networking
- Web Site
- Writing Articles
- Speaking
- Become a “Guru”

Is there a “Consultant Type”

- Are You the Consultant Type?

Is there a “Consultant Type”

- A consultant is...
trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent.

(A Boy Scout might make a good consultant)

Is there a “Consultant Type”

Common Traits

- A consultant is organized.
- A consultant is a good note-taker.
- A consultant is good at tracking “things-to-do”
- A consultant is good at taking a big concept and breaking it down into smaller concepts.

Is there a “Consultant Type”

Common Traits

- A consultant is “time-sensitive”
 - A consultant knows how to organize tasks to fit the time available
 - A consultant is good at recording time.
 - A consultant always knows the time-of-day; no matter how interesting the task, the afternoon does not “slip away”.

Is there a “Consultant Type”

Common Traits

- I’m not sure that a consultant must be a “multi-tasker”
- I am sure that a consultant must be able to stop working on one task and start a different task with minimal down time.
- A consultant is good at focusing and avoiding distractions.

Is there a “Consultant Type”

Common Traits

- A consultant is self-motivated
- A consultant “gets-up” every morning motivated to work. (except “days off”)

Is there a “Consultant Type”

Common Traits

- A consultant delivers compelling presentations
 - A consultant knows how to organize a presentation to fit audience and time
 - A consultant loves to talk about the project or themselves.

Is there a “Consultant Type”

Common Traits

- A consultant needs minimal supervision
- A consultant can work for weeks from a task list.
- A consultant knows how to communicate regularly and adjust the level of communication to fit the client.
- A consultant knows when it is important to “call a meeting”.

Is there a “Consultant Type”

Common Traits

- A consultant understands what is important to the client.
- A consultant knows it is more important to get the project **done** than to be **clever**.
Perfectionist make lousy consultants.
Researchers make lousy consultants (unless the client wants research).
- A consultant knows that a broken feature is worse than no feature at all.

Is there a “Consultant Type”

A consultant must have a “World Class” Skill.

- A skill that few people have.
- A skill that is important enough that someone will seek you out to get access to that skill.
- A skill you can “demonstrate” -- both by citing experience and by “presentation”

Is there a “Consultant Type”

The “World Class” Skill usually separates the successful consultant from the “Job Shoppers”

The “World Class” Skill can separate the successful consultant from the non-successful consultant.

Question Time

Rebuttal Time?