

Dear Reader:

I was honored to serve on a 6-member panel at the IEEE Rock River Valley Section meeting on April 29, 2010. Our mission was to address section member questions on the below topic. Five insightful questions were submitted in advance for each of the panelists to address to the audience from their respective experience and past results. I found these questions to evoke (or at least provide an opportunity for) very detailed responses. To better benefit the section audience, and the entire area served by the IEEE Chicago / Rockford Consultants' Network (a joint Affinity Group of both the IEEE Chicago Section and the IEEE Rock River Valley Section), I have documented my own responses to these questions below. The below information represents solely my own observations, experience and opinions, and was generated independent of my colleague panelists' responses. Each personal response is provided below the associated submitted question. Some of the below information represents a common position of most if not all of the panelists. From our panel discussion and additional attendee questions, we found a few very strong and common threads / themes, which will be summarized at the end of this document. And now for the...

PROGRAM TOPIC:

“Everything You Wanted To Know About Consulting but Did Not Know Who to Ask”. A panel of experienced consultants will discuss consulting practices and answer questions such as:

1. What are the reasons to consider the career option of consulting?

**Independence of operation; selectivity in what you do and who you do it for
Big picture involvement
Multi-discipline operations
Excitement (coupled with uncertainty and some risk)
Potential for greater financial return for your involvement (& the risk of lower return)
The intangible reward of having planned, proposed, offered, won and executed a project on your own.
Increase diversity of business exposure (increasing and broadening your skills)
Larger menu of tax deductions**

2. How does one start a successful consulting practice (full or part time)?

Full time: If you evolve into full time from a part time basis, you already have a good foundation and experience base from which to consider this transition. In either case, you need to take stock of yourself, your family and financial requirements, the marketplace, your network, and look into the crystal ball of the future.

YOURSELF:

Do you have a skill set and an experience level that is needed in the working world on a consulting basis? (Ties in to the marketplace)

How long do you want to be a consultant? (Ties in to the marketplace)

Are you willing to take on the responsibility of being a “Jack-of-all-Trades” and master of each? As a consultant, in addition to the skill/service you are offering, you also need to be (assuming your service is engineering) a salesman, accountant, technical writer, IT infrastructure specialist, facilities coordinator, supply guru, security chief, paralegal practitioner and HR specialist; as well as a chief, cook and bottle washer in your service area. This is because you will likely start off as a sole proprietor and be a single-person business, which means you have to handle all of the topics of a full-fledged business to some degree. You need to accept doing all of these things (which can be one of the joys of being a consultant), and you need to perform them all with some degree of adequacy, or some aspect of your business will fail.

Do you have the discipline to be self-driven, without having a boss other than yourself set deadlines? Can you commit to delivering to your customers on time and within cost – EVERY TIME? No matter how busy you get, can you structure your schedule to spend quality time to look for new business – to get that next job down the road when the current one ends? Can you remember to give yourself down time and vacation time (and give proper advance warning to your clients; consultants need time off, too). Do you have the strength to say NO to a job that is not in parity with your skill set or entails too much personal risk?

If you can accept these challenges and work well within them, you have one leg of a successful Chair of Consulting.

YOUR FAMILY AND FINANCIAL REQUIREMENTS

Will your family support the extra time, the odd hours and the uncertainty that comes with any startup business?

Do you have reserve finances to live on – without drawing on any retirement benefits you may have accumulated – during your startup efforts? 8-12 months living expenses as a startup is a good place to be. Keeping a continual minimum 6-month emergency living account is a good idea to handle the “lean” times; think of the job market over the past 3 years. (And don’t forget to replenish that account balance quickly when times are good).

Will your family support and can you support the possibility of assignments that will take you away from home for 3 – 6-month intervals? Will you consider this option to increase the number of potential job offerings?

THE MARKETPLACE

Is there a need in the marketplace for your planned services (and possibly, products)? Do potential candidates outsource for these needs or are they all handled internally? How much do your (former) employer, customer(s) and supplier(s) already use consultants, if at all? Is there something about your capabilities (and offering) that “sets you apart” in the marketplace, and can you quantify results to prove it? How stable are the business entities that you are considering as potential clients? How do you see the need for your type of service realistically changing in the marketplace over the next 3-5 years?

YOUR NETWORK

How well were your skills and capabilities while employed known to the outside world? Did that outside world include potential clients? How much in touch have you been with your alumni association, with professional societies, with your (former) customers and suppliers? How many friends know friends that might use your services?

CRYSTAL BALL

Does your realistic project of how long the marketplace may have a need for the services you want to offer match or exceed the amount of time you want to work as a consultant? How adaptable are you / can you be to changes in the marketplace and its needs? How well can you prepare in advance for those possible changes?

Part time: This is a very delicate and difficult balancing act – especially if you are formally employed full time. You must fulfill all of the requirements of your full time job (which may have overtime needs), while putting in sufficient time into your consulting practice *at the needed times for that practice*, while possibly having to keep that effort off your full-time employer’s radar screen. Part time consulting is best accomplished if you are either unemployed or formally employed on a part time basis. It may also be easier if you as an individual and your skill set already have “brand name recognition” in the consulting client community at the time you want to start consulting. It is especially challenging if you are in a technical consulting field, unless you highly limit and focus your offerings (e.g.: design reviewer/evaluator of analog circuit designs; reliability engineering FMEA/FMECA analysis). Without that focus / limitation, technical assignments may be of weeks or months duration and require continual participation that may be in conflict with your full time job, and may require your consulting participation on a full time basis well before you feel ready to make that leap permanently – if ever. Family needs will add to the challenge of that balancing act. Consider reading the book: Consulting on the Side by Mary F. Cook (John Wiley & Sons, Inc. 1996) for general information on part time consulting issues.

For either condition, you might strongly consider generating a business plan for your potential consultancy before making the plunge. While this type of document is typically prepared to run a startup product line business and especially to obtain funding for that business (from venture capital, angel investors, etc.), it is also a strong vehicle to help you

determine the viability of starting your consulting practice at this particular time. I strongly encourage you to read the book Business Plans that Win \$\$\$: Lessons from the MIT Enterprise ForumSM, Stanley R. Rich and David E. Gumpert (Harper & Row 1985). It is a great help to guide your research to ask yourself the right questions from the right perspective to evaluate your current and future prospects.

You can also run your ideas and planning by another consultant.

NOW FOR THE MECHANICS:

You need to establish a type of organization (sole proprietor, sole proprietor w/alias, LLC, Subchapter S, fully Incorporated). Each of these entities requires some startup documentation, EXCEPT if you are a sole proprietor using only your own name as the company name. Each type of organization has its benefits and obligations / restrictions. I have listed the types in order of complexity / sophistication.

For a sole proprietorship with alias, you need to publish the existence of your startup in a local newspaper want ads section for 3 consecutive weeks. You then need to send proof of that with an application form and fee to the Cook County Clerk's office, from which you will receive a certificate confirming your business name and address. WARNING: If you use the words "Engineer" or "Engineering" in your business name in the State of Illinois, you MUST be a registered Professional Engineer in the state of Illinois, or severe penalties could result.

For tax purposes, you should identify some location as your "office" / place of business. This can be a small part of a room in your house, but should be a dedicated and defined space for tax reporting purposes.

It is a good idea (and may be a requirement under some articles of incorporation) to set up a separate business banking account (checking / debit card) and separate credit card account for business purposes. Keep your personal financial life separate and distinct from your business financial life; you will be happy you did if you are the subject of an IRS audit.

It is also a good idea (and may be a requirement under some articles of incorporation) to have separate communications vehicles and IT infrastructure. I.e.: Consider having a separate cell phone and # just for your consulting business purposes. Consider having a separate computer/laptop and appropriate applications for your business, for the depreciation or Section 529 expense opportunities. (Also delete any entertainment applications from that machine to help prove its business use intent) Consider having separate business e-mail accounts and Internet Service Provider (or, as a minimum, a separate business related secondary e-mail address and data file on your primary e-mail account, to allow you to segregate and capture your business only correspondence.

Keep logs of your business related time and equipment usage to justify business use and for invoicing purposes. This includes business use of your Privately Owned

Vehicle, as it is unlikely at first that you would have a separate business vehicle. If you are a multi-vehicle family, try to keep your business driving confined to one specific vehicle. I have MS Outlook as my e-mail client, and I find using the Calendar as both a planning tool *and as a timed diary of tasks that I performed, meetings I attended (w/meeting notes) is an excellent way to capture your time on various projects for invoicing purposes.*

Prepare yourself a supply of business cards for your networking. PC printers and card stock are now of high enough quality that you can design and print your own to support the early stages of your operation, and save a good chunk of change.

Prepare and rehearse, refine and rehearse, rehearse, rehearse your “One Minute (to 90 second) Elevator Speech”, to take advantage of unexpected opportunities. (Our Consultants’ Network has a presentation on this topic on our web site)

Carefully analyze and set your consulting fees. Consider all the items your employer furnished you that you now need to furnish for yourself. Look at your income desires / needs and your burden factors and compare the resulting fee to the marketplace to insure that you are competitive. (Our Consultants’ Network has a presentation on setting your fees on our web site).

Prepare a set of templates / guidelines to use for generation and submission of your proposals to prospective clients. You can go to the IEEE-USA web site to find guidance, and our Consultants’ Network has a presentation that covers this topic as one of its elements.

Carefully identify and document your contractual terms and conditions, which need to be a part of your proposal and final contract. Identify and know which ones are negotiable for you and which are not.

Depending on the type of service / work you plan to do, you may find it advisable – even necessary – to purchase Professional Liability Insurance. Check the IEEE web site as a starting point for this item. You want to have this in place prior to starting any assignment, as it may be a pre-requisite for you to get that assignment.

Join professional societies to help with your networking, such as the IEEE Chicago/Rockford Consultants’ Network, and enter your business on various databases such as Gary Blank’s consulting mall web site and the IEEE-USA Consultants Database.

Now, armed with all that knowledge and preparation, and acquiring a fierce determination, go forth and find clients. (This is the subject of another discussion).

3. What kinds of assignments do consultants have?

Anything that you can imagine! Analysis, design, design verification & validation, documentation, process development and process improvement, forensic investigation, expert witness, helping to find a permanent employee to take over your consulting project ... The list goes on...

4. How does a consultant find clients and assignments?

The answer to this can be an entire course (and is one offered by Dr. Gary Blank of both the IEEE Rock River Valley Section and the IEEE Chicago/Rockford Consultants' Network). Includes:

- Your network, your network, your network;**
- Want Ads for unfilled job positions;**
- Publications soliciting proposals (e.g.: "Commerce Business Daily")**
- Professional society meetings (i.e.: your network)**
- Your alumni association / job placement group (i.e.: your network)**
- Local and national databases (e.g.: Dr. Blank's Consulting Mall; IEEE-USA Consultants' Database)**
- Elevators and grocery lines (Keeping your eyes and ears open for opportunities)**
- Needs of former customers and suppliers (i.e.: your network)**
- Former professors and Deans**
- Local colleges and universities**
- Local Chamber of Commerce (meetings)**

5. How do managers make effective use of consultants?

They don't always. Most don't understand the difference between a consultant and a temporary labor person. You ABSOLUTELY need to understand the difference, and you will at times need to carefully and patiently explain that difference to your client manager to prevent you and his company from getting on the wrong side of the IRS. The following web page is one of many that provide a description of that distinction:

http://www.temple.edu/controller/accounts_payable/PARTH.htm

and here is a web page that leads to the content of IRS Pub 15A – which provides the specific IRS definitions and discriminations

<http://www.irs.gov/publications/p15a/ar02.html#d0e617>

In my opinion, you will have the most effective management (client) / consultant relationship if you have both agreed to and signed a full consulting contract, containing a detailed statement of work, schedule, pricing, and terms & conditions, and which describes the control mechanisms (which MUST be in accord with the IRS Pub 15A guidelines)

CONCLUDING / COMMON THEMES:

Our panelists sincerely thank the IEEE Rock River Valley Section for hosting this panel discussions and permitting the six of us to contribute our combined experience and observations for your use. We found a strongly common view with respect to the following 3 points and offer them as our conclusion for your consideration:

- 1. In order to be successful, a consultant or aspiring consultant must first and foremost obtain and retain clients.**
- 2. In order to obtain clients, a consultant or aspiring consultant must develop, maintain and use an extensive network from a variety of sources and resources.**
- 3. In order to retain clients, a consultant or aspiring consultant must have the drive and commitment to deliver the agreed-to product/service with exceptional quality, on time and within budget – EVERY SINGLE TIME!**

Thank you again.

/s/ Joseph A. Auer, Jr.

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