

25 Steps for Starting a Consulting Business

Starting a new consulting business is an exciting and challenging venture. Investing time, money, and effort in a new business should not be done intuitively or haphazardly. There should be a blueprint to follow and check against so that major components are not left out. These steps are presented to help you to systematically develop your business. The steps are not necessarily sequential. In some instances the sequence can be changed.

1. Assess your area(s) of expertise, areas of interest, need for training, and your commitment to develop a consulting business.
2. Determine your consulting rights and the conditions under which you can consult at your institution. Most universities allow one day per week for external consulting related to the instructor's area of expertise. If these rights are not available, annual leave can be used if on-site visitation is required. Some instructors are beginning to develop consulting businesses on-line.
3. Will the business be conducted as supplementary to what you do full time or will you run the business full time? Most instructors today will begin on a part-time basis and let the business grow over the years. At some time they will make a decision of whether or not to go full time in the business.
4. Identify the type of consulting business you want to establish. Will your business require one-on-one consulting for solving problems, observations, making recommendations, or trouble shooting? Will the business require you to conduct workshops, and if so, how large a group can be handled? Will the workshops take place primarily in-house at individual institutions, or will they be conducted nationally or regionally in key locations? Will the business require you to produce products such as books, monographs, videotapes, audiotapes, or CDs? Do you have the requisite expertise to begin the business immediately or at some time in the near or distant future after further study and training?
5. Identify the target audience(s) and the market niche you intend to address. A market niche is a population segment that you have identified who share common backgrounds and professional interests and who are most likely to use your services as a consultant through product purchase or workshop attendance. Identifying this niche may be one of the most important marketing strategies you can use. When you know the specific concerns of your niche, you can tailor your message to focus on solutions to these concerns. The narrower the niche, the less the competition and the easier to capture the market and set yourself up as the expert.



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Be a
thief of
ideas.”

Tom Cyrs

6. Describe and identify all of the competition, where they are located, how many there are, what they do, and what their fees are.
7. What do you have to offer that is better than the competition and would motivate potential clients to come to you? Write a one page capability statement in which you clearly verify and document your area(s) of expertise.
8. Identify the name of the consulting business. This name will summarize the focus of the consulting business and announce exactly who you are and what you do. Will the business be conducted under your birth name? Will the business be conducted under another name (doing business as)? Will the business name specify the major benefit of the consulting business? Will the name describe briefly the market niche? Will the name be made up or imaginary such as KnowledgeDollars™?
9. Identify the legal structure of the business as sole proprietorship, partnership, corporation, S corporation, or Limited Liability Company. Most beginning consultants begin as sole proprietors. Depending on how successful the business becomes, the tax situation, and the degree of acceptable liability the consultant is willing to risk, many are becoming LLCs or Limited Liability Companies. In an LLC there is no individual liability, there is minimal paper work, the LLC can be created at minimal cost by the owner, and the tax reporting is favorable. The type of legal business structure will determine how the business is owned, managed, the degree of personal liability, and how the taxes are paid.
10. Write a business plan. The latter is a detailed written description of all aspects of the proposed consulting business. A business plan becomes the guidepost for everything that is done in the consulting business. The plan includes the specific products and services that will be offered, a marketing strategy, a financial plan, and a management plan. It is a comprehensive planning document, a road map, a blueprint and an operating tool that will help you to clarify your ideas and business direction.
11. Will you conduct business from your home or at another primary location? Most new consultants begin their business in their homes. Part-time consultants may designate space in their homes as a business office. This designated space that is claimed as a home office must be used regularly and exclusively on a regular basis as a principal place of business. The room cannot be used for personal purposes after business hours.

12. Determine your financing needs. Itemize the start-up costs and source of these funds for the business for one year. Part-time consultants can usually develop their business by using personal funds only unless new and expensive equipment is required.

13. Select an accountant, lawyer, banker, and other specialists as needed. Ask your colleagues whom they would recommend, especially as an accountant. If financing is required, knowing a banker locally would be helpful. If you want to develop a contract template for the business, it may be wise to hire a lawyer, although many templates are available commercially.

14. Determine the pricing structure for your consulting fee. This is referred to as KnowledgeDollars™, in getting paid for what you know.

15. Obtain all necessary tax and business licenses locally and state-wide.

16. Set up a total marketing plan. The greatest mistake made by novice consultants is assuming that a market exists for their knowledge, products, and services. They invest a great deal of time, effort, talent and money on this assumption. Some useful marketing strategies include:

- Attend conferences and ask people what they think about your consulting business idea.
- Speak to trusted colleagues.
- Conduct a focus group study on your selected consulting area of expertise.
- Send out a questionnaire to some potential clients.
- Volunteer on campus and at conferences and try out your ideas.

Direct mail is one of the best strategies for a consulting business if you have identified your niche market. Direct mail includes materials such as brochures, fliers, and newsletters that are mailed in bulk to potential customers. You can rent custom mailing lists or develop your own.

17. Set up a home-based office with equipment and furniture. Do not invest a lot of new money. Use what you have and borrow the rest if you can.

18. Create materials to promote your professional image. These include quality business cards, letterheads, brochures, handouts for conferences, CDs, books, booklets, and a host of other possibilities.