

# Building a Successful Consulting Practice Opportunities and Challenges

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## The Consulting Dilemma

This casebook [this article is taken from *Building a Successful Consulting Practice*, ASTD Press] contains eleven case studies of successful consulting organizations. They have happy endings. Unfortunately, not all new consulting practices are fortunate enough to have happy endings. Consider these three scenarios of recent consulting experiences. The names have been changed to protect the victims.

Suzanne's high tech firm recently announced cutbacks of 7,000 employees, and offered severance packages to entice volunteers. Suzanne decided to take a severance package and fulfill her long-term dream of building an independent consulting firm. Suzanne had developed excellent skills in team building while serving on the staff of her employer's corporate university. Organizational development assignments and team building projects were her specialties. Using a variety of commercially available tools and expert facilitation, she had accumulated measurable success with teams in her firm. Now, she wanted to take this process public and create her own consulting firm, Team Building, Inc. (TBI). Suzanne went to great lengths to announce her new business, allocating funds for developing brochures and promotional materials. She sent the announcement to every person she knew -- even going as far as to purchase a couple of mailing lists. She was eager to tell the world that she was available. Unfortunately, the rest of the world didn't respond. Suzanne had to work very hard to secure even a few assignments and found the competition to be very intense in the specialty area she had chosen. She quickly began to realize that it takes years to develop the relationships necessary to build her business and that not everyone is eager to seize the opportunity to use her skills. After nine months of frustration and very little revenue, Suzanne took a job outside of her area of expertise, with much less pay. As a result of her experience, she was very disillusioned about developing an independent business.

With twelve years of experience, Carlos had developed special skills in proposal writing. In his job with a major defense contractor, he developed proposals for new contracts and had earned a reputation as an excellent proposal writer. Carlos's skills were in high demand as he developed winning proposals and advised others on the process. In addition, he conducted internal workshops to improve the proposal writing process. Because of his success, Carlos decided to leave the security of his organization and launch his own consulting practice, The Proposal Effectiveness

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Company (PEC). Carlos struggled desperately in the first few months as he attempted to secure clients. After calling on all his professional colleagues, he managed to land a few assignments and ultimately established a relationship with a competitor of his previous firm. This client, however, failed to drive sufficient revenue to sustain the new business. After a year of struggling, Carlos returned to his familiar industry, securing a proposal writing position with less pay and fewer job perks. Carlos left the situation disappointed and somewhat depressed about his brief effort to build a consulting practice.

John took advantage of an early retirement option to pursue the independent and carefree life of consulting. John had managed several departments and units within his retail store chain and was very proud of his managerial and leadership skills. He had always been able to build a great team and gain the respect of his employees. John enjoyed a reputation for being an outstanding manager, always delivering the results, and his work units consistently exceeded goals. Now, John wanted to use these skills to help small businesses develop and grow. With early retirement funds in hand, John launched a consulting practice, Results By Design (RBD). As he explored one opportunity after another, he was surprised by the number of doors that did not open for him. He finally aligned himself with a small business incubator program in his metropolitan area and secured some work through this organization, although most small firms wanted him to donate his time. He also worked with a group of retired executives who volunteered their services to assist small businesses. Again, most of the clients expected his services to be provided pro bono. After a year and a half of struggling with his business, John decided to pursue his early retirement a different way and purchased a franchise of a large, fast food restaurant and devoted his time developing a small business himself. The fast food option translated into more headaches, longer hours, and less pay than he'd ever dreamed.

These three depressing scenarios paint a picture of the fate of many new consulting businesses. Historically, the failure rate for starting up a new business is extremely high, but especially high in consulting. Yet, many individuals are attracted to the consulting business because of potential rewards and the appearance of a very self-satisfying profession.

The consulting business represents an interesting dilemma. It has enjoyed tremendous growth in the past two decades, exceeding that of many professions. According to most predictions, the consulting industry will continue to grow in the range of 15-20% per year. Whether involved in restructuring the business, implementing new systems, developing staff, changing procedures, or bringing new products and services on line, consultants are being asked to assist organizations in a myriad of ways. Companies are fervently seeking consultants for their external perspectives and expert opinions, hoping these consultants can provide solutions to improve their business.

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At the same time, clients have become disappointed in the services consultants deliver and often blame them for their problems. Some critics say that consultants are incapable of producing results or supplying a useful product or service. Perhaps this image of consultants is underscored best, or at least in a more visible way, in the role of consultants depicted in the Dilbert comic strips. In Scott Adams's best-selling book, *The Dilbert Principle*, which was number one on the *New York Times* best-seller list, nearly 10 percent of the book's coverage is devoted to consultants and consulting. *Dilbert* depicts the petty and stupid requests and activities of consultants and consulting projects that litter cubicles throughout the corporate world (Adams, 1996). Some of Adams's observations of consultants are:

- A consultant is a person who takes your money and annoys your employees while tirelessly searching for the best way to extend the consulting contract.
- Consultants will hold a seemingly endless series of meetings to test various hypotheses and assumptions. These exercises are a vital step toward tricking managers into revealing the recommendation that is most likely to generate repeat consulting business.
- After the correct recommendation is discovered, it must be justified by a lengthy analysis. Analysis is designed to be as confusing as possible, thus discouraging any second-guessing by staff members who are afraid of appearing dense.
- Consultants use a standard set of decision tools that involve creating alternative scenarios based on different assumptions. Any pesky assumption that does not fit the predetermined recommendation is quickly discounted as being uneconomical by the consultants.
- Consultants will often recommend that you do whatever you are not doing now.
- Consultants do not need much experience in industry in order to be experts; they learn quickly.

Adams continues with his list of advantages that consultants bring to a company:

- Consultants eventually leave, which makes them excellent scapegoats for major management blunders.
- Consultants can schedule time on your boss's calendar because they do not have your reputation as a troublemaker who constantly brings up unsolvable issues.
- Consultants are often more trusted than your regular employees.
- Consultants will return phone calls because it is all billable time to them.
- Consultants work preposterously long hours, thus making the regular staff feel worthless for only working 60 hours a week. (Phillips, 2000)

While this is a humorous attack on the consulting field, it unfortunately rings true for many consultants, bringing confirmation on at least some of the points.

The dilemma of an apparently attractive, growing occupation, with its high failure rate and tarnished image, will be explored in this casebook. Each case study describes a successful consulting practice.

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This introductory chapter focuses on many of the key issues that amplify this dilemma and explores the major areas that contribute to success.

## **The Consulting Business**

The best point to begin the discussion about consulting is the definition. A consultant is a person in a position to have some influence over an individual, group, or organization, but has no direct power to make changes or implement programs (Block, 2000).

Internally, most people in staff functions in an organization are really consultants, even if they don't officially have a consultant title. Staff functions such as human resources, training and development, market research, product design, strategic planning, financial analysis, product support, and technical support are all, in a sense, consultants. The individuals receiving the consulting advice are usually called a client and this term will be used throughout this book. Sometimes the client is an individual; sometimes it is a group or team. Externally, a consultant provides advice and counsel completely to another organization.

A consultant can be an individual operating as a one-person consulting entity or part of a larger consulting organization. The number of one-person consultants is difficult to pinpoint although the actual figure is estimated to be quite large. Statistics for the past year hover around 20 million for the solo individuals working alone (Bick, 2001). Many of these solo practitioners are actually consultants, providing advice, assistance, and council to organizations. The number of consulting firms is also quite large and can range from a loosely organized group of two or three consultants to giant firms, such as Accenture and PriceWaterhouseCoopers. Both of these firms have over 50,000 consultants and hold the distinction of being the top two consulting firms in the world in terms of number of consultants.

The focus of this casebook is on those consultants in the smaller end of the category – ranging from the one-person shop to the small consulting businesses; this is an area where more insight is needed to identify the success and failure of these smaller firms so they can become larger organizations.

Consultants usually have a particular methodology as they provide advice and counsel to companies. Regardless of the process, they often listen to the client and key members of the client's organization; they explore and investigate a situation problem or opportunity; they analyze data, problems, and different scenarios; they recommend alternatives; and, sometimes, they actually implement their solutions (Nelson and Economy, 1997).

Figure 1 depicts a simplistic view of a consulting process, beginning with a client's present status or condition and their objective to change that condition to a desired state. The process uses the consultant's expertise, skills, knowledge, resources, and feedback to move the client to that desired state (Weiss, 1992). Each consultant brings a uniqueness to their business with their processes, as

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they possess expertise, skill, knowledge, or resources that makes them valuable. Ideally, this creates a niche opportunity.

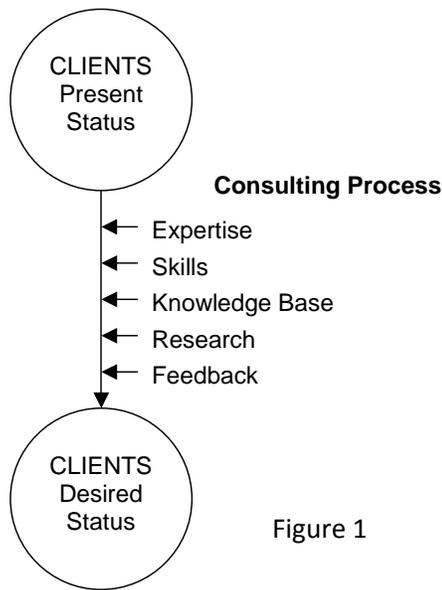


Figure 1

Types of consulting projects vary considerably. Some involve specialty and technical projects, such as financial forecasting, environmental compliance, human resources compliance, technical training, system design and implementation, market research, and labor contract negotiations. Other projects are more management-oriented, where the work assists the management team in a variety of issues including strategic planning, organizational development, or retention. These assignments tend to be longer, requiring an on-going relationship, and the client typically handles implementation. Still, other consulting projects might fall into the category of international work, such as international relations, government interface, global planning, and global strategy. International consultant assignments are often very long term and require a consulting firm that is uniquely qualified and configured. Finally, other consulting projects involve work with troubled companies to assist their management team in a turnaround effort. This also involves marketing, financial, and operation issues where the duration of the engagement is often uncertain and skills have to be very unique. In summary, the types of consulting projects are extremely varied and include all types of scenarios. The particular type of project often defines the operational issues with the consultant, including the duration of assignment, the contacts, and other important issues (Tuller, 1992).

## The Myths of Consulting

There are many myths associated with consulting that often motivate people to enter the business when it may not be the right choice. These myths, fully explored in this chapter and briefly detailed here, are presented in a variety of excellent resources in the consulting field (Biech, 1999).

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1. **Consultants don't have to work so hard.** In reality, consulting may be one of the most difficult jobs today. It requires a tremendous amount of hard work to be successful and survive. The traditional eight-hour days are replaced with long hours, weekend work, and often no vacation or holidays.
2. **Consultants don't have a boss.** While an independent consultant may not have an immediate manager, there's still a boss in the equation: the client. The client can be more demanding and difficult to please than any direct manager.
3. **Consulting is a respected profession.** As described earlier, the image of the consultant has been severely tarnished in recent years. Many individuals in the client's organization view outside consultants as disruptive, unnecessary, and even harmful as they recommend flawed plans or processes. Add accountability concerns, and the issue of excessive costs, and consultants often suffer images depicted in Dilbert. (Adams, 1996)
4. **Consultants make large amounts of money.** The daily rates for consulting are often less than imagined. Also, this daily rate is just that—the rate for a particular day. Unfortunately, there are not enough billable days for many consultants. When the daily rates are spread over the costs of providing consulting services, many firms don't have enough income to survive.
5. **Consultants are viewed as experts in their area.** Expertise is not automatically granted with the label of consultant. The consultant must constantly prove himself/herself to every client – in every situation.
6. **Consultants are void of office politics.** Sometimes consultants are placed in the middle of office politics as they attempt to accomplish their jobs. Many find themselves using their political skills as much as their technical, organizational, and management skills.
7. **It's easy to expand a consulting business.** As the number of clients increase, it would seem logical that the business could easily grow. However, once the number of clients grow beyond what the original consultant/owner can deliver, it is often difficult to expand merely by adding consultants. Clients may not perceive the same level of expertise with other consultants or the additional consultants may not have the same skills.

These and other myths create a flawed perception of consulting, causing many to make the leap into the consulting business, only to fail along the way.

### Why Consulting Businesses Fail

As mentioned earlier, Consulting has a very high rate of failure. Many, if not most consulting businesses fail in the first year. As the opening scenarios in this chapter illustrate, the reasons for failure vary considerably. An interesting account of the journey to failure is covered in the article, *How to Start Your Very Own Consulting Business and Fail* (Hochberger, 1999). In this blow-by-blow account of a failed practice, Hochberger details the ups and downs of the consulting start-up experience. Hochberger harbored many of the common myths about consulting and pursued the business without planning, forethought, or a basic analysis of how the business can succeed.

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Many of the current consulting books offer insight on how consultants fail on their assignments. For example, the book, *Consulting for Dummies*, offers the ten biggest mistakes a consultant can make (Nelson and Economy, 1997).

1. Not listening
2. Failing to establish rapport
3. Letting your ego get in the way
4. Being inflexible
5. Over pricing your services
6. Under pricing your services
7. Having one primary client
8. Turning down work
9. Taking current clients for granted
10. Failing to market for future business

These, and other items, emphasize how the consulting process itself can go astray. Few, if any, detail the fundamental mistakes made in the beginning when starting the business. The major categories in the remainder of this chapter outline some of the important issues that must be considered as the business is launched – and in the first years of the practice. Without proper attention to these areas, the actual consulting methodology may not have a chance to succeed. The business will fail because of some other fundamental issue.

### **Why People are Interested in Consulting**

Each year, many professionals (and non-professionals) are attracted to the consulting profession. Some are pursuing a life-long dream of independence, freedom, and financial success. Others are running away from jobs and situations in hopes of finding something better. The attraction is very strong and can usually be summarized in the following scenarios. To a certain extent, these are almost mirror images of the myths of consulting because what attracts someone to consulting is often based on a myth.

1. **Independence.** Running your own business and managing your own schedule gives you independence not enjoyed in occupations inside conventional organizations.
2. **Freedom.** The freedom to grow the business (or not), accept clients (or not), and travel (or not) is an important issue. This freedom often does not exist in other traditional jobs in other organizations. A consulting opportunity seems to be an ideal way to escape the constraints of previous jobs.
3. **The nature of the work.** Consulting is a helpful process that adds value to an organization. The nature of the process, from exploration and investigation to analysis and recommendation is all exciting work. It's challenging and self fulfilling.
4. **Rewards.** Consultants help individuals and their organizations. It is rewarding to see the results of a consultant translate into important improvements in an organization. Ideally, the consultant makes a difference—sometimes a significant difference.

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5. **Image.** In many cases, consultants are well respected, the image of their work is a positive one, and they're proud to be a consultant.
6. **Financial rewards.** Consulting appears to be a lucrative process, consulting rates are often very high, and large consulting projects can be extremely profitable for the individual as well as the firm.
7. **Leveraging talent.** Consulting is an excellent opportunity to leverage the knowledge and expertise of the consultant in the organization. In some cases, knowledge and skills are literally transferred throughout the organization.
8. **Opportunity for growth.** The profession is growing and the use of consultants is growing. The consulting field has the appearance of opportunity for much growth and the opportunity for individual growth within the profession appears to be great.
9. **Escape mechanism.** Consulting appears to be the way to escape many of the frustrations inherent in corporate bureaucracy and the stifling effect of large organizations. Consulting is a way to move from the present situation to something much better. To go it alone is the ultimate dream of a lot of people.

These, and others issues, are attracting people to the consulting business each year. Attempting to determine if consulting is a good fit for an individual can be difficult. Figure 2 shows a slightly modified checklist taken from an important guide to consulting (Biech, 1999). It illustrates the key issues that should be considered to determine if consulting is right for you. The number of checks in the figure is not significant; each person must face the reality of each issue. Every box that you are unwilling to check is an indication that you might not be closely matched to this profession.

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### Is Consulting Right for You?

#### Quick Quiz

- I am willing to work sixty to eighty hours a week to achieve success.
- I thrive on risk.
- I have a thick skin—being called a pest does not bother me.
- I am good at understanding and interpreting the big picture.
- I pay attention to details.
- I am an excellent communicator.
- I am a good writer.
- I like to sell my work and myself.
- I can balance logic with intuition and the big picture with details.
- I know my limitations.
- I can say 'no' easily.
- I am compulsively self-disciplined.
- I am comfortable speaking with people in all disciplines and at all levels of an organization.

#### Figure 2 – The Consulting Match

(Adapted from *The Business of Consulting*, Elaine Biech. San Francisco: Jossey-Bass, 1999.)

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## Making the Transition

Making the leap to consulting is perhaps one of the most critical issues to address. Preparation is essential to success. The process begins with establishing the credentials necessary for a quality consulting service. Documenting your experience with speeches, articles, and books will ensure that expertise exists and is known to others. As a consultant, offer a service that is not readily available from any other source. Providing a niche opportunity that others are not adequately serving, or expertise and skills superior to others, will help ensure that there's demand for your services. It makes little sense to offer a service that is readily available in the market, perhaps in an oversupply situation.

Preparing for the assignment from a financial perspective is another critical step. Sufficient start-up funds and cash flow are needed to keep the business afloat during its first few months – perhaps years. The initial financial structure must be in place, including cost control, reporting records, and budgets.

Exceptional management and organizational skills are critical during the early stages of the practice. New consultants must be able to manage your projects and manage the business including managing time and having the discipline to routinely stay on track. Managing the financial, strategic, operational, administrative, and even legal contexts is all important and should be considered. Weaknesses should be addressed early so they don't become problems later.

The support of friends and family is crucial when starting a new business. Supportive relationships are necessary because of the stress connected with a new job, and the long, hard hours that are inherent in consulting. A completely different lifestyle will usually emerge. The business will consume the individual, not only with long hours and hard work, but the constant attention needed to keep it on track and moving in a successful direction.

Triggering events sometimes motivate an individual to launch a consulting business. A layoff, early retirement, unexpected loss of a job, or reaching a specific milestone (e.g., 'empty nest') are all factors that can trigger the beginning of the transition. Preparation for this event is critical to ensure survival for the first two years.

## Strategy

Developing a strategic plan is a process often reserved for large organizations. However, it is needed in small and new business. A strategic plan examines long-term goals and details the plan for achieving them. These goals are crucial to the ultimate success of the consulting business. One goal, for example, may be to define the region of operation, whether local, national, or global. Another strategic objective could focus on the type of consulting and related services to offer. Still another could focus on the type of organizations targeted for the practice.

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Developing a strategic plan begins with a mission, vision, and values. The mission defines the purpose of the organization; the vision describes the ultimate outcome desired, and the values are the important principles and beliefs needed to achieve success. An example of a mission statement for a consulting firm is contained in Figure 3.

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### Mission Statement

To provide a variety of consulting services to develop teams and team-based organizations so that they will achieve the desired success.

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### Figure 3 – Mission Statement for Team Building, Inc.

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An important part of the strategy is to have a business plan. This plan identifies what should happen to make the business successful. At least six critical areas should be addressed in the business plan.

1. **Background information** that thoroughly documents why the business exists and what has transpired to date. This would include statements of the expertise and the niche opportunity that exists.
2. **Strategic Objectives** detailing what needs to be achieved long-term to make the business successful.
3. **Tactical Objectives** indicating short-term implementation steps as the business grows and develops.
4. **Resources Required** to sustain and grow the business. These include marketing support, new locations, additional funding, and expertise.
5. **Progress and Performance** made since the last review of the business plan.
6. **Outlook** showing the realistic prospects of the business and what can be accomplished in the future under different scenarios.

The business plan is a living, workable document. It must be reviewed periodically and updated as necessary. Plan, do, adjust is the philosophy. While the business plan becomes a working document for the consulting staff, it is also important to others such as bankers, alliance partners, key clients, prospective staff members, and potential owners.

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## Attracting and Retaining New Clients

Another critical ingredient in the success of the consulting business is attracting and retaining clients. Along with selling services, a consulting practice must focus on marketing processes and concepts. This involves several key elements:

1. **A marketing plan.** This plan details the type of marketing, the appropriate mix, and how it will be implemented, including the timing, costs, and other issues.
2. **The image of the principal owner.** The image of this individual is very important. Whether the image is in person, or documented on paper, it must address the philosophy, mission, approach, the expertise, and niche process that the consultant can offer.
3. **Marketing materials.** Presenting the consulting firm on paper—whether it's on business cards, letterhead, brochures, or handouts is important. Documentation may also include testimonials, articles, or books.
4. **The use of the web.** The worldwide web has become an important tool for any consulting firm, regardless of the size. The website may be the best marketing tool to present your image, approach and success.
5. **Proposals and contracts.** Written contracts between two groups are critical in terms of how they focus on the client and client satisfaction. Too much legal terminology can often create more problems than it solves.
6. **Building client relationships.** Ideally, the first client will be a long lasting one. Continuing to build and strengthen existing business relationships, and expanding into new opportunities, is necessary to establish successful, long-term client relationships.

## Structure

The structure of the consulting firm involves many issues that must be addressed early in the process. Among the issues is the basic type of legal entity planned, whether it's a sole proprietorship, corporation, or partnership. The extent to which other associates or employees will be involved is another issue as is the decision to have a formal office or conduct business in a home office. The desired scope of operation in terms of local, national, or international is important. If a global strategy is perceived, appropriate representation must be made in other countries.

The actual organizational structure, in terms of reporting relationships, lines of authority, and working relationships must be designed to be rigid, loose, or in between. Some organizations are structured very loosely, such as Indigo Partners, a consulting firm with six consultants specializing in marketing for high tech firms. Indigo has no office, no secretarial pool, no overhead, and no assets to manage. A partner can take off as much time as he/she wants. (Bick, 2001). The use of sub-contractors is still another issue. Some consulting firms choose to sub-contract some of their work, while others do not. Collectively, these structural issues – and others – determine the basic form of the organizational entity for the consulting practice.

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## Financial Issues

No topic is more important than the financial aspect of the consulting practice. The initial funding is often the very first step in the development of the business. The structure of ownership in terms of who owns the business and what type of stock they are issued is another important consideration. The financial soundness required to have adequate capital to keep the business going is an essential part of the original plan. Having the appropriate budget to take the organization through its early start-up is critical. Fees and pricing structures need to be established so they're appropriate, fair, and equitable. Various financial reporting must be in place so that the operational results will be known and cash flow can be pinpointed. Later, several issues may surface, such as escalating fees to cover rising prices, the collection of revenue, and addressing bad debt situations, should they occur.

Consultants generally don't possess financial and accounting expertise. When that's the case, it's a must to obtain the expertise, having an accountant or CPA to work, at least initially, on a part-time basis. Financial issues are critical and must be addressed often and thoroughly to ensure that the business remains fiscally sound.

## Managing the Business

For some consultants, the most unpleasant and distasteful aspect of consulting is managing the business. Since most entrepreneurs are not good managers, one classic reason for failure is that they fail to manage the business properly. Various issues are involved in even a one-person shop. As the practice grows, it may be necessary to employ a business manager, operations manager, and/or administrative manager. One of the key issues here is not only finding the appropriate person, but be willing to let go of operational control of the organization. Many consultants/owners are unwilling to let others manage the business, particularly if they're the sole owner. An effective business manager can maintain the appropriate control of the business and build the team. The consultant/owner is often absent much of the time, working with clients. The support staff needs direction and someone available to make decisions. A business manager may be the answer for most small consulting businesses.

## The Consulting Process

Every consultant has a process that clearly defines the practice, usually an expertise developed over several years. The process is usually in harmony with an accepted methodology and defines the techniques, models, and methods used by the consultant. This process often defines the niche or uniqueness of the practice.

The consulting process must be standardized with procedures and practices documented, ensuring that a defined method is not only available, but allows consistency from one project to another. As others use this same process, it is important for the same standards and procedures to apply. The

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documentation of the process may include philosophy as well. For example, in McKinsey & Company, a large strategic consulting firm, a defined approach has been developed to communicate the philosophy of working with clients (Rasiel, 1999).

1. The problem is not always the problem
2. Don't reinvent the wheel (Part I)
3. . . . but every client is unique (no cookie cutter solutions)
4. Don't make the facts fit your solution
5. Make sure your solutions fit your client
6. Sometimes you have to let the solution come to you
7. Some problems you just can't solve . . . solve them anyway.

Documenting and communicating the philosophy helps to ensure that the consulting engagement is consistently successful.

### **Products and Support Tools**

Most consultants have an opportunity to develop other products and tools. There are several advantages to this approach. Without other products and support tools, the only source of revenue is the consultant's time. When the consultant doesn't work (e.g., vacation and sickness), revenue isn't generated. Additional products and services compliment the consulting process and make excellent tools to understand and utilize the processes. Also, products and tools often enhance the credibility of both the process and the consultants.

Support products and tools often fall into these categories:

1. Software
2. Other supporting technology
3. Job aids or templates
4. Sample reports and guides
5. Article reprints and technical replications
6. Case studies
7. Books

These tools should compliment the consulting process and not perceived as add-ons to justify charging more fees. More importantly, this approach provides the client with useful tools that can make the consulting assignment more successful, while at the same time, generating other sources of revenue for the consultant.

### **Writing Proposals and Reports**

A well-written proposal can make the difference between attracting and losing a new client. Some consultants prefer to document as little as possible in a proposal, attempting to bind the consulting project commitment with a handshake. This approach can create problems later on. Proposals can avoid misunderstandings and miscommunications. More importantly, they represent an opportunity to showcase the organization and sell the consulting firm.

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A winning proposal begins with clearly defining objectives. The elements of the proposal can vary considerably, but should include the following:

1. **Background and Situation.** This is a detailed understanding of the problem and the current situation. This is presented so the client and consultant see eye to eye on the current situation.
2. **Objectives of the Project.** Figure 4 shows typical proposal objectives. These objectives define what will be accomplished and the ultimate outcome as a result of the project.
3. **Assumptions.** The various assumptions important to the project are developed and completed.
4. **Methodology.** Here, the particular process that's used, steps, techniques, models, and approach are clearly defined. This is the heart of the consulting practice.
5. **Deliverables.** Outlining exactly what will be delivered at the end of the project.
6. **Specific Steps.** In addition to methodology, the specific steps needed as the deliverables are developed and presented are detailed.
7. **Project Costs.** Sometimes there's concern about detailing too much costs, however, it's better to show the client the detailed costs in advance than to have added costs at the end of the project. This builds credibility and respect for the consultant.
8. **Satisfaction Guarantee.** A statement of a guarantee is essential.

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### Project Objectives

- Identify the causes of excessive, unplanned absenteeism, and recommend solutions with costs and timetable.
- Evaluate the feasibility of three alternative approaches to new product development and rollout. For each approach, provide data on projected success, resources required, and timing.
- Implement a new accounts payable system that will maximize cash flow and discounts, and minimize late payment penalties.
- Design, develop, and implement automated sales-tracking system that will provide real-time information on deliveries, customer satisfaction, and sales forecasts.
- Enhance the productivity of the call center staff as measured in calls completed, without sacrificing service quality.
- Build a customer feedback and corrective action system that will meet customer needs and build customer relationships.
- Reorganize the sales and marketing division from a product-based unit to a regional-based, fully integrated structure.
- Provide review, advice, and oversight input during the relocation of the headquarters staff. Input is provided by memo each week. The project will address concerns, issues, problems, and delays.

**Figure 4 – Examples of Broad Consulting Project Objectives**

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Once accepted, the proposal becomes a working document throughout the project. It defines exactly what is delivered, when, and how. It should be reviewed often — not allowed to collect dust until the end of the project.

## A Results-Based Process

In today's economic climate, perhaps one of the most important issues for the consulting process is to focus on the results suitable to client expectations (Schaffer, 1997). Without the proper focus on results, the consulting assignments can easily go astray. More important, the client ends up being dissatisfied. This dissatisfaction may result in not only lost business, but litigation as well (O'Shea and Madigan, 1997). What is needed is a well-defined philosophy of delivering results. Not only are the ultimate outcomes (expressed as deliverables) necessary, but a process of meeting client expectations throughout the project. A results-based approach to consulting consists of the following elements:

1. Consulting projects are designed with precise measures and are initiated, developed, and implemented with the end in mind.
2. A measurement and evaluation system is in place for each consulting project.
3. Several approaches are utilized to measure consulting, representing a balanced profile of data.
4. ROI evaluations are developed for a few selected consulting projects.
5. Stakeholders understand their responsibility to make consulting successful.
6. Support groups (management, supervisors, co-workers, etc.) help to achieve results from consulting.
7. Consulting results are routinely reported to a variety of target audiences.

To determine the extent to which project focus on results, it may be helpful to use the checklist shown in Figure 5. If only a few of these are checked 'no,' it sends a danger signal. Ideally, all should be checked 'yes' to have a results-based focus on the project and delivering it to the client.

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## HOW TO MAKE SURE YOUR CONSULTANT FOCUSES ON RESULTS

	YES	NO
1. Does your consultant have results from other projects?	_____	_____
2. Will your consultant agree to guarantee results?	_____	_____
3. Has your consultant specified the current requirements for the project?	_____	_____
4. Is there a clear focus on results up-front in the proposal and early discussions?	_____	_____
5. Has there been a detailed analysis and needs assessment indicating the specific business impact and job performance needs?	_____	_____
6. Is it possible to forecast the actual ROI?	_____	_____
7. Have multiple levels of objectives been established for the project?	_____	_____
8. Has an evaluation plan been developed?	_____	_____
9. Have expectations been communicated to all stakeholders?	_____	_____
10. Is there a method to routinely provide feedback to make adjustments?	_____	_____
11. Can the consultant develop an impact study?	_____	_____
12. Can the consultant isolate the effects of the consulting intervention?	_____	_____
13. Has the consultant examined a variety of data from different sources at different times?	_____	_____

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14. Are the data collection, analysis, and reporting independent of project delivery?	_____	_____
15. Is there a plan to monitor the long-term effects of the project?	_____	_____

**Figure 5 – A Results-Based Checklist**

(Taken from *The Consultant's Scorecard*, Phillips, Jack J. New York: McGraw-Hill, 2000.)

An important element of this, which appears as number 2 on the checklist, is the concept of guaranteed satisfaction and presented of in the book, *Extraordinary Guarantees* (Hart, 1993). Christopher Hart shows how service providers can gain a competitive advantage by guaranteeing their work. The following is Hart's own consulting firm's guarantee, "Our work is guaranteed to the complete satisfaction of the client. If the client is not completely satisfied with our services, we will, at the client's option, either waive professional fees or accept a portion of those fees that reflect the client's level of satisfaction." At first, this might seem outrageous—a professional firm guaranteeing work! How can you make a guarantee like that when consulting services are subject to so many influences? But, it is important to point out that what is guaranteed is *satisfaction*. It is not a guarantee that a specific *result* will be achieved, but rather, a guarantee of the client's complete satisfaction to which most firms say they are dedicated to anyway (Maister, 1997). It's certainly a concept worth pursuing, particularly early in the process in the proposal.

## Ethics

No treatment of consulting would be complete without attention to ethics. Operating ethical standards are often developed as the consulting firm is structured, defined as the value system of the owner/consultant. These standards are often a reflection of personal convictions and define how the consultant will operate in a given situation.

Ethical issues surface in many ways. It may be in the professional area, where the consultant is asked to deliver results completely different than what was planned. It may be personal, where the client is demanding that the work be completed unrealistically. It could be an interpersonal situation, where the client is difficult to work with. It could be organizational, where the culture and dysfunctional practice of the organization interferes with the completion of the project.

When ethical issues arise, they must be dealt with accordingly. Here are some approaches that may work (Cohen, 2000):

1. Politely pull out of the consulting project.
2. Express your discontent and try to resolve the issue.
3. Decide to complete the project, but refuse to do business with the organization later.

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4. Leave without pay.
5. Complete the project and ignore the issue altogether.
6. Wait until the issue goes away, if it does.
7. Confront the client and stand up for your rights.

These are all approaches to deal with an unethical client. Ethical issues materialize from the perspective of both the consultant and the client. The consultant must establish the appropriate ethical standards and communicate them clearly so that the consultant doesn't become the ethical issue.

## Measuring Success

The success of individual consulting projects is directly linked to the overall success of the firm. Success is measured in different ways. Positive financial results are usually the first definition of success. The primary measure involves profits, or the reduction of losses extending over a period of time. It may also include other financial goals, such as the profit per assignment, office expenses, revenue per consultant, etc. Without financial success, at least in the long term, the firm will not survive.

In reality, client success must come before financial success. As mentioned in an earlier section, if the client is not satisfied, the business will probably fail. Not only will there not be repeat business, but others will not engage your services.

A third element is the personal success in delivering consulting services. Consulting is truly a rewarding process when it operates correctly — the consultant provides counsel that assists the client in measurable ways. Personal success is a powerful motivator to maintaining the discipline and determination necessary to make the practice work.

When measuring the success of a consulting project, six types of measures are necessary. These are shown in Figure 6. This approach reflects a balanced set of measures where data are collected in different categories and at different time frames, often from different individuals. It is very credible as the process always includes some method to isolate the effects of the consulting process. Not all firms are utilizing these six measures, but it's an ultimate goal of many firms (Phillips, 2000).

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## Consulting ROI: The Six Measures

Types	Measurement Focus
Satisfaction/Reaction	Measures the satisfaction/reaction directly involved in the consulting intervention
Learning	Measures the actual learning taking place for those individuals who must implement or support the process
Implementation/Application	Measures the success of implementation and the utilization of the consulting intervention solution
Business Impact	Measures business impact change directly related to the consulting intervention
Return on Investment	Measures the actual cost versus benefits of the consulting intervention
Intangible Benefits	Measures important intangible benefits not utilized in the benefit-cost formula

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### Figure 6 – Measuring Success of Consulting Assignments

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#### Exit Strategies

Early in the process, if not from the very beginning, it is important to focus on an exit strategy – the way in which the business will eventually phase out or change hands. Unfortunately, this is not given ample attention in the early phases and problems often arise later. Sometimes a consultant wants to sell the business, but, because of some early decisions, finds that the business is not as marketable as expected. Also, as ownership changes hands, even from different members of the family, there are often financial, legal, and tax implications that need to be addressed as early as possible. Six avenues are available that describe the fate of the business.

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1. **Sell the business.** Here, the emphasis is on building a consulting practice that is marketable, one that will have some value, either with its intellectual property or tangible assets.
2. **Dissolving the business.** This is the ultimate fate of many consulting firms, as the business is dissolved or phased out. Still, there's some legal and tax implications with this outcome.
3. **Merge the business.** Consultants sometimes merge, creating a larger, more viable consulting practice. A merger possibility needs to be explored early and planning for this should be made throughout the process. A merger has its own share of difficulties and problems. In most cases, mergers are not successful.
4. **Taking the practice public.** Some owners build a consulting practice and take it public through an initial public offering (IPO). Although few make it to this level, it is a viable option. Careful planning is necessary to ensure that the business can be sold to the public and investors will buy shares.
5. **Transferring the business to a family member.** Here, planning is critical because of the legal and tax implications.
6. **Letting it die naturally.** Sometimes a consulting practice should be allowed to very quietly disintegrate into almost nothing. Still, if it's a legal entity, such as a subchapter 'S' corporation, there are some legal implications and the planning should be addressed for this approach as well.

## Conclusions – Keys to Success

There is no absolute prescription for achieving success in the consulting business. This chapter has attempted to underscore some of the key issues involved in developing a successful consulting practice. The focus is on small consulting practices, even a one-person operation. Many issues are explored that can have an impact on the viability of the business. While no prescription is perfect, it may be helpful to end this chapter with a list of success factors from one important consulting reference (Kintler, 1998).

1. Be persistent
2. Focus on the client's needs
3. Develop your unique selling proposition
4. Project a professional image
5. Have financial reserves available
6. Develop and expand your contacts
7. Never miss an opportunity to spread the word
8. Focus on results
9. Get testimonials
10. Provide more value than expected

The individual case studies presented in this book delve deeply into the various reasons for success. The message here is simple. If you're considering consulting, thoroughly explore all your avenues and plan properly, addressing all the issues in this chapter. If your consulting business is ongoing, these issues will need your attention to make it successful. Good luck!

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