

Simple Steps to Starting Your Own Consulting Business

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If you're looking for a promising business to start, why not consider consulting? Becoming a consultant is a great way to put your business experience and skills to use helping others improve their businesses.

There are all types of consultants, from management consultants who help executives make their organizations more efficient, to IT consultants who help companies implement the right IT solutions, to philanthropy consultants who help nonprofit organizations raise funds. There are even business coaches, who work individually with professionals, executives and business owners to help them perform better on the job.

Do You Have What It Takes?

Are you wondering if you have what it takes to be a successful consultant? Here are some things to ask yourself.

- 1. What marketable skills do I have?** To differentiate yourself from the crowd, you'll need to specialize in a niche. For example, an IT consultant might specialize in cyber security issues; a management consultant might specialize in business process improvement.
- 2. How's my accounting?** You need accounting skills to assist your clients in improving their ROI, but also to track and bill for your time.
- 3. Am I good at sales?** You'll need sales and marketing know-how to network, form relationships and pitch your services to clients. Consultants must constantly seek referrals and leads.
- 4. Do I manage time well?** Consultants must be effective time managers to juggle their clients' demands and to maximize their billable hours.

Play It Safe

Never solicit your employer's clients while you're still employed—this could be grounds for dismissal. Even after you leave your job, you may be restricted from competing with your former employer if you signed a non-compete agreement when you were hired. Since the success of a consulting business rests on your reputation, do everything possible to stay on your former employer's good side.

3 Ways to Get Started

Don't have enough prospects to bring in lot of business just yet? Start by...

- 1. Launching your business on the side.** Use your spare time to consult with clients while keeping your day job. Just make sure you're not using your employer's resources or taking their clients.
- 2. Partnering with another consulting firm.** Find a firm that offers complementary services and develop a relationship where they refer clients they can't handle to you, or outsource work to you so you can build a track record.
- 3. Do some consulting for free.** Offer your services free of charge in exchange for clients providing testimonials or referrals. Write up case studies for each client and use them as marketing tools.

Steps to Start-Up

Take these steps to get your consulting business up and running.

Name your business. If you just name your business after yourself (Bob Jones Consulting), it won't explain what you do. When considering a name, ask:

- Does it convey my expertise and what makes my business unique?
- Is it available as a domain name for my website? (Visit any domain registration site to find out.)
- Is it easy to say, spell and type?
- Has anyone else trademarked it or is anyone using it?

[Search and reserve your business name.](#)

Choose the right business structure. Consulting as a sole proprietor puts your personal assets at risk if a client ever sues you. Instead, consider forming a corporation or limited liability company (LLC). These legal forms can protect your personal assets from liability—an important consideration when advising companies on business decisions.

- [Compare the different forms of business.](#)
- [Learn more about the advantages of incorporating or forming an LLC.](#)

Get the business licenses you need. Your state, county and local government will typically require certain licenses and permits before you open for business.

- You may need a general business license, tax registration and zoning license.
- If your business operates under a name other than your own (a DBA or “doing business as”), you might need a fictitious business license.
- If you work in specialized fields such as engineering or health care management, you might need industry certification to get your business license.

[Learn more about obtaining proper licenses and permits.](#)

Get your tax ID number. Similar to a Social Security number, an Employer Identification Number (EIN) is a nine-digit number identifying a business to the Internal Revenue Service (IRS).

- If your business is a corporation, an LLC with more than one member, or if you hire employees, you must get an EIN from the IRS.
- Use your EIN it on all of your tax forms and tax-related documents.
- [Learn more about getting your Employer Identification Number.](#)

Obtain proper business insurance. Choosing to incorporate or form an LLC is one way to protect your personal assets, but you'll also want to protect your business from liability by insuring it.

- As a consultant, you'll need Errors and Omissions Insurance, which protects you if a client files a lawsuit against your business, claiming that you made mistakes, provided incomplete work or didn't adequately perform your professional duties.
- Depending on your location and amount of equipment, consider business property insurance.
- If you are worried your policies may not provide enough coverage, investigate an umbrella or excess coverage policy.
- Talk to an insurance agent specializing in the consulting industry for advice.

Decide where to locate. Consultants often work from home since meetings typically take place at the clients' locations.

- If you set up a home office, make sure you understand the IRS rules before taking a [home office deduction](#).
- If you need to meet with clients only occasionally or your home office isn't suited for meetings, look for a business service center where you can rent space on an as-needed basis.
- If you need to meet with clients frequently outside their location, consider renting a commercial office.

Write a business plan and a marketing plan. Your business plan describes:

- what your business does and what sets you apart from the competition
- the clients you plan to target, and
- how you will make a profit.
- Your marketing plan describes in detail how you will market your business and make sales.
- Search online for business plan and marketing plan templates, samples and software to help make writing your plans easy.

Equip your office. You may already have most of what you need to get started consulting. Consider:

- A desktop or laptop computer
- A smartphone
- A tablet computer as an alternative or adjunct to your laptop if you will travel frequently
- Software relevant to your industry and specialization
- Accounting software
- Time-tracking software
- Software for videoconferencing and/or conference calls with clients
- Presentation tools and software
- Cloud storage solutions for storing and backing up your data

Create a website. A business website is an essential sales tool for any consultant. Yours should include:

- A description of your services
- Contact information (make it easy to find on every page)
- Testimonials from satisfied clients
- Case studies of satisfied clients
- Links to your social media platforms
- Any publicity or press about your business
- A blog where you share tips and insights on industry trends

Start networking. Networking is essential to consulting success since more of your business will typically come from referrals.

- Join local business groups, sales leads organizations and professional organizations.
- Attend industry conferences, seminars and events.
- Follow prospective clients and industry leaders on Twitter and Google+.
- Join LinkedIn groups that your prospective clients belong to.
- Always ask satisfied clients for referrals to others who might be interested in your services.

Develop a network of freelance support staff. What happens if you get a big project you can't handle alone?

- Plan ahead by finding outside contractors you trust and can call on when needed.
- Have a stable of contractors so if one isn't available, you have a back-up option.
- Be sure you understand the [IRS rules regarding independent contractors](#) so you don't get in trouble at tax time.

Get paid. Make sure there are no obstacles in the way of getting payment.

- Open a business bank account using your EIN.
- Set up an accounting system using popular small business accounting software programs.
- Look for an accounting system that includes or integrates with time-tracking software so you can keep track of your hours spent on each project or client and ensure you're billing correctly.
- Clients may want to pay by check, credit card or electronic payment, so talk to your bank and get set up to handle all of the options.

Develop policies and contracts. Setting ground rules is key to success.

- Develop a general policy statement about how you work that covers:
 - How you bill (per project, per hour, monthly retainer)
 - Minimum charges or minimum billing increments
 - How often you bill (will there be periodic payments or payment only at the end of a project?)
 - What expenses clients pay for (such as travel time, airfare or hotels)
- Consult an attorney to develop a standard contract that you can modify as needed to spell out the details of each particular client agreement.
- Always have an attorney review your contracts.

To learn more call **800-818-6082** or visit www.incorporate.com.

