

INDEPENDENT CONSULTING AS A CAREER ALTERNATIVE
Originally presented at the 1988 *Interex Computing Management Symposium*
Anaheim, CA February 10-13, 1988

A. Marvin McInnis
5250 W. 94th Terrace, #114
Prairie Village, KS 66207

INTRODUCTION

Independent consulting can be an attractive alternative to more traditional career paths for experienced computer professionals. But while many mature computer specialists are technically qualified to be independent consultants, technical competence alone will not assure success. Success in professional consulting requires business, marketing, and communications skills as well as technical knowledge. And just as important, some very talented technical specialists are unlikely ever to be successful in private practice due to personality, lifestyle, or other factors.

This paper, which was first presented at the 1986 Interex Detroit Conference, assumes that the participant is interested in establishing an independent consulting practice. We will examine the essential elements of building a successful consulting practice today, with expanded emphasis on marketing, on managing growth, and on the effects of the Tax Reform Act of 1986. While the major emphasis will be on computer systems consulting, the general principles presented will also apply to consulting in other technical areas as well.

THE PRACTICE OF CONSULTING

We have all heard humorous definitions of the consultant; my favorite is "anyone who is out of work but has a briefcase." For our purposes, however, we will define a consultant as a person with specialized skills or knowledge who provides advice and/or services, for a fee, on a contract basis.

Although there are many types of consulting organizations, from the job shops to the large professional (accounting, engineering, etc.) and consulting firms, we will assume that you will be establishing a private consulting practice or small consulting firm. These businesses (and they are, first of all, businesses) can range in size from a single individual to more than twenty consultants, are privately owned, and are often entrepreneurial in their orientation. Consulting in specialized technical areas is their primary business activity, and most clients are small to medium sized businesses or government agencies. Projects can last from less than one month to more than a year, and the firm will typically perform work for several clients each month.

ADVANTAGES/DISADVANTAGES OF PRIVATE PRACTICE

As with many other types of entrepreneurial businesses, consulting in private practice offers independence and flexibility among its advantages, and there is virtually unlimited opportunity for professional growth. There is also the POTENTIAL for financial reward significantly greater than can be expected as someone else's employee. It has been my observation that most entrepreneurs who stick with it for more than ten years are far better off than if they had remained working for someone else. But first you must survive the crucial start-up years!

Private practice can be a particularly attractive option for experienced technical specialists who are, for some reason, blocked in their career development. It also can be a good choice for women, minorities, or otherwise competent persons with limited academic credentials.

As an independent consultant, your reputation is directly related to the perceived quality of the work you perform for your clients. No one else will receive the recognition for your accomplishments.

As an added bonus, relatively little start-up capital is required to establish a small consulting practice.

Just like any other entrepreneurial venture, the biggest disadvantage of private practice is the risk of failure. There is no guarantee of success and the initial risk is always high.

And, as an independent consultant, you must forever give up the myth that anyone but you is responsible for your success or failure. This attitude is very difficult for some persons to adopt, but I believe that that it is essential to the long term success of any start-up business.

Another disadvantage is that you will give up the apparent security of regular employment; if you do not work you do not eat. However, I feel that this "security" is highly overrated since in the past decade even very large companies have laid off substantial numbers of professional and technical employees.

In the early years as an independent, your income will almost certainly be irregular, and this can be a source of considerable stress. Some persons can never adjust. And even when your practice has achieved financial stability, you will still find it much more difficult to borrow money (for any purpose) than when you "had a real job."

In private practice, you will accrue some long term financial and contractual obligations from which you cannot just resign, as you might from a regular job. Working for yourself is usually more stressful than working for someone else, and the effort necessary to achieve success in your work may be highly detrimental to your personal and family life.

Finally, there is always the risk of developing a successful practice and then discovering too late that the state of the art has passed you by. The risk of dead-ending yourself is always there, just

as in conventional employment, and the results can be just as tragic. Overspecialization will substantially increase this risk, but we will discuss that in more detail later.

WHO SHOULD/SHOULD NOT CONSIDER PRIVATE PRACTICE

Qualifying yourself is one of the most important steps prior to establishing a business. Personal preferences, lifestyle, past work experience, and professional abilities are all important factors in this self evaluation. While by no means complete, the lists below contain some of the things I feel are very important in considering private practice.

You may be a good candidate for your own practice if you possess most of the following qualifications:

- 1) You consider yourself very competent, with at least five years of work experience in your technical specialty and five years with HP systems (or whatever systems you choose to consult on).
- 2) You are a generalist rather than a specialist. You get extra points from me if your academic training was in something other than computer science.
- 3) You have an entrepreneurial personality, and have had since you were a child. (Was it usually YOUR idea to open a lemonade stand or did you usually help someone else?)
- 4) You are self-motivated and well organized, and often impatient with your employer's formal procedures or with the office bureaucracy. You are sometimes told that you try too hard or that you care too much about the quality of your work.
- 5) Beyond being technically competent, you can communicate clearly in standard English, both orally and in writing. Remember that listening effectively usually is as important to communication as being able to express your own ideas.
- 6) Persons in your present organization usually seek YOU out for assistance with their technical problems, rather than going elsewhere.
- 7) You are analytical, holistic, and creative, and can be these things all at the same time.

Conversely, you should consider yourself a poor candidate for private practice if you recognize many of the following characteristics in your personality:

- 1) You are a perfectionist. Perfectionists often have great difficulty finishing anything, which is seldom what the client wants.

- 2) You place a high value on security and stability in all aspects of your life, financial or otherwise. You do not function well in ambiguous situations.
- 3) You must depend on a regular income to meet your financial obligations. (You will probably have NO net income for the first eighteen months of your practice!)
- 4) You place a high value on your marriage and family, or on other aspects of your personal life. (The available statistics on this subject are rather grim.)
- 5) You work best doing one task at a time, and find it difficult to handle more than two or three things at once.
- 6) You are basically an introvert and almost always do your best work when assigned a task and then left undisturbed.
- 7) You think that selling is a disreputable activity, or at best a waste of valuable time. (You will have to develop marketing and sales skills to succeed!)

TEN REASONS WHY NEW BUSINESSES DO NOT SUCCEED

Before going any further, it is worth considering why more than four out of five new businesses fail within the first two years. Here is a highly abbreviated list of ten major reasons for this dismal record:

- 1) **Lack of Commitment:** This is a personal matter. If you are going to establish a practice, make a commitment! Don't do it halfheartedly. I recommend that you not start on a part time basis, because doing so fosters the attitude that "I'll try it for a few months, and I can always find a job if it doesn't work out." You must be determined in order to succeed!
- 2) **Inadequate Capitalization:** This is clearly a financial problem. Realistically, it will probably be eighteen months before your consulting practice will generate enough income to pay the business overhead expenses, taxes, and a regular salary to you. And even then, capital will be required to fund growth.
- 3) **Too Few Clients:** This is primarily a marketing problem, but may also reflect on management. If you do not develop a large enough, and somewhat diversified, clientele you will certainly fail.
- 4) **Lack of Technical Competence:** Large companies may occasionally get away with poor technical performance, but your practice cannot. Indeed, competence is often the primary reason that a client retains a small firm, rather than going elsewhere.
- 5) **Overspecialization / Underspecialization:** This is both a technical and management problem. Increasing specialization reduces the potential number of

clients for your services, but may also increase your value to those remaining clients. Determining an appropriate degree of specialization requires both a careful evaluation of your capabilities and an understanding of your potential market.

- 6) Lack of Persistence / Inconsistent Goals: This is clearly a management problem! Very few businesses can survive if allowed to wander from project to project without any underlying direction. You must decide what you are NOT going to do as carefully as what you ARE, and then stick with your plan for a reasonable time.
- 7) Poor Management: The long term survival of your practice depends on good day-to-day management. The firm must have long term goals, and some kind of plan for achieving them. Daily decisions must then be evaluated against your goals: "Does this decision move us in the direction of our long term goals, or in some other direction?"
- 8) Overcommitment (Too Many Clients/Projects Too Large): This is both a financial and a management problem. After the critical start-up phase, the most dangerous period for any business is when it begins to be successful and is experiencing rapid growth! Financial capability and management decisions must control the growth of your practice, not the other way around.
- 9) Poor Client Relations: If your clients are not satisfied with your services, for whatever reason, they probably will not be back. This is ultimately a management problem, even though it may have its roots in technical, ethical, interpersonal, or marketing areas.
- 10) Stagnation / Lack of Technical Growth: This is one of the least acknowledged management problems. It is often quite difficult to reserve a substantial portion of your time for learning, research, and professional development. But always remember that you must continually be preparing for next years' projects.

DESIGNING YOUR PRACTICE - DEVELOPING A BUSINESS PLAN

While it may seem overly basic, before doing anything else you will have to decide:

- What services you will offer
- Who the potential clients for your services are
- What geographic area you will serve
- How you can reach your potential market
- How you can do all this profitably

These basic decisions will become the core of your business plan. While I am not an advocate of the formal business plans so favored by MBAs and bankers (who, I suspect, seldom read one in its entirety), I do believe in working up a comprehensive outline of the new business for one

reason: the evidence convincingly supports the notion that the clearer an image you have of your goals, the more likely you are to achieve them!

Let's examine some of the elements of a business plan in more detail.

THE SERVICES YOU WILL OFFER

I take it as a given that you are competent and technically qualified to be an independent consultant. But never forget that the very best work you can do is barely adequate when working in private practice.

For a small business, especially a consulting practice, to be successful, you must carefully select a market niche and commit your resources to servicing it. You may ultimately choose several market niches, but each of them must be chosen carefully. There are good business opportunities everywhere, and often the most difficult decisions are in choosing what you are NOT going to do.

In defining the scope of the services which you intend to offer, you will ultimately have to deal with the twin issues of expertise and specialization. Obviously, as an established wizard, HP systems will be one of your specialties. But will you try to cover the full HP product offering, or will you limit yourself to the subsystems with which you have the most experience? Or will you specialize in a particular application area? And what about other vendors' systems?

The advent of the Spectrum-family technical computers offers an example of the choices available. I have predicted that these new systems will offer numerous consulting opportunities in at least three distinct market niches:

- 1) First-time HP technical computer customers
- 2) Existing HP1000 customers who are migrating their applications to the Spectrum systems
- 3) Existing HP1000 customers who are stampeding off to other vendors rather than migrate

In defining the services you will offer, don't forget the intangibles. For example, HP has been criticized for the lack of experience of many of their SEs, as well as for the unavailability of the more experienced SEs and Specialists; indeed, HP often goes to great lengths to isolate the SEs and Specialists from their customers. You can compete effectively with HP by offering what they do not: both expertise and availability. (Note that HP often DOES consider itself one of your competitors; this was not always so, I'm sad to say.)

But defining the services you will offer is only the beginning - you must also have clients for those services.

MARKETING YOUR SERVICES

Defining the services you will offer, identifying potential clients, and making them aware of your services are the central functions of marketing, which is a business activity distinct from sales. Marketing is such a large and important topic that it is really beyond the scope of this presentation, so we will consider only a few central issues most pertinent to private practice.

The importance of marketing to your success cannot be overemphasized; poor marketing is second only to inadequate capitalization as a cause of small business failures. This can be a particular problem for the independent consultant, not only because marketing is probably the most "foreign" of the skills you will have to learn, but also because you have nothing to sell other than your own expertise.

From the beginning, do not deceive yourself by thinking that your potential clients will seek you out. This is a mistake that too many technical people make; the world just doesn't work that way! It is your responsibility to locate your potential clients and make them aware of your services. This is hard, often discouraging work; you will be doing VERY well if more than five percent (one in twenty!) of the prospects you contact ever retain you.

The first task of marketing is identifying your potential clients. Obviously, your market will come from somewhere within the body of HP users, those whose applications roughly match the services you are offering. But you will need to focus on some smaller number of prospects. Additional selection criteria might include:

- What geographical area will you serve? You will probably have to serve more than just your community unless you are located in a large metropolitan area with many HP users.
- In what industries or application areas (manufacturing, laboratory, communications, etc.), if any, do you wish to specialize?
- Should you concentrate on small-to-medium sized businesses, large corporations, government agencies, or some mix? Your personal background may provide you with a particular marketing advantage with certain groups.

You should continue in this way until you have developed the selection criteria for your primary market. You may also have identified one or more secondary markets as well.

A companion task is to identify the specific companies which satisfy your market criteria. How do you do this? Research! That is, research and plain hard work.

Although HP policy treats customer lists as confidential, you can certainly identify some HP users in casual conversations with HP employees. Interex and local users groups are also a good way of identifying prospects. Local newspapers and business journals are sources of information, as well as the business directories available at most metropolitan public libraries. "Help Wanted" ads are a good resource; an advertiser may not have considered consulting as an alternative to hiring.

You should also try to identify at least one contact person in each prospect organization. This person should be someone who has technical responsibility and the authority to retain your services, but any name is better than none. If you do not know where else to find out, business directories often contain this kind of information, although it is frequently obsolete.

Identifying your prospects alone does no good at all if you cannot reach them and make them aware of your services. While the solution in most businesses is "advertising," the market for your consulting services is so small that traditional advertising approaches are usually inappropriate. (COMPUTER CONSULTANT, a trade journal, reported that fifty percent of consulting firms responding to a survey on business practices had never advertised!)

Probably the most effective technique for your initial contact is a standard brochure mailing to your prospects. Your standard brochure should be a simple document which introduces your firm and describes the services you offer, with emphasis on special areas of expertise. A simple 3 x 9 inch format (an 8 1/2 x 11 inch sheet, folded twice) is convenient and easy to mail, although you may prefer a larger and more elaborate presentation. Regardless of the format you select, the brochure must be carefully written and must look professional. Since this brochure will make the first impression with many of your prospects, it must reflect the very best work you can do! If your research has yielded the name of an appropriate contact person for a prospect, include a short cover letter introducing yourself; but form letters are forbidden!

It is an established principle of advertising that the more frequently prospects are exposed to a product name, the more likely they are to try it. Using several quality marketing techniques at the same time can increase your overall marketing effectiveness. Some techniques which have been used successfully include:

- Conducting seminars
- Writing articles for publication
- Presenting papers at professional conferences
- Public speaking (through speakers bureaus)
- Publishing a newsletter
- Lecturing or teaching courses at local colleges

In addition to these techniques, by far the most effective marketing tool available to you is word-of-mouth referrals from your existing clients or from third parties such as HP employees. These referrals not only identify the potential clients for you, but they also contain an implied endorsement. By all means solicit referrals from your existing clients and HP, but do not depend on them for your success.

Whatever marketing techniques you choose to employ, remember that quality is of paramount importance. You must always be a professional, and you must always project the image of professionalism that is characteristic of your practice.

FINANCIAL CONSIDERATIONS

The final aspect of your business plan is financial: can you operate your consulting practice profitably? This is the point at which you must suppress your desire and determination to succeed and evaluate the situation as objectively as possible.

One of the advantages of consulting as a business venture is that relatively little start up capital is required. Balanced against that, however, is the fact that you have nothing to sell but your own professional skills. At the minimum, you will need sufficient initial capital to pay the business overhead, your own personal obligations, and taxes for at least eighteen months, until your practice becomes profitable.

Before you can determine how much start-up capital your practice will require, you must develop the most realistic possible estimate of your anticipated income and expenses. But always remember that these figures are just that: estimates! Your estimates will almost certainly be wrong, but you must do the best you can and then adjust them for contingencies.

You should select your business form and accounting method at this time, since these will help in identifying the dozens of categories of income and expense which you must consider.

As a business form, Sole Proprietorship is certainly the easiest and least expensive to establish if you will be the sole owner of the company; you can always convert to a small business corporation (an IRS "S-Corporation") or regular corporation at any time in the future. If other parties are involved, I would recommend that you avoid partnerships and start with one of the corporate business forms. In any event, you definitely should discuss this decision with a business consultant; this may be your attorney and/or your accountant, but remember that incorporation usually means more business for them!

In selecting an accounting system, I would recommend that you use the accrual method rather than the cash method, although some sources will disagree. It is my feeling that the accrual method, while slightly more complex, is more flexible and can give you a more accurate picture of the monthly performance of your business. But regardless of the method you choose, your accounting system **MUST** be formally set up and faithfully maintained.

I also recommend that you plan to do the bookkeeping yourself for the first couple of years, with periodic review by your accountant. You need to develop an intuitive understanding of the accounting transactions in your business; it is in your interest to do so, and besides, it is your legal responsibility that your books accurately reflect the conduct of your business!

Two fundamental questions at this point are how to charge for your services and how to set your rates. At the most basic level, you can bill by units of time (hour, day, etc.), by a flat fee for a specified job, or on a retainer basis. Unless there are special circumstances, I recommend that

you charge by units of time whenever possible. It took me many years (too many!) to figure out that my most satisfied clients, and the ones I was most satisfied working for, were my hourly clients. Each client is different, and you will have to decide for yourself. And always remember that ALL terms and conditions of your consulting agreement with the client are negotiable.

Regardless of how you bill, your charges must ultimately be based on some hourly rate for your time. What should your hourly rate be? Again, you will have to decide for yourself, but here are some things to consider:

- It is a disservice to yourself and to your clients to charge so little that your practice cannot be profitable. If it is not, you won't be in business very long.
- It has been my experience that, given the time that the management of your practice will require, a maximum of 60% of your working time will be billable to your clients. Your average billable time will be less.
- Your business overhead expenses, plus a reasonable salary for yourself, will determine the break-even point for your practice. The absolute need to eventually be profitable will point toward the lowest rates you can charge.
- HP charges \$825 per 8-hour day for SEs and \$1,000 per day for Specialists. This probably sets the upper limit for the rates you, as an independent, can charge, regardless of your skills. (We won't even consider the "big name" accounting firms, some of which are reported to be charging \$150 per hour or more for "consultants" with less than six months experience!)

Your overhead expenses will be somewhat easier to estimate than your income, but still I suggest that you develop your best estimate and then add 25% for the inevitable contingencies. At a minimum, your overhead estimate should include the following categories of expenses:

- Salaries and employee expense (including yourself)
- Professional services (accounting, legal, etc.)
- Office and facilities (office rent, utilities, telephone, office supplies, etc.)
- Marketing and advertising
- Professional development (continuing education, professional organizations, reference materials, etc.)
- Business travel, lodging, and meals
- General overhead (insurance, taxes, interest)
- Equipment rental and maintenance

- Depreciation (capital items)
- Miscellaneous

Once you have a reasonable estimate of your income and overhead expenses, you can determine how much start-up capital will be required. This is something that you should review carefully with your accountant at this time.

The start-up capital you need is not usually available from conventional financing sources due to the intangible nature of consulting services; you will have to locate the sources for yourself. But regardless of the source, this capital should be in cash or some other form which can readily be converted to cash as needed. Some possible sources include:

- Personal savings
- Life insurance cash value
- Stocks and other investments which can easily be liquidated
- Second mortgage or refinancing on your home (You must do this while you still have a job, and you must not mention that you plan to go into business for yourself!)
- Loans and/or equity investment from private sources (I earnestly DO NOT recommend family or personal friends!)
- Loans and/or equity investment from potential clients

Note that because your principal asset (your expertise!) is intangible, you probably will not be able to borrow money to finance your business. (Your bank won't even want to talk to you for the first two years of your practice. And forget about buying a home if you don't already own one!)

If the capital you are able to obtain is inadequate to fund your business plan for at least eighteen months, you must go back and develop a revised plan. You may have to do this several times before you end up with a plan which has a reasonable chance of success.

When all is done to your satisfaction, have your accountants review the financial aspects of your plan with you. They can give you their advice, but remember that the final decisions are YOURS.

HINTS FOR MANAGING YOUR PRACTICE

Having gone through the admittedly tedious process of developing a business plan, you are much better prepared to succeed than 90% of new businesses! Now, in addition to the factors we have

previously discussed, your success will depend on your ability to effectively manage your practice on a day to day basis.

Here are some hints, in no particular order, which may be helpful to you:

Three of the most important persons in the success of your practice are your attorney, your accountant, and your banker. Choose them as carefully as you would choose a spouse, and take the time to determine that they are as competent in their fields as you are in yours. You will not need them often, but mutual confidence and understanding will be very important when you do.

If you can, find a banker who will establish a credit line of \$10,000 to \$20,000 for your business, borrow against it, and put the money into into a CD. You will end up paying about 2% to build yourself a credit history this way; it's one of the best investments you can make! (Note that even if you incorporate, for the first few years your personal guarantee will be required on loans to the company. Other creditors may require your guarantee as well.) Incidentally, NEVER pay a credit line loan off in full before it matures; pay it down to \$1 instead. This will drive your bank nuts, but it will keep your credit line open!

Maintain a daily awareness of your business' cash position. Daily cash management is often crucial when cash is a scarce commodity, as it surely will be at times during your first year. Make it a policy always to pay your bills on time; your dependability can be a valuable asset when dealing with creditors.

Maintain adequate insurance to cover your obligations, but do not overinsure. Note that professional liability insurance is virtually unobtainable, even though your exposure is very low. Consult with your attorney (BEFORE you have a problem, please) if you are concerned about professional liability.

Avoid becoming dependent on a few big clients! Diversify both your clientele and, if possible, your clients' industries. For example, many consultants working exclusively in the petroleum industry are in serious trouble right now.

As a matter of policy, never undertake work without some kind of written agreement, especially with new clients. This agreement can take the form of a purchase order issued by your client, a standard form you provide, a formal contract, or a simple letter of agreement. Remember that all conditions of the consulting agreement are negotiable, regardless of the form! As a minimum, the agreement should include the following:

- A description of the work to be performed, in sufficient detail to provide a basis for determining your satisfactory performance
- A statement of the fee you will receive for your work and how it will be paid
- A statement establishing that you are an independent contractor rather than an employee of your client (Consult your attorney for terms acceptable both to the IRS and your state government.)

- A statement of MUTUAL confidentiality with respect to trade secrets and business practices
- If appropriate, a project schedule
- If the project involves creating new software, a clear statement of ownership and license terms
- If appropriate, a statement of how changes or additional work beyond the scope of this agreement will be handled

Normally, you can safely perform hourly work for an established client without a written agreement. But beware of the new client who expects you to work on the basis of an oral agreement and a handshake; there are almost certain to be problems. (Such people are often sociopaths -ask you favorite shrink about them! Believe me, I write from experience.) A written agreement provides a clear description of the job to be done, as well as some legal protection for both parties.

Always identify a person in the client organization who has both the willingness to work with you and the authority (the power!) to make things happen. Note that this person may or may not be your designated contact with the client, particularly if it is a large organization.

Never accept a contract in which you expect to lose money or just break even, especially with the expectation that doing so will generate future business. You must be profitable to survive, and it is a disservice to your other clients to hasten your own demise in this way. By all means, donate some of your time to charitable work as a matter of professional ethics, but do not confuse charitable work with business.

Have a basic contingency plan for the business, in case things go badly. Decide when you will throw in the towel, should it ever become necessary. Establish regular check points (at least every six months) to re-evaluate the progress of the business, make changes, and even modify the business plan if necessary. Remember that, when the chips are down, doing without is an excellent survival tactic.

YOUR RELATIONSHIP WITH H-P

While HP does have a formal Consultant Liaison Program, it is set up to deal with large consulting firms (read BIG BUCKS!) and they seem not to be interested in the small independents. Still, HP can be a valuable source of leads and referrals.

As a matter of policy, HP is very conservative about referring their customers to consultants. This has always been so, but now that the Systems Engineering organization sometimes competes for business formerly referred to third parties, they are being even more selective. At the local level, however, HP still considers independent consultants to be an important resource in support of their sales activities.

HP sales and support personnel are outstanding in the industry, both from a technical and an ethical standpoint, and working with referrals from HP does not present any problems as long as you both remember that your primary responsibility is to the client, and not to each other. Though it occasionally causes conflicts with HP, your recommendations must remain independent and professional. Even when you must disagree with HP, you can offer your opinion without being critical of them.

Finally, don't expect HP to find work for you. Rather, position yourself to be an additional resource your local HP office can recommend to solve the customer's problems. Calling your local sales rep every week to solicit referrals is the surest way I can think of to kill the golden goose.

MAINTAINING GOOD CLIENT RELATIONS

Maintaining good client relations is essential for your long term success. Fortunately, it is not difficult to do, but it does take conscious effort on your part. The reason that you must work at client relations is that it is based on how the client perceives your work, which may be different than how you perceive it.

Obviously, doing your best work is a key component of good client relations. Correspondence, reports, documentation, and programs should always project the best work you can do. Documents must LOOK good before the first word is read! A corollary to this is: don't let a client see your poor or incomplete work. Ever!

Always strive to project the image of the competent, dignified professional that you are. Dress slightly more formally than the norm for each client, but always maintain a natural look. Less formal dress may connote sloppy work, while much more formal attire may project a stuffy or superficial image.

Effective communication is also very important. It is easy to make your work mysterious and arcane, but your clients will usually be delighted if you take some time to include them in what you are doing. I find that I spend a considerable amount of my billable time teaching (whether we call it that or not), with the goal that the client will become less dependent on me, and this has been well received.

Don't be afraid to tell a client "I don't know the answer to your question, but I can find it for you." Some consultants strongly disagree with this advice, but I feel that it is not your job to know all the answers; rather a major part of consulting is knowing where to find the answers, and developing solutions where no definitive answers exist.

Here are several more suggestions for maintaining good client relations:

- As a general rule, I recommend that you do not mix personal and professional friendships.

- Maintain absolute client confidentiality, even when it is not required. And even when you have your client's approval, be discreet.
- Never speak disparagingly of another client, a vendor, or a competitor.
- Establish a standard fee schedule. Avoid charging clients different rates for the same kind of work. While this may or may not be unethical (I feel that it is), it is certainly asking for trouble!
- If you maintain a good professional relationship with your clients, collections will probably not be a problem. But don't be bashful about making a polite inquiry if a payment is late.

PROFESSIONAL ETHICS

Contrary to cynical observations by some people, it is possible for a business to operate ethically and still be competitive and profitable. It is fortunate that ethical problems are a fairly infrequent occurrence in consulting, since when it comes to maintaining ethical standards you are pretty much on your own.

The ethical problems a consultant does encounter are seldom black and white. In fourteen years of consulting, I can think of only two cases of blatant ethical conflicts. (One involved a client who wanted a highly non-standard transaction embedded in an inventory system, and the other involved a vendor sales rep - not HP! - who was insistent that my firm receive a "commission" on a potential sale.) A more common, and much more subtle, area of ethical problems is conflict of interest.

Unfortunately, it is my experience that you cannot look to established professional organizations for much in the way of ethical guidance. Many of them do publish canons of ethics which are worthy of your consideration, but enforcement of those standards has been, at best, inconsistent and ineffective, and at its worst, petty and ridiculous. (One extreme example sticks in my mind: In the fall of 1983, the National Society of Professional Engineers reprimanded an engineering firm for placing its name on the uniforms of an amateur softball team it sponsored, having concluded that this was unethical conduct. That same month, more than twenty licensed Professional Engineers were indicted for bribery in the state of Maryland, along with the Vice President of the United States!)

My conclusion is that you are going to have to establish your own ethical standards for your firm, perhaps incorporating some of the better ideas from outside sources. Always strive to maintain absolute honesty and independence of your opinions, and to deserve the confidence of your clients. Some specific suggestions are:

- Be constantly alert for potential conflict of interest. When confidentiality permits, discussing the potential conflict with all parties is usually the best way to resolve it.

- Never accept commissions or finders fees from vendors. This is risky even if you do so with the full knowledge of your client, since it may impair your independence.
- As a general rule, do not sell proprietary products, or products in which you have a financial interest, to your consulting clients. It is difficult to remain objective as a consultant if you are also trying to sell hardware or software to the same client.
- Always give credit to others for their work rather than claiming it as your own. You are just as valuable to the client for knowing where to find it.

CONCLUSION

Like anything in life worth achieving, establishing your own consulting practice takes hard work and dedication. Over the long run it can be very rewarding, both in financial terms and in personal satisfaction.

I hope that this presentation has provided information you will find useful in determining whether or not private practice is a career alternative for you. And for those of you who choose this road less travelled, I wish you success!.