



Autodesk
University
2007

Becoming a Private Consultant

Robert Green – Robert Green Consulting Group

BU315-1

So you're interested in striking out on your own? Do you know what sort of challenges you'll face? This session will cover issues such as setting your rates; marketing ideas to get you started; building long-term contacts; proper time allocation; setting up retirement accounts and self-provided benefits; keeping the tax man happy; and staying ahead of the knowledge curve. If you're starting out on your own, or are just thinking about it, this session will give you a wealth of information you can use to start out right!

About the Speaker:

Robert is head of the Robert Green Consulting Group and a 13-year veteran speaker at Autodesk University. You've likely read his work in *Cadalist* magazine, where he authors the CAD Manager column, or in his bi-monthly *CAD Manager's Newsletter*. He holds a degree in Mechanical Engineering from the Georgia Institute of Technology and gained his CAD skills from 21 years of AutoCAD, MicroStation, and MCAD software usage. Since starting his own company in 1991, Robert has performed consulting and teaching duties for private clients and throughout the U.S. and Canada.

Web site: www.CAD-Manager.com



Autodesk
University
2007



Overview: Becoming a Consultant

Here's a question I received from a newsletter reader:

I'd like to go out on my own but have no idea where to start. Could you give me some pointers on how to get into business for myself?

Answering this question is tough for a lot of reasons, but the main difficulties I see are as follows:

- There are so many aspects to getting in business.
- There are things you need to know about yourself before you know whether you're ready.
- There are financial and business variables that you need to understand before you can take the leap into business on your own.

Because there are a lot of issues to look at, we need to make a plan of attack and go over all the issues in a way that will allow you to decide for yourself. The balance of this presentation is my attempt to do so.

Personality Matters

I've been self-employed for 15 years and have really enjoyed it. I've come to realize that there are several aspects of my personality that have allowed me to succeed where others haven't. Here, then, is a brief explanation of some of the personality traits of successful self-employed people. As you read through this, think about how many of these attributes you possess:

Free thinking. Self-employed people tend to have a "why not" thought process that is suited to finding innovation. In a technical world like CAD you can see how this sort of thought process could be a benefit. Interestingly enough, free thinkers tend to get in more trouble as regular employees because they're seen as "boat rockers" rather than free thinkers by their supervisors.

Independence. Self-employed people are more apt to be loners, more able to work on their own without external prodding and better at learning on their own. If you're going to be out on your own, it helps if you have a personality that likes to be on your own anyway.

Missionary zeal. Self-employed people believe in what they're doing, and that belief fuels their motivation to be in business. If you enjoy what you do you'll make money doing it. But if you're only in business for the money, you'll grow disillusioned and lose focus when things take a downturn (and they always do).

Financially conservative. Most people who survive in business are more financially conservative and naturally value practices like saving, budgeting and investing. Like it or not, business is about money, so it is no accident that those who understand money do well.

Only you know how well you stack up against these metrics. You don't have to be perfectly in tune with all these items, but I've never seen anyone stay in business who didn't possess most of these traits.

It's All About Sales

A friend of mine once said that you know whether you'll make it in business if you honestly answer this question: How do you feel about doing sales? I have to say I totally agree with this statement.

Bottom line: If you dread picking up the phone to talk with prospective clients and selling them on the advantage of doing business with you, you'll never succeed. Consider the following truths:

- When you're a consultant, you are your own sales force.
- When you're a consultant, the only person who can sing your praises is you!
- When you're a consultant, everything you do can allow you to make more contacts and sell more work, but only if you work it!

So, are you an introvert who won't call customers to sell yourself? Are you afraid to brag on yourself a little? Are you hesitant about asking for new contacts and selling the merits of your consulting services to those new contacts?

The more questions you answered with yes, the more hesitant you are to perform sales functions and the more trouble you'll have getting into, and staying in, business.

Getting Started

When you go out on your own there are many issues that compete for your time and attention, but the first and foremost one is actually finding work. When you become an independent contractor, you get paid only when you work, so you need to focus very hard on building some client contacts that can get you started.

Some suggestions that I used while starting out on my own are as follows:

Contact software dealers in your area to see if they need part-time help. You'll find that offering yourself as a part-time employee will open up a number of opportunities for you. Since you'll be solving an employer's labor needs without burdening them full time, they're much more likely to use you in a pinch. It may take a while to actually get the work, but be patient; it'll happen.

Consider working for a temporary agency for a while. The temporary agency can hook you up with paying work that'll tide you over while you build more contacts and get your client list established. The willingness to work short-term jobs will make you very popular with temp agencies because most people want longer term assignments! Strive to be the best worker the temp agency has ever seen and you'll get work and make great contacts while you're at it.

Make your former employers your new customers. Why not see if any former employers could use you on a part-time basis? You did leave on good terms, right?

Send sales literature to everyone advertising for CAD help. If somebody is running an advertisement for CAD services, you know that there's an opportunity for you to provide services to them. Just be persuasive in describing your abilities and assure the company that you can serve their needs professionally.

Now, go put some thought into getting new customers. Remember that getting customers is the cornerstone of building and maintaining a business, so go ahead and get to work and see what you can come up with.



Is Now a Good Time?

Question: Is there really a market for independent CAD contractors out there? Do I have a good chance of making it on my own?

In a word, yes.

I've been watching the market for purposes of my own business for 16 years, and here's why I believe the market for independent CAD contractors is very good – not outstanding – but very good:

- World economies are good enough that nobody is closing up shop.
- Credit is somewhat tight so businesses want to be careful and keep staff counts low – these factors make them receptive to using consultants.
- Technology is changing so rapidly that specialty consultants are often the only way to get the best talent.

Right now economic conditions are generally good for most design and engineering-based business sectors, but particularly civil engineering and infrastructure. The time to make the leap to independent status is when the market is up and people want to hire you. So if you're in a field or location that is experiencing strong demand, the time will never be better to test the waters.

But what happens when things turn down? Well, the answer is to be well established and have a great reputation in place so that when business environments take a downturn, you'll be the best person out there.

Remember that when times are good, you have more demand chasing the supply of CAD talent. When business drops off, industry wants to hire part-time rather than full-time help, and they want the best part-timers they can get. Therefore, being the best always works in your favor.

What's Hot (or not) in Your Area?

Of course you can only sell your services if your services are in demand. Therefore you need to figure out how to posture your consulting services to fit your market. Be prepared to adjust your strategy, based on the needs in your area.

Here are a few hypothetical questions that illustrate my point:

Question: If you're a mechanical software specialist living in an area with very little manufacturing what will you do? (Will you travel to get business?)

Question: If you're local area is heavily dependent on a single industry what will you do if that industry experiences a sharp downturn?

Question: Are you prepared to learn other software packages, and take lower paying assignments to expand your skill base should local circumstances dictate it?

Think through your responses and you'll gain insight into how you'll adapt and react to changing markets. And if you're not willing to change your plans, revamp your skills or go to where the work is you'll have a lot harder time staying in business over the long haul.

Setting Your Rates

As far as setting your rates, the rule is simple: Find out what your competition charges and set your rates 10% lower. By setting your rate a little lower than those already established in the market, you provide an incentive for customers to hire you, the unknown entity, versus someone who's been in the business for a while.

You can find out what your competition charges by making some phone calls to temporary agencies, software dealerships, etc., and sleuthing on the Internet. When you first start out on your own you want to be value priced so you can get more jobs and make more contacts. When I started, my cardinal rule was to always be working even if my rates were lower. I've often said that it's better to work at a low salary than to be unemployed at a high salary.

After you've been on your own for a while and prove that you can stay in business, you can begin to up your rates to match your competition. Ultimately, you can build a great reputation and charge premium rates. It takes time, but it happens if you hustle!

***Note:** Remember that the reason you can charge higher rates in consulting is because your customers only need you part time. Don't get lulled into a false sense of security because you can bill at high rates!*

Marketing — Not Sales

Many people think that marketing is something you do before you get into business, but I believe in touting consulting success (jobs already done) to market to prospective customers. Therefore, you need to keep an up-to-date list of everything you've worked on in a nicely worded summary document that you can use for marketing purposes. As you revise your marketing list always do the following:

Create a well-formatted Word/PDF document. And make sure it includes your picture so customers can see you and read your story. You may even want to include bio information so people know where you came from.

Print some copies in color. I know it is old-school, but nice color copies now get more attention than an email! Don't believe me? How many junk emails do you delete?

Make a blog or web site that echoes the above. This way you author your marketing information only once but leverage it in many ways.

Include email and phone contacts on everything. How else will they get in touch with you?

Now push your marketing materials to anyone you can, because you never know who will read it and contact you later. Consider your marketing plan as a well-crafted resume and you'll hit the right tone for your communications.



Setting Up Your Finances

I highly recommend that you spend a couple hours with an accountant to get a game plan for meeting your tax obligations, insurance, etc., because these requirements vary widely from one location to another. Accounting notwithstanding, here are a few recommendations that seem to always be good advice for those running their own businesses:

Save. If you aren't in the habit of saving money, start now. You'll inevitably experience periods of less work and you'll need the savings to weather the dry spells.

Wrap up credit issues before jumping in. Need a new home loan or want to refinance a car at the credit union? Take these steps before you quit your day job, because getting financing as a self-employed consultant is harder (and pricier) than it is for a regular employee.

Pay your taxes. Believe me when I say the government wants its money, and it really doesn't care if you're having a good year or not. I've seen way too many independent contractors get in tax trouble because they didn't save enough (see above) to pay their estimated taxes on time.

Get a retirement plan in place. Rules vary from country to country, but U.S. citizens can set up a 403B SEP (Self-Employed Pension) plan that allows you to save money while cutting your taxes at the same time. Talk to your accountant about the possibilities and start saving. When you're on your own you need to look after your own future because nobody else will. Do a Google search on "SEP IRA" and you'll see a number of discount brokerage firms that provide low-cost, self-directed SEP accounts.

Save on insurance. U.S. citizens must be more proactive about setting up health insurance plans than those who operate in countries with universal health care, so let me address this issue for a moment. Any self-employed U.S. citizen should take a look at Medical IRA accounts (also called HSA's or health savings accounts), which give you tax benefits, a self-controlled savings account and substantially lower major medical health insurance costs. Do a Google search on "Medical IRA" or visit www.hsainsider.com and you'll see a number of providers.

Use your business status to save. Your business can enable you join warehouse suppliers like Costco or Sam's Club, which can save you loads on office supplies, electronics, etc. And remember that business memberships are tax deductible!

Budget – Tightly

Before you head out on your own, make a personal/household budget under the assumption that you won't be making much money when you start. By budgeting for adversity you'll be able to handle it! Here are a couple reality checks I'd like to point out about starting a new business:

Cash comes in slowly. Even if you find work quickly it'll take 60 days to do the work, bill it and get paid. Can you live with no money for 60 days?

Business fluctuates. You won't always be busy so it pays to budget based on your average monthly consulting income. If you do really well, great — but don't count on it.

Closing Thoughts

Going out on your own isn't for everyone. To be in business for yourself you need a strong will to succeed, the willingness to take care of your own finances and plan for your future.

I'm not trying to paint an overly rosy scenario or push anyone into a rash decision, but if you're considering the move I do believe now is one of the best times in recent memory to do it. To those who've always wanted to run their own business, I encourage you to plan carefully, get your finances in order and go for it. I've been self-employed for 16 years and have enjoyed it immensely!

I wish you all the best no matter what you decide!

Want the PowerPoint?

I'll be happy to send you a copy of the session PowerPoint presentation. Just send an email to me at **rgreen@cad-manager.com** and be sure to put **BU315 - PowerPoint** in the subject line so I'll know which class you attended.

I'll send out PDF captures of the PowerPoint files upon my return to Atlanta.

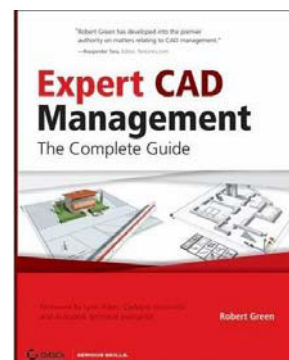
Reference Materials

You can find a wide range of information on CAD management and business metrics at my web site - **www.CAD-Manager.com**.

For a complete guide to a wide variety of CAD management topics including IT, personnel management, software configuration tips and much more, you may want to check out my new book: *Expert CAD Management – The Complete Guide*

To learn more please visit:

www.cad-manager.com/book





Autodesk
University
2007

Becoming a Private Consultant