



Survival Guide

Consultant, Heal Thyself

As common as ice tinkling in glasses, comes the statement at every cocktail party: "Yes, I think I'm going to start up my own consulting business." Legions of America's downsized, retired, or simply independence minded workers have taken on an entrepreneurial task that consists, in the main, of telling bigger firms how to do it better. Corporations, for the most part, have been receptive.

Before setting up shop as a consultant, advises the Institute of Management Consultants, get your own house in order. To aid those launching such an enterprise, the IMC's New Jersey chapter offers the roundtable seminar "Practice Management for Consulting Practices" on Monday, July 18, at 6 p.m. at the Doral Forrestal. Cost: \$60. Visit www.imcnewjersey.org.

Addressing the full spectrum of a start-up consulting firm's needs are **Loraine Kasprzak**, founder of Advantage Marketing in Westfield, who speaks on advanced marketing methods; accountant and financial planner **Leonard Steinberg** of the West Windsor-based Steinberg Group, who speaks on fiscal and organizational planning; and **John Molnar** of Trenton's J. Molnar & Associates, who introduces JEMS Software and other high tech consulting aids.

Kasprzak's own story provides an excellent model of consultant niche marketing. A native of Bay Shore, Long Island, she earned a B.S. in chemical engineering from Manhattan College in 1984 and was urged to head into research by her professors. "I was good at it, but miserable," she says, "and business seemed much more exciting."

After obtaining her MBA from New York University, she returned to the scientific realm, working for several environmental service firms. "These companies were full of brilliant people who could barely communicate with each other, much less the public and businesses beyond," she recalls. Seeing the need, and having made the acquaintance of a number of potential clients, she opened Advantage Marketing, which specializes in helping engineering and research firms make their services known.

Over the threshold. Almost anyone with the right expertise can glean a few initial clients from among their old clients, business cohorts, friends, and relatives. "But after you have plucked all that low-hanging fruit, the question is what next? - and that's when most start-ups falter and fail," says Kasprzak. Faced with a world of marketing choices, most new entrepreneurs spring into action in every direction at once.

Since overhead is typically low, consultants seldom need to be in such a big rush. New clients should be less hustled up than scanned and selected. Likewise, publicity avenues should be analyzed thoroughly for cost return before any money is committed.

Presentation phobia. "Probably the biggest blunder new business owners face with presentations is thinking that the content is simple and easy," says Kasprzak. Too many executives, under the guise of professionalism, make the presentation all about tactics, toys, and spectacle. Like showing off your muscles to win a data entry job, this flash is unlikely to be appreciated.

Instead, Kasprzak suggests, assess the people with whom you will be meeting. The CFO will always have an eye toward dollars saved, CEOs on the other hand, typically are seeking new markets and larger sales. Learn your audience, their positions and backgrounds, and then pitch something to each individual.

There is a time for the full dog and pony show, particularly with large formal clients. But the more personal and informal your presentation meeting, the better your odds of getting your message across. "I've heard that perhaps you might be needing a little help in..." makes a nice opening for your potential client. "He will tell you what he wants," says Kasprzak. "Let it be your job to listen and solve."

Media selection. Few consulting firms start out with large budgets for anything, let alone advertising. Therefore the questions becomes less of which media, but of how do play it. The burgeoning world of blogs, while disorganized and seemingly confusing, can offer some real opportunities. Generally, blogs fall into two categories. "Steer clear of the Gripe & Groan blogs, published by individuals desperate to bring their own opinions to light," warns Kasprzak, "but ads or articles placed in the very specific interest blogs, for example distribution of Turkish jewelry or aficionados of 1920s Rolls Royces, can really win you a devoted clientele."

When working with E-mails and newsletters, again, content is key, insists Kasprzak. Audiences now demand that websites not just blurt out product names, but exhaustively inform. Once your newsletter is set, test it out on cohorts and trusted clients. Then, to expand your circulation, go through your client list and provide coupons for current readers who pass the newsletter on to others.

Often the sheer enthusiasm and genius of the consultant's service can carry the marketing day and make the sale. But neither boundless energy nor a brilliant knowledge of innovative software are going to provide the necessary business acumen required to make your startup thrive. "A company's financial choices must be as individual and innovative as product development," insists Steinberg. "They certainly are as important."

Steinberg is the man you want on your side when squaring off against government runaround, red tape, and tax woes. A native of New York, Steinberg attended Yeshiva University, graduating with a B.A. in economics in 1968. He then earned an MBA in international business and finance from Hofstra University and advanced degrees in accounting and financial planning. He is a certified management consultant and an

enrolled agent, licensed to represent clients before the IRS. The New Jersey legislature has sought his testimony on the impact of paperwork reduction on business.

Business structure. "It's amazing how many new companies never ask themselves what sort of form their business should take," says Steinberg. Most consulting firms, beginning from the kitchen table, unthinkingly fall into sole proprietorship. While this structure is the simplest, Steinberg warns that it offers no inherent liability protection. Business creditors can go after your gold fillings. Further, the sole proprietorship provides substantial tax benefits only if you are using a home office. Those who rent offices receive no real break.

Forming an S-type corporation provides ironclad liability protection. And while money transfers typically are taxed within a corporation, the owner can retain an untaxed control of the company income by making himself an employee and paying himself a salary. This salaried owner set-up works particularly well for older individuals, who want to make provisions for later financial planning. Just do not forget that the owner now becomes a real employee: Social Security and other withholdings must be made and paid periodically to the IRS. Pension plans and health care should also be drawn up in such a way as to accommodate future employees.

Limited liability companies are gaining in popularity. The LLC gives partners all the liability protection of a corporation and the no-tax-transfer status of a partnership. "Of course, all of this is based on current state law, which any entrepreneur should have his financial planner examine thoroughly," says Steinberg. Corporations must meet the qualifications and obtain a charter from each state in which they operate.

Cost of business. Steinberg ticks off a list: contract escrow, FICA and Social Security withholding, pension benefits, and payroll deductions. "You would be amazed how many business owners figure out their cash flow projections and never consider these items," he says.

Steinberg is fond of the story of how one client neglected these basics. The man rushed into Steinberg's office telling how he was going to start a small crosscountry trucking service. He talked on and on about initial capital outlay, vehicle maintenance, operator salaries, and more. Finally Steinberg leaned back in his chair and asked: "And how much is the highway use tax?" The would-be entrepreneur gulped. He had never considered that each state might request a fee to use of its vast roadway network.

"When I figured out that it would cost him over \$100,000 a year," says Steinberg, "he decided to get into another business."

The hidden costs of going into business - and particularly tax liabilities - can be mountainous for any start-up. Steinberg's best solution is to maintain an exhaustive paper trail. Ledgers, daily journals, and notebooks will not only lay straight the course of your business to the tax man, but also to yourself and to any venture capitalists who may want to invest as the business grows.

Probably fewer than 10 percent of those cocktail party entrepreneurs will actually launch a real consulting business. Of those, less than half will still be in business within a year.

Much of that success or failure can be pinned to energy, drive, and luck. But that elite percentage, the group that thrives, will doubtless have added to the hard-work recipe working smart, and working with the right experts.

- *Bart Jackson*