

Establishment of a Statistical Consulting Business

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Abstract: In establishing a statistical consultancy, the baseline is that it is a service business organisation that is being established. The essentials of a business should be incorporated, as well as the set of skills that are being marketed and sold: In particular, skills in the discipline of statistics are a definite prerequisite. It also helps to understand the requirements of consulting. Knowledge of marketing and selling is also required. Competitive edge is important for sustainability within the competitive world of business, and it is vital to know how to run a firm. This paper discusses these points from a report of a management consulting service where a prospective statistical consultant requested assistance in establishing a statistical consultancy.

Keywords: Benefits/profit, Business Sustainability, Marketing, Networking, Securing a Project, Selling, Service Provider, Statistical Consulting

Introduction

As a management consultant who specializes in statistics, I was approached by a statistician who wanted to "sell her skills" to assist corporations that might need statistical services. As this was a pure consulting service, it took two days (charging 16 hours) to gather information and produce a report that was to serve as a working document for Sheila Steiner, (Sheila Steiner agreed on use of her names as they appear in the business card of her other consultancy, SS). Sheila wanted to know if there is a market for statistical services, and from my own consulting experience this is a fact. She also wanted me to find whether it was advisable to go out and open a statistical consultancy to sell these services.

The brief for my work was to:

- ◆ Confirm that there is a market out there that could encourage a business as a statistical consultant, and
- ◆ Assist with the guidelines of establishing a statistical consultancy and staying in the business for as long as she wishes.

The interpretation was that once it is confirmed that there is a market, then suggests ways to assist her in future decisions about how to market statistical skills. Sheila and I agreed that this brief did not include the development of a business plan.

To cut other stories short, Sheila declares that she is highly qualified in Statistics and the related fields (not mentioned to me). She also claims to have used almost all the statistical packages in the market, old and new. A naturalised South African originally from Canada, Sheila stated that she was schooled in the Americas, Canada, Europe and the United Kingdom.

Seeking the direction: A business plan is a "must" for any business Ensor and Amannyazova, (2000). Prior to developing the business plan, the marketing strategies or even a client list for your envisaged company, make a definite decision that the consulting route is your own choice Bloetscher, (1999). Further than that, other decisions that are required include whether you will work alone, and this requires assessing whether you are at ease working alone, you are comfortable in pursuing clients (old and new) and whether you can sell your skills Hudson, (1999). Confirm if your skills are worth

selling/marketing, and whether it is best between going alone and partnering (or being partnered by) others.

Once preliminary decisions have been made, that is you are certain about your career move, set goals for yourself Cohen, (1996). Evaluate your strengths and your weaknesses, and measure them against the goals you have set. Recall your achievements, your special skills and other qualities that are necessary for building your business reputation. Recall past failures that might haunt you, and clear them. Identify where you (still) need to be developed. Evaluate the up-to-date market developments and assess in which areas you might need help Donaldson and Donaldson, (2000).

The prospective statistical consultant and business owner needs to be an entrepreneur who can run a firm. Further requirements needed for this individual are the sales and marketing skills to gather clients Druckman, (2000). Other elements pointed out by Futurist (2000) include that the business consultant needs interpersonal skills, business insight, should be a good trainer, and needs to know how to sell skills to clients, among other qualities. Brandel (2000), Caudron (1999), Druckman (2000) and Heldgaard (1999), among other authors, point out that independent consultants require skills in the following areas:

- ◆ Legal knowledge
- ◆ Business-development, marketing, and wrapping up
- ◆ Contracting
- ◆ Accounting and financial management
- ◆ Office automation and technology.

The emphasis is that knowing one's own skills can enable one to devise an attainable plan and ways to develop the weaker requirements of the business Hudson, (1999); Brandel, (2000). Jones (2000) advises on the use of diagrams (or roadmaps), and also to administer them personally for one's own business prosperity.

As a prospective statistical consultant, your set of skills must start with advanced knowledge and extensive experience in statistical methodologies and packages, especially the recent ones Boen and Zahn, (1982). The decision to work alone or with a partner(s) should be revisited regularly in this preparation. If the decision is to work with a partner, Johnson (1982) advises that it be a person with different skills than your own, but where

your skills and your partner's will complement each others. After choosing one or more partners, each one should take a personality test so that it is known what type of people they are, and how far each could make a contribution.

The other advice is that even for a consultant who elects to go alone, it is worth working with other consultants on projects sometimes Cohen, (1996). Especially where a different specialist is needed, it could be worth giving the client a chance to recommend someone of their choice before recommending someone to them, unless if they ask you to assist.

Also, when working with someone, it is of utmost importance to have a clear cut of responsibilities Sauter, (2000). It is also important to avoid looking over each other's work unless if it affects your work. The client hires and pays consultants separately; hence do not approve each other's work unless where the two pieces of work have a bearing on each other.

Interaction proficiency: This section is about the networking know-how and cooperation for synergy. The previous section advocated that the first thing in developing a consultancy is to determine and decide on its structure Greenbaum, (1990). If this has been accomplished, start networking with others in the fields of statistics and consulting, and the former clients.

To many consultants, networking is crucial to their success Cohen, (1996). This could happen by talking to people who are already in the statistical consulting business, or even any consulting business Block, (1981). These people could provide information about market trends, hot topics in the business, and also about resources for finding a lawyer or an accountant Blum, (2000). Another important networking initiative that Blum points out is to talk to clients to obtain feedback on your abilities (and inabilities!). According to Block (1981), Druckman (2000) and Futurist (2000), a solid network is the best asset when starting a consulting practice.

It is also advisable to go back to the relationships with people that have already been built as an internal person Blum, (2000). Ask for their opinions about matters such as telecommuting, alternative forms of training delivery, and project management.

If as an internal person you have worked and developed relationships with outside consultants, talk with those people before you set your own Hutchins, (1999). Even if you have already left the company, you can go back to old clients and ask them what they think are your strengths and weaknesses. In addition, ask for advice and generate business leads. Information about potential clients could also be sought in places such as government and public institutions.

When working for a company as an internal employee, try to know as many people and as many places as possible Donaldson & Donaldson, (2000). Consider every meeting as a networking event. Gather information from all possible associations, trade shows and from clients. Talk to your current clients, friends and peers. Learn from the leaders in the field, and in this case, experts of statistics and leading consultancies. Watch competition, and understand its intensity. Try to find out about:

- ◆ The accountants and lawyers used by all your competitors
- ◆ How your competitors sell and market their skills
- ◆ How they charge for their services

- ◆ How they present themselves to clients
- ◆ Why they undertake all the above the way they do

Essentials of the business plan: When the above concerns have been addressed, according to Cohen (1996), it is important to develop a business plan as the next step. Singhvi (2000) emphasises that a business plan is absolutely necessary because it is a plan for the entire business operation.

The prospective statistical consultant/entrepreneur is also advised that even though the business plan is required, the consultancy will probably not provide any income for the first few months (could be 6 to 12 months) Cohen, (1996). Thus keep expenses down and telecommute. What should be purchased is only the equipment needed to develop professional, quality proposals. Such equipment should be chosen using the criteria used for a corporate office.

The beginning should be considered a survival period at which costs are cut to the minimum (Cohen, 1996). It is also the period to figure out alternative ways to create revenue. Contract work could be the best option, and where possible contact companies that are outsourcing. If all else fails, get a part time job to keep cash coming while developing the business. Johnson (1982) points out that the vanguard reason people fail to develop business is undercapitalisation, as they run out of money. She warns that start-up could take from three months to a year and the emerging business entrepreneur cannot count on immediate success.

A business plan, as described by Cohen (1996), is constituted by the following fundamental elements:

- ◆ A mission statement
- ◆ Background information about the directors and the key personnel
- ◆ A marketing concept or plan
- ◆ A market analysis
- ◆ A financial plan

Goldstein (2000) informs that a business plan should include specific information about the sale cycle, gross margin, and closing ratios that can be expected from the new statistical consulting business. In addition to marketing, necessary expenditures may include office rent (assuming that the business takes place outside of the home), license fees, automobile expenses, administrative support, tax filing, attorney and accountant fees, supplies, and such office equipment as a phone, computer and a fax machine. Van Breda (2000) suggests that even in the development and planning period of the consultancy, plan for staff expansion. He suggests that it could be worthwhile looking at commencement nine months to a year in advance, just in case a decision is made to increase staff or add subcontractors.

Anticipated benefits: It was pointed out that a business plan should include specific information about the sales cycles, gross margin, and closing ratios that your business can hope to achieve.

Cohen (1996) points out that what is left after expenses is the gross margin. The sales cycle is the time from when the sales process begins up to its closing. The closing ratio is the number of times you make a sales presentation divided by the number of times people buy your service. For example, if you made a sales

presentation to 8 companies and two hired you, that is a 25 percent closing ratio. When going out to make a sale, consider marketing expenses, attorney's fees as well as other expenses. To keep sales projections on track, hire an accountant who can also serve as your chief financial officer and handle details of your business plan.

Daragahi (2000) mentions that marketing costs include money and time. Hence, in the first year of business, the bulk of expenses go towards the marketing budget. It is important also to remember such time factors as market research, speaking engagements and networking events. Cohen (1996) recommends starting out slowly, and not go overboard on expensive marketing campaigns. Desktop publishing and other resources could be used to produce professional-looking piece of advert, even on a small budget. The objective is to get the product out in public to build the business, however, keep costs down as far as possible.

In proposing a plan by using input of Ashkenazi (2000), a simple marketing strategy is to put together few one-page sheets that tell clients about the specialty areas of the prospective service provider, and leaving the clients with an information sheet to give them time to process the information.

Securing a deal: It is important to clear away any misconceptions or misunderstandings on what are required on the project and what is/are not included. Before signing, it is important to have an understanding of every activity, terms and clauses in the job specification Cohen, (1996). It is also important that the service provider (statistical consultant in this case) can deliver that service (even if it is through outsourcing or subcontracting and) at the cost specified in the document being signed.

Engagement with the first few clients can be a stimulating encounter. However, according to Seeletse (2001), the professional statistical consultant should remember that a clear business contract should be agreed upon. As many consultants work on contracts, a statistical consultant in a contracted work should ensure that all the consultants know exactly what services are to be rendered, how each one features on the project, how much the project will cost, how long it will take, and what expenses have been included.

Further, each participant should know the skills required for their contribution on the project, the time they will be working on the project, the duration of their portion, and how much money they contribute to the firm (Goldstein, 2000). Such a contract keeps every participant focused on what they are expected to achieve. This motivates that even with small clients, there should be a letter of agreement. Seeletse (2001) and Van Breda (2000) have a philosophy concerning contracts that the first rule is to get a strict contract. For signing, sealing and delivery of a service, an advice could be to hire an attorney and have a clear written and verbal communication with clients.

Also, Cohen (1996) stresses to have a definite pay plan for clients. For example, a service provider could plan to receive a deposit when booking the project, and being paid in full before holding a workshop. However, s/he should also know how to make concessions, especially in the beginning to secure good clients. But a deposit and a contract are important.

Business sustainability: Some used terms are self-

preservation and self-protection. The aim of this section is to provide points that could enhance sustainability of the statistical consulting business. Developments should be the reason to change and/or adapt Kubr, (1986). However, there are other pressures such as competition and client tastes (Bellman, 1990). A warning by Robinson and Younglove (1986), as the practice develops, it is important to never relax. In addition to being good at what the consultant can do, change focus to remain competitive and to reposition efforts to meet market needs and traversing the market trends.

Change by keeping ahead of the trends, update and expand skills continually Lewin, (1995). Where necessary, take classes, attend seminars and lectures by industry leaders, and watch for emerging trends Cohen, (1996). There will always be ways to grow the statistical consultant career by reading about statistics and consulting, and business in general (Discussed and agreed with S. Steiner).

It is advisable to learn the business basics from the ones that came before us Cohen, (1996); Technology Plans, (2000). This could simplify the statistical consultant's work instead of trying to start completely new ways. One can always advance on the already known methods. Also, patience is important because it can take many years to establish your name and reputation. However, for those already well-known in the industry, that time may be shorter. Recall that the starting point is the extensive knowledge of statistics, which should be followed by mastering the fundamentals of developing a new business.

To manage successfully requires continuation of self-development, and time will show that the business founder is the most important resource in this statistical consultant business.

The following recap provides recommendations on a number of aspects mentioned in the text.

Recommendations: The recommendations refer to marketing, charging for services once in business, and how to find more information to expand the business for sustainability and competitiveness. Even though these recommendations are not exhaustive, they were presented to the client and after signing off from the project, and the client was pleased.

How to market yourself:

- ◆ Circumscribe the industry for your services
- ◆ Define your clients within the targeted industry
- ◆ For better focus, determine the size of your market
- ◆ Research the needs of the market place. This means that you should identify potential clients and demand for your statistical skills
- ◆ Networking/interaction, implies keeping contacts the companies that you think you would like to work for to find out their needs. Check the Internet, Yellow pages, professional associates and corporations.

How to charge for services:

Charging could be done on daily or hourly rates. Many consultancies charge per hour, and it could be worthwhile deciding on what suit your market and your competitive advantage. Find out what methods your competitors use, and place yourself to benefit your business and your clients. However, never undercharge to disadvantage your competitor in such a way that you are also at a disadvantage.

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How to find information: It was mentioned in the discussion that:

- ◆ Colleagues, clients and friends should be the starting point.

However, other resources that could be used to find information are:

- ◆ Organisations/institutions
- ◆ Websites
- ◆ Books

Conclusions

The conclusions are given as a pseudo-stepwise implementation plan for the prospective statistical consultant to open the business. It is a directory of the points in the discussion, presented in the form of a list. The prospective statistical consultant business owner should:

- ◆ Make a decision that consulting is her/his choice
- ◆ Ensure that there is a market for her/his skills, and her/his personal skills are worth selling to that market
- ◆ Evaluate the level of competition and the positions of competitors. In fact, the new entrant should know the strengths and weaknesses of the competitors
- ◆ Devise means of displacing the service providers from clients who already have relationships, and the means to stay with your clients
- ◆ Be able to find new clients by demonstrating the value of her/his skills for their business
- ◆ Find out the set of skills required for that business and where s/he lacks and should be developed
- ◆ Decide also on whether going alone or partnering other(s) is a better option
- ◆ Hire the necessary support staff (for example an accountant and a lawyer)
- ◆ Develop a business plan, and estimate the potential benefits, know how to market, sell and close a deal
- ◆ Prepare the essential for business sustainability, but note that at the beginning, patience is necessary as effective business tends to be slow
- ◆ Find relevant information about the market

Finally;

- ◆ She should take formal steps to open the business once all the above steps have been completed and evaluated.

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