

How to Build a Successful Consultancy Business

**Andrew Pullman, Managing Director,
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David Mellor: How did your journey take you on the road to setting up your own consultancy?

Andrew Pullman: I first set up my own business back in 1989. It was a training company that offered financial services organisations a database of high quality training suppliers and we got paid commission from the training companies. It was a great idea, but bad timing.

I made lots of mistakes, which have become excellent learning points, and when the recession of 1989 / 90 kicked in I had to close the business after only a year. However, the key takeaway was that I was determined to run another business at some point in the future.

Over the following years I undertook various training and Human Resources roles at several banks in the City. I ended up as Global Head of Human Resources for the Capital Markets business of Dresdner Kleinwort, the German investment bank. Following strategic changes in 2005 I decided that it was time to leave the bank and realise my dream of running a business again.

I sat down with a blank sheet of paper and set up People Risk Solutions (<http://www.peoplerisksolutions.com/>) as a human resources consultancy. I decided that this would be the best way to

make use of the network I had developed, as well as offering me the freedom to do my own thing!

DM: What have you enjoyed most about it?

AP: I think that the most enjoyable aspect of running my own business is the ability to be master of my own destiny. I don't have someone looking over my shoulder dictating the agenda, and I am able to take the business in whatever direction I want to.

Also, an important aspect is being able to balance work and life; this was a key objective. If I want to take a day off to go to a sports day at school, or play golf one afternoon I can do that.

DM: What have you enjoyed least about it?

AP: A less appealing aspect, sometimes, is the uncertainty. It is quite risky to go out on your own, and requires a significant amount of self-belief – particularly if, like me, you have responsibility for a family including school fees and a mortgage! It is important to assess the risks and the liabilities and to work out a back up if business does not go to plan.

DM: Is there anything you would do differently if you were starting again from scratch?

AP: Yes – I would be more confident about asking for the business. When I set out on the journey I was not confident that people would pay for this service. This translated into invoicing after the job was

done, regardless of how long a project would take. This had a knock-on effect on cash flow because invariably clients do not pay very quickly. The lesson learnt is to negotiate a fee schedule that reflects the project and includes payment at various stages rather than everything at the end of the work.

DM: What do you consider to be the key success factors behind building a successful consultancy?

AP: I think that there are three key success factors – three is the magic number after all:

Firstly, manage your cash flow. Without cash you cannot pay any bills and profit and loss then becomes irrelevant. This means keeping track of your invoicing process and chasing the bad payers early. Don't be afraid to say that you need to be paid!

Secondly, remember that the client comes first. Clients are all very different and will want you to prioritise things differently to how you may wish to do so. Don't forget that you are there to deliver a service and not necessarily change the way they do business. So sometimes, provided the response is still ethical, do what the client wants if they decide not to do what you suggested.

Finally, make maximum use of your network. Most of our business comes via referrals which is undoubtedly the best sort of work. So regularly grow the network and keep adding new people. You never know when a meeting could convert into a business opportunity.

DM: What in your opinion separates consultancy from either interim or contract work?

AP: The main difference between consultancy and either interim or contract work is that the aim is to provide objective advice and support, and not to necessarily become part of the management team. As an interim or contractor you are taking on the role of a manager in the client firm. That is not to say that consultancy sometimes involves an element of interim support from time to time, but it is important to recognise the difference.

DM: What are the main pitfalls to avoid?

AP: An important pitfall to avoid is saddling your consultancy with too much debt. A consultancy should essentially be a cash generation machine which hopefully creates value over time. If you do need to borrow money upfront to get the business started try to pay it back as soon as you can.

Tax is also an area that can cause small businesses problems. If you charge VAT make sure that you separate that money from the day to day running of the business. Many small businesses have fallen into the trap that they can spend that money and then find a VAT bill after 3 months. This also applies to income and corporation tax – make sure that you put money away to settle those bills. It is easy to forget that in 18 months time you will have an HMRC bill to pay.

If you employ staff make sure that you have some form of contract with them to confirm the terms. This will minimise problems in the

future when people might say that they were promised a payment, or a benefit. Also, make sure that you treat people consistently. It is always easy to “do a deal” with someone now, and then regret it in the future.

DM: What’s next for your consultancy?

AP: I am looking to move the company from a lifestyle business to a sustainable one that creates value. This involves building up the client base away from purely project work to more of a retainer relationship. It also means making better use of our bench of associates. To this end I have engaged a telemarketing firm to broaden out the client base.

DM: Do you have three top tips for the readers/listeners?

AP: My top three tips would have to be:

- Be confident in your own abilities. Setting up your own business is a bit like jumping off a cliff and hoping for the best. However, you can improve the odds of success by trusting that you know what you want to do.
- Get help from others. Make use of experts around you such as a good accountant, mentors who you can call upon to share ideas and sources of expertise who can help in areas that you know less about. If you outsource some of the work it frees you up to focus on those areas that add most value.

- Be honest about your personal objectives. Make sure that you know what you need to earn from the business in order to maintain your standard of living. Make adjustments if you need to, but above all do not bury your head in the sand if things don't go according to plan – do something about it.

DM: And finally do you have a “thought for the day” to leave with us?

AP: My “thought for the day” is to be honest with yourself about whether running your own business is right for you. The majority of people feel much more comfortable in a corporate environment where there is much more certainty. However, if you do feel that you have the courage to set up a business then go for it – it can be much more rewarding than maintaining the status quo as an employee for someone else.