

By Erik Eckel

Oh yeah. You're going to work for yourself, be your own boss. Come and go when you want. No more kowtowing to The Man, right?

Running your own computer consulting business is rewarding, but it's also full of numerous and competing challenges. Before you make the jump into entrepreneurship, take a moment to benefit from a few hundred hours of research I've invested, and real-world lessons I've learned in launching my own computer consulting franchise.

There are plenty of launch-your-own-business books out there. I know. I read several of them. Most are great resources. Many provide critical lessons in best managing liquid assets, understanding opportunity costs, and leveraging existing business relationships. But when it comes down to the dirty details, here are 10 things you really, really need to know (in street language) before quitting your day job.

## 1 You need to incorporate

You don't want to lose your house if a client's data is lost. If you try hanging out a shingle as an independent lone ranger, your personal assets could be at risk. (Note that I'm not dispensing legal nor accounting advice. Consult your attorney for legal matters and a qualified accountant regarding tax issues.)

Ultimately, life is easier when your business operates as a business and not as a side project you maintain when you feel like it. Clients appreciate the assurance of working with a dedicated business. I can't tell you how many clients I've obtained whose last IT guy "did it on the side" and has now taken a corporate job and doesn't have time to help the client whose business has come to a standstill because of computer problems. Clients want to know you're serious about providing service and that they're not entering a new relationship in which they're just going to get burned again in a few months time.

Incorporate. Form an LLC. Have questions about whether an S-Corp is right for you? Talk to an accountant. Then hit [LegalZoom.com](http://LegalZoom.com). The site will walk you through a questionnaire (you'll need to have the advice of your accountant at the ready to answer the queries), and then it'll file the appropriate paperwork for a fraction of the cost an attorney would charge.

## 2 You need to register for a federal tax ID number

Next, you need to register for a federal tax ID number. Hardly anyone (vendors, banks, and even some clients) will talk to you if you don't.

Wait a second. Didn't you just complete a mountain of paperwork to form your business (either as a corporation or LLC)? Yes, you did. But attorneys and online services charge incredible rates to obtain a federal tax ID for you.

Here's a secret: It's easy. Just go to the IRS Web site, complete and submit form [SS-4 online](#), and voilà. You'll be the proud new owner of a federal tax ID.

## 3 You need to register for a state sales tax exemption

You need a state sales tax exemption, too (most likely). If you're in a state that collects sales tax, you're responsible for ensuring sales tax gets paid on any item you sell a client. In such states, whether you buy a PC for a customer or purchase antivirus licenses, taxes need to be paid.

Check your state's Web site. Look for information on the state's department of revenue. You'll probably have to complete a form, possibly even have it notarized, and return it to the state's revenue cabinet. Within a few weeks, you'll receive an account number. You'll use that account number when you purchase products from vendors. You can opt NOT to pay sales tax when you purchase the item, instead choosing to pay the sales tax when you sell the item to the client.

Why do it this way? Because many (most) consultants charge clients far more for a purchase than the consultant paid. Some call it markup; accountants prefer to view it as profit. But you certainly don't want to have to try to determine what taxes still need to be paid if some tax was paid earlier. Thus, charge tax at the point of sale to the customer, not when you purchase the item.

## 4 You need to register with local authorities

Local government wants its money, too. Depending on where your business is located and services customers, you'll likely need to register for a business license. As with the state sales tax exemption, contact your local government's revenue cabinet or revenue commission for more information on registering your business. Expect to pay a fee for the privilege.

## 5 QuickBooks is your friend

Once your paperwork's complete, it's time for more paperwork. In fact, you'd better learn to love paperwork, as a business owner. There's lots of it, whether it's preparing quarterly tax filings, generating monthly invoicing, writing collection letters, or simply returning monthly sales reports to state and local revenue cabinets.

[QuickBooks](#) can simplify the process. From helping keep your service rates consistent (you'll likely want one level for benchwork, another for residential or home office service, and yet a third for commercial accounts) to professionally invoicing customers, QuickBooks can manage much of your finances.

I recommend purchasing the latest Pro version, along with the corresponding [Missing Manual](#) book for the version you've bought. Plan on spending a couple of weekends, BEFORE you've launched your business, doing nothing but studying the financial software. Better yet, obtain assistance from an accountant or certified QuickBooks professional to set up your initial Chart of Accounts. A little extra time taken on the front end to ensure software's configured properly for your business will save you tons of time on the backend. I promise.

## 6 Backend systems will make or break you

Speaking of backend, backend systems are a pain in the you-know-what. And by backend, I mean all your back office chores, from marketing services to billing to vendor management and fulfillment. Add call management to the list, too.

Just as when you're stuck in traffic driving between service calls, you don't make any money when you're up to your elbows in paper or processing tasks. It's frustrating. Clients want you to order a new server box, two desktops, and a new laptop. They don't want to pay a markup, either. But they're happy to pay you for your time to install the new equipment. Sound good? It's not.

Consider the facts. You have to form a relationship with the vendor. It will need your bank account information, maybe proof of insurance (expect to carry one million dollars of general liability), your state sales tax exemption ID, your federal employer ID, a list of references, and a host of other information that takes a day to collect. Granted, you have to do that only once (with each vendor, and you'll need about 10), but then you still have to wade through their catalogs, select the models you need, and configure them with the appropriate tape arrays, software packages, etc. That takes an hour alone. And again, you're typically not getting paid for this research. Even if you mark hardware sales up 15 percent, don't plan on any Hawaiian vacation as a result.

Add in similar trials and tribulations with your marketing efforts, billing systems, vendor maintenance, channel resellers, management issues, etc., and you can see why many consultants keep a full-time office manager on staff. It's no great revelation of my business strategy to say that's why I went with a franchise group. I have a world of backend support ready and waiting when I need it. I can't imagine negotiating favorable or competitive pricing with computer manufacturers, antivirus vendors, or Microsoft if I operated on my own.

Before you open your doors, make sure that you know how you'll tackle these wide-ranging back office chores. You'll be challenged with completing them on an almost daily basis.

## 7 Vendor relationships will determine your success

This is one of those business facets I didn't fully appreciate until I was operating on my own. Everyone wants you to sell their stuff, right? How hard can it be for the two of you to hook up?

Well, it's hard, as it turns out, to obtain products configured exactly as your client needs quickly and at a competitive price if you don't have strong vendor relationships. That means you'll need to spend time at trade shows and on the telephone developing business relationships with everyone from software manufacturers and hardware distributors to local computer store owners who keep life-saving SATA disks and patch 5 cables in stock when you can't wait five days for them to show up via UPS.

Different vendors have their own processes, so be prepared to learn myriad ways of signing up and jumping through hoops. Some have online registrations; others prefer faxes and notarized affidavits. Either way, they all take time to launch, so plan on beginning vendor discussions, and establishing your channel relationships, months in advance of opening your consultancy.

## 8 You must know what you do (and explain it in 10 seconds or less)

All the start-your-own-business books emphasize writing your 50-page business plan. Yes, I did that. And do you know how many times I've referred to it since I opened my business? Right; not once.

The written business plan is essential. Don't get me wrong. It's important because it gets you thinking about all those topics (target markets, capitalization, sales and marketing, cash flow requirements, etc.) you must master to be successful.

But here's what you really need to include in your business plan: a succinct and articulate explanation of what your business does, how the services you provide help other businesses succeed, and how you're different. Oh, and you need to be able to explain all that in 10 seconds or less.

Really. I'm not kidding.

[Business Network International](#) (plan on joining the chapter in your area) is on to something when it allots members just 30 seconds or so to explain what they do and the nature of their competitive advantage. Many times I've been approached in elevators, at stoplights (with the windows down), and just entering my car in a parking lot by prospective customers. Sometimes they have a quick question, other times they need IT help right now. Here's the best part; they don't always know it.

The ability to quickly communicate the value of the services you provide is paramount to success. Ensure that you can rattle off a sincere description of what you do and how you do it in 10 seconds and without having to think about it. It must be a natural reaction you develop to specific stimuli. You'll cash more checks if you do.

## 9 It's all about the branding

Why have I been approached by customers at stoplights, in parking lots, and in elevators? I believe in branding. And unlike many pop business books that broach the subject of branding but don't leave you with any specifics, here's what I mean by that.

People know what I do. Give me 10 seconds and I can fill in any knowledge gaps quickly. My "brand" does much of the ice breaking for me. I travel virtually nowhere without it. My company's logo and telephone number are on shirts. Long sleeve, short sleeve, polos, and dress shirts; they all feature my logo. Both my cars are emblazoned with logos, telephone numbers, and simple marketing messages (which I keep consistent with my Yellow Pages and other advertising).

I have baseball hats for casual trips to Home Depot. My attaché features my company logo. My wife wears shirts displaying the company logo when grocery shopping. After I visit clients, even their PC bears a shiny silver sticker with my logo and telephone number.

Does it work? You better believe it. Hang out a shingle and a few people will call. Plaster a consistent but tasteful logo and simple message on your cars, clothing, ads, Web site, etc., and the calls begin stacking up.

Do you have to live, eat, and breathe the brand? No. But it helps. And let's face it. After polishing off a burrito and a beer, I don't mind someone asking if they can give me their laptop to repair when I approach my car in a parking lot. Just in case they have questions, I keep brochures, business cards and notepads (again, all featuring my logo and telephone number) in my glove box. You'd be surprised how quickly I go through them. I am.

## 10 A niche is essential

The business plan books touch on this, but they rarely target technology consultants directly. You need to know your market niche. I'm talking about your target market here.

Will you service only small businesses? If so, you better familiarize yourself with the software they use (Windows XP Home and Professional, PC Anywhere, QuickBooks, etc.). Or are you targeting physicians? In that case, you better know all things HIPAA, Intergy, and Medisoft (among others).

Know up front that you're not going to be able to master everything. I choose to manage most Windows server, desktop, and network issues. When I encounter issues with specific medical software, dental systems, or client relationship software platforms, I call in an expert trained on those platforms. We work alongside to iron out the issue together.

Over time, that strategy provides me with greater penetration into more markets than if I concentrated solely on mastering medical systems, for example. Plus, clients respect you when you tell them you're outside your area of expertise. It builds trust, believe it or not.

Whatever you choose to focus on, ensure that you know your niche. Do all you can to research your target market thoroughly and understand the challenges such clients battle daily. Otherwise, you'll go crazy trying to develop expertise with Medisoft databases at the same time Intel's rolling out new dual-core chips and Microsoft's preparing to release a drastically new version of Office.



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