

Adventures in Independent Consulting: Perspectives from Two Veteran Consultants Living the Dream

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ABSTRACT

While many statisticians and programmers are content in a traditional employment setting, others yearn for the freedom and flexibility that come with being an independent consultant. In this paper, two seasoned consultants share their experiences going independent. Topics include the advantages and disadvantages of independent consulting, getting started, finding work, operating your business, and what it takes to succeed. Whether you're thinking of declaring your own independence or just interested in hearing stories from the trenches, you're sure to gain a new perspective on this exciting adventure.

INTRODUCTION

Life is an adventure. Each one of us must choose our own path on that adventure. For many, that path includes traditional employment. Such an arrangement fits well with their dreams and ambitions, their tastes and preferences, and their needs and desires. However, not everyone is cut from the same cloth. For some indomitable souls, the siren call of independence beckons, promising unparalleled freedom and unabridged autonomy.

Your authors are two such souls. Our respective journeys have led each of us into independent consulting, and neither of us would have it any other way. This paper is our attempt to create a sort of roadmap for others considering whether their life adventure might veer in this general direction.

We begin with a comparison between the paths of traditional employment and independent consulting. Secondly, we provide advice on how to embark on the journey of independent consulting by starting and operating your own business. Next, we share some thoughts on how to finance your expedition through appropriate setting of rates. After that, we discuss how to navigate the sometimes challenging terrain of finding work. Finally, we conclude by looking forward to the ultimate destination – success as an independent consultant!

CHOOSING YOUR PATH – INDEPENDENCE VS TRADITIONAL EMPLOYMENT

Before setting out on an adventure, it's a good idea to check the map and look at the various routes that might lead to your destination. Nowadays, most of us use mapping software for our real-world trips, but there is no Google Maps for the adventure of life. Fortunately, a great deal can be learned from those who have already traveled the road.

Both paths, traditional employment and independent consulting, have advantages and disadvantages. (And of course, these are not the only paths you can take!) As you contemplate your own journey, it may be helpful to consider these aspects of each path to see how well they align with your own personal situation. Horstman (2018) cataloged a number of advantages and disadvantages, which we revisit here with additional commentary.

ADVANTAGES OF INDEPENDENT CONSULTING

Autonomy

Being an independent consultant essentially means being one's own boss. The independent consultant is free to choose whatever type of work is of interest and to work with people and organizations of her choice. This freedom is, of course, constrained by what opportunities exist in the marketplace. However, your authors have both found that the strong demand for statistical programming and related services in recent years has allowed them to exercise a large degree of control over the content of their work.

Variety

While some independent consultants prefer to work with a single client at a time, others may enjoy the flexibility and diversity of multiple clients. Both your authors operate in the latter fashion. This has the advantage of providing a great variety of work. For those who quickly grow bored of doing the same thing in the same manner, this can provide welcome relief.

Flexible Scheduling

Independent consultants typically have a significant degree of control over their own schedules. Within the constraints of scheduled meetings and client deadlines, work can generally be performed at whatever time the consultant prefers, whether that is a traditional workday schedule or something quite different. The consultant is also generally free to take vacations or other time away from work whenever desired, subject of course to any client commitments that have been made.

Location Independence

In addition to working when they want, independent consultants can largely work where they want. While some consulting jobs may require the consultant to work from a client's premises, this seems to be less common and your authors have both managed to avoid it. However, location independence is not quite as unique to consulting in the post-pandemic era now that many companies allow their employees to work remotely in part or in full.

Control

Independent consultants are often people who prefer to march to their own beat, do their own thing, and live life on their own terms. An independent consultant is essentially running a business and therefore isn't beholden to anyone else's rules about how to operate the business. She can set up her office how she likes, select the health insurance and other benefits she prefers, and make the travel arrangements she desires.

Income

Independent consulting does have the possibility of greater income than traditional employment. As a business owner, the independent consultant has a greater ability to capture the economic value of her work. That value, of course, depends on several factors such as the consultant's skills and reputation, the type of services being provided, and the market demand for those services.

Stability

A portfolio consisting of multiple part-time clients can allow the independent consultant to mitigate some of the risk of a sudden loss of income. Although consulting engagements are at will and can usually be terminated abruptly, it is unlikely that would occur simultaneously on multiple consulting engagements. Thus, the consultant does not have all her eggs in one basket in the way a full-time employee typically does.

Tax Savings

The U.S. income tax code contains several provisions that benefit small business owners. The savvy independent consultant using the right business structure can potentially enjoy significant tax savings by operating her business in a manner that takes advantage of these provisions. The specific details are beyond the scope of this paper, but anyone seriously considering independent consulting would be wise to do further research on the topic.

DISADVANTAGES OF INDEPENDENT CONSULTING

Marketing

To enjoy the advantages described above, an independent consultant must first find her own work. This can consume a significant amount of time and effort, especially when first getting started. Keep in mind that the marketing aspect is not time for which anyone is going to pay you. Your authors have found that building a robust professional network is the best marketing and all but eliminates the need to engage in more traditional forms of marketing such as advertising, cold calling, or responding to job postings. This will be discussed in more detail later in the section on finding work.

Self-discipline

An independent consultant must be internally motivated and have the self-discipline to get things done. While client deadlines will sometimes provide the impetus needed to complete a task, your authors have both experienced many times when client work can easily be put off for another day. When the client is relatively light, the undisciplined consultant may find herself not billing enough hours to achieve her desired income.

Work-life Balance

When you work as an independent consultant, you only get paid for the time you are working on something that can be billed to a client. There is effectively no paid time off. When the consultant goes on vacation, enjoys a holiday from work, steps out for a personal errand or medical appointment, or takes a sick day, she is not being paid. Nevertheless, all these things are important to a balanced life. The consultant who does not make time for rest and relaxation can end up being less productive and faces burn-out, stress, or other mental health problems. Thus, the independent consultant has to be diligent in creating a balance that works for them.

Expenses

While a consultant may enjoy a high billable rate, there are many expenses that must be paid out of this revenue that a traditional employee would not have to pay. Typically, an independent consultant is responsible for costs such as office furnishings, computer equipment, software, and travel expenses except in cases where some of these may be reimbursed by a client. In addition, the consultant typically must pay for her own benefits such as retirement contributions and health, disability, and other types of insurance.

Administration

As mentioned earlier, an independent consultant is running a business. Running a business involves many administrative tasks. These tasks are not billable to a client. The consultant must either perform these tasks on their own time or hire someone else to do them. Administrative tasks may include bookkeeping, filing tax forms, preparing invoices, reviewing contracts, making travel arrangements, troubleshooting IT problems, cleaning the office, and more.

Inconsistency

While a traditional employee can typically rely on a steady stream of paychecks on a regular schedule, the independent consultant needs to be prepared to tolerate a bit more variability. There may be times when the consultant has more work on her plate than she wants, and other times when there is not enough. Payments from clients can come on an irregular schedule and in varying amounts. Your authors have found that a healthy financial cushion can make it much easier and less stressful to ride out these irregularities.

EMBARKING ON THE JOURNEY – STARTING AND OPERATING YOUR BUSINESS

FORMING YOUR BUSINESS

Once you've chosen the path of independent consulting, there are several preparations that must be made before you set out on the journey. One of the first decisions that must be made is the type of legal entity you will use. You might choose to operate as a sole proprietorship, start a partnership in conjunction with other consultants, or form either a corporation or limited liability company (LLC). Each of these arrangements has advantages and disadvantages.

The choice of legal entity can have far-reaching consequences when it comes to paying taxes, collaborating with others, and protecting yourself from legal liability. Horstman (2018) provides an overview of these options. However, the details vary greatly from country to country and from state to state within the U.S. Ultimately, you may wish to seek professional guidance for this decision.

MANAGING BUSINESS FINANCES

When operating a business, it's important to keep the business's finances separate from your personal finances. The business should have its own checking account, and business transactions should be conducted from that account. Your authors have also found it convenient to have a separate business credit card that is used for making business purchases. Naturally, the business credit card bill should be paid from the business checking account. Business funds should never be commingled with personal funds.

Any transaction involving the business and the business owner should be done in the same manner as a transaction with another party would be conducted. This would include the business paying the owner a salary, distributing profits to the owner, or reimbursing the owner for legitimate business expenses such as business use of a personal vehicle. Any such transactions should be carried out in compliance with applicable laws and regulations and documented appropriately.

You may wish to hire a bookkeeper and/or tax advisor to ensure everything is being done properly. This is a matter of personal preference. Josh doesn't mind doing some of this himself, while Richann finds great value in leaving it the professionals.

INSURING YOUR BUSINESS

It's also important to properly insure your business to protect against catastrophic losses that might result from a lawsuit, accident, or other incident. In fact, many clients will contractually require that you carry certain types and amounts of insurance coverage. At a minimum, consider a general business liability policy that will provide coverage in the event your business is found liable for bodily injury, property damage, data breach, or other claims.

Another policy you may wish to purchase is called professional liability insurance, or sometimes "errors and omissions" (E&O). This policy will protect your business in the event you are held financially responsible for a mistake made in the course of carrying out your work.

You may also be required to carry worker's compensation insurance. This varies from country to country and from state to state within the United States. Consult your local labor laws or get professional help.

ACTING LIKE A BUSINESS

As an independent consultant, you are operating a business. As such, it's important that your business looks and operates like a real business. Even if you are a solo consultant working from your spare bedroom, modern technology makes it easy to give your business the look and feel of a larger and more established company. A few simple steps can create a more polished and professional external appearance for your business at relatively little cost.

First and foremost, you should register an Internet domain for your business. Your business communications will seem much more professional coming from an email address with a custom domain than from a Gmail or Yahoo address. Registering a domain only costs a few dollars per year so it's well worth the cost. In addition, your domain can be used to host a simple website for your business. Even a

simple website with basic information about the services your business offers will add a level of legitimacy and credibility to your business.

Next, consider getting a separate mailing address for your business by renting a private mailbox. This allows you to maintain the privacy of your residential address and gives your business an official-looking commercial address. Nobody needs to know whether "Suite 123" is a palatial corner suite in a high-rise office building or simply a 3-inch wide slot at the UPS Store. Many private mailbox vendors offer access 24 hours a day and will accept packages on your behalf. When dealing with client-owned property such as laptop computers, it's better not to take the chance of having it stolen from your front porch. Avoid using a post office box as this appears less professional and may not be allowed to serve as the official legal address of your business in some jurisdictions.

Finally, obtain a professional-looking logo for your business. You can hire a graphic designer or simply utilize one of the many online freelancing platforms to get a logo for minimal cost. Have business cards printed with your logo, and use your logo to create templates for invoices, letterhead, or other business documents you may need. This will go a long way towards making your business look like a serious and reputable company.

FINANCING THE EXPEDITION – SETTING RATES

Naturally, you'll need to generate revenue as an independent consultant to cover the costs of operating your business and provide an income. One of the most perplexing parts of independent consulting can be determining what rate to charge your clients. If you set your rate too high, you may scare off potential clients. On the other hand, choosing a rate that is too low means you may not enjoy the full value of the services you provide. The rate you offer also communicates to your clients how much you think your own skills and experience are worth, so it's important to consider it carefully.

Horstman (2018) catalogs a variety of elements that may factor into determining an appropriate rate. Here we dive deeper into some of the more significant ones:

Type of Work

The nature of the work being performed is one of the most important factors in the rate. In general, work that requires more specialized skills and for which there is a tighter supply of consultants with relevant experience will tend to command a higher rate in the market. Your authors have both chosen to specialize in statistical programming for clinical trials in the pharmaceutical industry. At the time of writing, there is a high demand for these services which has helped make this a reasonably profitable niche.

Prior Experience

All else being equal, a consultant who has more experience providing the type of services being offered is able to earn a higher rate. In general, a more experienced consultant can complete work more quickly and with fewer mistakes than a less experienced consultant, thus justifying higher compensation. In addition, an experienced consultant can bring valuable knowledge and insights to a client.

Your authors have both benefited from developing deep technical expertise in SAS programming along with knowledge of how clinical trials are conducted, how the data are collected and analyzed, and how results are reported and submitted to regulatory agencies. Moreover, we have both gained recognition through publishing technical papers, presenting at industry conferences, and creating and delivering training classes. Richann has even had a book published and become well-known as an industry expert on clinical data standards. All these factors have the potential to support higher billing rates.

Work Arrangements

An independent consultant also can provide value to a client by offering them flexibility, convenience, and agility. For example, a consultant who is willing to offer services on a part-time or as-needed basis can help a client manage more efficiently the ebbs and flows of their workload. If a client is given the flexibility to use a consultant only when needed without committing to a particular number of hours, this provides a

tangible and quantifiable benefit to the client. This also leaves the consultant with a bit more risk. These factors may allow the consultant to charge a higher rate.

There are other ways the consultant can provide convenience to a client. If a client finds themselves with an urgent need, a consultant is able to get to work immediately and help the client in a pinch will tend to have more leverage in negotiating a higher rate. Similarly, a consultant might find some clients willing to pay more in exchange for flexible payment terms such as a 60- or 90-day payment window.

As of this writing, your authors each work multiple part-time contracts, adjusting the mix of billable hours in a weekly basis depending on the needs of the various clients. This can occasionally result in a bit of stress when multiple clients have simultaneous periods of high demand. Rarely, it results in a brief slowdown during which the number of billable hours is less than desired. However, in general we have each stayed quite busy and enjoyed the economic benefits of providing our clients with this flexibility.

NAVIGATING THE TERRAIN – FINDING WORK

To move forward in your journey as an independent consultant, you need work. Work is the lifeblood of your consulting business. Without it, you can't stay in business. Finding work will be an ongoing activity throughout your consulting journey as you navigate your way from one waypoint to the next along your route. Fortunately, there are many tools available for the independent consultant to use in finding work.

One way to locate clients is to get help from a recruiter or staffing agencies. These people are typically well-connected within the industry and can help you find clients who are looking for the services you are offering. This is like hiring a guide to help you navigate a difficult portion of your journey. Naturally, it comes at a cost, which is typically a lower rate. Nevertheless, it might be a worthwhile option, especially when first getting started.

Another way to locate clients is through the use of third-party freelancing platforms. These platforms serve as a marketplace that connects independent consultants with potential clients who might be in need of their services. The use of freelancing platforms has been growing in recent years and can be a viable method for finding work.

Perhaps the most effective and reliable method for finding work is through cultivating a healthy professional network. Your authors have both found nearly all their clients in this way. Many clients simply prefer to hire someone they know or trust, or at least someone recommended to them by another party they know and trust, rather than roll the dice with someone unknown to them. You won't find these clients by browsing job boards or help wanted ads.

Building a robust professional network is not hard or complex, but it does require some intentional effort to grow and maintain. It's just about building genuine relationships with others in your field of interest for mutual benefit. To build these relationships, it's vital for the independent consultant to be active and engaged in her industry – attending events, giving presentations, writing conference papers (like this one), volunteering, and staying in touch with people regularly. Horstman (2018) includes a more thorough discussion of professional networking as it relates to independent consulting.

REACHING THE DESTINATION – DEFINING SUCCESS

Once you've established a business and started working as an independent consultant, the real adventure begins. However, it's also important to reflect on where you wish the journey to go. What is your destination? That is, what do you hope to achieve with your new consulting business? What purpose or role will it fill in your life. How will you know when you have succeeded?

These are very personal questions. Each of us must decide upon our own definition of success. Some independent consultants may see their consulting business as the equivalent of a full-time job, providing them with a decent income and other benefits until retirement. Other consultants may bring a more entrepreneurial perspective to their business, hoping to eventually leverage the efforts of others as they seek to build a larger enterprise. Still others may seek to use the independent consulting business to support a particular lifestyle they seek to live, perhaps traveling frequently and/or taking extended breaks as they desire.

There's no right or wrong answer to these questions. However, it can be helpful to identify a long-term destination as it will help inform the decisions you make along the way. It may impact the kinds of projects you accept, the types of clients you seek out, and the amount of work to which you commit. If your goal is to grow into a larger consulting firm and leverage the talents of others, it may not make sense to take assignments that cannot easily be delegated to others. On the other hand, if your desire is to work on the road while you travel the world, it makes little sense to accept a project that requires an extended presence on the client's premises.

As the journey progresses, the answers to these questions may change. Reevaluate your goals and priorities regularly as they may change over time. Your needs and desires may shift as you move through different seasons of life. It's all part of the adventure as you seek to create a satisfying and fulfilling professional experience. Ultimately, the journey itself may be as important as the destination!

CONCLUSION

Independent consulting is not for everyone. For many, the benefits of traditional employment outweigh its constraints and make it a good fit. However, for those who desire a larger degree of autonomy and control and are willing to accept the risks and challenges of independent consulting, it can be a fantastic adventure.

REFERENCES

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