



# How to Start a Management Consultancy Business on a Budget

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BUSINESS INSURANCE BROKER

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# Introduction

If you enjoy problem solving and have an interest in helping organisations operate more efficiently, setting up a consulting business can be a great way to make a living. Organisations have a growing need for people who have extensive expertise in managing businesses, and can deliver impartial solutions that achieve measurable results.

If this sounds like you, it's pretty simple to get started: in many cases you will just need the finances to secure your livelihood while you seek out business opportunities. Management consultants comprise the [largest part of the consulting industry](#) in the UK - a market thought to be worth around £10 billion.

Do you like the idea of being your own boss? Work through this guide which provides tips on how to become a business consultant.

## Advantages and Disadvantages of setting up a consultancy business

Advantages	Disadvantages
You are your own boss	Income may fluctuate
You can pick your own work	Responsible for your own benefits
You aren't restricted to one type of client	You may have to travel regularly to find work
Flexible working hours	You are responsible for handling areas of business you may not be familiar with e.g. bookkeeping
Continuous learning	



# Business status



## Deciding how to trade

One common question asked by prospective management consultants is which business status they should register under. The options include:

- Limited Company
- Limited Liability Partnership
- Partnership
- Sole Trader

Many consultants choose to operate as sole traders because this allows them to keep 100 per cent of their profits (after tax). The downside of this structure is that they are personally responsible for any losses the business incurs. In contrast, a limited company separates the individual from the company. This also means the company's finances are separated from the individual. If you choose to form a limited company, you will need to nominate at least one company director and register via Companies House. Registering as a limited company is a good idea if you plan on employing other people, or have more than one director in your business. Once you have chosen the structure most relevant to setting up your consulting business, you must register with [HM Revenue & Customs \(HMRC\)](#).

Steve Thurlow, MD of Steve Thurlow Consulting Limited

“When starting out it's important to think about who your target clients will be and how to structure your business accordingly. If you will be selling to individuals and micro businesses you can probably operate as a sole trader. If you are selling to mid-sized or larger companies consider becoming a limited company and registering for VAT. VAT returns are so easy to do, especially if you join the flat rate scheme. I do it online myself and it takes about 15 minutes”.

# Qualifications and Accreditations

While management consultants don't require an official licence to trade, there are courses you can take to improve your chances of being hired. If you do choose to take a recognised qualification, you can increase the reassurance that your experience and knowledge delivers high-quality results. Here are some organisations you may find useful:

## The International Council of Management Consulting Institutes (ICMCI)

[www.cmc-global.org](http://www.cmc-global.org)

This organisation works with industry leaders and consultancy firms of all shapes and sizes, to build a common standard for the individual certification of professional management consultants.

## The Institute of Consulting

[www.icon consulting.org.uk](http://www.icon consulting.org.uk)

This offers a suite of career enhancing courses and membership packages to help you stand out from the crowd, and are the only UK organisation accredited by the ICMCI to award Certified Management Consultant (CMC) status.

## The award of Certified Management Consultant (CMC)

[www.icon consulting.org.uk](http://www.icon consulting.org.uk)

This internationally recognised accreditation for management consulting professionals gives you a free listing on the national register for business support professionals, and provides access to a wide network of resources.

If you have a postgraduate degree in the fields of analysis or data, this could make you more attractive to prospective clients. An MBA is valued by many businesses, but is by no means essential. There are a whole host of MBA courses which can be found through the [Prospects website](#), including part-time and full-time options. Having a Masters or PhD may also help your cause.

Nick Bettes, a Business Coach from [www.businesscoachkit.com](http://www.businesscoachkit.com), explains how he has set up a consultancy business without any qualifications:

Nick Bettes, Business Coach Kit

"While there are qualifications in coaching you can take, I have never done this and never been asked about coaching qualifications by a prospect. The knowledge that I pass to my clients has been developed by running departments and businesses in the corporate world for twenty years, latterly at Director/MD level. I operate at the consultancy end of the scale and generally provide answers to clients rather than trying to coach them to work it out for themselves".





If you're working on a shoestring budget, you may need to utilise your industry contacts for your first few sales. Because you're not selling a tangible product, you will need to make sure you regularly showcase your skills. From public speaking to attending networking events, there's plenty of ways you can bolster your address book without spending bags of money. Here are just a few ways you can get started:

## Word of mouth

Your first port of call should be utilising your industry contacts. As an expert in your sector, you will likely have a substantial list of ex-colleagues and contacts who you have worked with in the past. Contact each one with a tailored email or, better still, call them directly and let them know you are starting a consultancy business.

If you left a previous employer on good terms, this is a great opportunity to speak to people who already know about you and your skillset. Even if these conversations don't bear fruit, politely ask them to refer your details to other companies and contacts; you will be surprised to find what can arise from a short conversation. Just a note: check carefully for any non-compete clauses in your existing employment contract, just to make sure you don't run into any difficulties.

If you have just finished a consulting assignment, ask your client if they have any friends or business associates who could be good prospects for your business consulting services. Having someone sing your praises is one of the most effective marketing tools you can have.

## Networking

Love it or hate it, networking is one of the best ways to find new clients. There are few other situations where lots of potential clients are together in one room. See this as an opportunity to bolster your address book, sell your skills and sow a few seeds.

If you have money put aside for marketing, one of the best ways to meet prospective clients is to set up a booth at a local business expo. Make sure to put a professional brochure together which highlights your key offering. You could even give away a few hours of free consulting as a prize. Get everyone to hand you their business card and pick out a winner at the end. You will then have a handful of people to telephone after the event.

Some of the best networking websites for consultants are below:

## British Chambers of Commerce

[www.britishchambers.org.uk](http://www.britishchambers.org.uk)

The British Chambers of Commerce (BCC) is an independent network that helps UK businesses grow. As well as offering advice and support to over 92,000 businesses, they regularly hold events. Peruse the BCC website to find your local chambers.

## 4Networking

[www.4networking.biz](http://www.4networking.biz)

This is an organisation that makes business networking relaxed, fun and friendly. Sign up as a 'passport' member to receive more business appointments, and find networking events in your area.

## Findnetworkingevents.com

[www.findnetworkingevents.com](http://www.findnetworkingevents.com)

This is an online resource for finding business networking events, business clubs, workshops, seminars and business shows happening in your local area.

## The Business Network

[www.business-network.co.uk](http://www.business-network.co.uk)

This organisation has been providing professional networking events for over 23 years. Their lunchtime events attract senior decision-makers from across the UK, and offer the perfect opportunity to speak to people who have the authority to give you work.

## LinkedIn

With [500 million worldwide users](#) – 40 per cent of whom check the platform [every day](#) - LinkedIn is a must-have for anyone trading B2B. However, if you want to commercially get the most out of LinkedIn, you need to regularly share content and expand your network.

Being seen as an influencer in your space can be a powerful way of winning new business. Not only will an active LinkedIn page give you another form of contact for customers, but it will also give you credibility and legitimacy. If you have a customer who is happy to refer your services, get them to leave a review on your page and share your services with their network. Endorsements on LinkedIn can further highlight your expertise; connecting with previous business associates to endorse each other can boost your profile's credibility also.

LinkedIn Groups are another great way to connect with new audiences. This part of the platform provides a place for professionals to share content and ideas, establish industry expertise and, most importantly, look for work.





Some of the most popular LinkedIn groups for management consultants include:

- [Strategy and Management Consultants](#)
- [Consultants Network](#)
- [Business Consulting Group](#)

[LinkedIn advertising](#) is another effective way of honing in on key audiences. LinkedIn adverts are relatively cheap and cleverly targeted, allowing you to share relevant content with decision-makers and people who fall beyond your network. Following up a conference or networking event with targeted advertising is a great way to build brand awareness and legitimacy.

## Public speaking

While public speaking isn't for everyone, taking the plunge can be invaluable to starting a consultancy business. Not only will this help you to amplify your credibility, but it offers a chance to build personal connections with key people in your industry: something that is difficult to do online. Best of all, it allows you to meet prospective clients. If the thought of public speaking is enough to make your stomach flip, there are lots of organisations which can quickly help you move from anxious to excellent. Here are just a handful:

- [College of Public Speaking](#)
- [Speaking Infront](#)
- [The Public Speaking Academy](#)
- [Speakers Trust](#)



# Getting Paid

A frustration for many people who start a consulting business is having to chase unpaid invoices. The upshot of not being paid on time is that it can put a strain on your personal finances, especially when you are first getting started. However, with a bit of planning, you can avoid compromising your livelihood.

## Staying in control of your finances

### Deposits

Before starting work on any project, ask for a deposit payment – especially with new clients. While this may seem a little rash, it will give you peace of mind that your time is always financially rewarded. If you are billing for time, treat this deposit as credit, and deduct future invoices from the credit pool.

### Invoices

Invoice frequently. If you are working on 30-day payment terms, and you invoice once a month, it could be upwards of two months before you get paid! This isn't the most convenient situation, as it leaves your own personal finances exposed. By invoicing regularly, you could help eliminate late payments.

### Retainers

Where possible, try and organise a retainer with your clients. This means your client will automatically send you money on the same day each month/year. An automated payment system that will draft money from your client's account each month will save you time, effort and stress.

### Contracts

This goes without saying, but make sure to put all negotiations and agreements in writing. Using a set contract will help to avoid potential disagreements with clients, and should explicitly outline any financial and work obligations. You can find lots of free templates at [pandadoc.com](https://pandadoc.com)

## How much does a management consultant earn?

According to [payscale.com](https://payscale.com), the average salary for a management consultant in the UK is £46,599 per year. It's worth bearing in mind that this figure will fluctuate depending on factors such as your experience, location etc.

Steve Thurlow, MD of Steve Thurlow Consulting Limited

“Doing your accounts is a distraction from your core business so you should make it as easy and time-efficient as possible. As I have a low volume of transactions it's easy to keep track of them myself and just use a local accountant to advise me on tax issues and to file my returns”



# Setting up office



One thing to consider is where you plan to conduct your business. If you are working out of your home, you need to decide what you are going to do when you need to meet clients. If you plan to correspond with clients online or by phone, then a home-based business is feasible. However, for many management consultants, meeting people in person is crucial to forging long-term relationships and generating repeat business. This means having a hospitable office space for them to visit you in. Here are some popular alternatives:

## Co-working spaces

If you're working on a budget and can't afford to rent an office space, one option is to find a co-working space. These offices allow freelancers, remote workers and start-up entrepreneurs to work away from their homes in a professional environment. UK co-working spaces are on average [12 per cent bigger](#) than the rest of the world, and are often much cheaper than traditional offices. Many companies offer a monthly rate for a full-time desk, as well as part-time and hot-desking rates. Use a search engine to find co-working spaces in your local area.

For more details, download our separate [Guide to Co-working](#).

## Small business incubators

Another alternative is to utilise small business incubators. These companies support start-ups by offering office space and, in some cases, seed money. Some business incubators also offer workshops, mentorship and access to technology. Along with the major players, universities across the country have incubation initiatives, offering everything from business networks to high-speed internet. Find out more about business incubators in the UK [here](#).

## Executive office suites

From entrepreneurs to major global businesses, there are cost-effective workspaces available to suit all sizes. Companies like [Regus](#) offer part-time and day offices which can be rented for an hour upwards. They also offer meeting rooms for rental on an hourly basis, creating the perfect base for presentations and pitches. With no commitment to long-term contracts, this is a cost-effective approach to renting work spaces.

If you don't need a work space, but want to be perceived as a professional outfit, Regus offer a virtual office service. From as little as one pound a day, a virtual office places your business in the best possible location with a credible address and mail handling service. There is the option of adding supporting services to your virtual office, too, such as telephone answering. This is a particularly useful alternative if you plan on working as an online consultant.

# Insurance

## Protect your business against the unexpected

Taking out the right insurance for your management consultancy business is crucial. Insurance can help to protect you from situations where your advice leads to client financial loss. As a minimum, you should look to protect your business from wrongful advice and accidental injury.

### Covers to consider

Here are some insurance covers you might want to consider:

- [Professional indemnity insurance](#) (PI) can protect consultants providing advice in their professional capacity. If your advice causes a client financial loss, PI insurance could cover defence costs and any compensation awarded.
- [Public liability insurance](#) is a must-have if you plan on hosting clients in your office, even if you work from home. If a client trips over, or you spill a cup of tea over their laptop, public liability insurance could cover any compensation awarded for injury, as well as the cost of rectifying accidental damage to property.

For advice on insurance, speak to the [business insurance](#) experts at Premierline today on 0333 320 6009.



# Thank you to our contributors:

We would like to thank our contributors for providing us with their tips and comments:

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This guide has been compiled by Premierline who specialise in arranging insurance for UK businesses.  
If you have any feedback on this guide, or would like to contribute to one of our  
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