

# Consultant

## How to start up as a consultant

Do you have the feeling that you possess substantial knowledge, which could help others to get on the right track? Are you good in teaching and communicating with different types of people? Then, consultancy could be of your interest. According to economic advisers, Denmark has to survive by being a knowledge society. Knowledge has become one of the most important resources and the field is rapidly growing. Therefore, many entrepreneurs find it attractive – maybe, you do as well?

As a foreigner living in Denmark you will be able to sell your knowledge to Danish and international companies. It is administratively very easy to set up a business as self-employed consultant. Perhaps, Denmark is the easiest place on earth.

You can sell knowledge in all sorts of industries ranging from legal advice, accountancy services and engineering services to more recently evolved areas such as psychological support, IT assistance, communication services and artistic concepts. The possibility to sell and further develop consultancy exists in all industries. Only the sky is the limit.

However, it is advisable to think it through and plan it carefully before you start a career as self-employed consultant. It may be a necessary precondition for success in a market, which can be difficult to penetrate and which is characterized by great competition.

This start up guide provides answers to many of your questions. If you, after finished reading, need more information or still have questions, you are always welcome to contact us at [info@imidt.dk](mailto:info@imidt.dk) or + 45 70 15 16 18.

## Test Yourself

Start out with a quick self-test, to find out whether the consultant business is for you:

		Definitely	Most likely	Not sure
1	I am good at listening to people and understanding their needs			
2	I have a good academic background			
3	I have solid experience from previous jobs			
4	Complex problems appeal to me			
5	I am able to organize and structure a job			
6	I can create realistic working schedules			
7	I can live with fluctuation of earnings			
8.	I have a widespread professional network			
9	I am updated within my field of expertise			
10	I am good at rapidly internalising new knowledge			
11.	I know where to look for new knowledge			
12	I am creative and full of ideas			
13	I am positive and see the bright side of life			
14	It is not a problem to work until late now and then			
15	I am good at changing problems to become opportunities			
16	I find it exciting when facing unexpected tasks			

If you have a minimum of 12 crosses in "definitely", you possess a significant foundation to continue.

## What Do You Sell?

Your competences are the starting point of your service. However, personality and experiences are likewise very important resources. You have to build on what you already have: For example, if you are a journalist, you could sell research and communication to your customers; If you are an architect, you are able to deliver ideas in the form of drawings and to monitor construction processes; A medical doctor deliver diagnoses and treatments; A translation agency provides perfect translations of texts, etc.

Many new consultants may benefit from a reversed approach when considering their product or service in the perspective of their customers' needs. Therefore, you should ask yourself:

- + Do you help your customer to maximize productivity, working satisfaction, organisational environment, etc. by sufficient use of technics?



### Start Sole Proprietorship

It is very simple to start a privately owned company. With such a firm, you are entirely your own master and can independently create your own business concept.

A clear benefit is the flexibility, also in relation to your private life. Contrary, the downside may be, that it takes time to get started and it is hard work. Many expect that they will get more time for family and leisure time. However, this often proves to be an illusion.

### Buying Into / Become a Partner of Another Firm

You can start your business together with several other consultants or buy your way into an already existing company. By that, you can enjoy a professional environment and division of labour. Further more, it provides the opportunity for larger and more lucrative assignments. The downside is, the lack of independency and that you may face greater fixed expenses.

### Networking

Another opportunity is companies with more informal associations between consultants. Typically, those consultants work within the same central field and benefit from corporate marketing under unifying headlines. However, they solve tasks individually and administrate their economy separately.

### Joining a Franchise

Within coaching, management consulting and IT, fixed concepts exist: You can buy the right to market your service within a restricted area. This may be a good way to get access to a recognized and well-proven product and perhaps also to a clientele. Furthermore, you often get support to handle administrative tasks. The disadvantage is that you will be more of an employee than a self-employed consultant. Additionally, several frivolous concepts and business ideas exist which are not adapted to Danish conditions.

### Freelance / Solo Business

If you have started your own personal business and you do not consider employing anybody else, you work as a freelancer. The difference between an entrepreneur and a freelancer is that an entrepreneur wants to start a business, which can grow and become a company with employees. A freelancer does not have any intention to grow.

### Freelancer as an Employee

Within some industries, for example among journalists, freelancing is common. This kind of freelancing means that you are not self-employed but rather an employee who solves temporary assignments. The advantage is that you can get unemployment benefits in quiet periods if you have purchased an unemployment insurance and thereby established a safety net. The disadvantage is that you can easily become a "casual labourer" who struggles with obtaining enough financial surplus to be able to establish a proper business. Therefore, in many industries it will be difficult to convince the customer to "recruit" you.

## In Contact with Customers

You can advertise, make a Google Ad, or create a brochure to get in touch with customers. However, consultants in most industries have to admit that it is not worth the costs and difficulties.

Word-of-mouth advertising as a result of satisfied customers is the best kind of advertisement for a consultant. The reasons are many: The customers are loyal and give tips and advises to other customers. However, to build a loyal customer group is a time consuming process. Therefore, marketing in the consultancy business may seem as an uphill struggle during the first years.

A web site is a necessity for any consultant. You need it in order to become visible and inform customers about your services. Furthermore, people use search engines such as Google to find information, products and services, which means, that the Internet and the search engines are good marketing channels as well.

## Use and Create Your Own Network

Marketing in the consultancy business is largely based on networking. Therefore, make sure to constantly develop and maintain your network. Especially, because you are a non-native Dane, you have to make a great effort to establish a Danish network in order to find business partners, suppliers, etc. However, it might become beneficial to combine your Danish network with the network you have from your home country, and thereby get the possibility to create an international business.

Speaking Danish is paramount if you want to establish Danish networks - even though most Danes speak English. It does not have to be perfect but you have to spend time on language courses to show interest.

You need to be proactive in order to create a network. The easiest way to get started is to look for work within your personal acquaintances – or the acquaintances of your spouse. For example, consider contacting previous employers, former clients, or business partners. Colleagues and classmates can also give access to work. However, do not expect people to buy your services just because they sympathize with you. They have to gain something in return. Before you contact people in your network, carefully consider what they may achieve by co-operating with you. Be completely honest and tell them that you are looking for interesting tasks. Additionally, ask for their ideas and suggestions for you.

Be active on social media like Facebook and LinkedIn. All of a sudden, such social media will become very important for you when starting as self-employed consultant. Another opportunity is to become a member of international clubs and associations, like

[www.expatindenmark.com](http://www.expatindenmark.com) and [www.internationalcommunity.dk](http://www.internationalcommunity.dk). However, always remember to combine international networks with Danish networks in order to create the best foundation for your business.

### Leave Home

A way of creating a Danish network is to leave your house or apartment and “go to work” in e.g. an office hotel. All major cities have an office hotel, incubator or other places where small companies are able to rent office space. It also has a positive psychological effect on work ethics to work at such places.

### Tender

Several consultancy assignments are published in newspapers or on the web site of tendering companies. Continuously, keep track of tasks that fit your competences. Many assignments are managed by consortia of firms, especially those from abroad. Therefore, it is a good idea to have an international network of partners. Be aware, that bidding on jobs is time consuming and you will have to demonstrate solid experience and seriousness to get any chance.

### Economy

A consultant does not have to invest big money, as the risk he or she is facing is lower than in many other industries. However, this means increased competition for good assignments. It could be a good idea to carefully plan the economy and make a budget to get an overview. The budget should be based on the choices you have made and the type of company you intent to build. It is necessary to examine market prices and costs so the budget becomes as realistic as possible.

General prices (2011) range from DDK 550 to DDK1,400 per hour plus 25 % VAT (moms). Price depends on both the client and the assignment. Most often, difficult and urgent tasks are more expensive. However, in areas of great competition prices are lower. Long term jobs and jobs that have been ordered in advance have a lower hourly rate. Finally, the more well-know and distinguished you are, the higher price per hour you are able to charge.

Most often you will be asked to give a fixed price. Then you have to ensure that you get a reasonable hourly rate for the job. Gradually, you will experience what duration fits what kind of assignments.

### Inviolable Time

Expect that you will have to spend time on administration and improvement of your skills. You will also need to spend time on contacting customers and making deals that never pay off in the form of assignments. Therefore, it is a good idea to consider how much "billable time" you expect to spend on such tasks. When employed in a company you work 37 hours a week and get paid 37 hours. As self-employed you work probably 50 hours but are only

able to charge 10 to 20 hours per week. Therefore, you must ensure a proper hourly rate or submit a tender with a sufficiently large overhead.

### Operating Budget

On the following page you will find an example of the annual budget for a small sole proprietorship consultancy firm. This consultant sells knowledge / consultancy services 380 hours a year for a specific customer.

Additionally, she works as a teacher at an educational institution and solves specific assignments for on average six different companies per year.

As a final income, she receives royalties from a book published few years ago.

If you sum up these activities in an annual budget it will look like:

#### Annual Budget for a consultancy

	Per year, excl. VAT
<b>Turnover:</b>	
Agreement with company A, 380 hours per year of DKK 550	209,000
Educational institution B	45,000
5 jobs of type x of DKK 25,000	125,000
1 job of type y of DKK 70,000	70,000
Royalties of book	<u>20,000</u>
<b>Total</b>	<b>469,000</b>
<b>Costs:</b>	
Office rental	45,000
Cost of car / mileage	40,000
Mobile phone, internet, etc.	16,000
Accountant, administration, etc.	15,000
Office equipment and materials	18,000
Insurance	8,000
Improvement of skills trough training	<u>10,000</u>
<b>Total</b>	<b>142,000</b>
<b>Profit in DDK (turnover – cost)</b>	<b>327,000</b>

Firstly, try to frame your own budget. Is the amount at the bottom line big enough? If not, you will have to go through the budget again. Consider how you can increase sales or how you can decrease expenses? Secondly, make a budget for each month of a year and afterwards a budget over years. This will help you understand your business.

Be aware of the fact that it takes time to get clients / customers – much longer than you expect. During that time, income will be low.

### Preliminary Budget

If you start from scratch, it is a good idea to create a preliminary budget. It could look like this:

Preliminary budget for a one-man consultancy

Purchase of mobile and IT	1,500
Logo, business cards and letterhead	2,500
Website	5,300
Cost of accountant / lawyer	6,000
Office rent per month	11,250
Furnishing of office	25,000
Miscellaneous	<u>3,500</u>
<b>Total in DDK</b>	<b>55,050</b>

### Where Does the Money Come From?

If you want to start a business, it is a great advantage to have savings. Alternatively, you can take a loan to cover the costs of establishment and the first months of operation – maybe use your house or apartment as a guarantee for the loan. Some entrepreneurs can borrow money from family members, while others hold a business account in the bank where they have saved money over years.

Further more, some banks are willing to help you with financing your business. A possibility is to ask for an overdraft account. However, remember that all banks will ask for detailed budgets and plans.

Some consultants start their business subsequently to another job, which provides a foundation until the customer portfolio has been built.

### Additional Unemployment Benefits

No public subsidies exist for investment in and management of a consultancy. However, if you are insured from unemployment you might be eligible to receive additional unemployment benefits at the beginning.

[www.ase.dk](http://www.ase.dk) has prepared a booklet on self-employment and unemployment benefits (in Danish only). Search for: “Bibeskæftigelse som selvstændig” or ask at your unemployment





## 2) Permits

Even if you have been registered / have received your CVR number, you might also need to get permission to run your business. However, few consultants need special permissions, in contrast to restaurant owners who need a hygiene certificate or to mechanics who needs an environmental certificate.

## 3) Bookkeeping and Accounting

Accounting is an important management tool in your business but it is also used to meet state rules on accountancy and settlement of VAT (moms). The rules apply to companies operating on both a full-time and part-time basis. It is not a requirement to register the company unless you have a turnover of DDK 50,000 per year or above, but you are always allowed to register even with a turnover below DDK 50,000.

## Business Formats

When you start up a business you have to decide what business format you want to establish. The most commons are:

### Sole Proprietorship – Personally Owned Business

This is the least complicated business format. No minimum capital is required. However, the owner is personally liable to the full extent of his/her assets. This is the most frequently used business format for small recently established businesses. Notice, that you need a residence and work permit to start a sole proprietorship company.

### Interessentskab (I/S) - Partnership

This works as a personally owned business – just with multiple owners. No capital is required and the owners have both personal and joint liabilities. It is advisable to prepare a partnership contract.

### Anpartsselskab (ApS) – A Small Limited Company

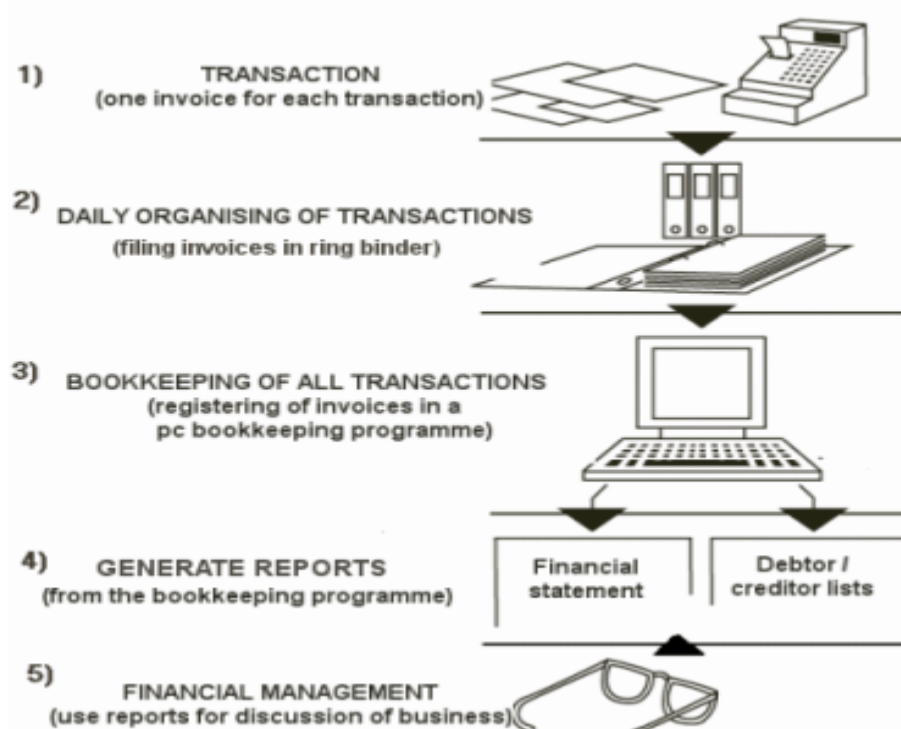
An Anpartsselskab (ApS) can be founded by one or more persons and it has to be reported to the Danish Commerce and Companies Agency. Capital is required of a minimum of DDK 80,000.

### Aktieselskab (A/S) – Limited Company (Ltd.)

This works similar to the ApS, however, a capital is requirement of minimum DDK 500,000.

## Economic System in Your Business

Most trouble in the company arises because the owner does not follow the five steps listed below. Are you following these steps, many of your administrative problems will disappear.



## Tax

You must pay a tax based on the company profit. By deducting all expenses from revenues, you will find your taxable income.

Rarely, you will be able to know in advance how large a profit your company will get. Therefore, you need to make an estimation of your profit. Use your budget to estimate your profit and report it to SKAT.

SKAT will send you payment slips to make sure your estimated tax will be paid throughout the year. End of year, you will receive an extended income tax form to declare the actually profit of your business. If you have earned more than calculated in your budget, you have to pay extra taxes; if you have earned less than expected, you will get money back.

An accountant can help you with all details and make sure that your tax payment will be as beneficial as possible for you. For example, if your estimated profit is DDK 5,000 you are allowed to postpone the tax payment of the DDK 5,000 until March the following year.

## Rules and Regulations

### Insurance Covering Accidents at Work and Occupational Diseases

You are obliged to insure your employees against accidents, injuries and illness. Additionally, as self-employed you can insure yourself against illness and injury, but you have no obligation to do so. However, some jobs like consulting engineering, where the consequences of your advice can cost the customer a lot of money, it is advisable to invest in a professional third-party insurance. See [www.forsikringsoplysningen.dk](http://www.forsikringsoplysningen.dk) (in Danish only) and AES (Arbejdsmarkedets Erhvervssygdomsforsikring – The Labour Market Occupational Diseases Fund) [www.atp.dk](http://www.atp.dk) (in English).

### Education

Some professional organizations, business centres and educational institutions have special courses on consultancy and management of consultancies. Visit for example [www.ug.dk](http://www.ug.dk) (most of the information is in Danish only). Likewise, trade unions offer seminars for their members.

## Organizations for Consultants

Consultants do not have one single trade association but within most industries there are organizations, which you might already belong to. These organizations are often important places for practitioners to meet and thus also beneficial for networking and marketing. Therefore, do not scale down membership and activities within those organizations when you become self-employed.

Whether you are a member of an organization or not, you can always use their websites to find business related information. Many of them publish a lot of technical knowledge and rules and regulations that may be useful for you.

The Danish Chamber of Commerce is a network for Trade, IT, Industry and Service in Denmark and is to find at <http://www.danskerhverv.dk> (most of the information is in Danish only - find the English section at the top menu).

## Further Information

[www.amino.dk](http://www.amino.dk) is an online entrepreneur forum where entrepreneurs discuss and help each other with practical issues.

## Your Consultancy – How?

Many decisions have to be made before you start up. It is important to carefully consider all matters:

### What do you want to sell?

- + Which profession do you want to work in?
- + What are your customers' needs?
- + Do you want to sell services based on concepts or hours?
- + Anything else?

### What do you want customers to remember about your company?

- + You are academically at the top?
- + You meet deadlines?
- + You are good at understanding your customers' needs?
- + You give a reasonable price?
- + You are versatile?
- + You are flexible?
- + You are meticulous?
- + You keep your promises?
- + Anything else?

### Who are your customers?

- + Private companies - small or large?
- + Which industries?
- + Public authorities?
- + Organizations?
- + Individuals?
- + Other consultancies?
- + Others?

### Who are your competitors?

- + Companies similar to your consultancy?
- + Larger consultancies?
- + Customers' own employees?
- + Technology?
- + Others?

### Staff?

- + One-man company?
- + Partnership?
- + Employees – how many?
- + Casual workers or permanent employees?
- + Network with other consultants?

### Where do you want the company to be located?

- + At commercial premises?

- + In an office community?
- + At home?

## How do you sell your service?

- + Canvassing?
- + Networking?
- + Tender?
- + The Internet?
- + Anything else?

## How does your working days look like in your consultancy?

- + Time to handle assignments?
- + Time to make an offer?
- + Time to professional updating?
- + Time to market and administer?
- + How do you handle seasonal fluctuations?

Try to plan a week and a year.

## How strong is your network?

- + Who are you able to contact if you need help with economic issues?
- + Who are you able to contact if you need to find suppliers?
- + Who are you able to contact when you want to market your services?
- + Who can help you with practical tasks?

## Soon ready?

- + Have you registered your company?
- + Do you have permits and authorizations if necessary?
- + Have you invested in the necessary insurances?
- + Have you planned how to budget your expenses and deal with administrative tasks?
- + Do you have financing in place?