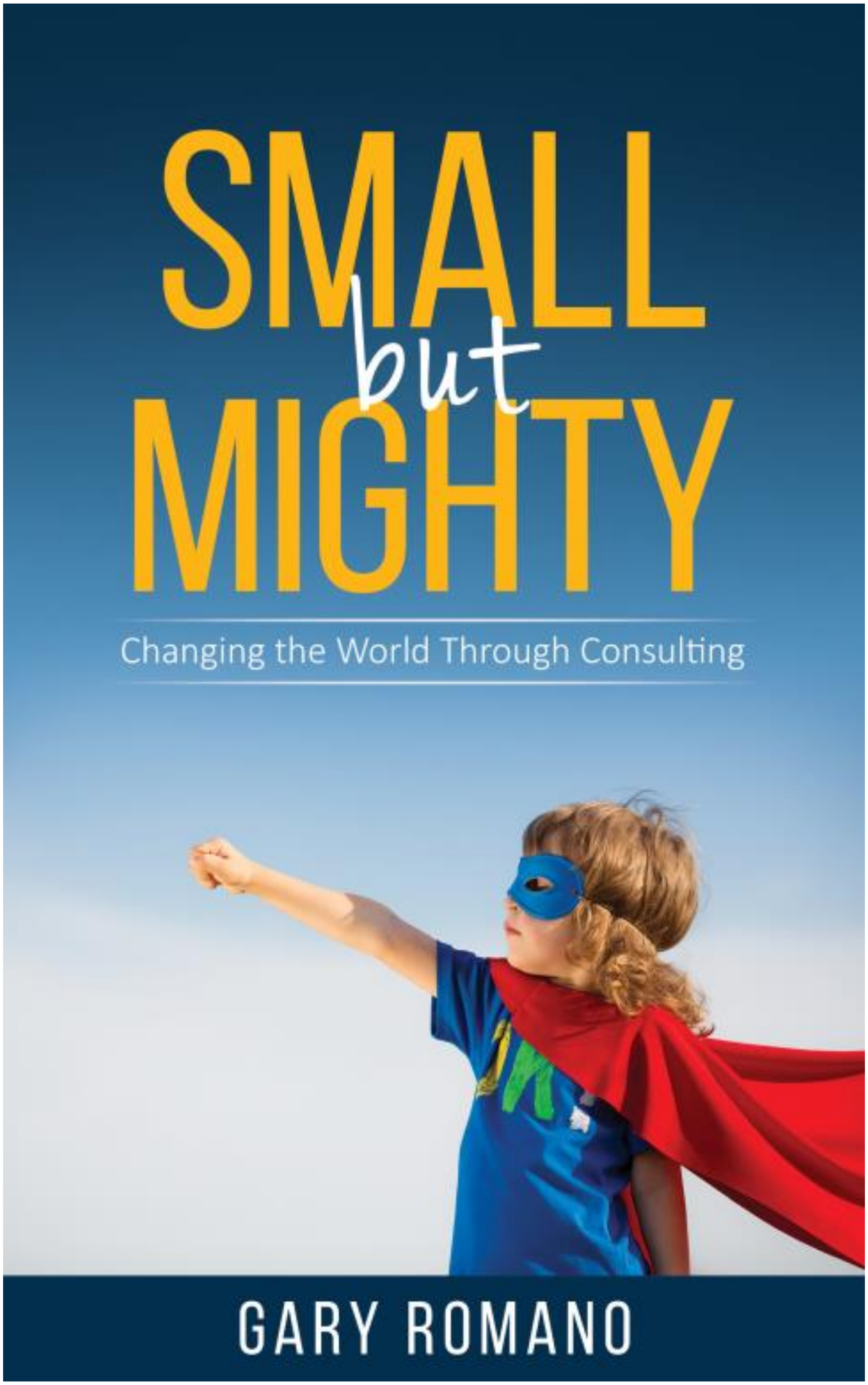

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SMALL BUT MIGHTY

Changing the World Through Consulting

Gary Romano

Section II: Get Customers

Whew—you made it! Your company has been created, and you have a robot office ready to support you. Now the doors are open, and you need to get your first customers.

In this section, I will help you not only bring in your initial clients but also create a pipeline of sales that will sustain and expand your business. I am going to start with the basic tools you need for your sales and marketing, including a logo and a website. I will cover how to come up with your prices and structure projects and introduce the Bull's-eye, a simple, time-tested strategy for driving your sales and marketing. Finally, I will review the Pemberton Method for tracking and valuing your pipeline of prospects.

ANOTHER DIRTY WORD: SALES

I have found that, in particular, consultants to nonprofits are loathe to use the word "sales." Instead there is a tendency to use "marketing" to mean both sales and marketing. In truth, they are two different sets of activities related to the same thing—helping people and organizations solve problems. Understanding that last part is crucial—sales and marketing are not about hoodwinking someone out of money or going door to door selling your services at random. If they are done correctly, sales and marketing are about finding people who need your help and helping them.

I need you to get over the sales stigma—it is a core vehicle for scaling your social impact. If you want to help children, save the environment, or realize any of your dreams, you need to sell your services or products to nonprofits. A friend who was a top salesperson for a Fortune 500 company told me that she loved selling because she loved solving people's problems by selling the right solutions for those problems. You need to realize that, as a consultant, you are in sales, and that's all right.

With that out of the way, let's focus on defining both concepts. Marketing is a set of efforts that creates the condition for the sale. Sales are the activities with a specific person or organization that lead to an exchange of goods and services. Let's take an example that is near and dear to my heart every winter in the Northeast—snowblowers. A television commercial for snowblowers is marketing. It reminds me that winter is coming and prompts my recall that I need a replacement. When I head down to my local hardware store, the sales process begins. The salesperson learns about what I need, like a little power on a steep driveway, and suggests models. When I find the right one, the sales process concludes with the store owner gaining a sale, and I get to go home and rest easy knowing I am ready for the next onslaught of snow.

Throughout, you'll see me reference "sales and marketing" over the traditional "marketing and sales." Yes, marketing comes before sales in the process, but I do this to remind you that it is all about sales. Marketing is great only if it gets you the sale; otherwise, it is a waste of your time. Accordingly, I always want you to think about sales as the more crucial goal of the two.

For the consultant, the principles of sales and marketing are the same, but the scale and resources are much lower. I'll talk more about a methodology for targeting prospective clients later in this section, but for now, know that most of you are going to target ten or twenty clients a year, rather than selling one hundred thousand snowblowers. In terms of resources, to keep your profit high, you'll need to have a lean sales and marketing budget. I'll talk later, not about television ads like in the snow-blower example but about the use of relationships and low-/no-cost strategies to connect with those who need your services most. The lack of resources and cash flow, as I described earlier, should have you tracking your time to conversion (i.e., the time it takes from when you first have contact with a prospective customer until you make the sale). Sales can, but usually don't, happen overnight. In our work with consultancies, I've found that more typically it takes four to nine months from initial contact to sale. This is a consideration not only for how you use resources and manage cash but also for how you manage your overall sales pipeline, since you will always need to think months in advance.

WHO ARE YOU SELLING TO ANYWAY?

Another set of often misused terms are "customer" (or "client") and "consumer," which is ironic since the difference is particularly relevant to the social-impact world. Your customer is the person who purchases your goods and services. The consumer is the one who uses them. Many times, your customer and consumer are the same.

Let me give you a simple example. I like pizza. Let's say I go into a pizza shop and buy three slices—one for me and one for each of my sons. When I buy the slices, I am the customer—I hand over the money and receive my lunch in return. However, when we eat them, all three of us are consumers (even though I was the only customer).

This may seem like semantics, but in the nonprofit world, this difference comes into play much more often, since in many cases your customers and consumers are different. For example, a philanthropic foundation (the customer) may hire you to manage a collective-impact process among a group of community organizations (the consumers). The result is that in some cases you have to make two "sales"—the customer, who has the means for your engagement, but also the consumers, who may influence the customer's choices. However, just convincing the consumer of your value alone won't make your sale—you always need the customer to decide in your favor.

Here are some other examples of my clients' customers and consumers to bring home the concept:

Customers	Consumers
Executive Director	Staff
School District Director of Professional Development	Principals and Teachers
College Center Director	Mid-level management
Parents of young children	Parents of young children (they are both customer and consumer for this product)
State Education Agencies	School Districts statewide

Note that the customer isn't always in the top position in the organizational structure (e.g., the school-district director of professional development). This illustrates one of the complexities of selling—the customer may not always be clear. You may know that Organization A, for example, wants your services, but who at Organization

A has the authority to decide on a purchase? This is a key point since it can delay or even derail your sales process. Sometimes people will spend months wooing a person only to find out their prospect now has to take it to his or her boss. You then enter a whole new process, delaying the time to sale and increasing the risk that the sale will never happen.

4

The Toolbox

There are a many trappings of a large company that I eschew, but there is a basic "toolbox" that contains marketing, branding, and sales tools that are crucial investments. Specifically, I recommend a toolbox consisting of the following:

- logo
- business cards
- company bio
- website

Similar to the MVC, I have found these tools are the minimum you need to have prior to pursuing clients, and these tools may even give you an edge. They help your customers know you are a "real" business (which also differentiates you from many of the consultancies in the nonprofit world that lack some or all of these tools), and, most importantly, they give you the confidence to sell by knowing what to say and having a professional appearance.

BASIC BRANDING

The first step is designing your logo—this can range from simple to complex. The objective isn't to have the end-all of logos; you don't want to hold up your whole business for it. Instead, have an image that you like and that projects professionalism. That may seem obvious, but I have seen many entrepreneurs become logo obsessed—missing the forest for the trees. That being the case, refresh your logo every three to five years to ensure it stays current and distinctive.

There are a lot of resources for logo design. There are even options to engage a professional designer that are not that expensive, so don't panic. There are basically three options—self-designing, using a graphic artist, and crowd designing.

You can self-design a simple logo using a site like GraphicSprings. When I first started out with Romano Consulting, I used a similar site to design my first logo. On the positive side, it was clean and simple, and I received a number of compliments on it. I even remember on one flight talking to a nonprofit leader in the same row, and he couldn't believe that I had done it myself. From start to finish, it took about twenty minutes and $200. However, it wasn't unique, nor did it speak specifically to my firm and vision.

When I changed to Civitas Strategies, I opted for the second route, engaging a professional graphic artist. It was more expensive than self-design, for us about two and a half times—and the price range for designers can get fairly high. I also liked being able to talk to the artist about specific ideas I wanted to convey. Remember that when seeking a designer, the taste and skills of graphic artists can vary, so start by asking for recommendations from your network, and review samples of their work extensively.

I used the third option, crowd design, in 2014 when I did a logo refresh. This time I used 99Designs. My experiences then, and subsequently with 99Designs, have been so positive that I would suggest it now as a starting point for a logo design. The prices are reasonable, and you only pay when you have a logo you like.

Through 99Designs, hundreds of graphic artists around the world develop logos (and redevelop them repeatedly based on your feedback), so you get many choices with very different styles. It also offers a simple way to engage peers, clients, and others in your network to vote on different options. This not only gives you rapid, external feedback but also builds support for your venture as people become interested in the project.

In using 99Designs for my own firm or clients' organizations, I have found it is most successful when you provide examples of the logos you like up front and a lot of feedback along the way. Be prepared to log in two or three times a day to provide feedback. The projects are usually a quick turnaround (less than a week), and the feedback makes a tremendous difference. I also have had great experiences using the poll function to garner the input of clients and colleagues. During the 2014 logo refresh, this feedback was instrumental since I was able to hear not only my clients' feedback

on the logo but their perceptions of our company's value. For example, one reviewer pointed out the logo we ended up selecting and currently use show how we lift up our clients. That's not only important feedback but an insight into clients' perceptions.

With your logo you can easily get business cards. Yes, I know—in this day and age, it seems anachronistic. The reality is that they are still used and have a certain weight in defining a "legitimate" business. There's also a simple practicality to it—when you are out and about, for example, at a conference and somebody wants your contact information, having a card at the ready can be easier and faster than finding a paper or pen or even using an instant transfer like iOS's AirDrop. Not everyone has mobile technology, but everyone can accept a business card.

I suggest keeping it simple—no need to add a photo or print on the highest-grade paper. Just include the basics—logo, name, address, phone number, e-mail, social-media handles, and website. You can get business cards printed at almost any printer locally or online. I have had a lot of success over the years using Vistaprint, which has simple tools to put together your own cards, has a good product at a good price, and delivers quickly.

GETTING THE WORD OUT

Your next tool, the company bio, is essentially a document containing the type of information you find on most websites: who you are, what you do, and who you've done it for. Yes, these are on your web page, but half the time that people want this information, they want it in a document. This is particularly true of nonprofit leaders, who tend to prefer documents over web pages.

There is also a value to attaching it to every proposal you produce. You may know potential customers well, but you never know whom they are going to share proposals with (e.g., board members, staff, or volunteers) for opinions. These others may have no idea who you are, so having your bio attached can help distinguish you from competitors.

I had a colleague not too long ago who didn't include her company bio with a proposal. She was very confident that the recipient of the proposal didn't need to know more information since they had known each other for more than ten years. However, my colleague did not realize that her prospective client was going to have to share the proposal with her board. Once the board had seen it, two weeks later at their next meeting, they had a lot of questions as to why they should engage this company. Unfortunately, my colleague's prospective client could not articulate that well. As a result, the proposal was rejected, and a new one had to be developed in response to the board's questions. My colleague was eventually selected for the project, but this process added almost three months of time to a sale, which may have been mitigated by attaching the company bio.

EXERCISE NINE: BUILDING YOUR COMPANY BIO

Develop your bio in three steps. Each step will take about an hour. Don't try to complete this in one day—you'll want some time in between, even twenty-four to forty-eight hours, to ensure you have fresh eyes and a clear head.

- **Step One: Pull the Essentials—**Answer the following five questions in an electronic document or on a piece of paper. Be as succinct as possible, and use the information you collected in section one, especially your charter:
  - What does your company do—overall, but also your key services and products?
  - What value do you generate?
  - How are you different from other firms?
  - Who has used your products and services?
  - Who are the principals of the firm (i.e., the biographies of your key personnel)?
- **Step Two: Write it Out—**Transform the questions into a concise document. As a starting point, these questions could be turned into section headers. Keep three other points in mind while you build it.

  First, be concise—this should not be more than two pages, and if it is one or one and a half, all the better. The longer the document is, the more you will lose people along the way. I know that many of you will counter with how crucial the details of your work are. You must know this is not *your* document but one meant to communicate with often busy, distracted leaders. If you want them to really hear you, the document will need to be tight.

  Second, to the previous point, this is a key external-communication piece, so share it with critical friends—at least four or five—prior to sharing it with a potential client. Invariably, your critical friends will find ways to greatly improve the document's effectiveness.

  Third, when you discuss previous projects, consider a simple, three-sentence format where the first tells the reader the condition of your client's problem ahead of your arrival, then tell what you did, and finally end with the result (preferably with some measure of success). For example, "Organization X was struggling with how it could increase the impact of its services without additional funds. We helped the organization see an implementable, cost-effective approach to scaling that still had a significant impact on the families it served. In the past five years, Organization X has been able to double its service levels and expand to two new states using the near approach."

- **Step Three: Get Perspective—**Have someone else, a critical friend, especially one who has used your services, review the document. Ask three questions:
  - Did the document clearly convey the value they believe that you have?
  - Was it compelling enough to warrant investing in your services?
  - Does your firm seem different from others out there?

When you are finished, make sure you use your logo on it and brand it in other ways (such as the use of color in section headings) so that it is clearly from your firm.

A WEBSITE: BASIC CREDIBILITY

Thirty years ago, if you didn't have an office, potential customers would probably question the viability and seriousness of your firm. As I discussed earlier, that has changed significantly. Of similar import now is a website. Ironically, despite the importance of having a web page, only about 30 percent (my rough estimation, based on my experience) of consultancies serving nonprofits have one. This is a reflection of the perceived complexity and cost of web design and hosting. In reality, just like the many innovations that support the robot office, it has never been easier or less expensive to launch a high-quality site.

When you look at most websites now, they are either e-commerce sites (like Amazon, where you buy things), information platforms (such as YouTube, where users can upload and stream videos or other media), or a business description (like ours at Civitas Strategies). The former two can have some technical complexities and costs (though even e-commerce sites are getting easier and less expensive to build), but really what you need is the last one—a spot in cyberspace that gives users some information about who you are and what you do and assures them that you are a "legitimate" business.

Start first with the text—basically you want to reproduce your company bio on the web. You'll want to expand on it—for example, adding some client stories, testimonials, or pictures (see our Civitas Strategies website at http://civstrat.com/, which is an expansion of our company bio) and at the same time cut it down (e.g., converting a lot of the dense text to bullets). Also, ensure that there is an easy way for people to reach out for more information (such as a Contact Us page). Finally, you'll want to add photographs and other images as appropriate.

Similar to the logo, you can build your own website or engage a professional designer. Start with a serious look at the existing self-design options, such as Wix, Weebly, or GoDaddy. Unfortunately, when I think of self-design, my mind goes to the primitive resources available in the late 1990s when I created my first sites and I was programming code in HTML. However, like the rest of the technology available to you, website technology is light years from those initial tools. Now you have the ability to easily customize modern, clean templates quickly. When I developed the *Small But Mighty* website (www.smallbutmightybook.com), I was so impressed with the templates available that I almost created the site using one instead of a designer.

We did take a different course with the Civitas Strategies website. When we first developed it in 2010, we opted to use a local design firm. I liked that we were able to have the ability to customize the site in every way. Overall, the experience was fine, but I didn't think it was worth the investment of time and money. We were directing a lot of the process. In the end we got a page that was fine, but it was far from a showpiece. In our 2015 website relaunch, we again used 99Designs. The experience was similar to the logo refresh—we received a lot of great options and were able to refine them to a look we really liked. There was still a significant effort by our team in driving the process, but the results were much more impressive and unique.

5

Pricing

Your toolbox is ready to market and sell your services, but there's one more step to take before signing that first customer—being clear on how you are going to charge your fees, including how you structure projects.

HOW MUCH?

One of the questions that I get from novice and seasoned consultants alike is, "How much should I charge?" It is a crucial question—the long-term viability of your business and livelihood depend on it. Most consultants in the nonprofit market are daunted by the challenge of determining a market rate, so they guess, and typically that guess is too low. I have helped clients review their rates over the past seven years. The consultants I served were, on average, underpricing 33 percent below market rate, some underpricing as low as 45 percent below market. When they did raise their rates (incrementally, over a few months), their sales didn't suffer. Nothing changed except that they were able to realize stronger revenue.

In determining your rate, there are really two separate questions to answer:

1. What is the rate I should use to estimate my costs for a project?
2. What should I charge a client based on that rate?

The two questions are both necessary and very different. They really reflect the two sides of profit—your costs and your revenue. Let's take a closer look at each and how to determine the "goldilocks rate" for your firm—one that is not so high you lose work but high enough to cover your costs and generate the profit you need for the long term.

COSTING YOUR COSTS

Let's calculate how much your services should cost. You'll want to pull together your financial information ahead of time—budget and actual costs for this year and last year. If you are just starting out, you'll need to estimate your budget (more on that later). This will take some time, so allow yourself an hour or two and have someone check your calculations. Even if you are a math whiz, mistakes can happen, and the answers to the steps that follow will form the financial foundation of your business model's potential success or failure.

Start by thinking about your basic operational needs—ensuring you cover the costs to keep your doors open. This may not be obvious—many times consultants don't keep all the costs in mind or the amount of time they can't bill (because they are selling or recruiting an associate or fixing the printer and such). The result can easily be the Hamster archetype, where it seems like you have to work so much to just break even.

There are a number of ways to calculate an hourly cost. I'm going to run through what I think is the simplest to calculate and that will be useful for your business: take your overhead and divide by the total billable hours, and then add hourly personnel cost to that total: (total overhead cost ÷ total billable hours) + hourly personnel cost = total hourly cost.

Step One: Calculate Your Total Overhead

Your overhead costs are ones that apply to the overall operation of your company, not just one project. Many of these are part of the MVC—such as paying your web server, accountant, or corporate-filing fees. But not all of your overhead costs are in your MVC. Two key ones to consider are your personal-development expenses (like sending an employee or yourself to training) and any sales and marketing costs. For personal development, include any costs for training, conferences, and association memberships that are crucial for your business. Health-care expenses, or other similar benefits that are at one price for the whole company, should also be included here. Make sure you ask yourself the "crucial question," because we always want to keep profitability in mind, so the overhead costs in this area are not about what would be fun, but rather what helps you to sell more work or do your work more effectively. For sales and marketing, include any travel necessary to meet with potential clients and the cost of materials like brochures, if you have them.

To recap, overhead costs should include all of those nonproject costs, such as the following:

- office space (e.g., if you go that route or even the rent you may pay yourself for your home office)
- utilities (e.g., electric, gas, telephones, Internet)
- equipment (e.g., computers, printers)
- consumables (e.g., paper, printer ink)
- professional fees and development
- business taxes

For our example, let's assume the overhead totals $55,000.

Step Two: Calculate Your Billable Hours

You want to take the overhead cost and make an hourly overhead cost out of it, so you need to determine how many hours in total everyone on your team will be actually consulting and billing. Start off with the total hours each person on the team will be contributing to the firm. You may have historical data on how you are using your hours that you can draw from. If you do, great! If not, assume, after vacation and sick leave, only about 70 percent of your and any principal's hours, 80 percent of employees' hours, and 85–90 percent of contractors' hours are billable.

> For our example, let's assume that your firm comprises you, an employee, and a contractor. You and the employee work forty hours a week and get three weeks' vacation and one-week sick leave every year.
>
> 52 weeks/year × 40 work hours/week = 2,080 hours
> 3 weeks/year × 40 vacation hours/week = 120 hours
> 1 week sick days/year x 40 hours/week = 40 hours
>
> 2,080 hours − 120 hours − 40 hours = **1,920 potentially billable hours per principal and employee**

Of that, only 70 percent of your hours and 80 percent of your employees' hours will be billable.

1,920 potentially billable hours × 0.70 = **1,344 billable hours/principal**
1,920 potentially billable hours × 0.80 = **1,536 billable hours/employee**

For consultants, let's say you are going to occasionally engage them for an average of ten hours a week, which means they will be used 520 hours a year, 90 percent of which will be billable.

10 hours/week = 520 hours/year x 0.9 = **468 billable hours/contractor**

When you add the billable hours for each of you together, you get the hours that will be billed overall.

1,344 + 1,536 + 468 = **3,348 billable hours for your company**

This is another calculation where you need to be very honest with yourself about your lifestyle-design goals to come up with a useful estimate. If you plan to only work three days a week, eight hours a day, with four weeks' vacation, that means you only have 1,152 hours to work with. Yes, there are weeks you may work more, but there are also weeks you may work less because you are sick or the boiler in your house breaks—life happens. (You are also going to have a greater role in sales, marketing, and running the business.) In this case, that means 345.6 of your 1,152 hours will be part of your overhead.

Step Three: Calculate Your Hourly Overhead

- When you have the billable hours (i.e., the hours for each person per year, less the ones that are not billable) for each person, total them all—this is the total number of billable hours—and divide the overhead by this number. In other words, take your overhead cost, and divide it by the total billable hours to get an hourly rate. Let's use the $55,000 overhead cost from the example

in step one and the 3,348 in billable hours from step two. You now have an approximate overhead cost per every hour anyone is billing.

$55,000 ÷ 3,348 = **$16.43 hourly overhead cost**

Step Four: Calculate Your Personnel Cost

Now let's calculate an hourly personnel cost for each person. The method will vary by the type of resource:

- For the principals/owners of the firm (potentially just you but also any other partners), add together your salary, payroll and other taxes, benefits (e.g., contributions to retirement), and the minimum net profit you will need to continue the venture. This last point can be difficult—especially in the nonprofit world, we tend to feel like we are being greedy to talk about profit. This is far from the case—you need to make a living. You need to clearly ask yourself how much compensation makes this venture worth the time, effort, and risk. Maybe it isn't much more than your salary; maybe the insecurity of life as an entrepreneur makes you want more. Only you know the answer.

  As an example, let's say you really want $80,000 in salary, have to pay $15,000 for benefits, and want a minimum of $10,000 in net profits. That means a base of $105,000. Regardless of the answer, be honest with yourself. I've seen many a venture serving nonprofits where the principals weren't honest up front and then later found themselves disappointed in their compensation.
  - For salaried employees, include their total compensation for the year—salary, any benefits, payroll taxes, and possible bonus or deferred compensation.
  - For contractors, use their hourly rate multiplied by the total hours you plan to use them for the year.

For each role, divide their cost by the total billable hours you plan for them in the upcoming year.

Next add the overhead hourly rate to the hourly cost for each person—now you have an hourly cost. Any revenue per hour less than this number means you are likely losing money.

For our example, let's still assume you have one principal, one employee, and one contractor. Keep in mind the billable hours from step two: 1,344/principal, 1,536/employee, and 468/contractor.

One principal = $80,000 salary + $15,000 benefits + $10,000 net profit = **$105,000 base**

$105,000 base ÷ 1,344 billable hours = **$78.13/hour**

One employee = $65,000 salary + $13,000 benefits + $5,000 taxes + $5,000 bonus = **$88,000 base**

$88,000 base ÷ 1,536 billable hours = **$57.29/hour**

One contractor = $40/hour × 10 hours/week × 52 weeks = **$20,800 base**

$20,800 ÷ 468 = **$44.44/hour**

Step Five: Create Your Total Hourly Cost

For each resource, add the hourly overhead and the hourly personnel cost. Now you have it—an hourly cost for each person!

To finish with our example, this means (refer to steps three and four) the following:

- For you: $16.43 + $78.13 = **$94.56**
- For the employee: $16.43 + $57.29 = **$73.72**
- For the contractor: $16.43 + $44.44 = **$60.87**

Whew! You made it through the first half—now on to your fee!

FROM COST TO FEE

After all that work on your cost, we are now ready to think about what you should be charging. But here's the kicker—this is really more art than science.

There are so many variables that come into play in determining your fee, from the demand and criticality of your services to the prices of other competitors and options to the available funding. Also, you may want to have some form of reserve included to address the unexpected and a net profit (remember, we only built a baseline compensation for you into costs—you may and should want more than the minimum).

The next question then is, if there are so many variables, how do I price?

Start by understanding the current pricing in the market. This can be as simple as asking potential customers what they are paying or even other consultants. This information will give you a sense of what the market is currently paying; however, you'll want a few data points and also want to be sure they are analogous to you and your firm (see more in exercise ten).

Then, choose a method for pricing. There are many methodologies. I'm going to focus on the most common and most useful ones:

- **Full budget** is when you develop a budget for your whole organization, including a profit target to reward you and your staff, a contingency for any problems for the organization, and everything else that profit could be used to mitigate or build. As a "numbers person," I used to espouse this approach, and it is what I used for the first two years of Civitas Strategies. But I've found over the years that there is so much you cannot plan for, and as a result, your budget at the start of the year doesn't resemble year-end.
- **The multiplier** is setting your fee at 1.5, 2, 2.5, or 3 times your costs per hour. In the previous example, our principal's cost per hour was $94.56. Using this method, the fee per hour would be $142, $189, $236, and $284, respectively. This may seem way too simplistic, but I have found over the years a 1.5, 2, or 2.5 multiplier to be the most effective method—it is easy to implement and tends to cover your existing costs and surprises along the way, and it results in a profit to build the business and reward your and your staff's efforts.

- **The burdened principal** is rarely used now. In this method, the principals (you and the other most senior consultants) would have a rate that includes part of the cost of everyone else who supports your work. In other words, clients pay for your hourly rate and get all the support figured into it (including any mid- or entry-level consultants, administrative support, contractors, etc., that will be needed to do the work). Using the numbers we calculated in step five, that means you would charge $229.15 ($94.56 + 73.72 + 60.87) per hour. Avoid this method at all costs—you are burying a lot of costs and charging a very high fee in a very price-sensitive sector.

Finally, check the fee, based on whichever method you used, against the market range from your research. You'll want to try to be in the average fee uncovered in your research. Keep to that rule—if you are lower, raise it to the average! You can always change your fee and lower it if you have to, but as mentioned previously, most consultants in the nonprofit sector are underpricing, not overpricing.

EXERCISE TEN: SETTING YOUR FEE

Let's calculate how much you should charge. I'm going to use the multiplier method since it is the easiest and usually hits a reasonable rate. Now that you have your hourly cost (step five in the previous section), this will go pretty quickly. Step one will be the longest—probably two to three hours of conversations and e-mails—but the rest can be done in thirty minutes or so.

- **Step One: Research Rates—**When you had your initial conversations about your value, you may have also collected some information on your competitors' pricing. If you did, include it in the mix. Regardless, find pricing for at least five analogous firms (ones that are around the same size and offering similar services). Also, listen carefully to the skill level associated with the rate. Are they talking about an entry-level or senior-level person? Make sure you know so you can align them with your team and their rates.

  To get the information, reach out to friends and colleagues who hire or whose organizations hire similar consultants. You can tell them you just need a range, not names of firms. Another way is to ask what they think is a reasonable hourly rate for your service. You also can ask other consultants in your network—the worst-case scenario is that they say no, but most are open about it since they tell clients all the time (so it is public). For example, at Civitas Strategies, we are totally transparent about our billing. If another consultant asks, I am happy to share our current rates—just e-mail me at gary@smallbutmightybook.com (there—you'll have one set of numbers already). Take all your numbers, and note the average rate among your data points.
- **Step Two: Multiply—**Multiply your hourly costs by 1.5, 2, 2.5, and 3, and round up to the nearest $25 (e.g., if you had $189, as we did, your rate would be $200). Compare the rate to the midpoint of the rates in step one. Again, move up or down from the midpoint as you need to.

  If you can't get enough data, or any at all, bypass step one, and just do step two. It's better if you have some market information, but if you don't and your fees are over market, your prospective clients will let you know!

  This is not a one-time exercise. Your costs and the market will shift, so do this at least once a year.

6

Structuring and Estimating Projects

You have a fee that is based on your real costs—you're almost ready to start pricing out proposals for your prospective clients. The next step is to talk about the different types of pricing structures and then determine how to pull these into an estimate.

There are really three ways to structure the fees for your projects. You can use one of the following:

1. Hourly agreement
2. Pay one price
3. Value pricing

Let's look at each in more detail.

HOURLY AGREEMENT

An hourly agreement is as straightforward as it sounds—you're going to charge your client by using your hourly rate as you accrue the time on work performed. Very often you will have an upper limit where you need to alert your client or stop work, but the agreement will almost always end your commitment at that level (i.e., when the hours are spent or you hit the cost ceiling, you stop working). The key advantage of this structure is that it mitigates much of your risk—if the client decides to use you more than intended or shift the nature of the project, you are covered.

Probably the most difficult part is when you start running close to your ceiling or accruing more hours than anticipated. The disadvantage is that you can become a bit

like a faucet, where your client turns your hours on and off when needed, rather than based on a plan or an agreed to project. Yes, your risks on cost overruns are mitigated, but it is difficult to have staff respond to on-demand needs and also provide services to all your existing clients.

Despite the risks of varied usage, an hourly agreement tends to be the most advantageous to consultants.

PAY ONE PRICE

The second way to structure your contracts is the most common: pay one price. With this structure, you agree to a scope of work and a set fee (which may or may not include your expenses). The advantage of this structure is that you know up front what you will be doing and when you will do it, so there are fewer unexpected twists and turns that could impact other projects (such as with an hourly contract, where you may have no work one day and too much the next). There's also an opportunity to increase profitability—if you can complete the scope of work faster or more efficiently, you can realize a larger profit.

However, you are also assuming a great deal of risk. The project may be more complicated than you thought and now you either have to convince your client that the scope has changed and is worth more money or have to live with it, which means the project is less profitable. Also, there is the risk of a client engaging in scope creep: the incremental expansion of the project work without changing the price. Scope creep can be insidious, especially if you are very focused on trying to create value for clients whenever possible.

Here's an example that comes up in my work for Civitas Strategies all the time—increased interviews. As mentioned previously, we gather qualitative data for our clients using one-on-one interviews. Our clients greatly value this service since our team is highly skilled at collecting information from interviewees, especially data they may not normally reveal to our clients. When I create a pay-one-price proposal, I include how many interviews we will do in the scope. However, once we have the project and begin to add interviewees, our clients get excited, often wanting to add one or two more. And there is the scope creep—we went from the fifteen interviews, which were in the cost estimate, to seventeen.

Scope creep can be small for a given activity, but if it happens often enough, it adds up and could have an impact on your bottom line.

I've met many consultants over the years, especially in the nonprofit world, who see scope creep happening and know they need to do something but are hesitant about talking to clients about changes and avoid it at all costs. My suggestion: get over it! I've talked to clients about scope creep many times over the years, and I have never had clients run away, cancel a contract, or even raise their voice. Actually, it has been the exact opposite—most of the time clients didn't realize what was happening and wanted to readjust the scope, either by retracting the request or by expanding the contract. In fact, it is more commonly the latter—leading to more revenue, not less. I repeat: more revenue, not less!

VALUE PRICING

The third structure is value pricing—this is one that you hear a lot about, especially in the past few years, but frankly I think it is pretty difficult to pull off ethically in the nonprofit world. Value-pricing advocates suggest throwing away your hourly rate and instead thinking about how much benefit the customer will derive from your work and charge an amount based on that value. For example, let's assume you are a process expert and you have a new technique for producing widgets that saves your customer $1 million a year. Under value pricing, you would quantify this up front and potentially charge $800,000, since there will be $1 million saved in the first year and every year thereafter. The customer, realizing there will be another $1 million by the end of the year (and every year thereafter), sees the benefit to both sides and agrees to the price.

The problem in the nonprofit world is that it is often so hard for us to quantify a direct cost savings (or revenue increase) from our support. When there is a differential in resources, that money doesn't go to shareholders (or potentially a value-pricing consultant), but rather to increasing services in some way. The one service where you could potentially use value pricing is fund-raising, but it is generally considered unethical since donors are providing funds for services, not to have someone sell to them.

ESTIMATING

With the hourly fee you created in the last chapter and having identified your fee structure, estimating will be relatively easy. If you are using an hourly agreement, you may need to have some sense of the activities your client will need and the hours and

fees for them. But more likely, your client will be setting a monthly or annual limit on total charges or hours so that estimating is minimal or none at all.

For pay-one-price engagements, you can use the average historical hours needed to complete similar activities to estimate how many hours each activity in the project will take, and you can multiply that number by the hourly rate of the person performing the activity. However, if you're just starting out with your consultancy, or even if you're a mature consultancy and you haven't been tracking your hours, estimating is much more of a guess. In this case, I suggest thinking about each distinct task in your project—consider not only who can do it but also the time it's really going to take. Don't hesitate to ask peers—most consultants are willing to share information if you aren't direct competitors.

Whenever you can, with data or just guessing, try to create packages for the most common activities that provide minimodels for estimating—this will speed your estimation greatly. Here are three examples of packages we use at Civitas Strategies:

- For our one-on-one interviews (which are used to collect qualitative data), we have found they average one hour of senior-staff time. We also know that booking the calls takes about fifteen minutes per interviewee (the sum of multiple e-mails to set and confirm the time) and is done by associate-level staff. Accordingly, when we have ten interviews for a project, I assume ten hours of senior-staff time and two and a half hours of an associate's time booking them.
- Over the years, I've found that for every hour of a presentation or facilitated meeting, the preparation time is one and a half times the delivery time and roughly another 25 percent of time for an associate to review and edit the materials. Accordingly, if I have a two-hour presentation, I assume it will take me three hours, including preparation, and an associate a half hour to support preparation. An all-day, eight-hour meeting will be twelve hours of my time with an additional two hours of an associate's time.
- I've found that every month of a project requires about one hour of miscellaneous management time by the project lead. This time isn't related to a specific outcome, but rather it is for answering the questions that come up from the client or for something that needs to be solved internally. So

when we are estimating a six-month project, we add six hours of my time for management.

As you can see with these examples, we can estimate a lot faster since all we need to do it is to know one variable (like the amount of time for a webinar) and we can quickly estimate the time needed, and associated fee, for multiple people.

UNKNOWN UNKNOWNS

When you have completed your estimate of the tasks and management, there is still one step—contingency. Contingency is used a great deal in the for-profit world but rarely when working with nonprofits. I think that is a significant mistake.

Contingency is a factor that covers you for all of those things that may come up that you don't know about up front. The reality is that all the estimating we mentioned previously is based on historical activities or educated guesses. Though your estimate may be dead-on based on historical activities, in reality things may not go as planned causing your actual costs to be far higher than the estimate. And when you are held to a limit (like on a pay-one-price contract), any variability is your risk. Contingency mitigates this risk by building in a little extra time to address unforeseen activities. I've found that contingencies of 0 percent, 5 percent, or 10 percent work best. I reserve 0 percent for a very simple or short project with a client I know very well (and therefore know the risks). On the other end, I use 10 percent when I don't know the client well or if I think there could be a lot of risk (e.g., if I have to facilitate a decision with a group of very contentious leaders, there's a high chance they will need more sessions and effort).

If you go with a contingency, just multiply the fee for the project by 105 percent or 110 percent (for a 5 percent or 10 percent contingency, respectively).

$50,000 × 1.10 = $55,000 project

BE HONEST, AND AVOID THE THREE TEMPTATIONS

Estimating is pretty straightforward, and if you stick to the methods mentioned here, it usually works well.

But at times the cost will be too high for a potential client. I've found this to be especially true when working for nonprofits, which are often running on very lean

budgets. In those cases, you need to be honest and try to find a project that you can do that will provide value but will also have a total estimated cost your clients can afford. When you are honest about what they can buy, it always works out well, even if you don't get the project, since everyone was up front about their needs and constraints.

When clients do have, or you think they may have, price issues, the worst thing you can do is succumb to what I call the "three temptations": creating a loss leader, cutting hours while not reducing scope, or lowering your fee per hour. Despite the dangers of the temptations, I regularly hear or know of consultants engaging in them—and regretting it later.

Temptation 1: Loss Leader

The loss leader is a strategy you have experienced in your life—you get the initial product or service at a very heavy discount or free for a time, and then the prices rise up to "normal" levels. For example, television providers—cable, satellite, and the like—use this. You start out with the premium package and a low price, and then three months later, you are paying the equivalent of a mortgage payment!

The strategy is not without merit—the low initial price reduces the risk to the buyer, who then experiences your service, experiences the value, and is then more willing to pay full price. Though it is a valid pricing strategy, I have never seen it work well in nonprofit consulting. Instead of the price jumping up and everyone being happy, nonprofit customers become entrenched in the discounted price and resist increases (up to the point of ending the relationship). Around 95 percent of the time, I've seen the loss-leader strategy used in the nonprofit world, where the customer ends up having a discounted price ad infinitum. This resistance occurs even when the client is warned ahead of time about a discount. Accordingly, I avoid the loss leader—the chance to get in through an initial low price isn't worth the future tumult or lost profits.

Temptation 2: Cutting Hours

Cutting hours, the second temptation, often happens when your prospective customer can't hit your estimated cost. For example, you develop a budget that is $25,000 in total, but your client can only pay $20,000. You should go back and cut scope, but many people instead revise the hours, reducing them until they are at $20,000. The problem you have now created is twofold. First, you now have too few hours assigned to the project, and when you track through your system, it will be difficult to know if you are on target or not. Second, you have effectively discounted your costs. Similar to the loss leader, once clients get your services at a lower rate, they rarely, if ever, go back to the "real" rate, especially in the nonprofit world. Also, you may finish the project but either lose profit or compromise on quality. This could negatively affect your chances of gaining repeat or referral business from that client.

Temptation 3: Discounting

Many times, faced with a budget that is higher than a client is willing to pay, instead of cutting hours, consultants will discount their rates. In the previous scenario, the consultant would discount the project rates by 20 percent, moving it from $25,000 to $20,000. Your hours are now the same for tracking, but you still have caused two problems for yourself. First, your rate is now lower—when you built that rate, you included some profit to mitigate risk. Now, if anything goes awry, you may have a greatly reduced profit or even a loss. In my experience, about half the time you discount, you will end with a loss, so this is a very real risk.

Second, you again have reduced the costs of your services and will likely have to keep them artificially low (and accept the risks) through the life of your relationship with this customer. Worse yet (and this is true of cutting your hours as well), this discount can inadvertently flow to other customers. Here's what I mean—in the next chapter, we'll talk about the Bull's-eye and how referrals are your best strategy for sales and marketing. What often happens with referrals, especially because of the tight margins in the nonprofit world, is that when customers refer you, they will also share your pricing. Now the new prospective customer will expect services at the same cost! Before you know it, your entire rate structure has been lowered.

EXERCISE ELEVEN: PREPARING FOR CREEP AND THE TEMPTATIONS

When I talk with consultants, they often worry about how they are estimating and their accuracy. It is important to carefully estimate, but when I see project costs (and often the profitability of the entire enterprise) go awry, it is most likely related to scope creep and the three temptations. I'd like you to spend thirty to sixty minutes in a place where you are not distracted so you can prepare for the inevitable—when you are confronted by scope creep or one of the three temptations. Even if you are a seasoned consultant, you are at risk, so I suggest that you complete this exercise too. You can also do this exercise with a critical friend as well and have him or her provide feedback on your responses.

- **Step One: Focus on an Example—**Think about a time in your work, in any position or as a consultant, when you were faced with scope creep or a temptation. If you haven't experienced it, think about when it might come up in your work as a consultant. Think through the example in detail. Not just the idea of it, but when it started (even if only hypothetically) and when you realized it was a problem.
- **Step Two: Respond—**Now write out your response to the challenge—and you have to say no. This can't be a case where you accept it, but rather push back, gently but firmly. Write down how you
  - prepare for the conversation;
  - explain the issue (what evidence that you point to); and
  - respond if there is any pushback.
- **Step Three: Refine—**After a day or two, review your responses in step two. Is there any way you can refine them to be even more effective?

  The final responses you end up with should be kept for later use. It can be on your cloud drive or in a notebook—you don't need them framed on your desk. But you do want to have them for when you next face scope creep and the three temptations so that when you are potentially very emotional, your notes can serve as a dispassionate approach to confronting the challenge.

7

Finding Your First Customer

There's an expression in consulting: you kill what you eat. It is a bit morbid, but it is apt. Sales are your vehicle to social impact. If you are working with nonprofits, your practice is about more than money—it is about advancing progress on causes you care deeply about. That doesn't happen when you are sitting in an office alone; it happens when you influence the organizations that are doing good work in the field. Accordingly, creating a pipeline of clients is crucial to your success as a business and in advancing the social impact you want to affect in the world.

While sales and marketing are crucial functions, most consultancies for nonprofits, even ones considered medium sized in the field, lack specialized business-development or sales staff. Instead, sales and marketing rely on you and the principals of the firm. You are the one who has to go out and kill what you eat. Having to go out and sell is probably one of the most intimidating jobs you have in your firm, especially for consultants in the nonprofit world who usually lack experience in the area.

Let's start building your pipeline at the very beginning—acquiring your first customer—and move to a continuous system.

THE FIRST ONES IN THE DOOR

The greatest barrier to gaining momentum in your earliest months as a consultant is getting your first few clients. You can talk about what you did before you had your firm, but the confidence of prospective clients is gained the fastest when they know someone else has engaged you and that you have completed projects in your new venture. Ideally, to start gaining momentum, you want more than one client in your

opening months—for the consultant starting solo, try for at least five clients in the first six months, even if some are entirely pro bono (more about that follows).

Getting your first customers will either be the easiest or the hardest thing you will do. Almost every time, your first customers are people or organizations that already know you well. They highly value your work and already know it—there's no need to sell them, because they are ready to invest. Typically, they are a

- current employer who knows that you want to serve others but also recognizes the need to engage you further;
- partner organization you collaborated with in a previous role; or
- person you worked for or with in the past who is at a different organization.

For some of you, you may have these customers, but you may need to broach the subject of them engaging you—I strongly encourage you to do it. The worst thing they are going to do is say no. And if you can't sell to those closest to you, it will be near impossible to sell to those you don't know at all.

EXERCISE TWELVE: FINDING CUSTOMERS QUICKLY

For some of you, your first clients may be obvious; for others, much less so. This exercise can be done in about thirty minutes almost anywhere and can help you hone in on a short list of prospects. Note that the method works any time in your business's life, so if you are ever looking to boost your clientele, this same method can help.

- **Step One: Create a List—**Create four columns, and add the headers "Name," "Reason," "Responsibility," and "Resources" atop each column, respectively. Under "Name," add anyone who significantly benefited from your help or services in the last three years. These may be customers, consumers, partners, funders, or anyone else who fits the bill. By "significantly," I usually suggest that you have measurably increased their impact, service levels, efficiency, or revenues.
- **Step Two: Identify the Prospective Customers—**Add a check box next to those you suspect have the following:
  - **Reason—**a need for your support right now or in the near future, even if they may not fully realize it themselves
  - **Responsibility—**the authority to engage consultants
  - **Resources—**the time and money necessary to engage you

  Any names with all three checked are your prospective customers. Assuming you have a number of prospects, prioritize them by the fastest potential conversion to sale, even if the sale itself may be small. Remember, if you are just starting out, you want a number of clients to show that you are in demand—the faster you sign, the better. If you are an established consultant and are here trying to boost your pipeline, the same prioritization holds since you want to keep revenue flowing into the firm, so the shorter the path to a sale, the better.
- **Step Three: Engage Them—**Reach out to your prospective customers in priority order. Start with an e-mail or call, and set a dedicated time to talk by telephone or in person. When you speak with them, ask about their needs and challenges, pivot into ways to solve them (generically, without necessarily saying anything about your firm), and then suggest that you write up a scope of work (just stating how you would solve their problem and holding off on pricing until you both agree to the scope of the project).

I know from past experience that the third step may be difficult for you, so here is a snippet of a recent conversation with a then prospective (and later actual) client to show you how it can be done. (Note that I've changed details to protect confidentiality.)

> Me: I hear your challenge—your project team has five different nonprofit agencies all working together in the same school. The collaboration is making some gains, but not as much as is needed. You suspect they are collaborating well on some things and not others, but it isn't quite clear whether they are working effectively or not and how to improve their collaboration.
>
> Prospective client: That's exactly it. I don't know where to start because I am their funder, and every time I ask, they all say everything is perfect.
>
> Me: I think it would be helpful if you had an intermediary take a look; someone from the outside who has no stake directly in the project. That person could speak individually with the executive director and project manager for each one of the nonprofit partners as well as the key school leadership. With all these perspectives and their candid input, the intermediary could provide an assessment on implementation and suggestions on how to improve the effectiveness of the team over time. Does that resonate with you?
>
> Prospective client: I can see how that would help.
>
> Me: Anything you would add or delete?
>
> Prospective client: I think our staff would also need to weigh in—I suspect some of the staff working directly with the nonprofits would have some insights as well.
>
> Me: So if we added one-on-one conversations with your staff, that would give the analysis an even better base of information?

Prospective client: That's right! I think this process could really get us moving on the right track.

Me: Why don't I do this as a next step—I can write up a scope of work for the process we just discussed. It would include what we would do, the resulting products, and the time frame it would take us to do it. We can go back and forth as needed to refine the scope until we agree to it. And then I could cost it out, and you could make a decision. Would that be helpful?

Prospective client: That would be perfect. When could I see the scope?

This conversation is more typical than not—by focusing on customer needs and your solution, the customer can clearly hear how investing in your services will have value.

I have two last thoughts on your first clients. First, no matter how hard it may be to gain momentum, don't succumb to the three temptations. They will be tempting (pun intended), but you need to avoid them for all the reasons I discussed previously.

A few years ago, my pipeline clogged up. There were sales in the pipeline, but they weren't converting. They weren't going away either, just dragging along, not making much progress. I did exercise twelve and reached out to a former client. She had a project for which we could definitely be of service, but it was going to be risky in terms of how much time it may actually take. Against my own advice, I did lower the price to have the satisfaction of selling something, even a small project. Ironically, within forty-eight hours of signing, my pipeline started moving, and I was soon closing a number of the deals I was waiting on. The small project ended up being what I feared—taking much more time than anticipated and certainly more than I budgeted. Of course, I kept our commitment to produce the highest-quality work possible, but it certainly led to a very stressful time—and a loss in profit. Learn from my mistake—if you start to panic, stick to the system. Do exercise twelve, and work as best you can to avoid the three temptations.

Second, if you go through the exercise and still cannot come up with any prospects that have the three Rs (reason, responsibility, and resources), consider a pro-bono project. There are many nonprofits that, no matter how inexpensive your rates are, cannot afford your help. Through your existing network or finding potential

pro-bono requests through LinkedIn or Idealist.org searches, start to reach out to those who may benefit from your services without charge.

Treat every pro-bono engagement exactly as you would a paying client—this is a very important point. Draft a proposal—yes the cost is zero, but this outlines the scope that you're both agreeing to, which will manage expectations. Execute the project exactly as you would for a client, with regular check-ins and high-quality reports. At the end of the project, do a closeout meeting just as you would for any client. If you end up getting other paid clients while you are working pro bono, continue to honor the commitment to the project until it is completed.

I'm being so specific about this pro-bono work because very often it is treated like a throwaway project that is done only when it's needed. If you manage this project like any other, you're creating a potential referral source just like any other, a reference that paid clients can call about your work, and, generally, good will. And, this client's executive director could easily move on to a larger organization that one day *will* be able to pay for your services. These are things you always want to build up whenever possible—from the start and throughout your consulting career.

Whatever you do to get your first clients or reinvigorate your leads, don't succumb to the three temptations.

8

Creating a Customer Pipeline

Your idea becomes a business with your first customer and stays a business with every subsequent customer. In the previous chapter, you navigated getting your clients in the door—now we have to keep them coming in.

If you are a seasoned consultant, you will most likely also need to build a pipeline. You probably already experience the ebb and flow of signing contracts that makes you worry about survival in the lean times and want to cry for mercy when too many sales convert at the same time.

Creating a pipeline is no mean feat—the number of prospects you need and the time to convert sales all conspire against you. At the same time, there is no reason not to take action. The methods in this chapter are by no means foolproof, but if implemented they will mitigate much of the effects of the peaks and valleys and build a pipeline of customers at various stages of sale, from initial contact to very close to signing.

Let's dive in.

HOW BIG IS THE BREADBOX?

To start, I want you to create an overall target for the number of leads you need for a robust pipeline. To do this, we will need to generate a few key numbers—conversation rate, average sale, average time to conversion, and estimated revenue for the year. For those of you just starting out, you will be guessing on these, but I still believe it's important to set goals and have some assumptions. Regardless, here are the key numbers:

- **Conversation rate** is how many prospective clients, on average, purchase your services. Not every sale will be made, so this gives us an idea of how

many leads you need for every one successful sale. For example, you make ten "sales pitches" and, on average, secure two projects (i.e., a 20 percent conversation rate).
- **Average sale** is seemingly easy—you total all your sales in the past year (or two) by dollar value and divide them by the number of customers.
- **Average time to conversion** is the time, in months, from when you first had contact with a customer to the time you signed a contract, divided by the total number of customers. This number only includes the projects you sold, not the ones lost.
- **Estimated revenue** is how much money you will need to bring in to pay personnel, overhead, and other expenses.

With these numbers, you can calculate how many prospects you need and how long it will take to secure them. The next exercise will help you calculate values for your firm for these variables and also take you through turning this data into information that can drive your sales and marketing.

EXERCISE THIRTEEN: CREATING YOUR PROSPECT TARGET

Now I want you to create your own target numbers for sales. For this exercise, you need to sit at your computer so you can have a spreadsheet handy and pull up data as needed. There are a lot of steps, but they should move quickly—give yourself about sixty to ninety minutes to do this exercise.

- **Step One: Calculate Your Average Conversion Rate—**The conversation rate tells you how many leads, from the time of initial contact, become customers. With the conversion rate, you now know how many people, on average, need to come in the door to make one sale.

  Calculating the conversion rate itself is just dividing the number of sales (contracts you signed) by the total number of leads (the number of prospects overall).

  total number of signed contracts ÷ total number of prospects = average conversion rate

  The trick is getting the data. If you are currently consulting and can track your data (or easily find it), just pull the data for the last year or two. Be honest with yourself here—even include the leads that dropped off after one call. You need all the data.

  If you are new to consulting or can't easily collect your data, I've found that the typical conversion rate for consultancies serving nonprofit organizations is 25 percent (i.e., one in four leads becomes a sale). If you are unsure, use this number as a starting point.
- **Step Two: Calculate Your Average Sale—**This is a seemly easy number to generate—just divide your total sales for one year by the total number of projects. However, there are complexities for the new and seasoned consultant.

  If you are new to consulting, ask around to find out what a typical charge is for similar projects. Chances are if you ask a few critical friends you can find out—and the greatest probability is that you already have some idea from being in the field or through your conversations in section one (with people for whom you generated value).

  If you are already consulting, you have two additional questions to be aware of as you calculate your average sale:

  - What qualifies as a sale? I'll talk about this in more detail later in the book. Having a client relationship that continues through multiple projects should be a key goal of your sales and marketing efforts. But this then leads to the question, "When does one sale to such a client end and another begin?"

    I suggest you include every individual renewal (e.g., they had a one-year project with you, it ended, and they renewed for another year) or new project with an existing client (e.g., you are working with the executive director on a board-governance issue, and now she asks for a separate project to assess one a program), but not expansions (e.g., you were already doing an evaluation, but everyone agrees the sample size needs to be larger, driving up the price).

    I suggest this since renewals and new projects, even with an existing client, take time to sell, just like any other client. They will probably be a shorter time to sale, and an easier one since they know you, but it is still a sale. In contrast, expanding a grant may take some effort, but it is usually an organic change based on the way the project is implemented, rather than addressing a whole separate issue.
  - How do you address services and products of different sale sizes? Some of you will have products and services that sell at similar levels, but others of you may have projects of varying sizes. For example, at Civitas Strategies, we have some services that are designed to be very short in duration (e.g., grant proposal development), whereas others are always long engagements (e.g., summative and formative evaluations). If this is the case for you, you'll want to consider performing the average-sale calculation by product or service so you can have a sense of the timing for each one.
- **Step Three: Calculate Your Average Time to Conversion—**This is done by taking the total time, in months, of first contact with a customer to when you signed the contract and dividing it by the total number of customers. This calculation only includes "wins"—sales you converted. Plot out a year or

two of data in a table or quickly on a graph to eliminate any extreme outliers (like the rare project where they talked to you two years ago, dropped off, and then suddenly reappeared and signed). For those of you just starting, I've found that it takes about six to nine months for a lead to turn into a contract in the nonprofit world (i.e., from when you first see the contract to when you sign it), so use a number in this range as an estimate.

- **Step Four: Calculate Your Estimated Revenue**—How much money will you need to bring in to pay personnel, overhead, and other expenses? This could be from your annual budget, if you have one, or the total of all your costs (your salary and other compensation, employee salaries, contractors, overhead, profit, etc.). The result is how much you need to bring in over the upcoming year.
- **Step Five: Calculate the Approximate Number of Sales You Need This Year—**Take the total estimated revenue you have for the year, and divide it by your average sale. The resulting number is an estimate of how many contracts you're going to need to sell to meet your revenue goal.

  As mentioned previously, some of you with services and products that have varying costs may want to assign revenue targets for each product or service prorated on how well they sell. For example, if a given service is your mainstay, you may want to assign 75 percent of the revenue target to that one, and then a lower-selling product gets the remaining 25 percent. In this case, divide each revenue target by the respective average sale price to get an objective for each product or service.
- **Step Six: Calculate Your Target Leads—**Now that you have the total number of projects you need to sell, multiply this number by the average conversion rate to calculate how many leads you need to have throughout the year. In other words, if only one out of every four leads becomes a project, on average, you will need four times as many leads as projects.
- **Step Seven: Set Your Quarterly Objectives—**Your average time to conversion can add another dimension to your target by letting you know how much time you need to have leads in play to make your revenue goals. Create quarterly targets for leads. To do this, divide your total target leads by four, and assign them to quarters based on your average time to conversion. For almost all of you, this will mean that you need to start selling for the next year in the current year (e.g., if it takes you four months to convert a lead to sale, the sales for the first quarter of 2025 need to start moving in 2024). This is very important to note because it affects your cash flow, annual revenue, and survival. But knowing this fact allows you to plan your work more evenly, not only in terms of sales and marketing but also in performing the project work.

  Let's run through an example, since this is an important and complex series of calculations. Let's assume your calculations were as follows:

- **Conversation rate:** One in three leads
- **Average sale:** $25,000
- **Average time to conversion:** Seven months
- **Estimated revenue:** $500,000

Based on your revenue (i.e., $500,000) and your average sale (i.e., $25,000 per project), you will need to sell twenty projects in a year.

Based on the conversation rate (i.e., one in three leads), you need a target of sixty leads throughout the year.

But you can't have all sixty leads in the last month of the year and make revenue. Accordingly, you will want to set an objective of fifteen leads per quarter. Since the average time to conversion is seven months, you will want to start collecting leads for the next year as early as May of the preceding year.

HITTING THE BULL'S-EYE

Now we know how many leads you need to generate each year. Even for those of you who are consultants right now, that number may be intimidating, especially if you are used to focusing on one or two clients and are trying to grow in size. Whatever you do, don't panic.

Seeing these numbers, many consultants try to figure out how they're going to reach one thousand different organizations in every state—or something similar. As a result, they spend all their sales and marketing money on some of the plays that have the lowest chance of converting to sales.

Instead, I recommend you to focus on the Bull's-eye.

The Bull's-eye helps you prioritize your efforts on the leads that are most likely to become sales, thereby maximizing the time you invest in sales and marketing. I suggest that you do not, if tempted, just read through this section, gain the concept, and move on. Instead, use it as a tool on a regular basis to assess how you are spending

your sales and marketing time. As you get a new prospect, or try to decide how to use your two hours per week on sales and marketing, plot your leads on the target, and proceed based on how close they fall to the center.

Here's the landscape of the Bull's-eye. At the heart of it are the customers, past and present, who already know and value your work. This is the quick turnaround; the fertile ground on which you can build your business. You don't need to work as hard to sell them because they've already been sold on you. These sales are not only easier; they are typically faster—instead of a six- to nine-month conversion, you'll find leads in the center of the Bull's-eye turning into sales within weeks or even days.

The second ring contains your referrals—leads generated by those who have already engaged you in the past. Sometimes these are spontaneous—the CEO of the YMCA where you worked four years ago refers you to a counterpart in another city. They can also be generated—by keeping in touch with those people who are in the center of the Bull's-eye. Engaging them periodically in conversations to see how they're doing and reminding them of the value you provide will often prompt a suggestion of who can use your services. Referrals can also be asked for—for example, if you know that an organization is looking for a consultant like you, you may want to ask a valued customer to introduce you to the executive director of the prospective client. It isn't as strong as a spontaneous referral, but it still carries much greater weight than reaching out without any previous connection.

At the outer edge of the Bull's-eye are the cold calls—those people who don't know you. This is the most difficult space of all. You're going to have to spend significant time connecting initially with these potential clients, building trust and understanding, and then selling them a solution that will meet their needs—all along the way hoping that they don't move on or choose a firm that they know better. Accordingly, these are the leads that are going to take the greatest investment of time and are the highest risk of being lost along the way.

I often get asked how I categorize requests for proposals using the Bull's-eye. It goes the same way—if you're responding to a request for proposal from an organization that knows you, or from an organization that you were referred to, you are going to have a much stronger chance of winning the request for proposal blindly than responding to a request for proposal from an organization that's three states away and has no idea who you are.

EXERCISE FOURTEEN: USING THE BULL'S-EYE

Again, the Bull's-eye is not just an idea; it is a tool you should use on a daily basis. In this exercise, we are going to craft sales and marketing strategies that rely on the Bull's-eye to generate more leads and sales. I recommend finding some quiet space and giving yourself at least an hour to complete the exercise.

If you have staff, include them in this process—it is important for them to understand how they too can positively or negatively affect sales and, in turn, the sustainability of the organization. Though this exercise reflects a moment in time, the resulting strategies and approaches will be ones that can drive early sales generation into the future, and it will also help you understand how the Bull's-eye can be applied. This is also another exercise you should revisit annually (if not more frequently) to adjust to changes in your environment and client base.

- **Step One: Plot Your Leads—**Take the time to categorize all your leads by each ring of the Bull's-eye, as I've outlined. Take a look at the results, and ask yourself these questions:
  - Is there anyone else who has the resources, responsibility, and reason to potentially hire you who also fits into those two innermost rings? Every time you add a new lead to the two center rings, remove one that sits in the outer ring. This shifts your sales and marketing activities to the area of greatest return on investment.
  - For all the leads in the two innermost rings, which are closest to sale? Put those that are closest to conversion at the top of your list—they should be your highest priority.
- **Step Two: Engage Current Clients—**I usually suggest that in the last quarter of a given project, you begin to think about and discuss with your client the next engagement—if it is appropriate. That last point is an important one—I never recommend selling just to sell. This is a fast way to burn a client out and lose a supporter at the center of the Bull's-eye.

  For each of your current clients, assess if there is a natural way that you can produce value for them, either through the work that you're currently doing or through something that you've never done with them before. For example, maybe you're coaching the CEO, and as you come to the conclusion

  of that engagement, you know that it has now generated the idea of creating a new strategic plan. You can suggest that your firm compete for it.

  If you don't currently have clients, put a reminder in your to-do system to complete this exercise in four months, when it will not only be relevant but critical.
- **Step Three: Reconnect with Your Inner Ring—**Reconnect with five former clients. At the very least, send an e-mail. But if possible, find a time to catch up by phone for thirty to sixty minutes. Have at least two things you can share with them that would be of value—maybe a research report that could bolster their communications to funders, a new technology that could save them time and money, a rumor about a new grant program, or maybe a person they should connect with. Ground your "gifts" in what will be most valuable to them, even if it doesn't directly relate to your work. If you can't think of anything, send an e-mail saying that a recent conversation with another client sparked your memory of the project with them and you wanted to check in on how they are doing.
- **Step Four: Commit to an Assumed Authority Event or Activity—**The fastest way to move prospects from the outer ring inward is to meet them personally and do it through what I like to call assumed authority events. These are opportunities where you are positioned as an authority, giving you standing similar to being in the middle ring, as if someone has already vouched for you. These events can take many forms—for example, speaking to a group, being on a panel, and being a guest blogger. They all have one thing in common: another person or organization has put you up as an expert to others.

  To be clear, this is different from having your own blog or webinar, where you still may lack any authority with those in the outer ring. In selecting an assumed authority event or activity, know that this is not just to make an appearance; make sure it will in some way connect you with people in your niche so you can generate leads and possible sales. There are a number of opportunities out there. For example, take a look at Early Learning Investigations—an ongoing series of webinars that connect early-learning experts worldwide (many of whom are consultants for early-learning professionals).

- **Step Five: Adopt a Clear Social-Media Strategy—**I'm of two minds about social media. First, it is increasing in use, especially as millennials assume a progressively stronger role in leading the field. At the same time, I see many consultants who spend a significant amount of time on it to no apparent end. Counting likes, friends, and followers is the means, not the end—the end (in terms of your consultancy) is how it creates leads or generates sales. E-mail, for example, is far more effective in reaching people, especially those you know. As you craft your social-media strategy, keep this litmus test in mind—will it generate leads and sales in your niche?

  At the most basic level, you and all of your principals should have your personal LinkedIn profiles up to date (more on that in section four), and your company should have a LinkedIn page, a Facebook page, and a Twitter handle—even if you are not very active, their existence alone is part of your bona fides.

  Adopt either one passive or active strategy that you implement at least four times a week, if not daily. I define a passive strategy as "careful watching"—checking your LinkedIn, Facebook, and Twitter feeds daily or at least four days a week (this watching is just a few minutes each time). This will give you a chance to find reasons to connect (such as seeing a change in job on LinkedIn or a blog post mentioned on Twitter that a former client would love) as well as the ability to keep up on major ideas in the field. An active strategy is putting content out—again at least four times a week. I suggest using a system like Hootsuite, which will allow you to post on multiple services at once and do so when it is most likely to be read by followers. Since generating content that is engaging can be so difficult, I recommend reading up on how to do it and also making about half your posts as link shares or reposts to other people's contents. This allows you to piggyback on content and also build your network by promoting others' work.

You can certainly choose more than one strategy in each of these steps, but be very cautious about it. Unless you are a larger firm, you need to balance your sales and marketing efforts with delighting clients through your active projects, so they will remain in the center of the Bull's-eye. Balance your time on both, and ensure you are creating your pipeline, but not at the expense of your existing projects or family commitments.

THE PEMBERTON METHOD, OR HOW TO SLEEP WELL AT NIGHT

Now you are generating leads that you have to convert to sales. But the sales pipeline is most often the Achilles' heel of consultancies. The typical cycle is as follows: you have a number of clients, you're very busy, and so sales and marketing slack off. Then you wake up at 3:00 a.m. one morning, realizing all the projects you have are sunsetting, so you panic and begin marketing and selling like mad. Everything else, including current clients and operations, is set aside to get new business in the door. You succumb to all three temptations, and before you know it, you're back to having so many clients at once, but you can't sell and market again. As a result, you're now the Hamster archetype described in the introduction. Yet there's an even darker scenario as your projects sunset—you cannot find replacements, and you soon find yourself without customers and having to close your doors.

Accordingly, it is very important to keep your sales pipeline moving. I'm not suggesting that you have to spend 100 percent of your time selling—but as a consultant, you're not just a subject-matter expert anymore, you're an entrepreneur. Even if you have other staff helping you sell, as the owner and principal, sales always rest heavily on your shoulders because you are in large part what the customer is buying. Your company's value is your expertise, reputation, and wisdom.

This is why it is crucial to always be closing to some degree—and have a reasonable pipeline of projects. So how do you manage this?

Over the years I've used a number of methods, but the one that I found most useful consistently is what I call the Pemberton Method after Dr. Don Pemberton of the University of Florida's Lastinger Center for Learning. Don introduced me to his method, converted me into an evangelist of it, and is one of the best salespeople I know. In a scant twelve years, Don was able to take an operation that consisted of himself and an assistant and move it into a global education innovation hub with a portfolio of over $24 million in projects. He has been so successful because he understands what his clients need, can deliver effective solutions, and always keeps his eye on moving sales forward.

In the Pemberton Method, you take each of your leads and outline the organization it is with, your prospective customer, the last step, and the next step (with due date, who has the action on your team, and an estimate of the total project sale). Refer to the table later in this section for a better understanding of each of these categories.

You also assign a stage of the sale. You can use any that you want, but I usually recommend five stages to my clients: lead, project design and conversations, proposal submitted, oral agreement, and win (if at any time the sale ends in a loss, take it off). You also need to assign a weight for each of the categories that reflects your data on the chance of converting a sale from that point forward. When in doubt, I suggest the weights we use at Civitas Strategies:

- Lead: 10 percent
- Project design and conversations: 25 percent
- Proposal submitted: 70 percent
- Oral agreement: 90 percent
- Win: 100 percent

The weights adjust the estimated sale value. For example, in the $5 million project I mentioned, you would put $500,000 in the last column (i.e., 10 percent of $5 million). The result is that you have a more realistic view of your pipeline value. You can quickly have an idea if you are on track to cover costs or need to generate more leads. You'll see many ways to manage a pipeline, but one of the things I really like about the Pemberton Method is that I've seen these percentages work again and again at estimating how much work you will have. Without them, I've found consultancies overestimate the value of their pipeline, since there is no reduction of value because of the stage it is in. Their mistake is that a $5 million deal that is a lead and a long shot is treated the same as the $10,000 project in proposal stage. I've found that the result of having just total numbers is complacency and ultimately a slacking on selling. (Why not? You have more than $5 million in sales coming!)

Org/Customer	Last Step	Next Step	Stage	Target Sale	Adjusted Sale (based on Stage)
H.R. Puffenstuff Living Island Foundation	Introductory call last week	Send examples of reports by Friday	Lead (10%)	$50,000	$5,000
B. Keeshan Kangaroo Community Org.	Sent proposal yesterday	Circle back in two weeks	Proposal submitted (70%)	$25,000	$17,500
M. Freeman Instit. For Easy Reading	Received oral go-ahead today	Reach out to purchasing tomorrow	Oral Agreement (90%)	$34,000	$30,600
TOTALS				**$109,000**	**$53,100**

More importantly, you have a simple system for seeing where you need to apply your time and how you need to move the various leads in the process. You'll find that, for most of you, this is far easier to manage and use than other more complex sales systems, like SalesForce.

Here's an example of how the Pemberton Method can look.

In this case, you have three prospects. Your largest opportunity is still a lead, so you only count 10 percent of the value (i.e., $5,000). Your other two prospects are much further along in the sales process, so they have a higher value (i.e., $17,500 and $30,600, respectively). Based on the Pemberton Method, you can plan a pipeline value of $53,100.

You'll find that over time you'll learn more about your pipeline dynamics. Adjust your system based on your experiences. For Civitas Strategies, we only use three categories and different weights, which reflect our experience. The result is that over time, we have a sharper and sharper picture of pipeline value and how we need to move leads to sale.