

## Becoming a Consultant for Financial Service Providers<sup>1</sup>

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Many people have approached me over the last two years to enquire about becoming a consultant for financial service providers, increasingly this includes mid-late career bankers who have been retrenched due to restructuring following the COVID-19 epidemic. After engaging one aspiring consultant in a two-hour discussion, he suggested that many others would be interested in my thoughts. Hence this blog.

### **COVID-19 has dramatically affected the consulting industry**

The financial services/ financial inclusion consulting industry is changing due to COVID-19. Firstly, the supply of consulting assignments funded from donors has reduced resulting from a reallocation of donor funds to COVID-19 related initiatives and a reduction in some cases in donor budgets. Financial institutions themselves are hiring consultants more selectively, for restructuring, for digital transformation – costs are being controlled. Moreover, COVID-19 has focused attention on digital transformation. As we collectively recover from COVID-19, there will be new budgets, reassessments of priorities, new opportunities, and a need for continued lateral thinking and repackaging of consultancy offerings.

### **What are clients looking for?**

From twenty-five years of consulting, working on projects following a consulting approach, and previously working for a donor, I have concluded there is only one thing that clients are looking for – change. The art as a consultant is to understand and facilitate the change the client is asking for. Terms of Reference are

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<sup>1</sup> This blog is intended to provide advice based on personal experience. However, everyone's circumstances are different, and no responsibility is taken for the relevance of this advice to any individual. Please ensure that you obtain professional advice where necessary whether from lawyers, accountants or tax advisors.

a starting point, but it is important that understanding is confirmed and deepened through inception meetings and ongoing client engagement.

### **What do you need to have to be a consultant?**

A successful consultant needs a) products b) markets and c) connections. Exploring each in turn:

- a) **Products:** These are how the skills of the consultant are packaged to the market. These can be themes – customer research, payments, regulation, or they can be specific services – a training course on digital banking or a particular type of review. Not everything you sell will fit into this product range but thinking through what you offer and how it creates change is important. Packaging your skills into products – builds your unique selling proposition as a consultant.
- b) **Markets:** This is where the products of the consultants are sold. Usually this means, geographic markets. With communications technology and COVID-19, the nature of ‘markets’ is changing towards virtual. However, successful consultants typically work across multiple markets.
- c) **Connections:** The quality and nature of the consultant’s network matters. It influences who knows about your consulting service, who issues requests for proposals to you and who decides on requests for proposals.

Think through products, markets, and connections, create a deliberate strategy to build these continuously over time. The marketing theory construct – the Ansoff Matrix and the expanded Ansoff Matrix can be helpful.

### **How do you organise to get work?**

Its important to organise to get work. This takes time – what do you need to do?

- a) **Update and refine your CV:** If you are moving into consulting, then you will need to think about how you organise your CV to demonstrate what you can do, the change you can create. For example, it matters less to clients that you have been a bank managing director, unless you are going to be running another bank – than the experience you have had in restructuring, strategy, managing fraud, managing human resources, or negotiating with investors. So, re-present yourself. If you are a consultant then you will need to list the assignments you have conducted, what you were responsible for and the outcome of the assignment.
- b) **Prepare a profile:** Every consultant should have a short concise profile, this is often requested by potential clients, and is commonly used for webinars. Useful for pasting into proposals.
- c) **Keep your company documentation up to date:** If incorporated, have company documentation easily accessible, this includes, certificate of incorporation, tax clearance certificates, and an affidavit that you can sign on behalf of the company.
- d) **Build a team of associate consultants:** Some assignments require teams of consultants due to the nature of the assignment and the need for cost effective and timely delivery. Being able to respond to larger assignments means either being part of a team or being able to assemble a team.
- e) **Become an associate consultant:** One way for consultants to ‘learn the ropes’ is to become an associate consultant, and work for others. As an associate consultant, typically you are not responsible for sourcing work, or writing proposals, rather you join teams of consultants on

specific assignments. However, the institution you are working for earns a commission on your fees.

### **Obtaining Work**

There are several points to realise. Many new consultants leave their workplace when they have the prospect of a significant consulting assignment. They conduct the assignment and then struggle to obtain additional work. There are many reasons for this – which often tie back to products, and markets and connections.

The most important aspect of obtaining work is to know who needs what type of consulting. There are several strategies for this:

- i) The market needs to know who you are and how you can help them. This means building your brand and your visibility. Becoming known makes it much easier to develop opportunities and for other people to point you to opportunities.
- ii) Secondly, in some cases you need to be a registered consultant to be told of upcoming consultancies. This requires legwork.
- iii) Thirdly, consultancy assignments are often advertised through websites and newspapers. You need to track these.
- iv) Fourthly, use any professional or club memberships you have to network.

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### **RFP or Relationship Based Assignments**

I respond to requests for proposals, every consultant does, but I give the most attention to building relationships. A request for proposals will typically go through a structured procurement process and you will be bidding against multiple consultants and consultancy practices. Relationship based assignments are given primarily due to the relationships you have with your client. In relationship-based assignments, even if there is a competitive process – you are often the preferred candidate. In my estimation the chance of winning a RFP based bid is around 20% (or less), while the chance of winning a relationship based bid where you are the preferred candidate is 75% (or more).

### **Bidding for Work**

Consultants must bid for work. This means writing proposals. Proposals take time and effort to write. Ensure the proposals are written well and conform to any required format that is given in the Terms of Reference. There are many guides online to writing proposals, but where you can get advice from experienced consultants and if possible, review a few proposals that they have written. It takes time to learn to write good proposals, don't be put off if your first few proposals are not successful.

### **Understand Taxation**

A new consultant needs to understand the taxation that you or your company will be liable for. In Anglophone countries this typically includes:

- i. PAYE: Payroll taxes
- ii. Social welfare taxes
- iii. Corporation tax and advance corporation tax
- iv. VAT or other sales taxes
- v. Withholding taxes

Each country has a different taxation regime. As a consultant paying taxes is not optional – many contracts require that tax compliance is demonstrated. Unfortunately, there are no discounts for learning taxation. A new consultant will make mistakes. These mistakes will cost money. For this reason, learning about the tax regime is extremely important. A starting point are the tax guides published by the international accounting firms, PWC, KPMG, Deloitte, EY etc. However, these guides will not be sufficient, having a taxation advisor on retainer is extremely important. Do obtain advice – it will help you avoid losses.

It is particularly important to be aware of taxation across borders. This means learning about different types of withholding taxes. These taxes are withheld by the person making the payment, so you can end up receiving less than you anticipated! Withholding taxes mean that where you are being paid from has taxation implications. Learn quickly, get advice.

Thinking through tax structuring is important, to avoid tax losses – many countries sign Double Tax Agreements (also known as Double Tax Avoidance Agreements). These agreements provide relief against tax withheld. However, often this relief can only be obtained through annual accounts and tax returns.

### **Becoming a Successful Consultant**

- i. **Deliver what your clients' want and need every time on time:** This is the single most important recommendation – it is difficult to achieve. Even if it means taking a loss on an assignment, whether the client is difficult or challenging – you need to deliver. There is no secret to this – its ensuring that you have the technical competence for the assignment and that you properly understand your clients needs.
- ii. **Build your brand, profile matters:** A consultant often obtains work or is offered work because of the strength of their personal/company brand. This takes time to build. These days a strong brand usually requires a website and social media presence. But if you opt for this route – allocate sufficient time to make your website informative and to build social media posts.
- iii. **Build your products, markets, and connections:** A consultant must always be building their products, markets, and connections. A busy consultant will be able to do much of this using the knowledge generated through consulting assignments.
- iv. **Keep in touch** with your connections but find a way to do this so that it is not intrusive. Being 'top of your client's mind' is extremely important. Brand building must be accompanied by communication so that you have brand visibility.
- v. **Build your network of associate consultants:** so that you can be an associate consultant or hire them. A strong network of associate consultants enables you to bid for an assignment with a tight timeline – because it is easier for you to put together an appropriate team.
- vi. **Keep learning:** It is not easy for a single consultant to keep up to date. So you will need to keep learning.
- vii. **Downtime:** A consultant is not always busy, and a new consultant can expect to have time when they are not working for a client. This is often referred to as downtime. It is vital that the new consultant has a series of productive activities for downtime. Typical activities relate to products, markets, and connections, to communication, to brand building, to accounting, to building networks of consultants. Certainly pause when you are not working directly for a client, but don't stop.

- viii. **Maintain your objectivity:** There are times, hopefully few, where your clients may need a report which requires you to compromise your objectivity. As much as possible find a way to maintain your objectivity, even at the prospect of losing a future client. A reputation of being objective is more valuable over time.

### **Cashflow not Profits is King!**

Let me explain. A good consultant will make profits, a great consultant will earn well. If you fail to make profits over a protracted period – you will probably give up consulting and get a job.

However, consulting cashflow is uneven. It is uneven because of the nature of consultancy. Firstly, obtaining work takes time, and secondly, clients pay against milestones.

It is important to negotiate milestones. Many contracts have three payments: an inception payment, an interim payment, and a final payment. Typically, payments based on milestones mean that contract payments are weighted towards the end of the assignment. Also be aware that even after invoicing a client it can take weeks to pay.

What does this mean?

- i. Negotiate milestone payments to give you more upfront
- ii. Invoice on a timely basis
- iii. Always work on credit control, be polite but firm
- iv. Be sure to maintain a cashflow buffer. Prior to COVID-19 my advice would be that this buffer should be at least equivalent to four months expenses including salaries and taxes. During the COVID-19 era – I would recommend keeping a larger buffer.

### **Be strong and enjoy!**

Consulting is not easy. However, it can be very fulfilling particularly where you work extensive with clients and you can see the results of your collective efforts.

*This blog is one of a series of blogs, should you wish to sign up to receive additional blogs, please write to David Cracknell at [david@firstprinciples.consulting](mailto:david@firstprinciples.consulting). David Cracknell is the Director of First Principles Consulting Limited, based in Nairobi, Kenya. He advises financial institutions, governments, policy makers and donors on financial services, including digital finance, policy and regulation, and inclusive finance.*



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