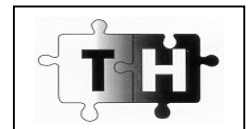

Trevor Hills

**MANAGING
BUSINESS
AND
YOURSELF**

First Edition June 2007



Managing business and yourself

Introduction

The theme of “food for thought’ was developed when providing some interesting and helpful content and support within a newsletter for people who operate management and consultancy services businesses.

The subject content was aimed to support enterprising activists who work as self-employed independent consultants or run small consulting and management services companies.

The contents were also intended to be of interest to any person who operates as a manager or entrepreneur – and for individual reflection and perhaps taking stock of your thinking and situation overall. The reference to ‘consultant’ may also be interpreted by an executive operating in an organisation. Some sections that may be found especially interesting are the sections that involve a self assessment together with the scope to draw some conclusions as ‘food for thought.’

The edition is provided as a resource and some tools for individual executives and practitioners to use freely for their own personal benefit. If the materials are used elsewhere then a reference to the publication should be made.

Trevor Hills
June 2007

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HOW TO PERFORM A CONSULTANCY CAPABILITIES AUDIT

Forms of self-assessment, whether for a large business or for an independent consultant can play a very useful part in managing your plans and expectations, in maintaining a buoyant business and in creating opportunities.

A consultancy capabilities audit will help you gauge – and ultimately boost – your effectiveness and also your consultancy’s overall intangible value. It can be carried out in private or with colleagues.

It will highlight which capabilities are most important given your history and strategy, measure how well you probably deliver on these capabilities, and lead to an action plan for the future.

Using the following questions as a guide – and keeping in mind your overall consultancy business strategy [strategy means products/services; markets; how you organise] – assess your standing in each consultancy capability [0 = worst; 10 = best. And rank the capabilities in terms of improvement needed [1 + highest priority, 2 = next highest, and so on.

Consultancy capabilities	Questions	Assessments	Rankings
Talent	Do you have the competencies and commitment required to deliver your consultancy strategy?		
Speed	Can you move quickly to make important things happen fast?		
Mind-set, coherent brand and market positioning	Do you have an identity that reflects what you stand for and how you work? Is it shared by customers and other colleagues you work with?		
Accountability	Does high performance matter to the extent that you can ensure the execution of your strategy?		
Collaboration	How well do you collaborate with others to gain both efficiency and leverage?		
Learning	Are you good at generating new ideas with impact and generalising those ideas across boundaries?		
Leadership	Do you have a recognised leadership approach that influences people on which results to deliver and how to deliver them?		
Customer connectivity	Do you form enduring relationships of trust with targeted customers?		
Innovation	How well do you innovate in product/service and delivery?		
Efficiency	Do you control or reduce your costs by closely managing processes and projects?		

DEVELOPING A BUSINESS PLAN: 15-POINT PLAN TEMPLATE

Sections 'A' and 'B' provide the potential content and structure of a business plan. A finished document may follow the same headings and sequence.

A Title page

- Business Plan for [enter name]
- Date: Prepared by:

B Contents

1 Summary

Brief overview of what your consulting will be.

2 Concept

Clear explanation of your business strategy - distinctive service, competitive advantage, capability, knowledge and experience you bring to clients.

3 Current situation

Review current and anticipated financial situation including the exact situation and stage of your consultancy business.

4 Market

Describe the market or markets in which you will be selling your services including an overview of markets.

5 Market segmentation

Discuss what segment of the market you have chosen and how this segment is unique and identifiable, focusing on type of service (or product) that will give your business a greater identity and value,

6 Client analysis

Describe what your typical client will be - focusing on the key features and services you offer including your client's ability to afford your services (or products).

7 Competition

Set out an overview of your competition, how you will compete and on what grounds you will be able to compete.

8 Service features and benefits

Build on your concept to define, in detail, your consultancy's main features and benefits.

9 Competitive analysis

Set out a detailed analysis of your business's strengths and weaknesses with respect to competition, including how you will address and overcome threats and challenges from your competition.

10 Positioning

Positioning your consultancy business means focusing on a target market where you can offer a service (or product advantage over much larger firms. So you will need to define how you will portray your services to your target market.

11 Development and promotion

Explain how you will promote your consultancy to give you visibility with potential clients – including developmental activity such as talks, publications, advertising and publicity.

12 Sales

Describe the organisation of your sales programme and its implementation including your presentations of consulting proposals.

13 Operations

Describe how your business will be functioning on a day-to-day basis including the actual organisation of your consultancy and how your facilities and resources will adequately meet the business needs.

14 People

Focus on the credentials and backgrounds of yourself and other people you involve in your business (associates and employees), explain how the skills and experience supports the unique services that you offer.

15 Financials

Include proforma income statements, balance sheets and cash flow (with some flexibility to demonstrate the ability of the business to survive even with sales numbers than expected).

POSITIONING AND POSITION

- 1 The marketing of many products and services, including business consultancy is different from the conventional volume related "closing the sale" approach. It appears to be more akin to a process of selling a very expensive commodity where developing a trusting longer-term relationships is of vital importance. But have you ever thought about writing down and continuously reviewing a positioning statement?
- 2 Do you position yourself to create better opportunities for developing the relationships and securing new consultancy or training assignments? And what is the difference between position and positioning? Where does focus come in?
- 3 A "statement of position " may be considered as a basis expression of how you are perceived in the minds of prospective clients.
- 4 A "positioning statement" by contrast, states how you wish to be perceived. It is the essential message that you want to deliver at every possible opportunity to promote your professional services.
- 5 If you wish to improve – or produce – your positioning statement then here are some suggestions:
 - Who are you?
 - What business are you in?
 - What people or kind of clients do you serve?
 - What are the special needs of your (potential) clients?
 - With whom are you competing?
 - What makes you different?
 - What unique benefit does a client derive from your professional service?
- 6 A simple typical positioning statement might read: *Alpha is a focused training consultancy that serves private sector clients in introducing systems for assessment of training needs and runs tailored personal development courses. The size of Alpha allows for a flexible approach matched with quality so that the cost is less than larger training providers.*
- 7 A positioning statement may allow you incrementally to change your current position to that of your positioning statement. The steps need to be kept small as you change and update or revise your positioning statement. The key is to make a start and build gradually and harmonises it with your developmental work in seeking new business. You obviously need to be realistic so that when meeting potential clients you can improve your prospects of securing a commission.
- 8 It may all be about focus and purpose – and especially focusing your skills. It may make your word of mouth more effective and networking more productive.

MARKETING YOUR SERVICES

The challenge

- Who are your potential clients and how they may be found?
- How will you publicise your services?
- How will you sell your services?

Marketing and selling

- Drawing up a market review and sales plan
- Selling is only part of the marketing process

Marketing and sales plan

- 1 Analyse the changing market
 - Forecast who is likely to need your services and why
- 2 Assessing your own credentials
 - strengths and weaknesses
 - where your interests lie
- 3 Your resources
 - where you want to put your limited resources
 - during next 6 months; one year; two years
- 4 Draw up your plan for the future
 - identify, categorise, target and contact potential clients
 - how you will make yourself known to these potential clients
 - how you will organise your selling process when prospective clients have agreed to talk to you
 - (a) what you have to offer
 - (b) how you convince them that your service or product is the most suitable for their needs
 - (c) how do you keep your name and skills in front of prospective clients?
 - (d) Scheduling your time for marketing – formal or informal, direct or indirect
 - (e) Do you see downtime as space for extra marketing and other developmental work?

Obtaining clients

- Where and who are your potential clients?
- The main sources of potential clients as well as other prospects.
- The location and nature of these clients
- How these will have a bearing on how consultants set up and conduct their operations..

- Options
 - (a) Large organisations
 - (b) Medium sized companies
 - (c) Small businesses
 - (d) Association with large consultancies
 - (e) The public sector
 - (f) International agencies
- Keep up to date with local, national and international events, especially those that may lead to consultancy opportunities.
- Create files of areas of present interest and present clients.

Pricing your service

- Three main variables:
 - (a) volume
 - (b) cost
 - (c) price
- You have the ability to adjust any or all of these.
- Determine flexibility – the range of prices other charge for your kind of service.
- Check the quality you give is *perceived* by your clients as in the upper quartile of consultants they have used – clients will pay a premium price for perceived quality and consistency.
- Calculating volume, price and cost is therefore essential in a marketing review leading to a sales plan.

Publicising your services - how?

- Direct mails
- Advertisements
- Registers
- Announcements
- Word of mouth
- Networking
- Membership
- Speaking, lecturing, teaching
- Seminars workshops and conferences
- Writing

Meeting the client to secure work

- Preparing thoroughly for the meeting.
- Using a CV or a practice overview
- Caution about giving too much 'free consultancy'
- Next steps and future actions
- Making notes at meetings
- Distinguishing 'serious clients'
- Making a good overall impression

RELATIONSHIP WITH CLIENTS

What kind of relationship do you want to have with your clients? In what kinds of arrangements will you be able to view and understand your specific engagement with a client and a business?

Organisational arrangements between consultant and client have ranged from one-off contracts to more interdependent agreements that may or may not be renewed and comprising levels of commitment and thus different length and intensity of commitment.

The schedule below provides an analysis to facilitate differentiation as between different type of arrangement.

TYPE OF RELATIONSHIP	CHARACTERISTICS	LEVEL OF ENGAGEMENT/BASIS OF FEES AND COST CONTROL
Market agreement	Onetime arrangement usually related to an agreed quantum of work (assignment) defined by a statement of requirement by the client and a corresponding proposal and programme of work to produce a defined outcome.	Specific-term engagement to achieve the specific planned deliverables. Cost related to agreed fees for the assignment.
Framework arrangement	Agreement in principle to provide several models, application or programmes in a given period:	Engagement to respond to volume related service as and when required or necessary. Cost payment on basis of units produced or space utilised in manufacturing facility
Renewable contract	Ongoing, but not open-ended, engagement	Longer-term association to provide a consistent and reliable management service with a degree of management engagement. Fees negotiable.
Strategic alliance	Long-term agreement: open sharing of processes and intellectual property, adaptiveness, frequent reciprocal communication - akin to a non-executive role but with greater emphasis on advice, connections to and with management and responsible for execution.	High commitment to engage in management of an enterprise with a combination of execution, and bringing an expert and independent judgement to provide support, advise and sense of direction on issues of strategy, performance and utilisation of resources Fees negotiable.

Perhaps you can relate some examples from your own experience and practice?

METHODS OF BILLING – FOR SERVICES

1 Four methods of billing

Basically there are four different methods of billing:

- Daily or hourly
- Retainer
- Performance
- Fixed-price

2 Computing billings daily or hourly

Billing on a time basis is fairly common with consultants, but deciding whether to bill on a hourly or on a daily rate is a matter of consideration. Some consultants only divide a day into two half-days and if a client only needed a few hours would bill a whole day or a half a day's fees. The danger of billing on an hourly rate is that consultants may price themselves too low.

3 Working on a retainer

A retainer involves the consultant receiving a constant weekly or monthly fee, in return for which is guaranteed a certain number of hours or a certain quantity of work. Alternatively or in addition consultants may be available to provide advice and expertise and deal with problems that are presented to them by clients.

4 Performance billing

Basically this means no money without results. For example, for every pound saved through the consultant's recommendations a proportion (i.e. 25 pr cent) is paid. While performance may be a good marketing tool, it is important to keep in mind that all terms must be put in writing and that it is a mistake to tie performance to profits since profits depend upon accounting procedures.

5 Fixed-price billing

A fixed-price contract is one in which consultants agree to do a certain job and get paid a fixed amount for it. The number of hours worked on the project is entirely up to the consultant who must put in whatever it takes to complete the project. With a fixed-price contract there may be an opportunity to make more money but the consultant must guarantee accomplishment. In order to be profitable with a fixed-price contract some crucial points need to be followed. Consultants should slightly over-estimate to allow for miscalculations; good estimating techniques should be deployed; costs should be controlled; project requirements should be well documented, and all changes to the project should be in writing.

EXPLORATION OF THE CONSULTANCY EDGE

The Question: How do we achieve the Consultancy Edge and the essential ingredients of the community of practice in which the consultant can find personal success and satisfaction?

- The interpretation of the word 'consultant' has crept into everyday usage. What do people who call themselves consultants really mean?

When we say (perhaps) that:	Do we really mean?
"We are strategic HR/training consultants..."	<i>Our fees are high.</i>
"We can help you with your"	<i>We hope to send you a large bill.</i>
"I advice Company X on"	<i>Company X pays me a lot of money.</i>

- 'Consultancy activity' (the opposite of course, is 'consultancy inactivity'), means doing things and encouraging the clients to buy them.
- The big issues facing the independent organisational/HR/training consultant may be considered to fall into two groups
 - a) What markets should I/we (or should I/we) be in?
 - b) How are you placed relative to your competencies?
- The building of a framework or structure that represents what an individual or partners want from a consultancy practice may be about answering the questions (grouped for phases of discussion):

1 So is the subject of consultancy edge related to the matching of your capabilities to the external environment that you face?

2 Overall how do you locate and define capabilities?

3 How important is it to be absolutely clear about questions a) and b)

4 How do you identify those markets in which you add value and those in which you do not?

5 Should you be positioned upmarket or down market of your principal strong corporate consultancy competitors or other competitors?

6 How sensitive are you to the need to be alive to innovation and competitive pricing of your services?

7 Because consultancy edge may be based upon distinctive capabilities, can there be a generic approach or are there many interpretations that in reality consultancy edge is what is right for you?

8 How do the various topics considered during the year impact on such aspects as: -

- Working in your business
- Ensuring continuing developmental experiences
- Networking
- Sharing success stories
- Building a customer database
- Examining the value of a web site
- Planning and the risk
- Addressing types of organisation
- Others?

ADDRESSING CLIENT PROBLEMS

Identifying Clients problems can be the sound basis for a good relevant proposal. It may knock on to a successful outcome that will generate good customer relationships and lead to repeat business and possible referrals.

Consultancy practitioners need to distinguish between the different nature of problems, whether of a routine nature or strategic in terms of affecting where an organisation wants to go. Doctors commonly distinguish between routine aches and perilous pains. Likewise consultants wishing to develop good client relationships need to differentiate as between routine problems (Maybe look at sometime) and strategic pain points (Fixing will enhance performance and profits).

When assessing client or potential client's problems of understanding of the scope of a project you may wish to take a 'raincheck' against the following table:

Routine Problems	Strategic Pain Points
The problem is well known, but minor even though it affects job and organisational performance.	The problem is sometimes hidden and has a critical impact on the satisfaction and loyalty of stakeholders.
Solutions are quickly and easily provided "off the shelf" and remedy a situation.	Solving the problem created a substantial and sustainable strategic, operative or competitive advantage.
The problem could have been fixed long ago without a consultancy solution.	Solving the problem cost effectively requires the speed, accuracy and effectiveness of consultancy capabilities.
Solving the problem is not vital to the organisation or its environment.	The solution will become a rallying point for the organisation.
Solving the problem would fix one immediate problem.	Solving the problem would create important new capabilities that would open up additional opportunities.
Solving the problem would not make much of a splash in the organisation.	Solving the problem would represent a highly marketable success both inside and outside the company.

'DEEP SMARTS' AND SELF EVALUATION OF EXPERTISE

A consultant may be a prospective key person in the context of a proposal for an assignment of may be the expert who is the key actor in a managerial, organisation or related setting. Consultants are very often deployed because they can bring expertise that is not always available too an organisation or where they have limited expertise.

When a person sizes up a complex situation and comes to a rapid conclusion or identifies resolvable options – it may be described as 'Deep Smarts – the mysterious quality of good judgement. Deep smarts can see the whole picture and yet zoom in on a specific problem that others have not been able to diagnose or discern. It results in making the right decision, at the right level with the right people. Being a 'Deep Smart' – an expert – may be one of the overriding attributes that distinguishes a consultant.

However, consultants may need to be able to judge themselves in terms of how they would shape up to a task or assignment in comparison to a novice and ascertain the kinds of risks that they would run too. Such judgements may be made by evaluating individual expertise and approach to a task by using the table below that describes the characteristics and limitations of Deep Smarts

TASKS	NOVICE (Limited expertise)	EXPERT	EXPERT'S LIMITATIONS (Risks)
Making decisions	Needs to review all the facts and choose deliberately among alternatives.	Make decisions swiftly, efficiently, without reviewing basic facts.	Overconfidence: expert may ignore relevant data.
Considering context	Relies on rules of thumb that minimise context.	Takes content into account with solving problems.	Difficulty transferring expert knowledge, because it is highly contextualised.
Extrapolating information.	Lacks receptors and thus has limited basis for extrapolation.	Can extrapolate from a novel situation.	May base solution on inappropriate pattern.
Exercising discrimination	Uses rules of thumb to obscure fine distinctions.	Can make fine distinctions.	May not communicate well to a novice who lacks receptors to understand distinctions.
Being aware of knowledge gaps	Doesn't know what s/he doesn't know.	Knows when rules don't apply.	May assume expertise where none exists.
Recognising patterns.	Has limited experience from which to draw patterns.	Has large inventory of patterns drawn from experience.	May be better than novice when no patterns exist.
Using tacit knowledge	Relies heavily on explicit knowledge.	Uses extensive knowledge to drive decision-making.	May have a hard time articulating and thus transferring tacit knowledge.

Sources: Trevor Hills and "Deep Smarts" – Dorothy Leonard and Walter Swap, Harvard Business Review, September 2004

GETTING AMBITIOUS ABOUT AMBITION

- What can be done against overwhelming odds stacked against an independent consultant's ambitions?
- Here are some elements to consider:

Organise	Consultants must see themselves, as a constituency with goals that focus on a special skillset or range of expertise that will appeal to a prospective client.
<i>Don't expect things to fall into place</i>	Consultants need to imagine themselves into their futures. Each individual consultant must be a creation of sorts and also an assertion of values, priorities and identity because no role is unquestionably accepted by the world of prospective clients.
<i>Provide a structure for recognition</i>	To sustain their ambitions, consultants must formulate a life plan that includes potential for receiving earned recognition and that recognition must be based upon talent, skill or work rather than on a fancy appearance. This means identifying, critically assessing, and purposefully developing "spheres of recognition".
<i>Blow your own horn</i>	Develop relationships with people who have power to advance their work – actively pursuing advantageous connections.
<i>Realise that it is never too late</i>	Opportunity for mastery and recognition continually reshapes ambitions and modulates the effort spent on them. Powerful mentors, opportunities for learning new skills, promotions, admiring peers who provide collegial support together all continuously mould ambition.

MEASURE YOUR SATISFACTION WITH LIFE

Taking into account your occupation or profession

Introduction

How happy are you with you life taking into account your occupation or profession? Perhaps you may think you know, but this self-assessment may help you to reflect and to take stock of where you are at present and point you to where you may have to take stock of things in your life (and work) and maybe look to taking action to re-jig some aspects.

A similar 'Satisfaction with Life Scale' was devised in 1980 by University of Illinois psychologist Edward Diener who pioneered research on happiness and satisfaction with life.

The self assessment

Read the following seven statements. Then use a 1-7 scale to rate your level of agreement.

1	2	3	4	5	6	7
Not at all true			Moderately true		Absolutely true	

Ref	Statement	Score
1	In most ways my life is close to ideal	
2	The conditions of my life are excellent	
3	My work provides satisfaction and reward	
4	I am satisfied with my life as a whole	
5	I continue to grow professionally and intellectually	
6	So far I have got the important things I want in life	
7	If I could live my life over, I would change almost nothing	
	Total score	
Self Assessment:		

Self Assessment Scoring

43 to 49: you are extremely satisfied with your life and work; 36 to 42: very satisfied; 29 to 35: slightly satisfied; 28 is the neutral point; 21 to 27: slightly dissatisfied; 14 to 20: dissatisfied; 7 to 13: extremely dissatisfied.

Sources: Trevor Hills; Edward Diener

THE COMPLEXITY OF SUCCESS FOR THE INDEPENDENT CONSULTANT

1 *Four irreducible components of enduring success:*

- **Happiness** Feelings of pleasure or contentment.
- **Achievement** Accomplishments that compare favourably against similar goals others have strived for.
- **Significance** The sense that you have made a positive impact on people that you care about.
- **Legacy** A way to establish your values or accomplishments so as to help others find future success.

- 1.1 These four categories form the basic structure of what people try to gain through the pursuit and enjoyment of success.
- 1.2 Unless you hit all four categories with regularity, any one win will fail to satisfy. You will experience what is referred to as the “wince factor”. You will know that you are doing what is right, but it still feels like a loss. You are preoccupied with thoughts of other things you could be doing or getting. Your achievements and pleasures fade almost as soon as they occur.
- 1.3 By contrast, success that encompasses all four kinds of accomplishment is enriching; it endures. You can create this synergy within a single event, but you can also create it through a juxtaposition of activities.

2 *Enduring success of the consultant*

- 2.1 What makes for the enduring success of a consultant? Consultants probably prosper when they align the achievement of all four categories with the particular kinds of client environments.
- 2.2 To create a platform for enduring success as a consultants by developing their switching and linking skills - that is their ability to shift focus from one task to another which will in turn create the conditions for commitment, happiness, satisfaction and continuity in their work and in their business development.
- 2.3 To determine how well you and your business are performing in the four categories of success, consider the following tests:

Happiness. Do you enjoy the moments individually and with your clients and the people you work with?

Achievement. Are your financial victories the reward for genuine mastery of important new problems or a numbers game with no real results?

Significance. Does your product or service create value for others?

Legacy. Are you by preparing for your future success by investing in your continuing professional development, in innovation an in meeting client needs?

Sources: Trevor Hills and “Success that Lasts”, Laura Nash & Howard Stevenson Harvard Business Review, Vol. 82, No 2 02/2004

RESPONSE STYLE AND DELIVERY PROFILE

People who operate as consultants or in a leading managerial occupation, fulfil several roles on the breadth of activities that they undertake. The outcome is represented by an applied professional service or operational management. The transformational process involved in achieving these outcomes successfully involves a combination of qualities and approaches:

- Response - initiatives to produce transformational proposals/plan/action.
- Creativity – extent of divergent rather than convergent thinking.
- Delivery logic – how you interpret surroundings and act and react to a challenge.

Personal understanding and development of these factors can transform a consultants own perceptions and capabilities and, in turn, also enhance ability to response to clients and companies. Knowing and keeping under review your style and delivery profile can facilitate you working through informal and formal methods to develop your strengths and characterises as a professional service practitioner.

Your self assessment

In the self- assessment grid below assess you degree of application of the characteristic on a scale of 1 to 10 as shown below and then note you development attention need. You could repeat this assessment at intervals.

Assessment of Application of characteristic 1 to 10:

1	2	3	4	5	6	7	8	9	10
Uncertain			Reasonably Self-Assured				Completely confident		

Development attention A – priority attention; B – need to give some attention; C – refine; D –no action

		Application Assessment	Development Attention
RESPONSE			
Ideational fluency	The number of ideas and associations that you can generate when presented with a task or assignment.		
Flexibility	The diversity of different solutions you can find when given a brief to respond to, or handle a problem.		
Originality	Ability to develop potential solutions that other people may not reach.		
Elaboration	Formulation of an idea, its expansion and development of a concrete solution.		
Problem sensitivity	Ability to recognise the central challenge within a task as well as the difficulties associate with it.		
Redefinition	Ability to view a known problem in a different light,		

CREATIVITY			
Curiosity	Spirit of discovery and ability to question understandings that others consider obvious.		
Motivation	Pursues a new interest and follows it.		
Intellectual breadth	Strives to think outside accepted principles and habitual perspectives.		
Composure	Takes time to ponder to generate ideas and consciously puts them into practice.		
DELIVERY LOGIC			
Opportunist	Self orientated and responds to any urgent needs or sales opportunities to achieve a positive outcome.		
Diplomat	Good supportive relationships that brings people together and avoids conflict.		
Expert	Effective as an individual contributor applying logic and expertise to achieve rational efficiency.		
Individualist	Effective in consulting and venture roles and resolves gaps between goals and performance.		
Strategist	Effective exercise of power of enquiry, vigilance and sensitive to short and long term implications.		
Overall assessment score			

SOCIAL CAPITAL AND CONSULTANCY PRACTICE

- 1 In essence, a business, or a consultant will define themselves through their competencies (knowledge, skill and experiences) and the ability to apply these to professional practice; the positioning of their products and services; and the value of the time and effort that produces the reward and returns that are received for their professional services. Over time the individual consultant or executive manager will build a reputation that broadly represents the stock of capital represented by different forms.
- 2 Capital can take a number of different forms, but those that would normally be of significance to the professional services consultant are:
 - *Physical capital*, including equipment and other assets.
 - *Human capital*, including competences as described above.
 - *Cultural capital*, including familiarity with business environments and the ability to relate to such environments through association and the deployment of appropriate language
 - *Financial capital*, used to fund, acquire or invest in the other forms of capital.

And: -

- *Social capital*, Social capital describes the pattern and intensity of networks among people and the shared values which arise from those networks. Greater interaction between people generates a greater sense of community spirit.

These different forms of capital are not wholly independent of each other but mutually interdependent and re-enforcing.

- 3 **What is social capital?** *Social capital may be described as features of social life - networks, norms, and trust - that enable participants to act together more effectively to pursue shared objectives. Social capital, in short, refers to social connections and the attendant norms and trust*”.

The three components of social capital

- *Social networks* - who knows who;
- *Social norms* - the informal and formal “rules” that guide how network members behave to each other;
- *Sanctions* - the processes that help to ensure that network members keep to the rules.

Types of social capital

- *Bonding* social capital - characterised by strong bonds (or “social glue”) e.g. among family members or among members of a defined community;
 - *Bridging* social capital - characterised by weaker, less dense but more cross-cutting ties (“social oil”) e.g. with business associates,
 - acquaintances, friends from different ethnic groups, friends of friends etc;
 - *Linking* social capital - characterised by connections between those with differing levels of power or social status e.g. links between the political elite and the general public or between individuals from different social classes.
- 4 For the executive manager or a consultant developing a business or a flourishing consultancy practice, building social capital may be a key activity to undertake systematically as well as extending intellectual capital. In particular, the distinction between bonding and bridging capital or between strong and weak ties is crucial. The progressive development of social capital can provide the thread that links continuity with sustainability and growth as a consultancy practice. It could make an impact on securing new business in the form of projects and assignments, obtaining repeat business, or wider opportunities through referrals that are caused by the extent of an individual’s social capital.