

The First Three Years of Starting-up a Geological Consulting Practice

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INTRODUCTION

Nearly four years ago, I worked as an Executive Director of a Marine Science Consortium in New Jersey with a left to the end of my contract. As the job continued, I realized that this position was a very bad match, so I met with the Board of Trustees, and asked not to have my contract renewed in exchange for certain considerations that were given.

Having consulted part-time during my earlier career as a Research Professor, I decided to become a full-time petroleum geology consultant. This article covers many of the things I learned during the first three years of operations and reviews both the excellent advice and guidance I received from many people, all listed in the acknowledgments. Some included a large network of former classroom students as well as MS and PhD students who I supervised.

The first person I met for advice was my accountant who explained to me that if I was still in business in three years, likely I would make it (hence the title of this paper). Nearly 75 percent of businesses fail within two years. Thus the first three years are critical. When he opened his accounting firm, he did some part-time work like teaching community college accounting, while getting his practice underway. In three years he developed a core repeat client group with plenty to do.

Next, I met with the Consortium banker who had become a good friend. He provided solid advice about rearranging my finances so I could get started. I also gave him my resume because his bank financed petroleum projects and asked him to forward it to their asset branch for possible work. He did and I got work from that contact.

Perhaps the most critical step was to attend the 1996 Annual meeting of AAPG in San Diego. There, I met with many people, and started marketing my services. The advice I received there was invaluable and most turned out to be true. Since working as a Consultant, additional things were added, which I include below. That AAPG meeting was an energizer because of the support and encouragement I received, and in retrospect, I noticed many of the "new" consultants at the recent annual meeting in San Antonio were similarly energized.

CRITICAL THINGS TO GET STARTED.

1). New consultants MUST buy a PC (if they don't have one) and open a personal e-mail account IMMEDIATELY. Literally, you cannot do without it. 90 percent of my correspondence is by e-mail!. Bill Gates, in a recent Time magazine interview, considered

this to be the number one megatrend in business in the next century.

2). If you are going to be a consultant, you will have to undergo a CHANGE IN MINDSET REGARDING WHO YOU ARE AND WHAT YOU DO. You are now an individual entrepreneur responsible for every facet of your activities. You are in control and Accountable to yourself and your clients.

3). Your CAREER OBJECTIVES will change now that you are a consultant. What is it?:

To Serve the NEEDS of a client by finding them new and by-passed oil and gas reserves to ADD VALUE to their Corporate or Personal Assets.

CONSULTANTS ECONOMICS 101!!!!

Before reading further, please be advised I am NOT a financial planner. Everything I write in this section should be checked with your accountant and your financial planner. It is for guidance only and represents what I experienced.

1). Personal reserves. A prominent hydrogeological consultant told me that it is essential that one has funds on hand totaling six months living expenses in reserve, if possible, to survive as a consultant. He explained he just finished a large two-year contract and now had to start all over marketing for new clients and did not know when the next project would start. This is part of a consultants' life and to make it between contracts, this reserve is critical.

2). Savings rule. When I taught at the University of Illinois, I did an exit interview with graduate students I supervised. One item I reviewed was finances, knowing they were getting the largest pay checks at age 24 or 28, that they had ever seen. I advised them to set aside an emergency savings fund of 10 % of their take-home pay, bank it, leave it alone and build it up to their annual salary base. Keep increasing the ceiling as salary went up. Never touch it. Keep saving. Additional savings should be used to buy a house, car or invest more assertively. Were you so advised? If so, you have added reserves.

One of these students was let go by his company after four years in 1992. He survived on his emergency funds for 18 months and had money left over when he found a new job. He is now doing very well with his new employer and rebuilt his reserves.

3). During your first year as a consultant, you can expect to finance your business operations before seeing income. Luckily it will be sooner. In most cases it will, but one needs to plan for a year of front-ending business expenses.

4). While Executive Director of the New Jersey Marine Sciences Consortium, our Chairman of the Board was the late Frank H. Wheaton, President of Wheaton Glass, the largest glass manufacturer in the world. At lunch before a board meeting one day, he was asked by a Board member who had known him a long time: "Frank, What is the Secret to your Business Success"?

FRANK'S REPSONSE: "NEVER SPEND MORE THAN YOU MAKE".

(and that's all he said).

5). How to implement Frank Wheaton's Advice?

As a consultant, you will have to make a variety of decisions about expenditures to follow that advice. Do you rent an office or work from your house? Will you pay as you go to meet expenses or get corporate credit cards or charge accounts? Do you buy or lease equipment?

There is no right or wrong answer that is universal. You decide with the answer to the following BOTTOM LINE Question:

How Much Expense Can YOU Handle, and How Quickly Can You Pay For it?

6). Banks.

As a consultant, I recommend opening business accounts with local banks rather than a supersized megabank. Local banks tend to be more accommodating and helpful and it is easier to meet key people there.

Nevertheless, no matter where you bank, you must watch them like a hawk! This is particularly true with fees.

It is also critical to learn to negotiate with a bank from strength (remember they really don't want your house, car, computer, or pets). If you foresee problems, take the initiative. Don't wait until it is too late. Propose solutions that are doable up front so it makes it easier for them to help you if problems arise, and reach a successful outcome.

When I taught in universities, I always told students up front that they were likely to see problems in handling their course work load before any faculty member does. By the time the faculty became aware of it, it is too late. If they had classroom problems, I encouraged them to take the initiative to see me so they can be addressed quickly. It works the same when dealing with banks!

One key thing I learned is NEVER to be afraid to contact the head office to get involvement if you find your banker lacks critical knowledge or skills (and this happens a lot), or seems to lack the authority level to meet your request and doesn't want to admit it.

How to do it?: Call the Bank President's office. Ask to speak to their Administrative Assistant. Explain your problem and ask if s/he can network you to the correct person who has authority to deal with it. Usually within two hours you get a call and go from there. The person calling back takes it very seriously because the request is viewed as "presidential" and they want to tell those folks they solved the problem, the customer is happy, and earn a gold star in their personnel record in the process.

Last, as an independent business person, it is essential that you prepare a business plan.

INCORPORATION

To make this decision, it is ABSOLUELY ESSENTIAL that you consult an attorney.

S/he will explain the different styles of corporation (C, S, etc.) and corporate structures that are open to you, OR the advantages of a sole proprietorship.

Why should a consultant incorporate? Mostly for liability protection. If you are involved in brokering deals, selling prospects, advising where your name is listed on a stock offering, or are listed on a stock offering, it is essential. Take this issue very seriously.

In Houston, it will cost \$750 for an attorney to handle the entire incorporation. I rarely say this, but to me this was money well-spent to do it right the first time.

MARKETING.

Regrettably, university science programs do NOT teach marketing. This will be a very hard skill to learn. By chance, at a recent seminar, I came across a simple marketing concept the USP, or **U**nique **S**elling **P**roposition. The essence of USP is to answer the following question:

WHY SHOULD YOUR PROSPECTIVE CLIENT WANT TO DO BUSINESS WITH YOU

(instead of someone else)?

Answering this question will allow you to devise a your unique marketing plan.

One aspect of marketing to consider is exploring alliances with other consultants. Consultants bring different expertise and experience to the table. An alliance allows you to broaden your skill offerings, add value to your clients assets, provide broader services, greater technical flexibility, and efficient critical mass to a prospective client.

As part of marketing, it is essential that consultants prepare a one-page, fact sheet about what they offer, their track record and a brief biography. It can be double-sided. With computers, you can give them a professional appearance without a lot of expense.

Consultants also need to prepare a resume different from what they used in their previous work, and addressing their new role. It should lead off with topical expertise, geological/geographic areas and provinces of experience, Past Clients, Accomplishments, computer skills, education and work history. Under accomplishments, be sure to include the Number of Barrels of Oil discovered (or co-discovered) and similarly the number of tcf's of gas discovered.

Your resume is, actually, a bidding tool. As a consultant, you will be bidding for jobs by resume. That means you do NOT limit yourself to a two-pager like the HR types have told you in out placement service offices. However, don't make the resume an academic CV.

Finally, as a consultant, publish papers and present talks at local, regional or National meetings. If you recently left a large oil company, try to see if you can arrange to publish the unclassified scientific part and/or present it. These papers are read and noticed and people remember them when you start discussing consulting opportunities.

NETWORKING

Regrettably, academic science programs in universities don't teach this either. However, it is an essential skill to succeed as a consultant and as a professional and most of the readers of this article have been doing it in some form.

To start, contact EVERYONE you remember from High School, College, Graduate School, Military Service (if you served), and your career. Don't be afraid to contact people outside of your geological and oil industry contacts. For instance, the party animal back in college may now be a vice president of a brokerage firm that needs advice on asset management in the oil business. You can add value to his portfolio. The political science major down the hall from your dormitory may now be working as a Political officer or Economic Attaché in an American Embassy overseas and can network you to key contacts to work internationally in their country of assignment. The list can go on.

To successfully network as a consultant, it is essential that you attend annual meetings of the AAPG, Annual Section meetings of AAPG like CGAGS, and your local society, the Houston Geological Society. For me, attending Houston Geological Society dinners at least twice a month has been a major benefit to broadening my network, getting appointments, and generating work assignments. Yet surprisingly, few people take advantage of it. The technical talks at these dinners are informative and useful to the work I do.

If the opportunity presents itself, serve on perhaps one or two society committees, but don't make a career of it because they take up time.

Last, as part of networking, learn to "work a room", circulate, meet people, talk with them, and get better acquainted with the community represented.

HEALTH

As a consultant, it is essential that one maintains a good health regimen and stay in shape. Pay attention to it, and monitor it in your own way.

International consultants face an additional health issue. During employment with large companies, if an international trip came up, one was referred to a medical department which provided shots, medicine and so forth.

As an independent consultant, that support base is gone. Here are some steps to take:

1)., First check with the Harris County Health Department. They provide advisories, and can some prescriptions or shots at low cost.

2). Check the Center of Disease Control Web Page for travel advisories. Their URL:

<http://www.cdc.gov/travel/travel.html>

3). Also, check: <http://www.tmvc.com.au> of the Australian medical Site and service for travelers

4). There is other information available on the following:

- <http://www.sentex.net/~iamat/>

http://travel.state.gov/travel_warnings.html AND

<http://travel.state.gov/medical.html>

Take this information to your doctor if you haven't obtained assistance from Harris County.

CURRENCY

As a consultant, read and stay up-to-date on the geologic, scientific and industry literature. It may be the best way to serve your client and add value.

Recently, a client asked me to describe some core and I noticed they were recovering and testing diagenetically-altered material that would be worthless from an oil-prospective point of view. I asked why and they said they wanted more information they thought they might get. I explained the current science status of this material and recommended they stop coring it, and stop testing it. The president of the small family company said "That will save us \$35,000 on very well we drill". The work assignment was short, and my fee was less. This added value because it saved money they didn't spend many times over in the future, and improved the economics of their future drilling.

REGISTRATION.

Much to my surprise as a petroleum consultant here and abroad, it never arose. My membership in AAPG and AIPG (American Institute of Professional Geologists) seems to be satisfactory. Currently I am applying for membership in the DPA of AAPG, and SIPES should the climate change and this becomes an issue.

ETHICS.

As a consultant, this is a very critical issue and demands that attention be paid to it. One's success depends on it. It is essential that you be fair and honest with your clients, tell them what you can and cannot do, and help them network to someone who can do things for them that you KNOW you cannot do for them. Alliances will be helpful here and your clients appreciate it even if it does not generate business now. It will later.

Don't be afraid to ask questions to get clarifications that actually may lead to an answer of "No". You will be surprised how often the answer is "Yes".

As a consultant, it is absolutely essential to practice the highest standards of ACCOUNTABILITY. Meet deadlines with deliverables always as promised - No exceptions of any kind. Renegotiations, particularly of dates of deliverables, leave open the possibility of termination of contracts, and leads to loss of future business. Deliver the goods when you agreed to do so without exception!.

THE WORK

As a consultant, expect a lot of variety. A lot of it may NOT be geology, sedimentology, sequence stratigraphy, structural geology, play concepts, prospect generation, or biostratigraphy. It could include recruiting for companies, brokering deals, advising on new technologies, lending credence to a stock offering. During my first three years as a full-time consultant, I have done all them.

LOCATION.

Location is extremely critical in the petroleum geology consulting field. Houston, TX, London, UK, and Singapore are the three global centers of the petroleum industry. While trying to telecommute a consultancy from New Jersey, I knew I had to move to Houston, and did. My income increased dramatically since living in Texas.

Many people I know that recently left their previous positions in large oil companies raised the possibility of moving to an idyllic location, telecommute and stay in touch with their network. I strongly advise against it. It likely will not work. Why? I found that living in Houston, people call, want to meet you quickly, and get a contract executed and authorize your work to start immediately. They don't want to wait (and pay) for you to fly in. Two of my overseas client opportunities involved an e-mail or a phone call, and five days later I was on site because I was in town, could review the work plan, and do some prep work while a plane ticket was being issued. Assignments come very quickly and you must be on location to close them quickly.

If you are thinking of leaving Houston but want to stay active as a consultant, **THINK TWICE.**

KEYS TO SUCCESS AS A PETROLEUM CONSULTANT?

Having worked as a consultant only three years, I believe I have no right to pontificate. I am prepared to share the following.

1). There is no magic formula.

Things that likely will get you there are:

- Networking
- Marketing
- Ethical and Professional Conduct
- Location
- Highest standards of Accountability with on-time quality deliverables.
- A positive, optimistic attitude

and

- ***NEVER SPEND MORE THAN YOU MAKE.***

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In addition, I want to express my appreciation to Robert E. Pledger for referring me to some of the books listed in the annotated reading list below.

ANNOTATED SUGGESTED READING LIST:

1). Carl J. Sindermann and Thomas K. Sawyer., 1997, *The Scientist as Consultant: New York, Plenum, 341 p.* (excellent basic primer)

2). Richard Nelson Bolles, 1999, *What color is my parachute, 1999*

Richard Nelson Bolles, 1999, *What color is my parachute workbook, 1999*

(Excellent book with exercises to developing your consulting mindset. And Do

COMPLETE the exercises despite the pink paper and the flower concept)

3). Fons Trompenaars and Charles Hampden-Turner, 1998, *Riding the waves of culture: understanding diversity in global business, 2nd. Ed: New York, McGraw-Hill, 274p.*

(IF you plan to do International Consulting, an outstanding guide about conducting business overseas)

4). Andrew P. Tobias, 1998, *The only investment guide you'll ever need (Paperback)..*

(Good for basic financial advice).

5). Milo O. Frank, 1986, *How to get your point across in 30 seconds or less: New York, Penguin Books. 121 p.*

(Courtesy, Bob Pledger: Excellent book on communications skills. Sometimes 30 seconds is ALL you get).

6). Struan Reid, 1988, Improve your memory skills: Usborne Publishing., 48 p.

(Courtesy, Bob Pledger: Excellent compliment to Milo Frank's book).

7). Lillian Brown, 1989, Your Public best: New York, Newmarket Press, 218 p.

(Courtesy, Bob Pledger: Excellent handbook for networking, "working rooms", and related issues).

George D. Klein taught at the Universities of Pittsburgh, Pennsylvania, and Illinois (Champaign-Urbana). In 1993, he left Illinois to become Executive Director of the NJ Marine Sciences Consortium. In 1996, he opened a consulting firm (renamed in 1998 as: SED-STRAT Geoscience Consultants, Inc.) focusing on domestic and international Petroleum Geology, advising on clastic reservoirs and facies, sequence stratigraphy, reservoir characterization and sedimentary basin evaluation. Klein relocated to Texas in 1998.

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