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*This chapter summarizes the results of the 2004 Independent Consulting Topical Interest Group Industry Survey. Respondents provided information on demographic characteristics, consulting experience, services, methods, business structures, and income.*

# Independent Consulting Topical Interest Group: 2004 Industry Survey

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The American Evaluation Association's (AEA) Independent Consulting Topical Interest Group (IC TIG) has a membership of over eight hundred individuals who generally work as sole proprietors, in partnerships, or in small consulting firms. Well over a decade ago, the IC TIG conducted a survey of its membership (Bonnet, 1992). To gather current data with which to better understand its membership, the IC TIG disseminated a similar survey in the fall of 2004. Results, provided here in a format similar to Bonnet's industry survey article, include the background, services, clients, and business structures and operations of ICs, as well as a section on independent consultants' perceptions of business. This chapter compares Bonnet's findings with the results of the 2004 industry survey, identifies study limitations, and discusses trends for the future.

## Methods

The goal of the 2004 IC TIG Survey was to learn about business operations, types of clients and work, business success indicators, marketing, evaluation methods, and demographics. The survey was developed through a collaborative process among the authors that began with a review of the 1992 survey items (Bonnet, 1992) and analysis of additional topics thought to be important. The final survey contained thirty-three items, some overlapping



with the previous survey and several of them new. The survey had nineteen items for all respondents and an additional fourteen for respondents who were self-employed consultants *and* who had operated their business for a full year during 2003. The instrument was pilot-tested with five independent consultants prior to being finalized, and pilot group results were incorporated into the final version of the survey.

AEA and IC TIG members could complete either a print version during the 2004 annual AEA conference or an online version of the survey. Potential respondents were informed of the survey at the annual AEA conference, via TIG-wide e-mail, and through the TIG electronic discussion list. A list of IC TIG members' e-mail addresses was obtained from AEA. All IC TIG members with a valid e-mail address received an e-mail that included an invitation to participate in the project and a link to the online version of the survey. TIG members subsequently received three reminder e-mails. The link to the survey was also posted on the IC TIG's electronic list, EvalBusiness, with a reminder of the closing date of the survey.

Of the 713 IC TIG members in 2004, 261 (37 percent) independent consultants completed the survey: 242 the online version and 19 the paper version. This return rate represents a substantial improvement over the 1992 survey, which was completed by 20 percent of the TIG members surveyed (58 of 293 members).

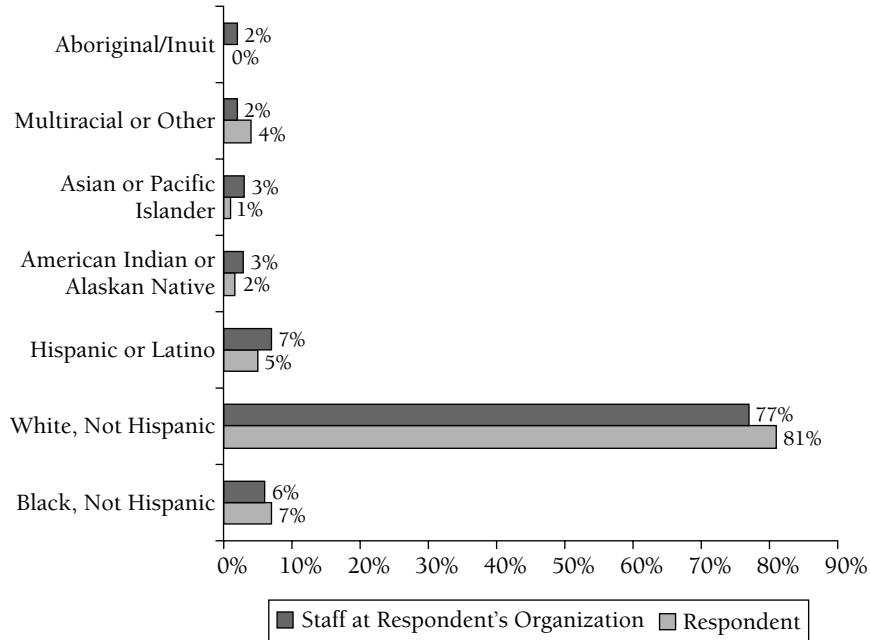
## Results

Responses were imported into SPSS and analyzed to provide descriptive statistics, analysis of differences in proportions, *t*-tests, and regression analysis. The responses from the open-ended items were coded into categories and the categories summarized.

**Background.** Seventy-one percent of the 261 survey participants were female and 29 percent male. Forty-nine percent ( $N = 127$ ) were full time, self-employed; 43 percent part time, self-employed ( $N = 111$ ); 8 percent ( $N = 21$ ) employees of independent consulting firms; and 1 percent ( $N = 2$ ) identified themselves as "other." Forty-eight respondents (18 percent) were faculty members. Those who were self-employed consultants and operated their business for a full year during 2003 ( $N = 152$ ) reported that they had operated their consulting business an average of 8.2 years, with a range from 1 year to 27 years. Self-employed consultants who had prior consulting experience ( $N = 93$ ) reported a mean of 8.0 years consulting experience prior to starting their business, ranging from 6 months to 25 years. Thirty-seven percent (37 percent) had no prior experience.

The majority of respondents were white (81 percent) and female (71 percent). The next largest racial groups represented were black (7 percent) and Hispanic/Latino (5 percent). The ages of the respondents ranged from under thirty to seventy or older, with the majority aged forty to fifty-nine years old (64 percent). About 68 percent of the 261 respondents indicated

**Figure 2.1. Respondents' Race/Ethnicity**

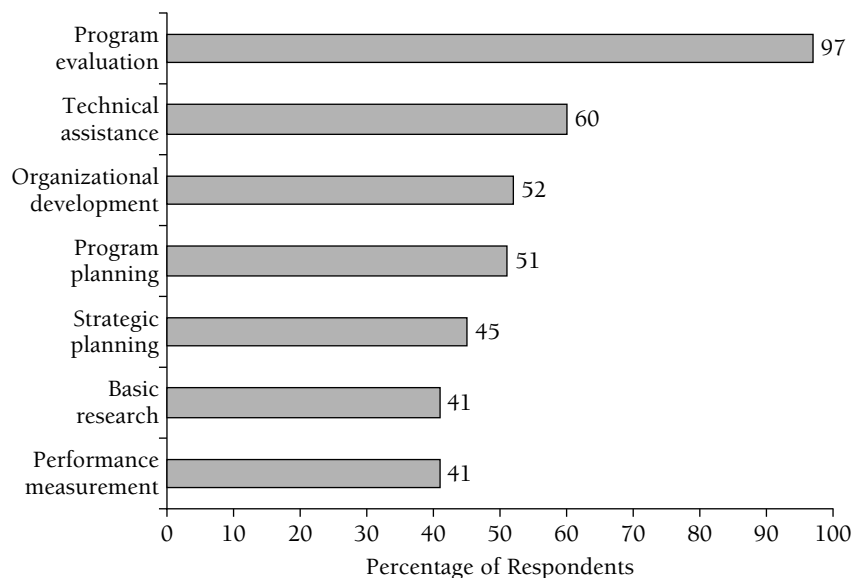


Note: N = 243.

that they have, including themselves, at least one female employee, and 37 percent reported having at least one male staff. As indicated in Figure 2.1, the racial breakdown for employees was similar, with 77 percent white, 7 percent Hispanic/Latino, and 6 percent black.

Of the 237 respondents who reported their highest attained levels of education, 55 percent earned a doctoral degree, 41 percent a master's degree, 4 percent a bachelor's degree, and less than 1 percent some college. Respondents majored in a variety of subjects, including education (28 percent), psychology (22 percent), evaluation (18 percent), sociology (8 percent), statistics (5 percent), anthropology (3 percent), and economics (3 percent). Of the 41 percent who selected "Other," only two majors were identified by more than 2 percent of respondents: public health (5 percent) and public administration (5 percent).

Approximately one-quarter of the respondents (24 percent) were located in the midwestern United States and another 22 percent in the South Atlantic United States. A smaller proportion had their primary office location in the northeastern United States (17 percent), the Pacific states (15 percent), outside the United States (8 percent), the Mountain states (7 percent), and other southern states (7 percent).

**Figure 2.2. Most Common Areas in Which Services Are Provided**

Note: N = 243.

**Services.** As indicated in Figure 2.2, 97 percent of respondents provide program evaluation, 60 percent provide technical assistance, 52 percent offer organizational development, and 51 percent program planning services. Other areas were listed less frequently.

Table 2.1 identifies the top fourteen services consultants provide to clients. The seven most frequently identified services were survey/questionnaire development (92 percent), report writing (91 percent), qualitative analysis (87 percent), development of data collection tools (84 percent), focus groups (81 percent), evaluation frameworks/logic models (78 percent), and statistical analysis (77 percent). A large majority, 90 percent of respondents, indicated that they provide a mix of qualitative and quantitative services, with only 5 percent each saying they offer mostly quantitative or qualitative services.

Respondents reported whether employees (including themselves) or subcontractors conduct a series of evaluation activities. Employees most frequently complete report writing, in-person interviews, literature review, field observations, focus groups, statistical analysis, telephone interviews, data entry, and mass mailing. Accounting/taxes and transcription were most often completed by subcontractors.

**Clients.** Independent consultants conduct business in a wide variety of settings. As indicated in Table 2.2, the majority of respondents reported providing evaluation services for nonprofit organizations (73 percent),

**Table 2.1. Types of Services Provided to Clients**

	<i>Number</i>	<i>Percentage</i>
Survey/questionnaire development	221	92
Report writing	220	91
Qualitative analysis	210	87
Development of data collection tools	203	84
Focus groups	196	81
Evaluation frameworks/logic models	188	78
Statistical analysis	186	77
Design/delivery of training/professional development	139	58
Measurement	130	54
Data processing	115	48
Evaluability assessments	70	29
Writing entire grant proposals	67	28
Information system design	58	24
Test develop/validation/standardization	50	21

Note: Total number of respondents = 241.

**Table 2.2. Industries in Which Independent Consultants Provide Evaluation Services**

<i>Settings</i>	<i>Number</i>	<i>Percentage</i>
Nonprofit organizations	176	73.0
Community-based organizations	172	71.4
Social service (for example, substance abuse, teen pregnancy, juvenile justice)	146	60.6
Local/state/federal government	134	55.6
K-12 education	133	55.2
Health care	98	40.7
Foundations	85	35.3
Postsecondary education	71	29.5
Private sector/corporate	68	28.2
Technical/vocational education	37	15.4
International	37	15.4
Other	25	10.4
Environmental programs	21	8.7

Note: Total number of respondents = 241.

community-based organizations (71 percent), social service settings (61 percent), local/ state/federal government (56 percent), and K-12 education (55 percent). Approximately one-quarter (24 percent) conducted business within their own state, province, or region, while almost one-third of respondents (32 percent) described a national clientele. Smaller percentages of independent consultants worked with organizations that were multistate/province/ regional (16 percent), local (15 percent), or international (13 percent).

**Business Structures and Operations.** The majority of the respondents (71 percent) conduct their consulting work in their homes, with less than a quarter (22 percent) having a separate office outside the home. Seven percent work in other places. Legal forms of business under which independent consultants are formed include sole proprietorships (50 percent), for-profit corporations (35 percent), nonprofit corporations (4 percent), and partnerships (3 percent). Seven percent identified themselves as “Other.” Responses that fell within this category included those in the process of setting up their business structure ( $n = 8$ ), having no business structure ( $n = 5$ ), and functioning as “doing business as” ( $n = 2$ ).

Survey respondents said they spent a majority of their time (63 percent) conducting evaluations and providing client services. They spent approximately equal amounts of time managing their business operations (15 percent) as generating new business (14 percent). Less than 10 percent of their time was spent receiving professional development.

Self-employed consultants who operated their business for a full year in 2003 were asked to rate and rank the most and least effective methods of marketing. The most efficient methods of marketing were referrals/word of mouth and recurring business, followed by guest speaking, presentations at conferences, pro bono work, scholarly writing/publishing, responding to requests for proposals (RFP), and community service/volunteer work. One hundred thirty-seven respondents identified which method was most effective. The most frequent response was referral/word of mouth ( $n = 81$ ), followed by recurring business ( $n = 41$ ) and responding to RFPs ( $n = 8$ ). Least effective methods of generating new business, identified by 111 respondents, included responding to RFPs ( $n = 18$ ) and Web site ( $n = 15$ ). Clearly, independent consultants have different success rates and perceptions of the effectiveness of responding to RFPs for procuring new business opportunities.

Table 2.3 summarizes results from the business operations data asked only of consultants who were self-employed *and* who operated their business for a full year during 2003: gross business revenue, personal gross income, and hours worked. The table includes available data from the 1992 survey, which reported business operations figures for 1991 in 1991 dollars, and the current survey, which reported data from 2003. (Reported numbers have not been adjusted for inflation and are taken directly from each survey.) Overall, 2003 business revenues ranged from \$27,000 to \$2 million, with a median of \$120,000. The median 2003 personal income for full-time self-employed independent consultants was \$75,000 and ranged from \$12,000 to \$350,000. Full-time independent consultants with employees ( $n = 34$ ) had a median personal gross income of \$82,070 a year, 28 percent higher than solo practitioners (\$64,000,  $n = 28$ ). The differences in personal incomes were not significant,  $t(60) = -0.87$ ,  $p = 0.39$ . Further exploration revealed that income and number of employees did not show a clear linear relationship with this sample of independent consultants. This relationship is discussed later in the chapter.

**Table 2.3. 1991 and 2003 Independent Consultant Business Performance**

	1991				2003			
	N	Low	Fiftieth Percentile	High	N	Low	Fiftieth Percentile	High
Full-time self-employed								
Gross business revenues	26	\$17,500	\$83,301	\$2,000,000	77	\$27,000	\$120,000	\$2,000,000
Personal business income	26	\$15,000	\$45,000	\$100,000	68	\$12,000	\$75,000	\$350,000
Hours worked	NA	NA	NA	NA	62	200	1,910	3,952
Part-time self-employed								
Hours worked	NA	NA	NA	NA	24	63	950	2,500

In 2003, full-time consultants worked a total number of hours between 200 (less than 4 hours a week) to 3,592 (just under a 70-hour workweek for 52 weeks). The median total hours worked was 1,910 (equivalent to 40-hour work weeks with four weeks of vacation, holidays, and personal days). Twenty-five percent of full-time, self-employed consultants worked 1,440 hours, fewer than 30 hours per work week, assuming four weeks of vacation, holidays, and personal days. Another 25 percent worked between 30 and 40 hours per week on average.

Full-time self-employed consultants' hourly rate results, illustrated in Table 2.4, ranged from \$40 to \$219 an hour, with a median of \$100 per hour. The reported hourly rate for Ph.D.s (average of \$114 per hour) is significantly higher than that of master's-level consultants (\$93 per hour),  $t(78) = 2.46, p = 0.02$ . Full-time self-employed evaluators billed at a significantly higher hourly rate than part-time independent consultants: an average of \$105 and \$88 per hour, respectively,  $t(122) = 2.22, p = 0.03$ . Differences in rates between geographical regions for full-time self-employed consultants are also shown in Table 2.4. Significance analyses by region and education level could not be conducted because too few consultants were represented in the different regions.

Table 2.5 shows the results from a regression analysis examining predictors of self-employed consultants' personal incomes. Predictor variables entered into the regression were total numbers of hours worked in 2003; total number of estimated billable hours worked in 2003; hourly billing rate; gross business revenue for 2003; number of years in business as a consultant; number of years of prior experience in evaluation prior to becoming self-employed; total number of employees, including oneself; and level of education. Due to a lack of clear linear relationships in several cases and a relatively small number of cases that contained all variables ( $n = 68$ ), results in this analysis should be interpreted with caution.

As Table 2.5 shows, the three significant predictors of personal income are gross business revenue, number of billable hours worked, and number of employees. Results show that in general, evaluators with the largest personal incomes tend also to have larger business revenue, more billable hours worked, and fewer employees. The total number of hours worked is not significantly related to personal income, and hourly rate, years in business, years of prior experience, and level of education do not significantly predict the amount of personal income an evaluator derives from self-employment.

**Independent Consultants' Perceptions About the Business.** Ninety-three full-time and 47 part-time consultants answered questions about their perceptions of the success of their business. Twenty-nine percent of full-time and 13 percent of part-time self-employed consultants agreed they were making "well above an adequate living," and 31 percent of full-time and 19 percent of part-time self-employed consultants agreed that they were making "just above an adequate living." Another 35 percent of full-time and 38 percent of part-time consultants were



**Table 2.4. Independent Consultant Hourly Fees, 2003**

	Minimum	Twenty-Fifth Percentile	Fiftieth Percentile	Seventy-Fifth Percentile	Maximum	Mean	N
<i>Full-time self-employed</i>							
All self-employed full time	\$40	\$80	\$100	\$125	\$219	\$105	85
Education							
Ph.D.	\$50	\$84	\$100	\$135	\$219	\$114	42
Master's	\$40	\$71	\$100	\$100	\$160	\$93	38
Primary office location							
U.S. Midwest	\$40	\$80	\$100	\$125	\$200	\$104	24
U.S. Mountain states	\$50	\$56	\$75	\$125	\$188	\$93	7
U.S. Northeast	\$67	\$85	\$125	\$150	\$175	\$122	8
U.S. Pacific states	\$63	\$83	\$100	\$110	\$219	\$104	13
U.S. South Atlantic states	\$48	\$80	\$100	\$120	\$200	\$106	19
Other U.S. southern states	\$60	\$60	\$75	\$114	\$187	\$91	6
Outside the United States	\$64	\$83	\$99	\$119	\$190	\$106	8
<i>Part-time self-employed</i>							
All self-employed part time	\$35	\$55	\$75	\$125	\$175	\$88	39
Education							
Ph.D.	\$40	\$59	\$75	\$125	\$175	\$90	23
Master's	\$35	\$50	\$75	\$100	\$150	\$81	15

*Note:* The number of self-employed part-time consultants was too small to analyze by primary office location.

**Table 2.5. Regression Predicting Evaluator's Personal Income**

	Beta	T	p	Zero-Order	Partial
Hours worked	-0.03	-0.19	0.85	0.60	-0.03
Hours billed	0.34	2.64	0.01*	0.58	0.33
Hourly rate	0.07	0.95	0.35	0.24	0.12
Gross business revenue	1.10	9.83	0.00*	0.74	0.79
Years of business	-0.00	-0.04	0.97	0.11	0.00
Years of prior experience	-0.01	-0.174	0.86	0.11	-0.02
Number of employees including self	-0.58	-5.024	0.00*	0.39	-0.55
Level of education	-0.08	-1.274	0.21	-0.18	-0.17

Note:  $R^2 = 0.81$ . Adjusted  $R^2 = 0.78$ .

\* $p < .01$ .

making “an adequate living, but not more than adequate,” and the last 4 percent of full-time and 30 percent of part-time consultants reported they “did not make an adequate living.”

Of the 132 consultants who described 378 advantages of being an independent consultant, the three top advantages were flexibility of schedule and time (26 percent), the autonomy of being their own boss (18 percent), and the ability to choose projects and clients (15 percent). The next largest category of responses accounted for only 6 percent of respondents. Although flexibility and autonomy may be related, responses coded within the “autonomy” category had broad words such as *autonomy*, *freedom*, and *independence*. Responses coded as “flexibility of schedule and time” were more specific comments about what independent consultants most liked.

The top disadvantages of being an independent consultant were not as clear. The highest response category was reported by 15 percent of independent consultants, and the following seven categories of responses were within 10 percent of the highest. Of 340 responses from 130 consultants, the top eight disadvantages listed were “it all depends on you”/have to do it all (15 percent), inconsistent/unpredictable income (11 percent), professional isolation (10 percent), general instability/uncertainty (8 percent), having to get new work/market/sell/network (7 percent), the long hours/no separate personal life (7 percent), inconsistent/unpredictable workload (6 percent), and cost and/or lack of fringe benefits (5 percent).

**Comparisons of the 1992 and 2004 TIG Industry Survey.** Although the sample size in Bonnet’s (1992) survey ( $N = 58$ ) and the current survey ( $N = 261$ ) were different, some comparisons can be made between the findings of the two surveys. First, it appears that independent consultants are now serving more diverse clients. Bonnet reported that respondents worked most often with nonprofit organizations, state government, other consulting

groups as subcontractors, private business, federal government, schools, foundations, local government, and universities. In the current survey, respondents reported working with these types of organizations as well as community-based organizations, health care institutions, social services, international groups, and environmental programs.

Second, there are differences in the legal forms of business under which independent consultants are currently formed. Although the most frequently identified form of business reported by Bonnet (1992) and in the current survey was sole proprietor, this proportion has significantly decreased from 73 percent in 1992 to 50 percent in 2004 ( $z = 3.33$ ,  $p = .00$ ). Similarly, there are significantly fewer nonprofit corporations,  $z = 4.01$ ,  $p = .00$  (6 percent 1992; 4 percent 2004) and partnerships,  $z = 2.11$ ,  $p = .035$ , (8 percent 1992; 3 percent 2004) in 2004 than in 1992. The proportion of for-profit corporations has significantly increased,  $z = 3.01$ ,  $p = .00$ , with 35 percent of independent consultants currently organized as LLC, S Corporations, or C Corporations (types of business structures identified in U.S. tax law) as compared with 14 percent reporting these types of business entities in 1992.

Finally, as illustrated in Table 2.3, the reported median gross business revenues were \$83,301 in 1991 and \$120,000 in 2003. Adjusting for inflation (<http://data.bls.gov/cgi-bin/cpicalc.pl>), the 1991 median amount translates into \$112,540. So it appears that median gross business revenues have increased in the past twelve years. The reported median personal gross income increased at a greater rate when taking inflation into account, from \$45,000 in 1991 (\$60,795 in 2003 dollars) to \$75,000 in 2003.

## Discussion

The 2004 IC TIG Survey respondents were primarily white, female respondents, with employees of similar types of ethnic and gender diversity, fairly representative of the TIG's membership as a whole. The majority had terminal degrees in the social sciences. The respondents, mostly aged forty to fifty-nine, could be considered seasoned consulting professionals, with self-employed independent consultants who owned their business in 2003, having about eight years of consulting experience prior to starting their business. Geographically, respondents were scattered across the United States, with almost half in the Midwest and South Atlantic states. The majority of survey respondents conducted their business out of their homes, and many served clients nationwide. Their legal forms of business primarily fell into sole proprietorship or for-profit corporation. The most effective marketing strategies identified were referrals/word of mouth and recurring business.

Over half of the respondents indicated that at least 80 percent of their business consists of evaluation services. The most frequently provided services were survey/questionnaire development, report writing, data analysis,

development of data collection tools, development of logic frameworks, and focus groups. They also reported conducting their business with a wide variety of clients, such as nonprofit organizations, community-based organizations, governmental organizations, and educational institutions.

In terms of business indicators of success, full-time self-employed consultants appeared to be doing quite well. The 2003 median personal income for this group was \$75,000. Half of the group reported that they were making “just above” or “well above” an adequate living. The results of the analysis suggested that consultants maximized personal income from self-employment by limiting the number of nonbillable hours worked. One category of evaluators who drew the largest personal income from their business was solo consultants who worked from home and had low overhead expenses. The evaluator working from home using only subcontractors may be able to absorb a greater percentage of the billing rate as personal income. The evaluator with several employees is probably working fewer billable hours while simultaneously using some of the billing rate to pay for such things as office rent, communications systems, and nonbillable employee salaries (for example, a bookkeeper). Having a larger number of employees provides the potential for more personal income if it is planned carefully so that billing rates cover the overhead expenditures.

The primary perceived advantages of being an independent consultant were flexibility of schedule and time, autonomy of being one’s own boss, and ability to choose projects and clients. Primary disadvantages included having to “do it all,” unpredictable income, and professional isolation.

**Limitations of the Survey.** A potential limitation of the 2004 IC TIG Survey is the possibility of a nonrepresentative sample of respondents, as only 261 of 713 TIG members completed a survey. However, it is unclear what percentage of IC TIG members work as consultants and what percentage are interested in moving into consulting or are simply curious about the work of the TIG for other reasons.

**Trends for the Future.** The increase in the number of IC TIG members from 293 in Bonnet’s 1992 survey to 834 in 2006 suggests that the business of independent evaluation consulting is growing. With this increase in membership comes the additional variation in business formation and a higher percentage of for-profit as opposed to nonprofit evaluation firms. Independent consultants also seem to be working with a greater variety of organizations, such as community-based efforts, health care institutions, and environmental programs, in addition to educational institutions, government, nonprofits, and foundations among others. Most important, the rewards for working as an independent consultant are becoming more enticing, with hourly rates and personal incomes approaching those of other popular professions.

## Reference

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