

AICN Newsletter

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AICN & Chicago/Rockford Consultants Network Workshop

BY RICH FEDRIGON, IEEE CHICAGO SECTION

The AICN (Alliance of IEEE Consultants Network) and the IEEE Chicago/Rockford Consultants affinity group held a day-long consultants network workshop on 26 October. If you are interested in consulting, starting a business or just maximizing your career success, this group has a wealth of expertise, knowledge and available support regarding developing and promoting your engineering problem-solving talents.

At the workshop, 2014 IEEE-USA President, Dr. Gary Blank, highlighted the benefits of belonging to the AICN. In a very entertaining presentation, he gave some great reasons why IEEE membership is so important for networking and employment. For example, did you know that IEEE members live longer and drive better? That explains why IEEE members get

such great prices on life and auto insurance, as a result of belonging to our preferred risk pool. In a similar way, both the IEEE & AICN reputations provide additional credibility to potential employers regarding our job worthiness!

Blank's two specific recommendations were volunteering and using the AICN consultants' database. He contends that employers view the IEEE consultants' database as a premium resource for finding engineering talent. Several attendees backed up this assertion from their own experiences. Just as insurance underwriters have a favorable view of IEEE membership; many employers are confident that the AICN consultants' pool provides great engineering talent. Blank, with Bill Grist's assistance, provided a demonstration of how to use the

AICN database. The AICN database costs members only \$99 to join.

The workshop also covered an ambitious agenda of networking, consultant best practices, professional licensing, job hunting and start-up company information. Bob Krause came up with three fun exercises to start the workshop, breaking the ice and demonstrating some essential lessons. First, he highlighted the importance of being able to describe in 60 seconds exactly what we do—in such a way that distinguishes our value to potential clients. I especially liked the scavenger hunt for finding personal attributes within the workshop group. This activity nicely highlighted how our problem-solving methods change, as we adapt and learn to better collaborate.

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Another area of great interest was professional licensing. Ben Miller was the expert here, as he discussed the reasons for licensing, the environment, and the licensing process. If you're interested in this topic, Miller, Chicago/Rockford Consultant Network chair, is a great resource.

Larry Nelson, from the Worcester County, MA Section, gave an insightful and comprehensive overview on the "Life of a Consultant." He filled

his presentation with best practices, including promotion, budgeting, bidding, ethics, and legal formations (e.g., the sole proprietorship vs. LLC issue).

Indiana's Will Kassebaum finished with his experience with start-up company tactics, based as co-founder of Algaeon. A group Q&A panel finished the event.

The workshop was beneficial both to the more seasoned consultants and the newer ones.

The topics addressed were invaluable

to anyone looking for a professional future with more independence, challenge, responsibility and financial rewards.

If you're interested in consulting as a profession please consider joining for free the [IEEE Consultants Network](#) when you renew your IEEE membership.

READING LIST

From *IEEE-USA SmartBrief*

IEEE-USA SmartBrief provides summaries and links to relevant and important news items of interest to U.S. IEEE members. Published every Thursday, IEEE-USA Smart Brief replaces *IEEE-USA's Eye on Washington*, which focused on political activities affecting engineers.

The Alliance of IEEE Consultants Networks Coordinating Committee (AICNCC) has asked the editors of *Smart Brief* to include news items that may be of interest to engineering consultants. The 17 October issue of *SmartBrief* highlights a recent *Computerworld* article on the growing number of IT specialists who are employed on a contract basis. AICNCC believes consultants will find the following brief informative:

[Sign up](#) today for *IEEE-USA Smart Brief* to finish reading this and other exciting stories.



Ranks of Contractors Swell Across IT Sector

A rise in demand for application developers combined with a reluctance among many firms to invest in workforce expansion has led to a rise in the number of IT specialists who are employed on a contract basis, according to new data from Computer Economics. Read the full article in the [10 October issue](#) of *Computerworld*.

Larry Nelson's War Stories: Part II

BY LARRY G. NELSON, SR.



Fixed Price Contract vs. Hourly

Many consultants refuse fixed price contracts. I thrive on them. Consultants, for your clients that want fixed price contracts, do you know that change orders from original specs can net five times the original hourly quote? The key to success is a solid spec that all parties agree to. I have one client that continuously wants a fixed price contract, and then can't settle on a spec. The client locked-in and paid the retainer, but continued to change things monthly. I give them the cost to implement the change, and they pay. The last two projects cost them about five times what a straight hourly rate would have been, but they are very happy with my perceived flexibility.

With the economic climate as it is today, companies need tight budgets. Clients are afraid of anything open-ended. When you quote only an hourly rate, they see it as a never-ending expense. The problem for the consultant comes when the specifications are not fully developed. Creeping features add costs and cause delays.

If you do not have clear specifications, the client will automatically assume you will flex to what they need for the original price. This assumption is especially true on a contract to deliver a "Widget" that "does XYZ," but they change the "how it will be done" daily. When you have a solid specification every time, and clients change something—you can simply let them know the impact on cost and delivery time, then let them decide if the change is worth it. If their spec is totally inadequate, you can often divide the project, and quote separately for the specification development.

One thing to be very careful of is not allowing your customer to pay less than the fixed price you quote. You are taking the risk, you deserve the rewards. You are not giving them the fixed price quote as an hourly rate, with a not-to-exceed price. If you have done the quote correctly, you will not lose money. If you come in under your budgeted time to the defined specifications, making the client

happy, and yourself more profit, then *congratulations!* On the other hand, if you take more hours than you budgeted, you are stuck with the fixed price. You have hopefully still made the client happy by an on-time delivery (there are 24 hours in a day available to work out problems), and you learn from your mistakes!

When a Client Demands a per person fee; consultant can make double or triple their hourly rate, after expenses

I had a client I offered to do some training for back when my rate was \$60.00 per hour. They purposed that I train small groups of employees, and they were going to print the handouts for distribution to their employees. I told them it would take a few days to create the handouts and the training program, and depending on how many people were to be instructed, it would take two to four hours per group for training. The client then asked for a per person fee, which included all the handouts. I provided another quote (high — to discourage them), yet they went with it. I had to cover myself with a high quote, assuming the client would throw small groups at me, as they implied. When the dust settled, all the employees came in on a Saturday morning. We did a single, 2.5-hour seminar. The client never asked for a revised quote to the new terms (one single session), and gladly paid me the per person rate.

If you are lucky enough to land contracts like these, be grateful and save the money for when things do not go as well. Consulting can be very cyclical, so you need to budget — and keep an even keel.

Larry G. Nelson, Sr. can be contacted at L.Nelson@ieee.org; or at Nelson Research at <http://www.mchipguru.com/>.

Claims Made and Reported—What You Need To Know...

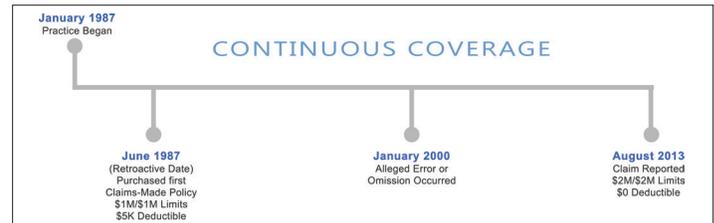
BY MARSH U.S. CONSUMER

Pick your favorite adage about past events: water under the bridge... don't cry over spilled milk... what's done is done. Now forget them. When it comes to claims against you or your firm, you may very well be found liable for an act that occurred in the past! Liability is why claims-made coverage is so important. Let's explore why:

Under a claims-made policy, the event that triggers the insurer's duty is reporting a claim within the policy period that arises from an act, error, or omission — committed on, or after, a retroactive (or prior acts) date — or within the same policy period. Claims made against this policy form mean that the limits and deductibles in force at the time the claim is made are what govern coverage. The error could have occurred in the past, but the claim is just now being asserted. Carriers offer this type of coverage in today's market.

To understand fully, look at the diagram below. Suppose your practice began in January 1987, and you didn't purchase professional liability coverage until June 1987. At that time, you purchased your limits of \$1,000,000 per claim/\$1,000,000 per annual aggregate with a \$5,000 deductible. As your practice evolved, so did your professional liability coverage. In August 2013, you increased your limits of liability to \$2,000,000 per claim/\$2,000,000 per annual aggregate — with a \$0 deductible.

Wisely, you have maintained coverage, since the initial purchase in June 1987. Unfortunately, in August 2013, your insurance company notified you regarding a potential claim, from an incident that occurred in January 2000. As noted earlier, the limits and deductible in force at the time the claim is made are what is available, and what will govern coverage for the incident/claim. It is important to



note that the *trigger* date is the date a claim is made, not when it is reported to the carrier. Be sure to read and follow the claim reporting requirements outlined in the terms and conditions of your policy, to ensure your coverage is not jeopardized.. Late reporting could negatively impact the coverage available.

As an example, let's take this example in another direction. Suppose in August 2013, your practice was winding down. Instead of increasing your limits, you decreased them to \$500,000 per claim/\$500,000 per annual aggregate. In this case, the limits of \$500,000 per claim/\$500,000 annual aggregate would govern the policy, even though limits of \$1,000,000 per claim/\$1,000,000 annual aggregate were in effect at the time the error or omission took place. Changing limits, deductible, or present day coverage will have an impact on your coverage — all the way back to the retroactive date — in this instance, June 1987. As you can see by these two examples, considerable time can pass between when your services are rendered, and when the claim is filed.

"Claims made" policies have two prerequisite conditions for coverage:

- First, the policy has to afford coverage for the time period during which the services giving rise to the claim were rendered, (after the Retroactive Date).
- Second, coverage has to be in force when the actual claim is first made.

Coverage won't necessarily begin when your practice starts. It will be afforded for acts that occurred after the Retroactive Date. Prior Acts coverage should date back to the first date of continuous claims-made coverage, to avoid any gaps in coverage. If you are switching carriers, it is important to carry your Retroactive Date to your replacement policy, or purchase an Extended Reporting Period, more commonly referred to as a "Tail."

So, what happens when an insured decides to retire, or even discontinue practice?

Be sure Extended Reporting Period Options are available to cover claims after you retire, or upon death. Or in the event you cancel, or fail to renew the coverage. A provision should be made making an Extended Reporting Period available, if the insurance company or insured cancels, non-renews, or reduces limits and/or coverage under the policy.

When purchasing professional liability coverage, it is vital to purchase your coverage from a top-rated insurance carrier, and revisit your professional liability policy periodically. As your needs and/or practice changes, make sure your current policy still meets your needs.

If you have any questions regarding Claims-Made coverage, please call your IEEE-sponsored professional liability insurance specialists toll-free at 1-800-375-0775.

Or, if you would like more information on the IEEE-sponsored Professional Liability Insurance Plan, visit IEEEinsurance.com.*

**The IEEE Member Group Insurance Program is administered by Marsh U.S. Consumer, a service of Seabury & Smith, Inc. The IEEE-sponsored Professional Liability Insurance Plan is underwritten by Certain Underwriters at Lloyd's of London, and is available to U.S. residents.*

...from **the institute**



Take Networking to the Next Level

Networking with colleagues not only increases your chances of connecting with potential employers and getting hired, it can also help you advance in your current job. Claire Tse, a certified instructor in leadership and intercultural communication, talks about the ins and outs of effective networking. Read what she has to say in the [21 October issue of *The Institute*](#).

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