

# BEYOND THE HANDSHAKE: PRACTICAL STRATEGIES FOR BUILDING SUCCESSFUL ASSOCIATE RELATIONSHIPS

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## Why a Handshake Alone Is Not Enough

As the OD profession continues to change, and we as consultants continue to specialize, we find ourselves wanting to collaborate more and more with one another. Often, the work involved in a client project may be clear, but the way we collaborate may not be. We may have different ideas about our roles, who is in charge, for what and how we bill, financial arrangements, how often to meet, and how to present ourselves to the client. If these issues go unaddressed, the consulting team can go awry. When that happens, we may lose our credibility with the client, and the success of the entire project may be threatened.

We need to apply our OD values to *ourselves* in creating effective consulting teams. We need to share business values, be clear about expectations, negotiate roles and responsibilities, clarify billing and finances, and plan for contingencies. What follows are practical strategies that I have developed and found to be effective in creating consulting alliances that *work*.

## Components of a Successful Association

There are many ways that we can “associate” as external consultants in working with our clients, as identified by the table below. I define an “association” as something more than a loose agreement to work together (for example, parallel work or referrals) but less than employment or a legal partnership. That leaves contracting arrangements, which will be the focus of this article.

### *Types of Associate Relationships*

<b>Relationship Type</b>	<b>Consider This When...</b>	<b>Advantages / Disadvantages</b>
Separate, parallel contracts with client	<ul style="list-style-type: none"> <li>• The client takes responsibility for the results of the project or engagement.</li> <li>• The client likes/wants the other consultant and already has a relationship with them.</li> <li>• You do not know the other well.</li> <li>• The project is short and your roles or tasks are not interdependent.</li> </ul>	<ul style="list-style-type: none"> <li>• Your billing is easier.</li> <li>• You may have no control with whom you work.</li> <li>• You may have to work harder to establish teamwork.</li> <li>• You may have influence but no control over the design and implementation of the project.</li> </ul>
Referral	<ul style="list-style-type: none"> <li>• You do not have the time.</li> <li>• Given the chemistry, you think the client would benefit from another.</li> <li>• You do not see a role for yourself in the project, or your role is limited.</li> <li>• You believe the other consultant has the skills needed and would be a good match with their organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability for the success of the project belongs with the other consultant, <i>although...</i></li> <li>• A good referral is a credit to you, and builds relationship with your client.</li> <li>• A poor referral diminishes trust in <i>your</i> abilities as a consultant.</li> </ul>

Prime Contractor / Subcontractor	<ul style="list-style-type: none"> <li>• The client wants one bill, and one consultant to coordinate the project.</li> <li>• The client perceives you to be the lead consultant and wants you involved.</li> <li>• You have a specific approach or process design in mind.</li> </ul>	<ul style="list-style-type: none"> <li>• You can build your own team.</li> <li>• You can maintain design integrity and quality control of the project.</li> <li>• Beyond contracting the objectives and outcomes, you cannot dictate how this person must work.</li> <li>• Your good name is at stake.</li> </ul>
Employer / Employee	<ul style="list-style-type: none"> <li>• You never want to worry if this person will be available to work with you and your clients.</li> <li>• The person is a good fit with you, your business, and your future.</li> <li>• You are willing to be a manager.</li> <li>• You believe you can sell enough to avoid a future lay-off.</li> </ul>	<ul style="list-style-type: none"> <li>• You can control what, when, where, and how this person works.</li> <li>• You must provide space, salary, training and equipment.</li> <li>• You are responsible for withholding and paying payroll taxes, completing government reports, and adhering to regulations.</li> </ul>
Legal Partnership	<ul style="list-style-type: none"> <li>• You have similar business values.</li> <li>• Your financial and professional goals are the same.</li> <li>• You complement each other and know how to manage differences.</li> <li>• As a team you have been tested through rough times.</li> <li>• You will share decision-making.</li> <li>• You can all sell enough to make a comfortable living.</li> <li>• You have good legal advice.</li> </ul>	<ul style="list-style-type: none"> <li>• Joint accountability for results.</li> <li>• Maintaining the relationship requires ongoing time and effort.</li> <li>• If interests, values, or aspirations change, the partnership may not be able to survive.</li> <li>• Not everything can be 50-50. There are times when one will contribute more than the other.</li> </ul>

### ***IRS Requirements for Subcontractors***

The IRS works with government organizations in all states to ensure that wages are reported accurately and that taxes are collected. The question of whether someone is a subcontractor or an employee is often a gray area that government reserves the right to determine. According to Tom Willett, Coordinator of Worker Status for the MN Department of Economic Security, what they look for is:

<i>Essential Characteristics of Contractors</i>	<i>Essential Characteristics of Employers</i>
<ul style="list-style-type: none"> <li>• Firm's only concern is the end result.</li> <li>• Firm and Worker are in a binding contract where failure to complete services is a breach of contract that can be pursued legally by either party.</li> <li>• Worker is paid by the job.</li> <li>• Worker furnishes all tools, equipment, materials, and supplies. Worker, as such, has substantial investment in the facilities used to perform these services.</li> <li>• Worker makes these services available to the public on a continuing basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Firm has the right to control the means and manner in which the services are performed.</li> <li>• Firm has the right to discharge the Worker without incurring liability.</li> <li>• Worker is paid in a regular and routine manner for services performed.</li> <li>• Firm furnishes the Worker with a company car or truck, tools or equipment, materials or supplies.</li> <li>• Firm controls the premises where the services are offered.</li> </ul>

### ***Legal Agreements for Subcontracting***

Although oral agreements are considered binding, creating written agreements can provide documented proof that you are a contractor versus an employer. Written agreements can also help you clarify roles, responsibilities, and expectations. Agreements of this sort do NOT need to be lengthy or written in “legal-ese.”

My preference is a short, two-page document that clearly articulates the contracting arrangement. I call this my “General Associate Agreement” and also use it to clarify potentially sticky items such as copyrights, confidentiality, use of associate’s name, client satisfaction issues, etc. The “General Associate Agreement” does not discuss any specific project. It simply covers expectations around our relationship. It remains in effect until either one of us terminates it.

For each project in which the associate is involved, I then create a one-page “Project Agreement” that articulates the work to be performed, our financial arrangement, expense reimbursement, contingencies, etc. This agreement is created only after the proposal is accepted by the client, and the associate and I have had time to discuss how we will split the work and fees. Most of the time, we are both involved in proposing the work, so this is no surprise. This “Project Agreement” simply reaffirms our decisions about the work, the hours, and the rate, which is helpful downstream in avoiding misunderstandings about these issues.

### ***Clarifying and Communicating Clear Business Values***

Agreements like the ones mentioned above can do a good job of clarifying roles and responsibilities, but cannot adequately convey business values, which are at the heart of a successful association. Agreeing on core business values may avoid conflicts in consulting practices, project management, and dealings with the client.

Considering past experiences with associates I wrote a “Code of Honor.” This is a one-pager that summarizes my core principles in dealing with clients *and* my expectations of associates when they are members of my project team. I use this as a “white paper” to discuss with a potential associate. I ask that person if he or she can live with my values. If not, I seriously consider whether this person would be a good fit working with me. I then ask potential associates what their business values are, and try to honor those as well. Sometimes we have to negotiate how we will approach an issue if our values conflict.

### ***Financial Arrangements***

Money is one of those subjects that no one wants to discuss until there is a chance that one may not get their fair share. In subcontracting arrangements, the issue of fairness can become sticky because whoever is the prime contractor assumes the work of project management, administration and accountability. So how does one get paid for this additional responsibility? I have seen three approaches. (See table, following page.)

My preference is the last method listed, because I believe it *is* our responsibility as consultants to manage our projects. I negotiate a 20% project management fee with associates. At this rate I do not make money on project management, but I can break even. I choose to charge 20% (versus 40% or more as some consulting houses do) because I want to attract and retain talented associates. Sometimes I negotiate lower fees if I feel that I can gain something such as training and development in a new area.

<i>Method</i>	<i>Advantages</i>	<i>Disadvantages</i>
1. Charge the client by adding a surcharge to the associate's usual billable rate.	<ul style="list-style-type: none"> <li>• Both you and the associate get full fees.</li> <li>• You are paid extra for responsibility in managing the project.</li> <li>• Easy to administer.</li> </ul>	<ul style="list-style-type: none"> <li>• You could look expensive.</li> <li>• Clients may feel cheated if they learn they are paying a higher rate.</li> <li>• Clients might want to contract with associate directly.</li> </ul>
2. Charge the client by adding hours to the contract for project management.	<ul style="list-style-type: none"> <li>• Both you and the associate get your full fees.</li> <li>• You have made the extra work involved in project management explicit.</li> </ul>	<ul style="list-style-type: none"> <li>• Unless the client is a large corporation, they may not be used to paying for this.</li> <li>• Client may feel that project management is <i>your</i> responsibility, and should be included in the fee.</li> </ul>
3. Charge the associate by taking a percentage of their billable rate or negotiating a flat fee.	<ul style="list-style-type: none"> <li>• Holds client's costs down.</li> <li>• Associate acknowledges your value because you do main work of coordination and communication, taking less of <i>their</i> time &amp; energy.</li> <li>• Easy to administer</li> </ul>	<ul style="list-style-type: none"> <li>• Associate does not get full billable rate. May prefer to do own projects versus work for lower rates.</li> <li>• You may not be paid for all of your time in managing the project.</li> </ul>

## Mutual Feedback Sessions

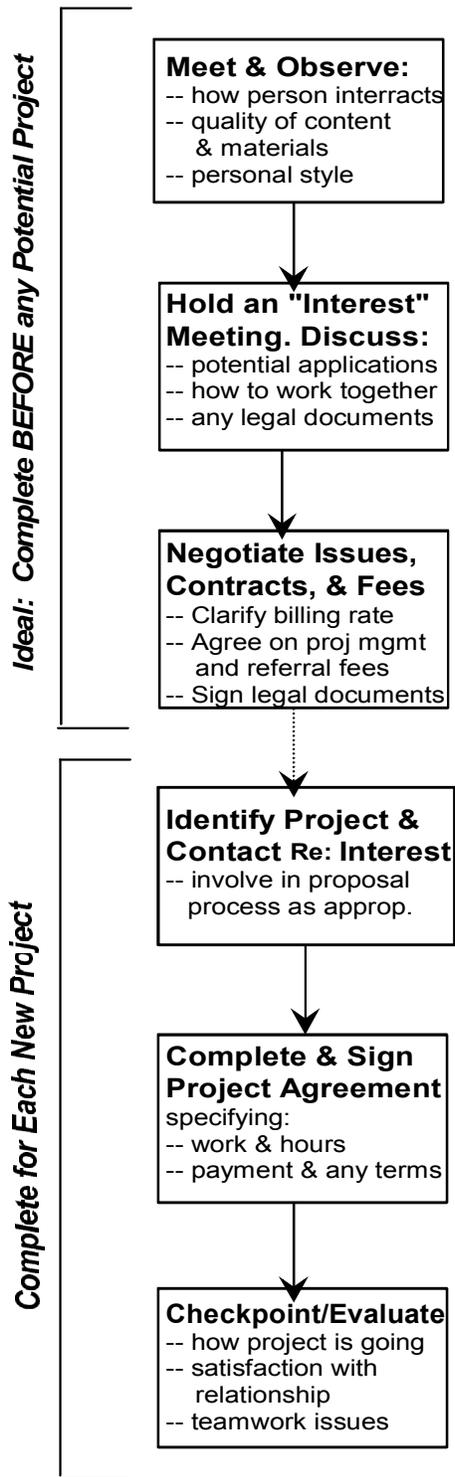
During a project, I check in often with an associate to see how we are doing as a team. In addition, if the associate is someone with whom I collaborate a great deal, I will make a formal effort at least once a year to review how we work together.

The framework I use is one created by David Francis and Don Young, in their book *Improving Work Groups: A Practical Manual for Team Building*. (University Associates, 1979) To prepare for our feedback meeting, we each reflect on the following questions:

- *What do I appreciate about the other? What does he/she contribute to our work?*
- *What do I think the other needs/wants/expects from me?*
- *What do I need/want/expect from the other?*
- *What do I want the other to start/stop/continue doing?*

What I have found is that feedback meetings continue to strengthen and clarify my associate relationships, and make me a better team player. Also, if an associate relationship is not satisfactory for either of us, it is easier to talk about it this way. In those cases, we either agree to change something about how we work together, or agree that it is not a good fit for now.

## A Six-Step Process for Contracting with Associates



### **Goal**

If possible, my goal is to separate the relationship negotiation from a specific project. Why? My experience is that when pressured I often do not make the best decisions about potential associates.

### **Process**

As a result, I continually keep an eye out for potential associates, and begin an interest discussion if I think I might have some future business in which their expertise might be helpful.

In an initial discussion, I usually try to assess our mutual desire to work together and the potential conflicts that might arise. I try to discuss:

- how we might complement each other
- how we might overlap or conflict
- potential opportunities
- values/code of honor
- how we would do business together
- financial arrangements
- use and content of legal documents

When we have agreed to collaborate I send the legal document, and we negotiate or sign as appropriate.

Once on board, I will involve the associate directly in working with a potential client. Usually I take the lead in assessing need and writing a proposal, with input from associates. I take responsibility for closing business and negotiating the final contract with a client.

After that, it takes little effort to write the Project Agreement. That helps to clarify an associate's scope of work and activities that person leads.

At multiple points I check how we are working as a team. I prefer to evaluate ourselves before any final client evaluation, so that we can deal with internal issues and have a constructive meeting with the client.

## **Potential Issues**

### ***Dealing with problems***

If I suspect a problem with an associate, I usually try to gather some data first before deciding if I need to intervene. There are three ways for me to gather data -- by direct observation or participation, by soliciting feedback from the client about the project, and by noticing how the associate talks about the client or project in our private meetings. I intervene if success of the project is at stake, the associate's behavior is unprofessional, or my values are not being honored.

Once I have decided to intervene, I do so directly and quickly. I call the associate and set up a meeting to discuss my concern. Depending on the situation, I will use either a feedback or conflict management method, and we work to find a mutually satisfying resolution.

If the problem persists, I have the option of terminating the subcontract (as defined in my General Associate Agreement) with written notice. To this date, I have never needed to resort to this measure. My associates and I have always been able to put the customer first, although at times I have decided to do no *further* work with someone because of our differences.

### ***Competition***

What happens if an associate starts to compete with you for this client? Although this has happened to me several times in the past, I have lost only two clients.

My first guideline is to address this directly with your associate as quickly as possible. It is possible your associate meant no harm, but was just filling a service gap. If the associate is truly going beyond the boundaries of his or her role, you need to clarify your expectations and give this person feedback about the impact of their behavior. If you can continue to work together to finish the contract, it would probably be best for the client.

My second guideline is never to involve your client in the politics of the situation. Your client may either be clueless that a "coup" is being attempted, be confused, or be an unwilling participant. You must never put your client in the middle by disparaging your associate or asking the client to choose. In a situation like this, you need to take the "high road." You must continue to provide consistent, good service as a consultant and project manager, and let the client decide with whom they want to work in future contracts. Beyond that, you are free to never associate with this person again.

## **For More Information**

Please call for more information or samples of agreements that were presented in the workshop. Keep in mind that the agreements presented fit my requirements and are legal in Minnesota. You will need to review and customize these with your own attorney to fit your needs.

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