

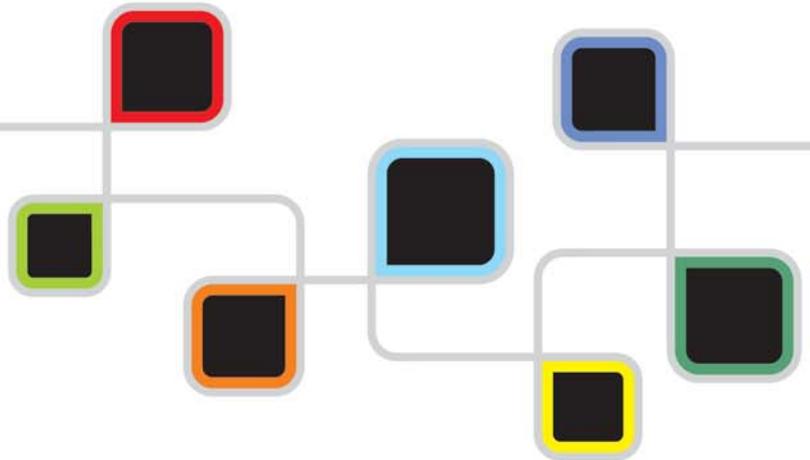
SECOND EDITION

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authors, *Working From Home*

Building & Running a

Successful Research Business



Mary Ellen Bates

A Guide for the Independent Information Professional

Chapter 16

Subcontracting, or I'll Scratch Your Back if You Scratch Mine

One of the most important reasons to establish your own network of independent info pros is that you will eventually land a project that you cannot do yourself, and you will have to bring in someone else. You may get a question in an area that you know nothing about—for me, that would include medical, legal, and chemical searching—or a request for a type of research you do not offer—patent searches, perhaps, or in-depth telephone interviews—or perhaps you are simply swamped with work, do not want to turn down a client, but cannot accommodate the work because of other projects you are doing. In all these situations, as long as you have a network of other experienced info pros, you can keep a client happy even though you cannot do the work yourself.

How Does Subcontracting Work, and Why Should I Share?

Subcontracting turns you into a client: You have a project that needs doing and you contract with another independent info pro who will do the work for you. As a matter of professional courtesy, and because you are accepting the risk of not getting paid, the subcontractor usually agrees to work at a discounted hourly rate. You invoice your client at your regular rate, and the difference between what your subcontractor charges you and what you charge your client is profit. Alternatively, you can calculate how much you want to charge your client for the subcontractor's work, and offer the job to your subcontractor at a flat fee that leaves you with a profit on the subcontracted portion of the work.

Depending on the situation, the subcontractor may not ever talk with your client directly; you act as the intermediary between the client and the subcontractor. This arrangement works best if you thoroughly understand the client's request and are able to accurately pass questions and answers back and forth between the subcontractor and the client. There are some situations in which you just don't want the subcontractor and client to talk. I have a couple of clients who are, well, challenging to work with, and my subcontractors are grateful that I buffer them from any direct interaction with my problem children. The situation in which this type of arrangement may not be ideal is when both your client and your subcontractor are much more familiar with the subject area than you are; in this case, it is probably better to let the two of them talk directly. About half of the jobs I subcontract out involve putting my sub in contact with my client. When I work as the subcontractor for others, I occasionally am asked or encouraged to speak with the client directly, which I always welcome.

You may choose to introduce the subcontractor as your associate and indicate that, although the client may call the sub and interact with him directly, all the accounting, project management, and so on will come through you, and that all *new* projects should be directed to you, not to the sub. I have often been the subcontracted researcher, and I usually feel more confident that I have filled the client's information need if I am able to speak directly with the client. However, when I am working on just part of a larger project, it is usually simpler for me

to talk only with the contractor, who is managing the process and who knows what specific part of the puzzle I am responsible for. In any event, be sure that you discuss the issue of client contact with your subcontractor up front, so that the sub understands with whom he will be dealing.

Calling in the Experts

Why would you send work to someone else instead of doing it yourself? The simplest answer is that you want your clients to come to you for all their research or information needs, regardless of the scope or topic; you want to be seen as their one-stop shop. But the challenge lies in providing high-quality research involving topics or methodologies that you are not familiar with; the last thing you want to do is take on a project in an area you know nothing about and wind up providing erroneous or incomplete information to your client. This is one major benefit of membership in the Association of Independent Information Professionals (www.aiip.org). AIIP's annual conference and private email discussion list help you get acquainted with colleagues, observe how professionally they present themselves, and learn about their backgrounds and where their expertise lies. (That is also why you should maintain a professional demeanor whenever you participate in professional discussion lists. If you are argumentative, unprofessional, or rude, your colleagues will be disinclined to subcontract with you or refer others to you.) Working within your network, you can call on fellow info pros who have the skills you need for particular projects, thus enabling you to provide your clients with information from the best possible researchers.

On the Road Again

Bringing in subcontractors is also a way to provide services to clients while you are traveling or on vacation. When I am on the road, for example, I may ask a colleague to handle my clients for me. I leave a message on my voice mail explaining that I am out of town but that clients should call "my associate" so-and-so at such-and-such phone number for any rush research needs. My colleague then handles any calls that come in and bills me for her time (at a discounted rate) and expenses; I then bill my client for my colleague's time at my regular hourly rate, plus expenses. I make a little profit, my clients are happy, and I did not have to leave the office unattended while I was away. See Chapter 12, *Work and the Rest of Your Life*, for more discussion of how to keep your business going during a vacation.

Needing Low-End Labor

You may occasionally need to hire subcontractors to help with simple research that you do not have time for, or that you do not want to bill out at your regular hourly rate. I ran into one of these situations when a client asked me to look at more than 800 websites. I knew that not only would I run out of time, but my client could not afford to pay my hourly rate for this kind of work. More importantly, my client did not need my expertise when reviewing each site as much as she needed my oversight and guidance of the project. For jobs like this, you might find graduate students who want to work a few hours a week, or a mom with small kids at home who is not interested in full-time employment but wants to stay in the work force. You will have to

supervise these subcontractors more closely than you would a colleague, because you must train them from scratch and they are bound to make some mistakes in judgment as they learn. On the other hand, you will probably be paying them a fraction of your hourly rate, so you can build in some overhead time for training and oversight.

The Challenges of Subcontracting

Some disadvantages come along with subcontracting out work, of course. The issue foremost in most contractors' minds is that they must rely on someone else's work. It is usually not feasible (or even possible) to replicate the subcontractor's work, or check it thoroughly before it goes to the client, so you have to accept on faith the subcontractor's assurance that she did a thorough and competent job. When you send a subcontractor's material to a client, *you* have to answer for its quality even though you did not do the research yourself. If the client is not happy with the results, you cannot simply throw up your hands and say "Well, I didn't do the work ... go talk to my subcontractor."

I routinely subcontract out a portion of my research work, and in one or two situations I have been left high and dry by a new subcontractor. The person did not do a good job, or overlooked a crucial piece of information, or completely misunderstood the scope or focus of the project, or missed my deadline, or far exceeded the budget cap. The few projects that have gone bad have been learning experiences for me. I now know how to avoid most of the problems that can arise—by staying in touch with the subcontractor, by having her send the information to me during the course of the project rather than all at the end, and by making sure that she is not overworked or distracted.

Your subcontractor may legitimately need more hours than you expected the project to take. That of course eats into your profit, because you have probably agreed on a not-to-exceed budget with your client. The subcontractor may not use the same resources that you would have used, or may not write up the results the way you would. Given that some of us independent info pros have a stubborn streak a mile wide—"It's my way or the highway"—dealing with subcontractors who have their own way of doing things can be an exercise in frustration.

In addition to the problems inherent in having someone else do the research for you, a remote possibility does exist that your subcontractor will approach your client directly and solicit business. This is considered unethical and it should never happen, but there are a few less-than-sterling people in any profession. Make it clear when negotiating with a new subcontractor that such conduct is unacceptable.

It is important to spell out all the details of the subcontracting relationship, in writing, before you begin. It is tempting to just call a colleague, describe the project, and let it go at that, particularly if you are in a hurry. Resist the urge; in my experience, the most significant cause of subcontracting relationships going bad is treating a subcontracted job too casually. Even if I have discussed a project thoroughly with a subcontractor, I always follow up with an email that spells out the details of the project (at least, the details that I can disclose to the subcontractor without violating client confidentiality), an itemized list of what I expect the subcontractor to do, a description of the deliverable—that is, the form and format in which the results will be delivered,

the final deadline for the project and any interim deadlines, and the maximum number of hours, the hourly rate, and the dollar amount of expenses authorized—or just the total not-to-exceed budget the subcontractor has to work within. See the sidebar “Points to Ponder” for the items to include in your subcontracting agreement.

Points to Ponder

Imagine you have just landed a project that requires you bring in a subcontractor for a portion of the work. How do you formalize the relationship? The exact format does not matter as much as the fact that you clearly spell out your expectations for the subcontractor. AIIP offers a sample subcontractor agreement that its members can use. Whether you use the AIIP form, have a lawyer draw up a contract, or write your own, you will need to spell out the following:

- A detailed description of the nature of the research to be done, analysis to be provided, and other aspects of the project
- Whether the subcontractor may contact your client directly
- The format of your search results—the full text of articles, an executive summary, printouts of webpages, and so on
- The not-to-exceed budget or the maximum number of hours the subcontractor is authorized to work and the hourly rate you will pay
- The deadline by which the information must be delivered to you
- Whose fee-based online accounts, if any, to use—the subcontractor’s or yours
- The payment terms for the subcontractor—e.g., within 30 days of the invoice date
- A non-disclosure agreement (NDA) in which your subcontractor promises to maintain client confidentiality and not disclose the name of the client or the nature of the research without prior approval. AIIP has a sample NDA available to members.

Following the Golden Rule

If you are like most independent info pros, you will find yourself on side of the subcontractor relationship; you will be sending work to others and others will be asking you to work on their behalf. The Golden Rule of doing unto others certainly applies in this setting; the person to whom you subcontract a job today may hire you as a subcontractor tomorrow.

If You Are the Contractor

Buddhism teaches the practice of “detachment”—the art of appreciating and enjoying life without focusing on possession or need. As a contractor, you must develop a form of detachment as well. Your subcontractor will work the way he thinks best, using the sources and techniques he believes will get the best result. You have to let go of the urge to second-guess and micromanage the process, provided you are confident in his ability to conduct the research. Take a deep breath. Detach. Understand that many paths lead to the same truth, or at least to the

information your client needs. No two researchers ever approach a project in quite the same way, and there is seldom only one right answer to a research question. As long as you have confidence in your subcontractor's abilities, let him follow his own path.

But how do you develop the confidence to let go? To switch metaphors from Buddhism to romance, consider going out for coffee before you start dating seriously. Try a new subcontractor on a small project with a long lead time. If it does not work out, you can still find someone else to finish the job. You might be less prone to micromanage on something that is not a major, rush-rush project. Starting off this way also lets you discover what communication style works best with that particular subcontractor. Does she need a lot of hand-holding? Does she like to check in every day to give you an update? Do you like it when she does? Does she ask questions if she isn't clear on the parameters of the project? Is she flexible about the format in which the results are to be delivered?

Speaking of deliverables, make sure to tell your subcontractor how you want the results delivered to you. Supply a copy of your Word template, with whatever formatting you prefer and the headers and footers that you normally insert. (Headers and footers are a nice way to polish your report; the page numbers help the reader locate specific items from a table of contents, and a footer that contains your company name and contact information ensures that every reader down the line will know who is responsible for this fabulous report. See Chapter 37, Deliverables, for more discussion of packaging your research results.) Do you want the subcontractor to highlight key portions of the documents he has found? Do you want a table of contents at the beginning of the report? Do you want a list of all the resources used during the search? Be sure your subcontractor knows your requirements so that the material he sends you is ready, or nearly ready, to forward to your client or incorporate into your report. And when you first negotiate a project with a subcontractor, be sure to factor in enough time for you to tweak the deliverable to your own specifications. If your client needs the results by Friday, ask your subcontractor to send you the material by Wednesday evening at the latest. Once you have established a working relationship with a subcontractor and have confidence in his ability to deliver results that are up to your standards, you can reduce the amount of lead time you factor in.

Tell your subcontractor as much about the project as you can, within the bounds of client confidentiality. The more he knows, the more focused and on-target the research results will be. Stay in touch during the course of the research. For complex projects, it is usually best to get interim results as the job goes along, to make sure that the subcontractor is on schedule and generally in the right area. Even though that principle of detachment I mentioned applies throughout the project, you are ultimately responsible for the results of the research, and your client will expect you to stand behind what you deliver.

Remember that *you* are the subcontractor's client. That means that you must pay his invoice within the agreed-upon terms, whether or not you have been paid by your client. If you are working on a large project and you are concerned about cash flow, negotiate with your client for prepayment of a portion of the not-to-exceed budget. That way, you can afford to pay your subcontractor on time. And paying your sub on time is critical if you ever want to use him again.

Mary Earley of MME Research, said it best.

It's critical to pay promptly and to communicate with your subcontractors. In addition to being the professional thing to do, you engender loyalty and your projects will get higher priority than those of companies whose payment is not reliable. Also, your subcontractors may be willing to be flexible about payment terms if you have been reliable in the past. In one case, I had a client who switched from a 30- to a 60-day payment frame, meaning that I was going to need to pay later on a specific project. Because I was candid with my subcontractors at the outset, they were able to accept those terms.

Much as you want to be able to handle anything a client asks you to do, in some situations it makes more sense to refer a project out entirely to a colleague—taking yourself completely out of the loop—rather than subcontracting and retaining ultimate control of the job. When I get requests for complex medical or legal research, for example, I know that I would not be able to do a competent job of translating the client's needs for a subcontractor. I would not know what questions to ask during the reference interview with the client. I would not know if the information delivered by a subcontractor was reliable or not. And sometimes I step out of the middle of a transaction for reasons of liability. I do not take on intellectual property research, for instance, because there is a risk—small but real—of being held liable for enormous damages if a relevant patent or trademark was missed during the search. Rather than subcontract the work to an expert intellectual property researcher—which would mean sharing any potential liability—I simply refer the client to someone who I think would do a thorough and professional job.

John Levis, retired owner of John E. Levis Associates, said it best. “It takes a healthy ego to be an information entrepreneur—you have to be confident that you've got what it takes to provide high quality information services. But successfully running an information business also takes a healthy *lack* of ego. You have to be able to recognize when you just don't have the knowledge or expertise to do the best possible job for a client. And believe me, if you take on a job that goes beyond your abilities, your client can tell, and he just won't call you again.”

What About Referral Fees?

Independent info pros have various policies regarding the payment of referral fees when a colleague directs a client to them. I work on the assumption that, in the long run, referrals go both ways and it's more trouble than it's worth to pay referrals whenever a colleague sends someone to me, and vice versa. Some info pros will pay to the referring person either a fixed amount or a fee equivalent to some percentage of the time that they billed to the client. If you expect a fee for referring a client to a colleague, be sure to discuss this with the colleague ahead of time. And remember that there is no assurance that the colleague will actually complete the sale; even if you do agree upon a fee, it is usually contingent on the info pro getting the job. Referral fees, unlike payments to subcontractors, are usually sent after the client has paid the invoice.

If You Are the Subcontractor

What I enjoy most about being a subcontractor is the variety of projects I get to work on. I can see how other independent info pros package projects for their clients. (See Chapter 37, Deliverables, for more on packaging research results.) I enjoy having colleagues as clients—someone who understands what information I need in order to do the research. And I enjoy being spared from having to interact directly with problematic clients. The downside is that I don't get to hear from the happy clients who were impressed with the research, and I generally cannot call the client directly to ask questions or clarify a point.

When a colleague asks me to subcontract, it is a sign of trust. It is my responsibility to decide whether I really can do the work. Do I have the time? Am I familiar enough with the subject to do an excellent job? Am I comfortable with the budget, deadline, and description of the work? I know that my contractor is depending on me; if I botch the job, I have caused her to look bad to her client.

A subcontractor's responsibilities are pretty straightforward:

- Do not take on a job you cannot do well.
- Never, ever exceed the agreed-upon budget without explicit authorization by the contractor.
- Do whatever it takes to get the job done by the agreed-upon deadline.
- If you run into problems as you are working on the project, contact the contractor immediately. No surprises!
- Make sure you understand how the contractor wants the results delivered.
- Be professional. The contractor is your client. Even if you are just getting started as an independent info pro and relying on subcontracted work for most of your income, you should cultivate a number of clients, not just one contractor.
- Above all, be mindful that your contractor is counting on you. He has made a commitment to his client and is relying on you to deliver the goods.

Being a subcontractor also means that the contractor is trusting you to maintain client confidentiality. In some instances, a contractor directs me as the subcontractor to contact the client directly in order to clarify the research; I then introduce myself as my contractor's "associate." Once in a while, the client, assuming that the contractor and I are business partners, calls me later with a request for another project. It is critical for me to pass any such requests to the contractor; this was not my client to begin with, and I am ethically bound to decline any work from the client directly. When this situation comes up, I usually talk with the client just long enough to figure out that this is a new project, then explain that my colleague so-and-so handles all new projects, and that I will ask her to call the client back shortly to discuss the project.

Before you start a job for a contractor, find out how the end result should look. Does she want a Word file? If so, ask her to send you her template so you can use her standard formatting. (See the earlier section, "If You Are the Contractor" to see the same questions from the point of view of the contractor.) Does she want a cover memo? Even if she plans to incorporate your

work into a larger deliverable, write up a thorough description for *her*, if not for the client—of what you did, what you found, what you *didn't* find, and what additional research you would recommend (remember—one can almost always do more work on a job).

Finally, you have to market yourself as a subcontractor just as much as for any other type of work. The subcontracting portion of your client base will consist of your fellow independent info pros, but you still need to remind them occasionally of the services you provide. You are more vulnerable to economic downturns as a subcontractor; if the economy gets tight, independent info pros may have less business coming in, which means that they will have less work to subcontract to you. So this kind of work should not be your only marketing focus. If you have your own base of direct clients, you have a better chance of drumming up business than if you have to wait for your contractors to do so.

Running a Subcontractor-Based Business

Up to this point in our discussion of contractors and subcontractors, I have pretty much assumed that both parties do most of their own research, farming out work to colleagues occasionally. However, in another model for independent info pro businesses, the business owner focuses almost entirely on marketing and relies on a small cadre of subcontractors for all the research. Sue Rugge, one of the pioneers in our industry, built several successful businesses this way. Others have as well. This type of business works well even if you do not have a research background, as long as you enjoy—or at least don't mind—marketing.

The idea behind a subcontractor-based business is that you, the owner, focus on building the business and managing clients, while subcontracting the work to expert researchers—all of whom are independent info pros running their own businesses; they are not your employees. You need to develop strong relationships with five or six subcontractors, all of whom are willing to give your jobs top priority. In exchange for a steady income stream, they agree to discount their hourly rate for you. Assuming that you can mark up your subcontractors' rates by a third or half, this can be a profitable business model.

You may have to hire someone to help you manage the flow of work through your office—taking the initial calls from clients, conducting the reference interview if you are not available to do so, tracking which subcontractor has which job, making sure the results of each job are returned to you and then sent on to the client in time, keeping track of expenses for each project, and so on. You do not have to be a researcher yourself to run a subcontractor-based business, but you do need an understanding of information resources and realities so you can discuss the project intelligently with the client. You can either estimate the budget yourself or discuss the details with the subcontractor who will be working on the job and get his or her estimate of the total hours and expenses involved.

If you are going to rely on subcontractors to do most or all of your research, you need to identify info pros who are very good, who have enough open time that they can set aside a certain amount of time for your work, and who are willing to discount their hourly rate in exchange for steady work. This may be harder than it sounds; most independent info pros who are worth their salt are busy with their own clients, and many are not willing to substantially

reduce their fees. The effort to find the best info pros you can is worth it, though; they will enable you to offer top quality research services to your clients, ensuring that they remain repeat clients.

For this kind of business to succeed, you have to be a good marketer, because that is what you will spend much of your time doing. You have to be organized and willing to set up procedures for managing the flow of work through your office; when every project goes out to a subcontractor, it is a lot easier for an occasional job to slip through the cracks. You have to focus on the bottom line, because overhead for your office administrator cannot be directly billed out to a client. And you have to be comfortable relying on others to do your research for you. Unlike the ad hoc subcontracting that the typical info pro occasionally engages in, running a subcontracted research company requires that you involve your subcontractors in your business. They will get to know your clients, they may use your account to search the professional online services, they will occasionally mess up, and you will have to cover for them with your clients.

In spite of such challenges, the subcontractor-based business model can be lucrative. You can grow your business as large as you want; your only limitation is how much marketing you want to do and how many subcontractors you want to manage.

Top Tips for Subcontracting

For subcontractors:

- Never exceed the agreed-upon budget.
- Always deliver your results on time or, better yet, early.
- Never take on a job you cannot do superbly.

For contractors:

- Treat your subcontractors as partners. Give them as much information as possible about each project.
- Detach. Find the best subcontractors you can and then let them approach projects however they want.
- Pay your subcontractors promptly, regardless of when your client pays you.