In pursuit of a workable collaboration model

In the countless discussions about business models and channels to market, the term "collaboration" has become somewhat overused. Freelance consultants and contractors have many potential channels for acquiring work, and deploying a healthy mix of them can prove more successful than concentrating on just one.

Some PCG members rely on agencies to find work for them, whilst others find all their projects through their own marketing and networking activities.

There is an ongoing discussion within the industry regarding the merits, requirements and processes associated with successful collaboration. Here we aim to present an overview of the current thinking and introduce a few ideas for further consideration.

Models of collaboration

There is no fixed form for a collaborative project, nor any timescale obligation.

- Prime and subcontracts: one organisation leads the project and identifies and selects suitable subcontractors.

- A consortium: a number of organisations agree to work together and set up a new consortium company to represent the group, or simply operate as an informal syndicate.

- Partnership of companies: the individual companies enter into a formal (usually written) partnership agreement.

All three models are valid and deciding which to adopt should take account of:

- The type of work and the type of client.

- The timescale of the collaboration. A team of freelancers agreeing to work together over the long term and present themselves as a group with synergy of skills might find a consortium company more appropriate.

- Individual situations. If a consultant has the potential to win a piece of work but needs to subcontract certain aspects then a prime/subcontract arrangement would be more suitable.

Do you need a contract?

Most definitely yes. Experienced collaborators will always recommend a contract of some form; ideally this should be agreed and engrossed before any work begins and should cover all the important issues and the understanding between the parties. It should specify what happens in the unfortunate event that:

- The client goes bankrupt

- One of the team wants to pull out

- One of the team does not perform

It should also address the financial issues in some detail, such as how the revenue, costs and risks will be shared, who will cover the costs of administration, legal fees and marketing, and cash flow implications. The issue of intellectual property rights is another thorny one that should definitely be covered, and the contract should be quite clear about which parties will undertake specific work tasks.

Dealing with the client

Clients invariably prefer to deal with a lead individual responsible for overseeing the project, including deliverables and performance management. Assess which team member is best suited to carry out this important role; whilst project management and negotiation skills are important, the ability to build up a strong rapport with the client may also be a key consideration when they are looking to commission additional work.

Finding people to collaborate with

Matching the range of skills required for a project is only half the picture; finding a team in which all parties can work effectively together may be harder. Successful collaboration is based on the whole being greater than the sum of the parts, so choose your collaborators carefully.

- Talk to fellow freelancers

- Post on the PCG forums

- Post on other forums, e.g. Reed (free)

- Use other networks, e.g. BNI, BRE, e-cademy

- Use professional trade organisations

Assessing their skills

- Ask for detailed CVs

- Check out some of the jobs or projects

- Take references from fellow contractors

- Consider their previous conduct

Evaluating team fit

- Arrange a group meeting

- Establish whether your values and working styles are sufficiently aligned to allow trust and working together

Collaboration in practice: a case study

Project Pilots Limited was born in April 2002 when half a dozen freelancers, all PCG members, decided to band together.

Their motivation was threefold:

- They agreed that the postmillennial freelance marketplace was being transformed rapidly and that to survive in the future, they would be better able to adapt as a collaborative brand.

- They believed that, by pooling their diverse skills, they ought to be more attractive to clients and better equipped to bid for opportunities that might otherwise be out of their reach.

- They were – and still are – all friends who trusted and respected each other and relished the chance to work together.

Shortly after forming the company, several of their number became involved in a project for which Project Pilots was an inappropriate vehicle and it was mothballed for two years. The company was relaunched at the beginning of 2005 and currently comprises five directors and shareholders, all of whom are PCG members.

Primary competencies cover all aspects of successful project delivery and those skills underpin a range of service offerings designed to help clients maximise returns from new and existing IT investments. Project Pilots is an authorised VAR (Value Added Reseller) for Compuware's automated testing and performance improvement software tools, Changepoint's governance product suite and the UNIFACE application software development toolset and can supply fully accredited Primavera project management product training and consultancy.

In June, Project Pilots became the fifth company to pass its BVQI external quality audit via the PCG (QS) scheme and has now achieved UKAS-accredited ISO9001:2000 certification.

Although Project Pilots had already secured business in the construction industry, gaining ISO9001 certification has been crucial to winning business in the rail industry. Owen Williams Railways Ltd say that being ISO9001 compliant was a major factor contributing to Project Pilots winning their contract.

"Wherever feasible, we promote the capabilities and services of fellow PCG members to actual and potential clients," says director Peter Gable. "When we need additional resources, our first port of call is to source expertise from the PCG reservoir of talent. To protect our reputation, our mandatory criterion is that the candidate must be known to us, from within our network of contacts, and that we'd have no reservations in endorsing them.

"In developing our model, we wanted to grow the Project Pilots brand to achieve self-sufficiency and a critical mass capable of providing us with a satisfactory income whilst being unambiguously acknowledged as a 'genuine business' by whatever definition government departments wish to apply. We also wanted a flexible business model that offered each shareholder the choice of working both/either under the Project Pilots brand and/or under his own company identity."

Gable summarises their adopted model:

- Project Pilots is incorporated as a limited liability company.

- Shares have been allocated equally between the company founders, each of whom is a director.

- Currently, Project Pilots has no employees and does not run a payroll.

- They have deliberately not sought seed capital from banks, business angels or venture capitalists in order to avoid the risk of compromising control of their company.

- Project Pilots sources work and divides the assignment into logical work packages which are subcontracted to some/all of the companies operated by the shareholders and, as appropriate, to other third parties.

- Project Pilots owns the client relationship and the contractual responsibility to deliver an assignment, and bills the client.

- Each company operated by a shareholder, to whom work has been allocated, invoices Project Pilots for the agreed standard daily rate. Any surplus is retained by Project Pilots to fund operating and development costs and add to capital reserves.

- At the end of each financial year, the directors decide on the proportion of any surplus to be retained in the company and the dividend amount, if any, to be distributed according to shareholding.

Gable says that although Project Pilots is still in the early stages of its development, he and his colleagues have learnt some valuable lessons that others may find helpful:

- Their collaborative model appears to satisfy their aspirations and operable constraints, but may not suit everyone.

- Mutual trust and respect have been crucial in helping them overcome difficult situations which might otherwise have derailed the concepts.

- Effective and regular communication between partners is essential.

- Compromises and some personal sacrifices are likely to be necessary.

"We also developed and agreed a comprehensive business plan, with timelines, at the outset," says Gable. "This covered corporate governance, financial planning and management, protocols for the reimbursement of costs and division of profits, competitive analysis, routes to market, target customer groups and selling methods, brand marketing, development of products and services, SWOT analysis and resourcing.

"We sought the views of other successful business owners, whose opinions we respected, to test our business plans. Inadequate funding to cover start-up costs can cause the enterprise to remain stillborn. We recognised at an early stage that our model might incur corporation tax penalties in due course, but we took the decision that the advantages, to us, of our model outweighed apparent downsides.

"Finally, we recognise that being able to sell successfully is a very definite skill and should not be underestimated. As expected, this has proved to be our weakest area but one which we are addressing. We have made mistakes and will continue to make mistakes and learn, but we have seen enough promise to encourage us for the future of Project Pilots."

See www.projectpilots.net