



FARRAR'S FAUCET

ACTIONABLE THOUGHTS ON RELATIONSHIPS AND
CONNECTIONS FOR SUCCESSFUL BUSINESS

Collaborative consulting

I often find myself working with other consultants or sharing a project with another business. No-one wants to get into the area of recording time-sheets or accounting for each and every hour of our time. Isn't that why a lot of us left the cubicle farms? Here's how I manage a fair share of revenues that gives everyone a stake in developing the business together.

In principle we agree we will calculate our proposed fees, and divide the revenue by using a "rule of thirds". First, I deduct costs, and 10% that goes to whichever firm is doing the invoicing. Then I divide the revenue into thirds: 1/3 Selling and Lead management; 1/3 Customization and Configuration; and 1/3 Execution and Implementation. Within each third I divide the revenue up roughly according to the time put in by each person. Each partnership is really a "joint venture" on each customer project.

For this to work each person needs to have complementary skills and a similar work ethic. Trust is essential.

Here is an example working with a consultant identifying new prospects and implementing consulting solutions.

- Together we determine \$30,000 is an appropriate fee in proportion to the value for the client and the market for the solution. We assign the revenue to three areas: 1/3 Selling and Lead management; 1/3 Design and Development; and 1/3 Execution and Implementation. Within each third we share the revenue according to the approximate time put in by each of us.

- Let's say my involvement is focused on the sales and marketing, and I contribute about half of the s&m effort. I have little or no involvement in design and I don't do any implementation.
- My reward for a successful sale would be \$5,000

I think this is very fair. I have always been prepared to adjust or tweak the arrangement if we think something else would look fairer. However, the final outcome looks a lot like the 10-15% "spotter's fees" that some consultants use, while it establishes a principle that can be used for any future collaboration. I have used the same formula where I have provided a sales opportunity to a trusted colleague from my network and we have shared in the execution and implementation of the final service.

Of course, revenue sharing is irrelevant if the other person is providing me with a defined fee for service which I'm passing through to the client. Revenue sharing arises from shared effort and shared risk.

If it looks like the project will be an ongoing engagement with the client I put a twelve month cap on revenue sharing. I always offer to share revenue like this on any potential project where there is shared risk, and I use the "rule of thirds" as a simple way of discussing how to share the reward.

Much simpler than time sheets.

ABOUT ME



DAVID FARRAR

A psychologist with an international practice as a consultant and professional speaker, David studied at the Royal Military College of Australia, (MUR), University of Melbourne, and Northwestern University, (Kellogg Business School). David has degrees in economics and psychology, graduated his master's program with honors, and qualified as a psychologist in Australia. David is the President of FGRAssociates, LLC, and Assistant Professor of Organizational Leadership at Saint Mary's University, Minnesota.

View this page online: <http://farrarsfaucet.blogspot.com/2007/10/collaborative-consulting.html>

Home page: www.FarrarsFaucet.com

Contact me at David.Farrar@FGRAssociates.com