The Ins and Outs of Subcontracting

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THE INS AND OUTS OF SUBCONTRACTING

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If you’re an internal practitioner or full-time employee in the talent development field, you may have at some point thought about branching out on your own. If you’re already an independent consultant, you may be always looking for ways to generate more business. Subcontracting is a form of consulting that can augment independent consultants’ business and is one talent development professionals should consider before making the leap to self-employment.

Just because a person is a successful independent consultant doesn’t mean that doing “sub” work is more of the same. There are some similarities but also some significant differences in how you do the work, what you’re accountable for, as well as a range of other business factors—such as pricing, ethics, and scope of work.

Subcontracting is typically a situation where a company or individual generates the business, then hires another person to deliver the work. Usually that person will deliver work that represents the contracting organization, often using the company’s materials,
following its rules, representing its brand, and dealing with a series of restrictions that wouldn't apply if the subcontractor was on her own. Some independent consultants get most or all their work from subcontracting gigs. Other independent consultants have no interest in subcontracting work, often because of issues such as branding and business restrictions.

In this issue of TD at Work, we will discuss:
• why talent development professionals should consider subcontracting
• how to get started as a subcontractor
• how and how much subcontractors generally are paid
• questions to ask when considering a subcontracting gig
• land mines to avoid and tips for being successful.

Why Subcontract

What are the major advantages of subcontracting? For many, it is a way to avoid the marketing and selling side of the business. When subcontracting, you are representing the primary contractor (or prime) and, as such, don't have to find the clients yourself. This saves time and potentially marketing dollars, because someone else is doing the marketing, sales, and contracting—things you may not excel at or enjoy. Still, as a subcontractor, you must find contractors and build relationships with them. Note: Subcontractors still need to sell themselves, but it is usually through networking, involvement with associations, and reputation, rather than cold calling, creating a pipeline, making sales calls, and then working to close the sale.

You may also find that subcontracting helps you avoid a lot of the administrative and paperwork tasks. Typically, the contractor is finding and closing the business, submitting the proposals, agreeing on terms, handling billing, and meeting with the client to ensure it receives what it needs. The subcontractor is often responsible only for submitting hours or invoices on a regular basis. Unless it is part of the subcontracting scope of work, subcontractors do not have to prepare reports of outcomes for the client.

Still others use subcontracting as way to test the waters or get started as independent consultants. This way, you can see how others view your talents and whether you like doing project work. As a subcontractor, you may have opportunities to work for companies within the Fortune 500 that you would not normally have access to as a new independent consultant. Subcontracting gets you and your name known. It provides an opportunity to see what type of work is available and in demand and what kind of work you like. Further, it provides you with solid references or past performance examples you can share if you decide to branch out fully on your own.

For some, subcontracting is where they will stay 100 percent of their career. It is an opportunity to learn about different industries, grow skills further, and identify the types of organizations with which they like to work. Likewise, subcontracting is an attractive option for individuals who prefer projects that have a start and finish and clear deliverables. Some consultants just want one-and-done projects. They prefer to go into an organization, do their piece, and then exit. Finding contractors who need your skill set can be the right fit if you are more narrowly focused and want to do only certain kinds of work.

Subcontracting as a Side Gig

Some individuals decide to work outside of their full-time jobs and seek outside subcontracting work as a side gig. They may pursue this because they want to grow their skills, test the waters of independent consulting, teach, or experience different work situations without leaving their primary job. In these situations, rules will vary with your main employer and the country you’re in. For success, follow these procedures:
• Make sure your employer knows what you are doing. Don’t be covert.
• Ensure there is no perceived conflict between your full-time job and your relationship with the contractor or client.
• Never give your employer a reason to doubt that your full-time job takes priority.
• Do your work outside of regular business hours and use paid leave or vacation time to do the subcontracting work. Note, this will limit your availability to the contractor and the frequency with which you can do this work.
For independent contractors, subcontracting is a way to supplement their work. A steadier subcontracting gig can provide an income stream or fill in scheduling gaps. In our experience, many independent consultants have completed some subcontracting to maintain a relationship they built before going independent.

The subcontracting field can be a beneficial way to do business as long as you are aware of the potential challenges and pitfalls. Whether you choose to do some subcontracting or pursue it solely depends on where you want to take yourself and your business.

**Getting Started**

You have several different pathways available for becoming a subcontractor. Many start subcontracting when they are between jobs; others move from an employee to subcontracting for an existing contractor that their employer uses. Still others intentionally choose to become full-time subcontractors because they want the flexibility away from a regular 9-to-5 job, but without the hassles of marketing, billing, and some of the other aspects an independent contractor has to contend with.

**Before You Leap**

Before you launch a career as a subcontractor, develop skill sets to a mastery level. Whether designing, delivering, facilitating, or coaching, contractors typically need people who are ready to hit the ground running and accomplish the work they are assigned with very little development. Working efficiently, effectively, and with a high degree of professionalism and customer service is a given. Subcontracting also requires you to be adaptable and a bit of a chameleon. You need to represent the contractor using the company’s approach, often with its methods, tool sets, and materials. Essentially, subcontractors represent the contractor’s brand and style.

Further, ensure you have a financial reserve. Work often comes in spurts where you are swamped one month and have no work the next. Smaller consulting companies, especially, will only pay subcontractors when the company has been paid. Even if the consulting company has the money on hand, the firm may still take 30 days before paying you.

If a contractor is waiting for the client to pay, then it can take 30 to 90 days after invoice submission for a subcontractor to see the payment. It becomes more complex if a subcontractor is part of a larger project with multiple phases and subcontractors. In those cases, it may take longer for milestones to be reached and invoices submitted. In our experience, it may be months before a subcontractor is paid for work. It is important to understand this before you begin working. We strongly recommend having a minimum of six months of reserves in the bank.

Next, ensure you have a strong network. If you are in the planning stages, become involved in local professional organizations and industry associations with whom you are interested in working. Of course, there are many other reasons to develop a strong network—and to maintain it—throughout your career. These networks often will, for example, provide an opportunity to build your skills and knowledge and may provide a mentor, either formal or informal. Rick Hicks worked extensively in the oil and gas industry and was involved in the International Association of Drilling Contractors as a volunteer and speaker at conferences. Within the construction industry, he was involved with Associated Builders and Contractors and other construction-related associations.

As internal training leaders, whenever we have been contractors and have selected subcontractors, the first place we often look is to the connections we have made within industry associations, and we tend to contact the people who have worked with us in volunteer roles.