ALAN WEISS

Value-Based Fees

3rd edition

How to Charge What You're Worth

and Get What You Charge

WILEY

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*Dedicated to the heroic people in our police and fire departments
and all first responders, whose value will always
exceed anything any of us could ever afford to pay.*

Other Works by Alan Weiss

Alan Weiss on Consulting (interviewed by Linda Henman, Aviv Shahar)
Best Laid Plans (originally *Making It Work*)
Business Wealth Builders (with Phil Symchych)
Getting Started in Consulting (also in Chinese)
Fearless Leadership
Good Enough Isn't Enough (also in Spanish)
Great Consulting Challenges
How to Acquire Clients
How to Establish a Unique Brand in the Consulting Profession
How to Market, Brand, and Sell Professional Services
How to Sell New Business and Expand Existing Business
How to Write a Proposal That's Accepted Every Time
Legacy
Life Balance
Lifestorming (with Marshall Goldsmith) (also in Korean, Indonesian, Turkish)
Managing for Peak Performance (also in German)
Million Dollar Coaching (also in Portuguese)
Million Dollar Consulting (also in Portuguese, Russian, Polish, Chinese, Korean, Arabic)
Million Dollar Consulting Proposals
Million Dollar Consulting® Toolkit
Million Dollar Launch
Million Dollar Maverick
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Million Dollar Web Presence
Money Talks (also in Chinese)
Organizational Consulting
Our Emperors Have No Clothes
Process Consulting
The Consulting Bible (also in Portuguese)
The DNA of Leadership (with Myron Beard)
The Global Consultant
The Great Big Book of Process Visuals
The Innovation Formula (with Mike Robert) (also in German, Italian)
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The Resilience Advantage (with Richard Citrin)
The Son of the Great Big Book of Process Visuals
The Talent Advantage (with Nancy MacKay)
The Ultimate Consultant
The Unofficial Guide to Power Management
The Power of Strategic Commitment (with Josh Leibner and Gershon Mader)
Threescore and More
Thrive!
Value-Based Fees
Who's Got Your Back?

For the Third Edition

My global coaching clients, both executives and entrepreneurs, have provided me with continuing "finger-on-the-pulse" wisdom from both sides of the desk. It's been my pleasure to work with them and to earn their trust.

I'm also thankful to the successful thought leaders who constantly exemplify generosity, which I've tried to emulate, though not as successfully as they have. So I happily thank Chip Bell, Dan Gilbert. Bob Cialdini, Dan Pink, Chip Heath, Jonah Berger, James Carville, Marty Seligman, Marshall Goldsmith, and Lou Heckler for their contributions to me and my global community.

Contents

Introduction to the First Edition

T*he Ultimate Consultant Series* is intended for successful practitioners who are seeking to scale still loftier heights. I'm happy to be among them.

This book is probably on the topic most eagerly anticipated of any I've written about in consulting. For the first time, I've recorded everything I know about the techniques that have worked best for me in raising fees, obtaining fees from unlikely sources, and supporting continuing fees. Yet this is by no means a mercenary book.

I believe in two aspects of consulting very strongly. First, you can't help others until you help yourself. Consequently, unless you're at least comfortable and secure financially, it's difficult to engage in *pro bono* work, to contribute to charities, and to help others to achieve their goals. Second, the basis for any successful client relationship is a win-win dynamic, the "good deal" you'll read about throughout this book. Therefore, you have to be treated well financially, and the client has to appreciate your value.

And when you come right down to it, there's a third aspect: Clients truly believe that they get what they pay for. No buyer ever bragged about being successful in capturing the cheapest consultant available, someone sitting by the phone with no business who took on the assignment in return for food. No, buyers—and their egos—revel in telling people that they snagged a consultant impossible to obtain, had to pay dearly, and expect everyone to listen closely.

After I worked on a project for a total of about six hours, the CEO asked his top officers what they would have charged had they been I. They guessed about $2,000 or less, having multiplied and divided by the $150 or $200 hourly rate that they charged.

"Well," said the CEO, "he's charging us $18,000, *so listen up!*"

Dizzy Dean said once, "If you can do it, it ain't braggin.'" As you read on, you might want to listen up.

Alan Weiss, Ph.D.
East Greenwich, Rhode Island
November 2001

Introduction to the Third Edition

We speak today of "disruption" and "volatility." With the original version of this book over a decade ago, nearly 20 years ago, I disrupted the consulting profession with the concept of billing for value and not time.

Today, professional services organizations, from law firms to accountants, from architects to professional organizers, are evolving toward value-based fees (though some are mammals and some are still dinosaurs).

In volatile times, your value is your value. It doesn't matter whether you're on Zoom, or Skype, or you're a holograph levitating in a virtual meeting room. Value is not "presence," and certainly not physical presence in the traditional sense. In fact, the benefits of meeting without travel, without the expenses of lodging and transport and food, and without the vagaries of rescheduling and postponing at great cost due to uncontrollable factors, make for even greater value in remote interactions.

The $18,000 cited in the introduction to the earlier edition would be $50,000 today. Our value is greater than ever, but it does face that toughest of all sales.

The first sale is always to yourself.

Read on, and let me assist you in closing the deal.

Alan Weiss, Ph.D.
East Greenwich, RI
March 2021

Acknowledgments

My thanks go to the people who have made the fees possible, the wonderful clients with whom I've had the good fortune to work over the past two decades. I immodestly think that they're better off, and I know that I am. They are wonderful people.

Who says that nice guys finish last?

Here's to the most enduring clients: Dr. William Winter, Keith Darcy, George Rizk, Art Strohmer, Jarvis Coffin, Marilyn Martiny, Wayne Cooper, Lowell Anderson, Roseann Strichnoth, and Jerry Arbarbanal.

Deep appreciation goes to the wonderful editors at Jossey-Bass/Pfeiffer, headed by Kathleen Dolan Davies, the only human who speaks even faster than I do. It has been a joy to work with them all.

My thanks also go to Matt Davis for suggesting and assisting in the second edition.

Once again to L.T. Weiss, my love and affection—I know you hear me.

About the Author

Alan Weiss is one of those rare people who can say he is a consultant, speaker, and author and mean it. His consulting firm, Summit Consulting Group, Inc., has attracted clients such as Merck, Hewlett-Packard, GE, Mercedes-Benz, State Street Corporation, Times Mirror Group, The Federal Reserve, The New York Times Corporation, Toyota, and over 500 other leading organizations. He has served on the boards of directors of the Trinity Repertory Company, a Tony-Award-winning New England regional theater, as president of Festival Ballet Providence, and chaired the Newport International Film Festival.

His speaking typically includes 20 keynotes a year at major conferences, and he has been a visiting faculty member at Case Western Reserve University, Boston College, Tufts, St. John's, the University of Illinois, the Institute of Management Studies, UC Berkeley, and the University of Georgia Graduate School of Business. He has held an appointment as adjunct professor in the Graduate School of Business at the University of Rhode Island, where he taught courses on advanced management and consulting skills. He once held the record for selling out the highest priced workshop (on entrepreneurialism) in the then-21-year history of New York City's Learning

Annex. His Ph.D. is in psychology. He has served on the Board of Governors of Harvard Medical School Center for Mental Health and the Media.

He is an inductee into the Professional Speaking Hall of Fame® and the concurrent recipient of the National Speakers Association Council of Peers Award of Excellence, representing the top 1 percent of professional speakers in the world. He has been named a Fellow of the Institute of Management Consultants, one of only two people in history holding both those designations.

His prolific publishing includes over 500 articles and 60 books, including his best-seller, *Million Dollar Consulting* (from McGraw-Hill). His newest is *Legacy* (Taylor &and Francis). His books have been on the curricula at Villanova, Temple University, Stanford University, and the Wharton School of Business, and have been translated into 16 languages.

He is interviewed and quoted frequently in the media. His career has taken him to 63 countries and 49 states. (He is afraid to go to North Dakota.) *Success* magazine cited him in an editorial devoted to his work as "a worldwide expert in executive education." The *New York Post* called him "one of the most highly regarded independent consultants in America." He is the winner of the prestigious Axiem Award for Excellence in Audio Presentation.

He is the recipient of the Lifetime Achievement Award of the American Press Institute, the first-ever for a non-journalist, and one of only seven awarded in the 65-year history of the association. He holds an annual Thought Leadership Conference, which draws world-famous experts as speakers. In 2017 his featured speaker was Harvard Distinguished Professor Dan Gilbert, whose work on happiness has drawn over 15 million TED views.

He has coached former Miss Rhode Island/Miss America candidates in interviewing skills. He once appeared on the popular American TV game show *Jeopardy*, where he lost badly in the first round to a dancing waiter from Iowa.

Alan has been married to the lovely Maria for 52 years, and they have two children and twin granddaughters. They reside in East Greenwich, RI, with their dogs, Coco and Bentley, a white German Shepherd.

CHAPTER 1

The Origins of Value

What People Want Is Not as Important as What They Need

ABUNDANCE AGRICULTURE AND THE ARTS

Somewhere in the mid-eighteenth century, agricultural production exceeded population growth, meaning that surplus farming could replace subsistence farming in many places. The farmer could therefore barter crops in exchange for someone to repair fences, tutor the children, or sing in the evening.

Thus, "value" became highly important. Was someone who planted crops more valuable than someone who tended the animals? Was a plow horse more valuable than a new roof? Could some of the children be released from sunup-to-sundown chores by employing others, perhaps even sending them to school, or the priesthood, or the military, or a convent?

And I'm quite sure that about 200,000 years ago one of our forebears exchanged some flints or arrowheads he had prepared in exchange for a mastodon steak or some hide for clothing. The two parties involved somehow reached an agreement about the value of the transaction and the worth of the services or products.

"Value" represents worth, usefulness, importance, good stuff like that. A "fee" is equitable compensation paid in return for a desired service or product.

Questions? Simple, right?

I was the keynoter at a convention once where a participant in the audience told me that he could make more by billing hourly for his time than anyone could basing fees on value. I laughed and walked away. This isn't a shade of grey, or a debate, or philosophic point. He was denying the existence of gravity or oxygen.

Alanism: *Logic encourages thought, emotion urges action.*

When retailers find sales declining, the smarter ones *raise* prices, they don't engage in desperation sales. Buyers are willing to pay the higher prices when they perceive those prices denote higher value.

People believe they get what they pay for; otherwise no one would buy a Brioni suit, or a Bentley car, or a Breitling watch. Now, you don't need Brioni, Bentley, or Breitling for attire, transportation, or the time of day. But they do fulfill certain ego needs, certain emotional desires. Nothing wrong with that.

Logic makes people think, but emotion makes them act. When I was confronted with the need for a wrench, sending me to the unfamiliar hardware store, I found three wrenches, all alike, at three different prices. I chose the most expensive on the "emotional" basis that it was probably made from better materials (I had zero evidence of that). Some people will buy a brand name they recognize on that same basis, which is why we'll focus on the relationship between fees and brands later in the book.

When a woman asked me in 1985 if I'd like to have one of the very first car phones in New England (the last four digits were 2468 at my request), I didn't do a cost analysis or ask for references; I told her to get over to my place and I'd cancel my afternoon appointments. Ego needs are quite legitimate and very powerful buying catalysts. Today I carry the latest iPhone in my pocket; it works through my car's sound system (but I wouldn't mind looking into a mastodon steak if possible).

At some point, of course, there was the question of how many days, how much *time*, how much *presence* was required, and time became a measurement of value. Yet it's interesting that a field hand might have been paid by the day or a teacher by the lesson, but the great artists were paid by *results*. Michelangelo, da Vinci, Beethoven, and Mozart were commissioned to create works of art, not to work by the day or to be "present." Some of these works took years and there were vast gaps between the commission and the fulfillment thereof. Da Vinci was famous for lugging works around with him that were in various stages of completion, including the Mona Lisa. Michelangelo required four years to complete the ceiling of the Sistine Chapel, despite the imprecations of Pope Julius who, understandably, wanted to see it in his lifetime.

For our purposes here, and for your purposes in terms of future success, "value" pertains to the quality and power of the results delivered. There is no value in a training program, a book, a focus group, a strategy session, a coaching engagement, *unless there is a demonstrable tangible and/or intangible result of quality and pragmatic application*. By "intangible" I refer to ego fulfillment, aesthetics, comfort, security, and so forth. Not all value is monetized, *and in fact some of the greatest value is intangible,* such as an improvement in self-esteem or closer relationships and intimacy.

As we continue, please bear in mind that this type of thinking is a question of "mind-set." You have to believe that the result is the key, and not arbitrary "deliverables," those darlings of the human resource crowd, or the time required. Cole Porter, Salvatore Dali, Thomas Alva Edison never worried about the time required to create value.

However, there is a second aspect about this mind-set that is overarching: Charging by a time unit is unethical.

I mean that as harshly as it's written. I read a piece on social media while writing this book from an Australian accountant who pointed out that if you charge by the hour (as most accountants still do) you "run the risk of cheating yourself of greater income." What he meant is that if you're good and fast, an advantage to your client, you get paid less. If you're slow and inept, a disadvantage to your client, you can make a lot more money.

This is the inherent unequivocal problem with fees based on time units or "showing up": They abuse your client relationship *or* they undermine your ability to earn money. Every client deserves fast and quality results, and every professional services provider deserves equitable compensation based on the results they create.

I don't believe anyone ever asked Picasso how long it took to paint *Guernica*. Some expert valuations place it at a worth of $200 million. That is not a typo. At a $1,000 an hour, an incalculable fortune in Picasso's time, he'd need 200,000 hours to equal the $200 million price by the hour. That's about 22 years. He lived to 91, so perhaps working round-the-clock he might have done it.

That agricultural transformation, as well as ego fulfillment and including great results not based on time, are a function of *an abundance mind-set*.

THE ABUNDANCE MIND-SET

It's insufficient to possess abundance. *One must be willing to use it*. We must move from a poverty and scarcity mentality to an abundance mentality. If the farmer with a surplus decided it was best to keep it and protect it for that proverbial "rainy day," there would be nothing with which to pay for a tutor or fence repair. And some people, no matter what their income or savings or prospects, *act as if they're poor*.

You've all seen this: the otherwise successful people who never pick up a check, who take modest vacations, who have ten-year-old cars, whose houses need maintenance. These are people continually asking if they "really" need something as an excuse not to spend money on an acquisition. We've all seen elderly people who have ardently saved through their lives only to lose it all in a health crisis or scam.[1]

I once asked a group of coaching clients at an event what they would do if they unexpectedly gained $600,000 via a client request for work, or a lottery winning, or an inheritance. Most spoke of partial savings, some philanthropy, some personal acquisitions, vacations, and so on. But one woman said to me, "I wouldn't touch a cent of it, it would sit in the bank!"[2]

Thus, we experience people with significant growth and prosperity who continue to act as if they were desperately trying to gain a foothold, to keep