

WHY WE DON'T BILL BY THE HOUR

Derrick Van Mell (January 9, 2003)

To value each hour of work equally and to price and manage each hour is as corrosive a policy as any creative group of professionals could devise.

To pretend that each hour is worth the same as every other is ridiculous. A brilliant insight can come in a flash, and save a client from disaster or find them millions. Other hours are dull or wasted and lead nowhere. It's clear that billing by the hour is unfair to everyone.

On our first trip to a veterinary hospital to help untangle a costly renovation scheme, we pointed out to the vets that they could build a new hospital for less on the vacant lot they owned next door. We then went home. Elapsed time: forty-five minutes.

Of course, professionals, like everyone, must track their time and their staff's time. But tracking each hour draws the professional's eyes away from the client's needs and toward the professional's reward. Whether measured by the hour or minute, the client completely depends on the advisor's honesty to price and record their work effort fairly.

At Van Mell Associates, we avoid all the problems of billing by the hour by working only for a fixed fee based on a clear scope of work. This puts the onus on us, not the client, to manage our time. We're the experts in our field; it's why we're hired in the first place. A fixed fee further improves trust by keeping communications open. Our clients don't hesitate to share a worry or idea because they'll get billed for those six minutes.

Of course, we still need a way to manage our time, both for efficiency and for estimating the work needed in a new assignment. *Our solution: a Good Day's Work.* This unit avoids false precision and is based on our honest judgment of worth using even increments of 10%. If we honestly feel we put in 10% of the day working hard on a client's problem, that's what we record. If we honestly felt we worked hard, but only for a few minutes, we don't record it. If we see we've helped the client enormously, frankly, we round up.

For those few of our clients who insist on being billed based on time, we simply share our record of Good Days Worked. If they were to challenge our report, we would give them back the value they feel unearned, no questions asked. We let them know they can do this at the outset of the engagement. We want them to know that we're working on their problems, not on endlessly herding minutes. We're happy to say we've never been challenged.

The simplicity and speed of our approach is another of its benefits to our clients. Too many professionals begrudge the time spent tracking minutes, and so the client winds up paying for the time spent administering minutes. What client has been made any wiser by a highly detailed timesheet of hours? Why do so many clients accept this system and not demand another?

In the end, our approach forces us to ask ourselves daily, "Did we put in a Good Day's Work?" instead of "How many hours did we bill?"