

# Relating fees to results

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In Britain about 12% of contracts are related to results, in the US about 70%. Take this with a pinch of salt, as there are many variants, from the simple 'Payment on acceptance of report' to 'payment being a percentage of savings identified'.

For example, you may agree on 30% of savings identified in year 1, 25% in year 2, 20% in year 3. You should also require that expenses are paid immediately they are incurred.

Remember that only a proportion of the savings or increased profits identified will be clearly the result of your work alone.

### **SOME REASONS FOR DOING IT**

1. It may get you into organizations or businesses you could not get into otherwise.
2. It is appropriate when you have more confidence in yourself than your client has in

you.

3. It is appropriate when you want a higher fee rate than your client is willing to pay.
4. If you have no other fee paying jobs at the moment, the marginal cost is small.
5. It helps you learn a new industry. You can take as long as you like, without being seen to be accepting a very low fee.
6. It can get you new contacts and referrals.

### **ASK YOURSELF**

7. Is it consistent with your image and values?
8. Is it feasible to get the results specified?
9. Are the key variables under your control? Will you get the data? Will they implement your recommendations?
10. Is the fee rate enough, considering that you will be bearing all the risk, and will have a poor cash flow?
11. Can you survive on the cash flow? Certainly expenses should be paid immediately, and you may negotiate a bit extra.
12. Is there any way of measuring success, a way which cannot be fiddled, and which is acceptable to both of you?
13. Is there a clear contract, which both of you accept as binding?
14. Will they be able to pay? If they go bankrupt you have lost everything.

15. Will they try to wriggle out of it?
16. What failure rate can you accept? If they cannot pay, will not pay or if you do not produce the goods, you have lost everything.

### **CAN YOU DO IT?**

17. Can you produce the savings or increased profits necessary?
18. Can you make it completely clear that these are produced by you? Very difficult with change agent, facilitator, trainer, carpenter. Even with the medical model, they can always say 'we were going to do it anyway'.
19. Can you persuade them to co-operate? They may not want to if individuals perceive you as making large amounts of money through their help and advice. There is also the attitude which cuts a salesman's commission if he is making too much money!
20. Can you persuade them to implement your solutions? A perfect report which is not implemented is money down the drain.

### **WHAT MUST THEY DO?**

21. They must provide time
  1. The boss
  2. The accountants
  3. The staff
  4. Access to customers, suppliers



22. Data

1. Accounts

2. Other

3. It may be necessary to negotiate access step by step

23. Access to computer, or at least diskettes with data

24. Full access to work done by other consultants. You cannot afford to work for months on a solution, only to be told that another consultant has done it already. You do not get paid for this.


25. Full access to market research, etc. You cannot afford to work for months and then be told it is not feasible because of consumer perceptions of the product.

26. If you are working for a percentage of the savings or profit, you have to be careful not to take on any other tasks. If the client asks you to do a business plan or install TQM it is not leading directly to savings or profit. This has to be negotiated separately.

## **ALLOCATING YOUR TIME**

27. You must allocate your time for payable output, which is not necessarily what will help your client most

28. You cannot afford to work until the maximum: the optimum for the client is when the



last week's payment is exactly the same as the declining return from that payment.

**WILL THEY PAY YOU?**

29. However honest the MD you negotiate the contract with, some accountants pride themselves on being able to fiddle anything to cut costs.
30. Some consultants find that it is best to specify savings shown by VAT returns. It does not cover all the benefits they produce, but it is difficult to argue with. But I have identified savings of 40% of a firm's turnover, none of which would appear in VAT returns.