

It was almost deadline and our persistent editor was on the phone with a request to expedite this month's contribution. About the same time, I was engaged in an elaborate fee negotiation with a client (over a small fee of course!). And as serendipity would have it, I had hit on the Capital or should I say Revenue idea for this month's QCA. As Calvin ( and Hobbes ) would put it nothing is better inspiration than last minute panic !

In this article, I have made an attempt to understand and rationalise certain aspects relating to charging of fees by professionals. All of us, I feel can be categorised into certain behavioural patterns.

The first is the type we will call **The Charging Dragons**. These are the practising professionals who have obviously mastered the art of right billing. I recollect a famous anecdote relating to a senior lawyer from a reputed law firm and the finance head of very large client who inhabited the twentieth and eleventh floors of a high rise building. They both met at the car park. Our finance friend sought what he thought was some friendly advice only to discover that a bill for professional services had been faxed from the lawyers office by the time he reached his office on the twentieth floor!

The second is the category of professionals we will call **The Crouching Cubs**. These represent young, not so experienced professionals waiting to break out into the big league. These professionals are likely to have experienced The Charging Tiger behaviour or have worked for some of these tigers themselves. The start-up nature of their professional practice forces them to accept what the client is willing to pay. But only for a short while please! These cubs have been trained well on standard costing, understand and more importantly will apply the concepts of opportunity cost, overheads and charge out rates and will in all likely hood moved to category one status

The third and the most dominant category is where we all are. The type we would call **The Benevolent Professionals**. This category is characterised by an old world charm, passion for

work, high levels of ethics and a certain selfless behaviour where excellent service delivery is considered as a given ( regardless of the fee).

One sometimes feels if in all this need to maintain professional elegance, we forget that professional fees should ideally be determined by engagement complexity, time spent, experience of personnel deployed, and lastly the risk assumed. To this group, it would be important to appreciate that there are only three methods to charge – input pricing, output pricing and value (added) based pricing. Robust Pricing is the base that guarantees future investment in the professional practice. The above three categories of individual behaviour, when found in the same organisation (and not uncommon), can cause conflicts both internal between the groups inter se as well as in the extent, quality and efficiency in client service delivery.

I would like to share a personal experience with the operations head of a large client. This was my first ever professional engagement in practice and I was reluctant to quote a fee as I was very unsure of myself. Rahul, my client, used the words – **Good, Fast and Cheap** and explained to me how a professional service can never be all three at the same time. That is

- A service that is Good and Fast cannot be Cheap
- A Service that Good and Cheap cannot be Fast
- **A service that is Fast and Cheap cannot be Good**

In this case, we agreed that the service was to be Good and Fast. I have since then used these three terms in most of my client negotiations (and always after lunch!) and have always remembered Rahul. I hope you will benefit by this advice and remember him too!