Compensation to professional firms for services rendered

Background

1. 1950s–1970s: The billable hour becomes king. Most historians point to this period
   as the real triumph of hourly billing, especially in law.
2. 1980s–2000s**:** Expansion to other professions
   The model spread widely to:
   - Management consulting
   - Accounting
   - Engineering services
   - Advertising agencies
   - IT consulting
3. Many firms effectively sold "professional labor units" measured in hours.
4. Compensation models reveal what a profession actually serves:
   - **Hourly billing** tends to reward activity.
   - **Fixed-fee billing** rewards efficiency.
   - **Contingency billing** rewards successful outcomes.
   - **Retainers and subscriptions** reward long-term relationships.
   - **Guarantee-backed engagements** reward fulfilled commitments.

Viewed through a servant-leadership lens, the most important question may not be *how much* professionals are paid, but rather:
"Which compensation structure best aligns the interests of the professional with the interests of the person being served?"

Limited Advantages:

- A widespread time system is clearly favorable to the professional, especially to a law firm:
  - Time is certain: an hour is an hour everywhere.
  - Easy to keep track of (in some cases, lawyers, when on the phone, keep track of time by recording every 6 minutes)
  - Time spent is valuable to the firm, with a fixed hourly rate depending on what level of expertise was employed (Litigators were the highest paid, clerks the least)
  - Little attention is paid to the dilemma of whether added time provided a higher-quality service.
- High-quality results justified time spent ; more time = better results
- There were few alternatives available, especially for the small companies needing legal resources.

- Larger, well-known, powerful companies were able to negotiate more favorable terms, such as fixed rates, maximum dollars billed, or a project's total cost.
- Since virtually all law firms used the same system, if employing the “best” was critical, there were few alternatives other than a less experienced, lower-quality, less costly firm.
- However, there is a long history of lawyers effectively assuming outcome risk through contingency arrangements, fixed fees, retainers, and relationship-based service.

Weaknesses:

- ➢ It is difficult to accurately relate the quality of results to the hours spent.
- ➢ The billable-hour model is the historical outlier in that it largely transfers performance risk from the lawyer to the client.
- ➢ Self-serving priority over client priority.
- ➢ Distracting, difficult incidents of disagreements during and after services over quality vs costs between client and provider.

Alternatives:

- ✓ In practice, if the client wasn't satisfied, the lawyer frequently did extra work without additional billing because preserving the relationship mattered more than maximizing hours.
- ✓ For someone thinking about transforming professional-service business models, the more interesting question may be: **How close can a law firm come to guaranteeing results without violating ethics rules?**
- ✓ Several innovative firms have explored that boundary through fixed-fee, milestone-based, and success-fee structures. That's where most of the experimentation has occurred.

Alternative for other, if not all, professional service firms:

THE PMP FOUNDER’S CHARTER

A Credo of Integrity, Responsibility, and Results

We exist to strengthen our clients’ ability to fulfill their Mission, while honoring the purpose, dignity, and contribution of every person in the organization.

We measure our success only by the results our clients achieve.
Not by effort, not by activity, not by good intentions.
Only by results that are implemented, sustained, and meaningful.

Our firm survives only when our clients succeed.
Repeat business and client referrals are the only proof we accept that our promises have been fulfilled.

We seek long-term relationships, not transactions.
We tell the truth as we see it, even when the truth is difficult.
We will not protect our comfort at the expense of the client's mission.

We accept responsibility for the condition of every client relationship.
If alignment fails, trust weakens, or progress stops, we take the initiative to restore it.

Our fees are based on the value of results produced, not the time required to produce them.
All fees are agreed upon in advance.
If agreed-upon standards are not met, billing stops.
If the work cannot meet those standards, fees are refunded.

We do not claim perfection. We claim accountability.

We will speak honestly.
We will act honorably.
We will correct mistakes quickly.
We will protect confidentiality completely.
We will stand behind our work without excuse.

Integrity is not a value unless it can be enforced.

Therefore, these standards apply to every engagement, every client, every time.

We invite every client to hold us accountable to them.

Because trust is not built by words.
Trust is built by results.

THE PMP PROFESSIONAL OATH

The Oath of Integrity for Consultants

I accept the responsibility of serving as a consultant and facilitator in accordance with the PMP Covenant of Integrity.

I understand that this role is not defined by authority, but by responsibility, discipline, and accountability for results.

I commit myself to the following principles:

- I will place the client's mission above my comfort, convenience, or personal gain.
- I will measure my work only by the results the client can achieve, implement, and sustain.
- I will speak the truth as I see it, with respect, with courage, and without withholding what must be said.
- I will not hide behind effort, theory, or good intentions when results are required.
- I will accept responsibility for the condition of every relationship I enter, and when breakdowns occur, I will take the initiative to restore trust, clarity, and progress.
- I will protect all confidential information entrusted to me, and I will never use a client's trust for personal advantage.
- I will not extend work to increase fees, nor reduce effort to protect my time or comfort.
- I will honor all agreements made with the client, and I will expect the same in return.
- If the work's standards are not met, I will correct it.
- If the work cannot be corrected, I will stand behind the firm's guarantee without excuse.

I accept that integrity is not proven by words, but by conduct, especially when results are difficult to achieve.

I accept that the privilege of this role must be earned again with every client, every project, every time. By taking this Oath, I bind myself to the discipline, responsibility, and honor that define the work of PMP. I will uphold these standards without exception

Postscript:

1. While it took several early years of PMP's existence to fine-tune and implement this ethic, it has resulted in a high level of appreciation from potential and existing clients, a well-known reputation for integrity, repeat and referral business.

2. When I first introduced this concept to a well-known and prestigious law firm in Philadelphia three decades ago, the Managing Partner was aghast, and his face blanched with the obvious fear of losing the coveted control his firm would lose over the certainty of income.

Needless to say, the possibility of their firm becoming a client disappeared on the spot.

3. Fortunately, persistence and unfaltering integrity prevailed, and there is no question that those values have resulted in more effective outcomes, additional repeat and referral business, with an enviable recognition of trust and high-quality personal relationships.

Important note to editors:

This element could make a powerful bridge in my book between:

1. **Servant leadership as a philosophy**, and
2. **Compensation as an operational expression of values.**

In other words, compensation systems are not merely accounting mechanisms; they are declarations of what the organization believes its purpose to be.