

# Navigating External Consultant Rates

By Danielle Taylor

*Part of a new series that will spotlight people doing workplace performance improvement, both inside and outside of organizations. The following shares rate-setting advice for consultants on the outside.*

Setting rates is hard work. Depending on your outlook, rates can be an ocean, a minefield or a game. The first thing everyone asks an external consultant is: What are your rates? Colleagues, clients and aspiring consultants all want to know. To comfortably navigate rates and professionally answer that question, you need the following tools: research skills, creativity, flexibility, confidence, and eye contact.

## Research Skills

To begin setting fair rates you need to know three things: the going rate for your services, what the client can afford, and what you need to keep your business afloat. The first—the going rate for the services you provide—may be hard to ascertain. In countless business seminars and books, aspiring consultants are advised to find out what the national and local averages are for the services they provide. It is easier said than done.

## Going Rate for Services

Colleagues are often shy about revealing what they charge and how they arrive at those rates. Additionally, as consultants, most rates for services depend on a number of variables that make it difficult to rattle off an exact figure. Even narrowing it to a range may not provide direction for an experienced consultant, let alone a novice one. While ASTD national has plenty of salary survey data, it too has found membership less than forthcoming about consultant rates. Informal, unscientific polling of consultants in the Greater Philadelphia region revealed a per diem rate that ranged from \$1,200 - \$3,500 for corporate training. Most consultants questioned offer a discount for the non-profit sector and large volume projects.

## How Much Clients Can Afford

Knowing the client's project budget up front can eliminate a lot of wasted time and effort for both parties. Ask the client early on, what is the size of the budget with which they are working.

Every client has a budget. You will need to refine the art of questioning in order to traverse the sea of rates. Begin by giving the client an obviously high figure as an operating budget. The object is to establish a ceiling on a range of figures. From there work your way down to a realistic range for the client. By doing this you begin the process of focusing the scope of the project and clarifying for yourself if the client has the wherewithal to work with you.

## Need to Keep Business Afloat

As much as you love what you do, you are doing it to make a living. Take a careful assessment of how much it will take to make that living. There are formulas galore to help you figure that. You will need to consider your overhead, determine the number of billable hours and do the math to arrive at a comfortable amount. Having said that, navigating rates is not a science that can be distilled into a single formula. Which leads to the next tool: creativity.

## Creativity

Research is a good place to start navigating your rate structure, but it is only a beginning. Formulas provide a logical, numerical foundation for those figures. Yet intuition plays a large part as well.

What feels right? Is it better to charge by the project, the participants, the hour or the day? How you charge may depend more heavily on the client, your objective, or the nature of the undertaking. Your rate may even vary from client to client, project to project. Choosing how to charge will take some creativity on your part. It will also take some flexibility.

## Flexibility

Rates should not be set in stone. Most consultants interviewed from the Greater Philadelphia region mentioned having different rates for non-profits and for sub-contract work. Once you have established a baseline rate you can then adjust accordingly as the opportunities present themselves. A 20% discount on the standard rate for the non-profit sector is what one consultant reported.

You must demonstrate a willingness to collaborate with clients on the rate. This flexibility with your "established" rate underlies the importance of knowing the client's budget at the onset of the contracting process. One consultant explained that she will modify the scope and/or nature of the project if her rates are out of range for the client. In this way she is still able to work with a client and get her firm's foot in the door. From there exists the possibility of future projects of a larger nature and additional work with other departments within the same company.

## Confidence

This is the most critical part. You have done the math; you have discovered the client's budget and the best way to meet it, and you have a figure. Can you really ask them to pay YOU that much????

Consider the widely-circulated story of the ex-employee called back to his company to fix a broken machine that had stumped the experts. He goes in, checks it out, and taps the machine three times with a hammer. He then sends a bill for \$1000.09. When the company balks, he calmly explains that \$.09 was for the three taps and the \$1000 is for knowing where to tap.

YOU know where to tap and should be compensated for that knowledge. Regardless of how you obtained that knowledge, whether from an Ivy League university or from years of experience gained in the field, you have it and they need it. It is simply supply

*continued on page 10*

## EMBRACING CHANGE: A Partnership Approach

*continued from front page*

The learner is also encouraged to solicit behavioral feedback from his/her manager on a regular basis. Since this is something that employees are reluctant to do, the learner frequently seeks coaching to ensure success. Follow-up sessions are built into the learning activity. These are important to assess the continuing effectiveness of new skills and/or behaviors. The benefits of the learning are discussed and then reinforced as a way to ensure sustained change. To address the challenges that have arisen, problem solving occurs to determine what needs to take place and who needs to be involved.

In the initial agreement the managers are encouraged to contact the facilitator/coach during and/or after the learning activity if he/she feels that the learner could benefit from some additional training or coaching intervention.

This partnership approach is clearly more complex than a one-shot training/development activity. However, the investment of time and resources is justified as long-term returns are enhanced appreciably.

*Marcia P. Kleiman, Ed.D. is the principal of Kleiman & Associates, a management and human resources consulting firm that focuses on the enhancement of organizational and individual effectiveness. Her clients include business, non-profit and government organizations. Marcia can be reached at 215.884.1126 or [Kleiman@excite.com](mailto:Kleiman@excite.com).*

**Deadline for  
Fall issue of the  
Resource is  
July 14, 2003.**

## Inside/Outside: Navigating External Consultant Rates *continued from page 9*

and demand. You have paid for the knowledge and the client will pay you to benefit from it. If you have used the other tools your confidence should be pretty strong by now. You are ready to deliver the rate to the client.

### Eye Contact

This navigation tool is one that is overlooked by some consultants. There is an emphasis on the needs assessment/contracting phase but little mention of how to share rate information with clients once you know what that rate is. In surveying area consultants, there was a range of strategies employed. Some consultants submit a written proposal towards the end of the contracting process, while others only verbally communicate it. Either way it is important to share this information in a face-to-face meeting with a client.

By divulging the fee in person, making eye contact with the client, you create an additional opportunity to demonstrate your knowledge of the field (otherwise known as your research), your creativity, your flexibility, and your confidence. State your fee

confidently and then remain silent.

Any silence from the client indicates thought. Give them the space to mull over this new information. Any ensuing questions they have with regards to the rate are the opportunities mentioned earlier. Your responses to the questions should demonstrate your mastery of the other rate-establishing tools.

While these five navigation tools are not hard numbers or a specific answer to the question, "What do you charge?" using them in combination will help any external consultant feel more comfortable with the rates they establish for their services.

And the next time colleagues ask your rates, then what everyone else does: "It depends..." If aspiring consultants ask, give 'em this article.

*Danielle Taylor is the Director of Student Membership for the Chapter and president of her own training and development practice, Taylor Training & Development, which serves the non-profit sector in the Greater Philadelphia region. She can be reached at 215.292.8089 or [astd@taylortraining.com](mailto:astd@taylortraining.com).*

## FREE MONEY FOR OUR CHAPTER

**Are You Going to this year's ASTD International Convention & Expo (May 17-22 in San Diego)? Our chapter will earn up to \$80 for each registrant who uses our chapter code (CH2021) when they register. If you've already registered, it's not too late to contact them with the chapter code information!**

**In addition, our chapter will earn money whenever you use our chapter code when you pay for ASTD:**

- National membership
- National renewal
- Conferences
- Published books and Info-Lines
- ROI workshops

**So tell them our chapter code (CH2021) to get "free" money for our chapter!**