High Impact fee negotiation for business coaches

Some of the biggest paradoxes in professional service fee negotiations can be seen in the realm of business or executive coaching.

The market perspective

A number of issues are at work here. These include:

1. A still relatively immature and highly fragmented market including many practitioners for who fee generation is not a major consideration. Research conducted in 2009 by Meyler Campbell, one of the leading coach training organizations in Europe, revealed that just under 50 per cent of business coaches in the UK are sole traders, are typically in their 50s and that over 75 per cent have income sources other than coaching[1]. In 2009 the average coach billed £36,000. This suggests that a large proportion of coaching is delivered by highly experienced coaches who are in their second or third career and for whom maximizing fee is of lower priority.
2. The fact that the sponsor (ie payer) and client (ie recipient of coaching) are not usually the same. The Meyler Campbell research cited above showed that just over a fifth (22 per cent) of clients paid for their own coaching. A 2008 survey conducted by Harvard Business Review and Carol Kauffman, one of the leading lights of business coaching in the United

States, similarly indicated that only 29 per cent of individual clients initiated a coaching relationship. As it is probable that some of these would also have been paid for by their employer (unfortunately the survey did not ask who paid for the coaching), we can reasonably conclude that about 80 per cent of coaching is paid for by a third party.

3 The dilemma of working in a 'helping' profession where the professional ethos of looking after the client's interest is thought by many to be in direct conflict with looking after one's own (financial) interests. This has been confirmed in many discussions, most recently at a conference hosted by *Coaching at Work* Magazine held in July 2012 in London. Generally speaking, coaches, especially those relatively new to coaching and in the early phases of building their practice, tend to be enthralled by the 'psychology' or therapy aspects of their newly chosen profession. They tend to worry much more about 'not doing harm' than about establishing themselves as truly equal partners in a working relationship of peers. In terms of the concept of 'resistance' it suggests that coaches, especially those still building their practice, see themselves as needing 'approval' from their clients and are at a less mature stage of their client relationship. The irony of this was not lost on conference attendees as it is precisely a coach's ability to be independent, hold a mirror to the client and give them honest feedback, that requires maturity, confidence and is what clients often most value in their coaching.

The combination of these three factors can go a long way to explaining why many coaches find fee negotiation so challenging when in fact coaches have, in theory at any rate, some of the best starting positions to be able to conduct creative and productive fee negotiations. That said, a recently published survey (Riddler Report 2013)[2] reported a general increase in rates in the UK over the period 2011–12 for senior levels, despite a recessionary background. Coaching for middle level managers was reported to be falling in that time period.

Negotiation issues for business coaches

Nature of the work

Both the Meyler Campbell and *Harvard Business Review* surveys demonstrate that a significant proportion of the work is directed at senior executives or board/ leadership levels. Furthermore much of the work is focused on transition, organizational leadership, organizational change, developing high potentials and similar issues as opposed to remedial or corrective work. These assignments can have a material impact on the clients and their institutions. In other words they can either be 'strategic' or mission critical, have a material impact on performance of the individual and their firm or a combination of all of these. Few if any of such assignments are trivial. Selecting and successfully working with the right coach can have a material impact. This is not a commodity service, and applying the Kraljic model to analyse this from a procurement perspective (see Chapter 5 of *High Impact Fee Negotiation and Management*) does not suggest that coaches need to see themselves as commodity providers.

As the early stages in a coaching assignment are typically spent defining goals and the means of knowing if these have been achieved, coaches should be in a very strong position to articulate the value of their work (refer to Chapter 3 of *High Impact Fee Negotiation and Management* if you are not sure why this is so important) and the contribution to a firm's performance.

Competition and pricing

Both surveys confirm a number of trends which continue to be reported by many coaches including:

- a large proportion of coaching is being delivered by coaches with little or no formal training;
- an increasing proportion of coaching is delivered by internal coaches;
- there is increasing pressure on coaching budgets resulting in either a growing use of coaching brokers and/or a decreasing amount of external coaching work.

The surveys also provided tangible evidence that coaching pricing is highly variable. Whereas the US survey reported hourly rates ranging from US $200 to US $3,500 (a 17x multiple) with a median of US $500, the UK survey reported fees for a six session plus chemistry meeting assignment ranging from £50 to £ 15,000 (a 300x multiple) with the average at £2,400.

What these trends and survey findings indicate is that institutional buyers of coaching have a very large choice of coaches and pricing but, as will be shown below, precious little information on performance and return on investment. Much in this market is therefore decided on gut instinct, a situation that favours either the 'self-confident' negotiator coach, able to self-promote, or the more experienced coach able to demonstrate success from prior assignments. If these were delivered at lower rates within a client, it will prove difficult for all but the most ardent negotiators to raise their pricing.

Ironically, coaches should be in a strong position to demand and receive fees in line with the significant value- add they can deliver. There are a number of reasons for this:

- the characteristics in common between good coaches and good negotiators;
- the mindset of a coach; and
- the very nature of coaching.

Characteristics of good coaches vs. good negotiators

Although business coaching can cover a very wide variety of styles, methods and assignments, there are typical characteristics that make a 'good' coach. These include:

- outstanding listening skills/empathy;
- awareness of the process and style of the other person;
- integrity;
- patience;
- considers lots of options;

- ability to express thoughts verbally;
- thinks and talks about possible areas of agreement/outcome focussed;
- knowledge of coaching process;
- ability to think clearly and rapidly under pressure and uncertainty;
- preparation and planning skills;
- flexibility;
- judgment and general intelligence;
- decisiveness.

Source: Coaching at Work conference, 11th July 2012, London

Compare these with the characteristics of good negotiators as found on the website[3] in relation to the seminar on negotiation and team dynamics offered by MIT:

- listening skills;
- aware of the process and style of the other person;
- integrity;
- patience;
- considers lots of options;
- ability to express thoughts verbally;
- thinks and talks about possible areas of agreement/outcome focussed;
- knowledge of the subject matter being negotiated (coaching process);
- ability to think clearly and rapidly under pressure and uncertainty;
- preparation and planning skills;
- flexible;
- judgment and general intelligence;
- decisiveness;
- ability to persuade others.

You can see that, with some minor exceptions, these are very similar. Even the one big difference – ability to persuade – is not that critical. Good negotiators know that persuading someone of a bad deal is not going to sustain a long term relationship. Hence persuasion does not really come into a relationship-oriented fee negotiation, whereas the ability to frame an issue or argument in the most favourable light is close to a coach's ability to use reframing as part of their coaching toolkit.

As stated elsewhere in this book, outstanding negotiators distinguish themselves by their ability to explore interests, distinguish between the people issues (emotions) and the subject issues, being open to ideas, understanding the process, having patience and being able to listen. Coaches are almost unique in business in that they have been highly schooled in listening. My colleagues and I often laughingly ask our fee negotiation attendees to tell us how many of them have been on a presentations course (most if not the vast majority) as compared to a listening course (virtually none).

Mindset of a coach: dealing with the inner saboteurs

Advanced coaches are able to gain and interpret information from an amazing range of sources in addition to the content of what is said by their clients. They develop amazingly sensitive antennae. One of the less obvious but highly helpful sources of information for a coach is when clients experience 'resistance' in relation to assignments, tasks or other responsibilities. This resistance often contains highly important information and good coaches are able to explore this to uncover the true issues or challenges that will lead to a breakthrough for their clients.

Likewise if a coach notices resistance in themselves to negotiating their fees it would be highly appropriate to explore the reasons for this resistance. It is highly likely that most if not all these reasons will be the same as the inner saboteurs covered in Chapter 7 of *High Impact Fee Negotiation and Management* or, as discussed above, are reflective of the maturity of their practice and personal professional development. Good coaches and good negotiators will note this, reflect on what this suggests about themselves and then set out to address the problem (and they won't expect this to happen overnight or in one big leap).

Particularly relevant to the coach are the inner saboteurs relating to worries about risking their relationship and understanding the value that their services represent to the client and the institution.

Good coaching practice is extremely helpful to a coach for tackling any inner saboteurs in connection with the relationship between coach, client and institution (if involved). Here the issues that matter most are the findings that the quality of the relationship will have a significant influence on the outcome of the coaching. The ideal coach-client relationship is that of peers or partners jointly working on a challenge.

So if there is resistance due to worries about the potential impact on the relationship arising from a negotiation, the coach would be well served to address the implications of a potential misalignment of the relationship to the coaching assignment and outcome. There may also be implications regarding dependence of the coach on the client (for income) that could cloud the nature of the coaching.

Many coaches I have discussed these ideas with fully agree that in theory they are extremely well placed to negotiate given their understanding of the clients' needs. Nevertheless they are worried that by being more robust in their approach to negotiating their fees they may be 'abusing' their knowledge of the client and their (sometimes) urgent and critical needs. There is indeed a risk that a 'predatory' approach to dealing with a client in their hour of need could be judged as being abusive. My general advice to these coaches is that, if they are already reflecting on these issues and are attempting to be 'fair and reasonable', they should trust their instincts as these will inevitably draw the line at a reasonable fee.

I also, however, caution these coaches to be extra vigilant that they are dealing with a dolphin and not a shark when negotiating with their client or sponsor. Just as a legal department has a budget for which the in-house legal team is held accountable, the typical coaching buyer will also be trying to maximize the value received for their coaching budgets. If a coaching buyer is being friendly and appears reasonable but continues to chip away at a reasonable fee proposal with comments such as ‘we have cheaper alternatives’ or ‘they won’t approve this hourly rate’ they are likely to be sharks posturing as dolphins, especially if they also express worries about being able to put the coach forward for future business.

The nature of coaching

At the heart of all business coaching is a goal-setting approach and the intention to have a positive impact on the business and the individual involved. Such positive impact represents real value to the sponsoring institution, its owners and to the coachee. We have already addressed the importance of understanding value for a fee negotiation in greater depth in Chapter 3.

Coaches should apply best practice even more rigorously in relationship to setting goals and how to determine if or how much these have been achieved. If these can be reviewed in terms of quantitative benefits to the individual and the institution, the coach will have a strong starting position regarding the value of the work delivered.

Depending on the individual coach and the assignment it may be appropriate to use additional tools or methods such as: telephone coaching, gathering feedback, applying psychometrics, using video analysis, shadowing or even engaging with a team or group. This could significantly broaden the scope of the assignment. Many coaches fail to take into account the opportunities to differentiate themselves with these tools. Not everyone is qualified to conduct or interpret psychometrics such as the Meyer Briggs Type indicator or NEO, or able to use video feedback or conduct team coaching.

Furthermore many coaches fail to reflect the broader scope in their pricing and will charge the same or nearly the same for an assignment involving, say, six sessions as they would for an assignment with six sessions that also required gathering 360 feedback or taking an individual through a battery of psychometric tests.

Worse still, in some cases coaches will not re-negotiate their fees if, during the course of the assignment, the client requests the use of such techniques or tools, broadening the scope. This, however, is a great opportunity to engage with the client or the sponsor to reach understanding on the added value and to generate additional income for the additional value delivered.

Interestingly the Harvard survey found that whilst over 70 per cent of coaches surveyed provided some form of qualitative assessment of progress, less than one third of those surveyed reported giving quantitative feedback on behavioural changes and less than a quarter provided quantitative feedback on business outcomes. Even this may be overly optimistic as the data is generated by the coaches themselves.

This suggests that as a professional community coaches are still struggling to establish the value of their work to their clients and to themselves. It is therefore not surprising that many coaches struggle to articulate the value of their services and to define a fair share of the value as their fee.

Negotiation tips for coaches

Coaches are no different to any other professional service provider in terms of their fee issues. All of the key success factors (such as self-confidence, understanding of the process) and techniques given in my recent book will be relevant to them. However given the nature of conversations I have had with a large number of experienced coaches the following may be particularly relevant:

Focus on the goals and their implied benefits: this would involve a more robust and detailed understanding of the goals of the individual and the sponsor and an attempt to generate one if not two or three quantitative performance indicators. Good business coaches should have an understanding of the business issues their clients face and should therefore be able to relate the outcome of their coaching in terms of business benefits to the client.

Examples of this could include:

- increased leadership effectiveness, having a 5 per cent improvement in revenue retention and an 8 per cent increase in profits;
- faster transition to a new leadership role could prevent the unwanted departure of two colleagues (saving recruitment cost, avoiding a revenue dip, competition gaining inside knowledge of current initiatives) and accelerate the implementation of new ideas (x% revenues six months earlier).

Explore interests and concerns: this would deal with understanding concerns such as the sponsor committing to a coaching fee in advance of seeing the results of the coaching. A better understanding of such issues will help negotiate and agree alternative fee arrangements in which some of a (higher) fee is paid once the results have been proven.

Trade concessions, don't just give them: requests for discounts should be met with counter-demands (covered in Chapter 10 of the book) such as more work, faster payment terms, a reallocation between fixed and performance related elements towards the fixed elements of a fee, testimonials, introductions, etc, etc. The range of possible ideas is large and will depend in part to having understood their goals and concerns.

Lookout for scope creep: if an assignment was originally contracted to include, say, six coaching sessions and in the course of the assignment it becomes apparent that feedback gathering or the application of a psychometric tool is needed, then the implications for the fee need to be discussed upfront. The temptation is all too great to get the client to pay for the cost of the tool but to omit adding something for the additional time and expertise involved in administering or interpreting it. Coaches should be good at scoping, as it is standard best practice to engage in explicit contracting at the start of an assignment. I have often wondered, however, if the contracting does cover all the important issues from a scoping and re-scoping perspective. I believe that the contracting is not as uniformly well done as it ought to be.

Have courage: it is often said that exceptional coaches are courageous and can take calculated risks in their conversations. The same holds true for a fee negotiation. It is tempting to say that the current economic climate has increased the need for and potential benefits from business coaching. However, I am of the view that there will always be institutions and individuals dealing with business or career challenges who will greatly benefit from having a great coach. Coaching can yield amazing benefits – so why should the coaches not share appropriately in them?

At the Coaching at Work conference we concluded that developing good fee negotiation disciplines and competencies was essential from a number of perspectives, and that coaches owed raising their game:

- to themselves;
- to their profession, but most importantly;
- to their clients, as it provided a better, more robust basis for the coaching relationship.

Raising the coaching industry's level of business and negotiation competence will be a major developmental hurdle for the coaching profession over the medium term if it is to continue to prosper and contribute to its clients in line with its potential.

Notes

1 The Business of Coaching Annual Survey 2009, Meyler Campbell

2 www.ridlerandco.com/ridler-report/

3 http://web.mit.edu/sem122/www/characteristics.html