

Why we do not work on commission or contingency/success fee basis.

GlobalStrategists does not work on a commission, percentage, bonus, contingency or success fee basis. We work based on a fixed fee per task or assignment, or on a hourly/daily rate for time spent. Some of our clients engage us on a long-term on-call basis with a monthly retainer. For specific projects we work for a combination of retainer plus equity or a percentage of gross proceeds. Details can be found on our website.

There are a number of reasons for this decision.

The first and foremost reason is that it is unethical to accept percentage-based compensation only. This standard is also asserted by the major consulting firms, which have set the norms in our field. Percentage-based compensation can encourage abuses, imperils the integrity of our profession, and undermines the very values on which our independence is based. Percentage-based payments are not in the best interest of our clients, nor are they consistent with the trust that clients are expected to place in our professionalism. The payment of agreed fees to compensate for our consulting endeavors is an appropriate way to balance our client's evaluation of risk and affordability with our professional integrity and competence.

In addition to the ethical issues, paying for consulting services when performed acknowledges the value and merits of the services provided by us. We feel that the "fixed fee" concept recognizes the value of our professional advice and achievements independently of our client's ultimate business success, which, of course, we cannot guarantee.

Another major issue is that as an outside and independent consultant, we cannot rely on the quality and capabilities of a client's technology, product, management, employees, financial strength, value proposition, business model, exit strategy, etc., aspects we have no control over. No matter how well we do our job, our clients still have to do theirs. We simply cannot wait and have our remuneration depend on our client's capability to perform. We cannot run the risk that we may financially suffer, if our client's business fails. Unless we are offered and accept an equity position in our client's business as a form of compensation.

The success fee concept originates from personal injury attorneys, who take some of their strongest cases on a "no cure, no pay" basis, though only if such a case will bear fruits rapidly. Somehow this concept crept into the consulting world. Consultants, however, cannot be responsible for the eventual attainment of their clients' success. These routines are used by companies that expect others than themselves to take financial risks. Entrepreneurship means running a business and assuming all risks and rewards operating a business venture entails, not to have outside consultants do the work and take the risks.

Our consulting services not only offer pre-determined deliverables and results to our clients, but they also help develop our clients' business capabilities for many years to come. Some believe that, if no immediate revenues are achieved, then nothing has happened. This is far from reality. Companies will be better positioned for growing their business after working with GlobalStrategists. They will be better organized, better prepared to further develop their business, and introduce and penetrate new markets, and become therefore much more attractive to obtain further funding, enter into strategic partnerships, and realize an attractive exit.

Last, but not least: we simply cannot take consulting assignments on a "buy now, pay later" basis, because our own business and living costs, like those of our clients, need to be paid when purchased. There is not one retailer, be it the supermarket, bakery or petrol station, willing to defer payment of our purchases until "one vague, unknown day in the future", let alone our travel agent, the taxman, banks, electricity, water and phone companies.

We have experienced a wide variety of "justifications" as to why a company expects to receive consulting services based on a commission or contingency/success fee basis.

- *"We have no funds"*.
If that is the case, it is highly unlikely that the business would succeed. Undercapitalization is a major cause of business failures. 77.6% of unsuccessful start-ups failed because of lack or mismanagement of funds.
- *"Other consultants are prepared to work based on a success fee"*.
We all tried, predominantly with dire results. According to a survey by McKinsey in 2007, more than 80% of independent consultants that handled projects on this basis never saw a penny. The rest received some kind of payment, though most received only part of the promised compensation, many through legal action.
- *"I, CEO and founder, and my management team don't take a salary"*.
This may imply that also lawyers, patent attorneys and accountants work on a "success fee" basis, and that, e.g., office space, utilities, office materials and plane tickets are obtained on credit. In reality, we have never seen this actually being the case.

As Oscar Wilde said: "Experience is one thing you cannot get for nothing."