Why the Billable Hour Fails

Idea In Short

Two consultants with similar expertise can price the same outcome very differently, and the gap usually has nothing to do with skill. It comes down to perspective: whose reference point for a fair fee is anchored to their own comfort rather than the value the work actually creates for the client. Billing by the hour makes that mismatch worse, since it rewards time spent rather than results delivered, and the rise of automated research and drafting tools is only accelerating how quickly that model breaks down.

A perspective problem, not a skill problem

Two professionals with comparable expertise can price an identical outcome very differently, and the gap rarely comes down to skill. It comes down to perspective. One person's reference point for what counts as a large or reasonable fee is shaped entirely by their own comfort level, while the client sitting across from them may have a completely different scale of what counts as significant money.

How reference points distort pricing

The same underlying dynamic shows up in plenty of other contexts: a gap that feels enormous from one vantage point can feel negligible from another, purely as a function of scale and context rather than any objective difference.1 A given fee can look substantial to one client and look like a rounding error to another, and neither reaction is wrong. They simply reflect different contexts.

Selling effort instead of outcomes

Billing by the hour communicates something specific to a client, whether intended or not: what is being sold is effort, not outcomes. Clients who sense that naturally try to minimize the effort being purchased, requesting fewer hours, fewer calls and a lower total price, since effort is precisely the unit being priced.2

An incentive that rewards inefficiency

The deeper problem with hourly billing is structural. It rewards the amount of time a task consumes rather than the value the task produces, which means becoming genuinely faster and more efficient at solving a problem can directly reduce income under that pricing model. Two professionals delivering an identical result can end up earning wildly different amounts, with the slower one earning more purely because the work took longer.

Automation makes the problem harder to ignore

Automated research and drafting tools now handle a growing share of the analysis and reporting tasks that used to justify significant billable time. As those tasks become faster and cheaper to produce, clients increasingly expect to pay for the outcome itself rather than the hours behind it, which puts additional pressure on any pricing model still anchored purely to time.

What actually determines a fair fee

A more useful reference point starts with the magnitude of the problem being solved rather than the number of hours it takes to solve it.3 What would it cost the client to leave the problem unresolved. What alternative would they pursue instead, and what would that alternative cost. Those questions anchor a fee to the client's actual situation rather than to whatever feels personally comfortable to propose.

Reframing experience as risk reduction

Years of relevant experience function less as a credential to justify a rate and more as a way to reduce the client's risk in an unfamiliar or high-stakes decision. Framed that way, experience becomes part of the value being delivered rather than simply a multiplier applied to an hourly number, which changes the entire tone of a pricing conversation.

The reframe that changes everything

Shifting the underlying question from how many hours something will take to what solving it is actually worth changes how a pricing conversation unfolds entirely. It moves the discussion away from defending a rate and toward quantifying value, which tends to produce fairer outcomes for both the professional delivering the work and the client paying for it.

- 1Anchoring Bias
- 2Pricing Strategy
- 3Value-Based Pricing

Summary

Pricing anchored to personal comfort rather than the client's actual context produces a strange result: equally skilled professionals charging wildly different fees for comparable value. Billing by the hour makes that mismatch worse by rewarding time spent instead of results delivered, an incentive problem that faster research and drafting tools are only making more visible. Shifting the reference point toward the client's business impact, rather than toward what feels comfortable to charge, is what actually aligns price with value.