The Stepping Stone

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To Be A Consultant

by Jeffrey M. Robinson

With all the consolidation and downsizing taking place in the insurance industry, many actuaries suddenly find that the notion of a being employed by a life insurance company for their entire career is no longer a given option. These actuaries then often consider a consulting career as either a temporary alternative to being unemployed or as something that sounds exciting, rewarding and provides an opportunity to be either self-employed or work for a smaller organization that does not have the same bureaucratic constraints as working for a large insurance company.

However, there are a particular set of skills and personality traits that are required to be a successful consultant. These skill sets are not necessarily the same as those required of an insurance company actuary and often are quite a bit different.

Desire

To succeed as a consulting actuary, particularly in a small firm, requires first and foremost the desire to be your own person, set your own rules, retain the fruits of your labor and to do different things in different settings for different people.

Courage

Courage is extremely important in order to withstand the tumultuous ebbs and flows in activity and cash flow that is endemic in consulting. It is truly almost always a case of "feast or famine." You need courage to ask for and get the work, to do it, to explain it, to stand-up for it when it is questioned, to bill for it, then request payment again when it is not immediately forthcoming and to wait for the next assignment. All of these components of consulting are tinged with a good deal of trepidation and require a certain amount of internal fortitude.

What is it about consulting that brings about this trepidation and how is it different than any other type of actuarial employment? Most assignments are new—are being done for new people in new settings with new requirements. There is very little "old hat" in consulting because staid, standard, repetitive type jobs can generally be done by the in-house staff. Companies want to give consultants the latest, dirtiest, most intensive and politically charged projects. Their own staffs are usually too bogged down with day-to-day activities and bureaucracy to have the time, energy and ability to concentrate on the really tough new jobs that require extensive research and focused action. Therefore, even though you may have proven yourself to old clients, most often you are now on a different playing field with new teammates and facing unfamiliar antagonists.

Billing is an Art and a Science

There is also the all-important question of getting paid. Billing is an art and a science and a major requirement to be able to succeed as a consultant. You never really know how your work product will be valued and therefore how readily it will be compensated. I have never met an assignment that was as it was originally projected. If all of the assignment's nuances were known up-front, it would probably not be a consulting assignment. Therefore these assignments are fraught with the risk of being much more extensive than originally considered and therefore under-quoted.

"Oh how sweet it is!"

Getting a new client to realize this at the beginning of the job is never easy. It seems to be even harder at the end, when it comes time to bill. "You spent HOW MANY hours to do this "SIMPLE" task?" is a typical question when you deliver the bill. Projects always seem simple to the client at their beginning and end. They seem

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to always forget the requirements and specifications added after the estimates and quotes have been submitted and the hassles involved in the heart of doing the job. There are ways to minimize this reaction and that is where the art and science of consulting come into play, but it takes many hard lessons. Bottom line—you are always a bit nervous until the check for the billed amount is received in a reasonable time frame. But then, "Oh how sweet it is!" For a consultant, the check in hand is their review and report card all in one.

Optimism is a Relative of Courage

Optimism is a relative of courage. You need to always feel that new work will come. The question most consultants ask is "from where will that new work come?" My wife asks me that question almost daily, even when I am up to my eyeballs in an assignment. The answer to that question is not always obvious. However, you have to have the optimism that new business will come. From where? It comes from various sources, such as old clients and their recommendations, from an extensive network that has to be created and from newly seized opportunities.

Innovation and Flexibility

Innovation and flexibility are requirements necessary to obtain work. The industry does not stand still and neither can a consultant. You have to continually reinvent yourself in order to capture the latest opportunities. Some of the best of these arise out of new laws and regulations from state insurance departments, the IRS or even the federal government. New types of products, new mortality or morbidity tables also serve as fertile sources of additional work. New industry challenges are ripe for exploiting since often they require what consultants can do best—focus, research, analyze, and use their extensive contacts and other client experiences.

The key is to pick those new areas that are most related to your existing experience, proven unique abilities and those where there is either not going to be significant competition or where there may be niche opportunities. For example, the bigger consulting firms are more likely to get the choice 2001 CSO product development work. But since the format of the new table is quite different from those of previous tables, I plan to utilize my broad system development and testing experience to help companies implement the new table and products.

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Become an "Expert"

Once a new area of interest is chosen, you have to spend the time, effort and sometimes money to become an "expert" in that area. The problem with this is that it is not immediately billable and consumes time, the major resource of a consultant. However, if the effort is not expended, the chance of getting future work and billings is limited. Often the new area is not the one that necessarily results in significant new billing, but what it reaps is new contacts and clients, and once in the door, it is easier to more readily market your old services and experience.

An example of this is that when the 1984 Tax Act came out, I studied it very intently and went to every seminar given on the subject. An actuarial software vendor that I was close to (I had also attended one of their seminars on the subject) was wooing a client in my geographical area (that I previously did not even know existed) to use their new tax valuation software. Although the client wanted to use their new system, the vendor recognized that this client was going to be difficult to handle from a distance and the client lacked the internal resources to do the job without a considerable amount of handholding.

So, they suggested that I offer them my services and I got the assignment to utilize the software for them and do their new tax valuation. This turned out to be a very rewarding assignment, but more importantly, I recognized that they also had a desperate need for help on the conversion of an administration system that they

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were attempting to install and that I was very familiar with, so I got that assignment as well. They also needed statutory valuation help, etc., etc. The tax valuation work turned into four years of other extensive consulting for this client and a sister company until they were ultimately sold. The challenge of the new tax law got me in and the additional assignments flowed from it. You need something to talk about to get a new client's attention.

Another example is when I approached a prospective client to look at a new administration system. It turned out they did not need one, but they did need help in developing a product and I got that assignment.

Good Judgment

There are several dangers in seizing opportunities other than what you are originally brought in to do. One is not getting the original job completed on time. Another is the phenomenon of what can be called the consultant's natural billing curve. Often, there is so much that you can do for a client and they are so eager to have these tasks done, that the billing starts to climb in proportion with all the work that is being performed. Sooner or later the bills get to be so high, that someone notices and begins to ask why this work cannot be done in-house instead of by a consultant. There is no easy way to answer that question without revealing internal staffing problems. It is at this point that the apogee of the billing curve is reached and begins to go downwards with the ultimate result of reaching zero or close, i.e., no more current work. The lesson to be learned is to focus on the original project, complete it in a timely manner and try not to be greedy, even when additional work is essentially being foisted upon you. The latter does conflict with another concept—to take all the work you can when you can get it, because it is not always there to get. Good judgment is necessary to arbitrate between these conflicts.

Confidence

Confidence is another important trait. You get a new assignment which is the good news. But getting a new assignment is also the bad news, because now you have to do it and within the time frame promised and estimate/quote given. Often, these are assignments that you have never done before in areas without precedent or established procedures. Confidence is critical at this point. Confidence that you can get the job done, whatever it takes to do it and confidence that all of your previous experience will provide the clues as to how to start and how to proceed even in these uncharted waters.

Getting Started

A very helpful step in getting started is to determine what information and data you need and to ascertain their source. These will change as you proceed and learn more, but you have to start somewhere. Gather all the information about the project that you can, inventory it, paying particular attention and noting from whom and when you received it as this will also help in the documentation phase of the job, but possibly more important is that it may fend off challenges to your recitation and use of the information as well clarify conflicting data caused by changes in it over time. If you are resourceful, you will probably get more material than is needed and then it is necessary to organize it in such a way that you can readily go back and study it in detail when you have the time and the capacity to absorb and analyze it. The inventory provides a means of keeping track of the material and organizing it so that it is readily accessible and is there to be considered in the future.

Once you begin reviewing the information, the next immediate steps generally will become obvious as to what else is needed, what has to be analyzed, who can you go to for additional insight and hopefully you may even be able to draw some of the preliminary conclusions. The objective is to have a track to begin and run on, one that has worked for you in the past. The confidence comes from knowing that there is a method and that it will work in almost any project. Of course, where that track goes is another story. Planning and frequent communication with the client helps keep you going in the direction necessary to finish in a manner satis-

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factory to the client, but satisfactory does not necessarily mean reaching the client's preordained conclusions. It means reaching an agreed-upon closure to the assignment that is satisfactory to the client. In this regard, communication is the key.

Communication

This leads to another extremely important consulting skill, the ability to communicate in person (orally) and in writing. Communication in this context also means the ability to listen. In order to obtain an assignment and market you have to able to communicate that you have the knowledge, intelligence, experience and confidence to do the job and that you can do it in an efficient, cost effective and timely manner.

Ability to Determine/Interpret the Client's True Needs

You also need the ability to determine/interpret the client's true needs, because often they cannot readily communicate those. This requires the ability to listen, question and restate. It is helpful to be good at asking questions and to be able to probe deeply and it is crucial that you fully understand what the client's objectives are, what is actually needed, the resources available, the desired time frames, the acceptable budget/costs and the points of closure. It is very dangerous to assume any of these things, so therefore there is a need to always clarify, restate and continually validate. This will lead to a persuasive quote and hopefully an eventual engagement letter. Without these items the chances of completing the assignment effectively and getting properly compensated for it are greatly diminished. It usually takes tact, confidence, good communication and being aggressive enough to obtain these critical answers.

Continually Communicate With the Client

It is also essential to continually communicate with the client as to the status of your work in terms of progress and billing. You cannot wait until the client asks you for these, because it is then usually too late. It is helpful if mutually agreed-upon checkpoints are set up in the beginning of the project and then faithfully observed. It is not wise to submit a sizeable bill to a client without their anticipating that it is coming and also understanding and agreeing upon what services were rendered in connection with it. The definition of sizeable is often in the eyes of the person receiving the bill. This is not always as easy to do as it sounds, particularly in the early stages of a project, when you have accrued a good deal of billing time doing initial research but have not yet reached any firm conclusions or developed tangible progress. Fortitude and honesty are needed and usually suffice.

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Communicate with all the Staff

Additionally, you also have to be able to communicate with all the staff that are involved with the intermediate steps of the project and who often do not necessarily share the client's or your priorities. Tact and persuasiveness combined with a great deal of perseverance are frequently necessary to get what you want and desperately need.

Good Documentation and Work papers

Good documentation and work papers and a clear explanation as to what you did, as well as how and why you reached your conclusions are the true hallmarks of a really professional consultant and are also required by standards of practice. This will help get your bill paid quickly and more importantly leave a permanent record of your efforts, decisions and conclusions. Future managements removed from the original reasons for and rationale of the assignment may then better assess why it was done and how you arrived at your results. It is a given that new management and new consultants will second guess the cost and results of a previous consulting project. Without adequate, comprehensive documentation it is often difficult to defend what has

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been done. The old management that requested it will either be gone, unable to explain it or unwilling to defend it. Even when you cannot get properly compensated for the documentation, make every effort to do it, distribute it and keep a record of it for yourself. This will always eventually pay off. Additionally, it will help in the next similar assignment and to establish yourself as an expert on the subject.

Compassion, Empathy, Understanding and Patience

For small clients and those with limited insurance expertise, such as fraternals, traits in a consultant such as compassion, empathy, understanding and patience go a long way to cement good relationships. These types of clients usually require a great deal of handholding, induce much frustration, and often their limited financial resources dictate reduced billing rates or retainers. However, in return, they offer loyalty, repetitive assignments, and a perspective of the entire insurance company operation from beginning to end as well as a good measure of satisfaction when they succeed under difficult circumstances due to your efforts. These traits are also necessary when dealing with departments of larger companies that have the same limitations. Helping younger and less experienced client staff and developing good relationships with them often produces significant dividends when these people attain higher management levels.

Professional Quality Work

There is no more important requirement for a consultant than to do professional quality work under any and all circumstances. Having a good name means almost everything in getting future recommendations. You never know who will be in a position to put in a good word for you, so you have to assume it might be anybody: client, reinsurer, regulator, software vendor and even competitors. Deal with them all at the same high level of professionalism; not to do so chances significant risk of gaining a deserved or an undeserved bad reputation.

Honesty and Straightforwardness in Billing

Part and parcel of doing a good job is honesty and straightforwardness in billing. The first invoice that you submit is usually the most important for it is here that you lay the foundation for client trust. Once that is achieved, then subsequent invoices are usually accepted much more readily. It is critical to establish in advance of submission the format and level of detail needed on an invoice and expense report as each client has their own requirements. Part of the art of billing is in knowing just the amount of detail to provide. This also means understanding when you begin a project what details to keep and how to track your time by project categories. Clients want to get a good sense of what they are paying for and whether it is what they authorized.

Ethics and Integrity

It should go without saying that high ethics and integrity are necessary. Sometimes it becomes difficult to understand whom you really serve in a consulting assignment, the current client management, the board of directors, the company, the insureds or the regulators. In reality it may be all of these. Therefore, it is incumbent upon you to recognize your full responsibilities and to consider the possible ramifications of your findings and conclusions. Current client management often changes, so your conclusions have to be appropriate to the constant realities and make sense to whoever is ultimately reviewing them.

More than Just Hanging out Your Shingle

To be a consultant requires a great deal more than just hanging out your shingle, printing business cards and stationary and proclaiming that you are one. ❑

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