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### **Session 117PD**

## **The Effective Consultant: Can You Manage This? Those Pesky Client Relationships**

**Track:** Pension  
**Key words:** Ethics, Management

**Moderator:** LEE J. TRAD  
**Panelists:** JEAN M. WODARCZYK  
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**Recorder:** LEE J. TRAD

*Summary: In our complex business environment, managing and understanding the client relationship is the key to successful professional success. Whether "client" is defined externally in the context of a consulting relationship or from an internal corporate perspective, it is important to define a process and road map to manage relationships, expectations, and the delivery of results. This session provides a framework that can be used to assess and improve: knowledge of clients, business, and people's needs; interpersonal relationships; and delivery of high-quality professional services.*

**Mr. Lee J. Trad:** I'm with Coopers & Lybrand, soon to be Price Waterhouse Coopers. Paul Giesler is a principal with William Mercer, with many years of consulting on the pension side. And Jean Wodarczyk is a principal with Coopers & Lybrand who practices in the health care area. We span both pension and health care and have a number of years of consulting experience in our backgrounds.

Were going to try to make this session lively by presenting some role-playing dramatizations. But before we start, I want to talk about the effective consultant track. Five or ten years ago, we didn't see these types of sessions at Society meetings. But things are changing in our consulting and in our professional environments. With merger mania, organizations are getting

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bigger and bigger and our projects are getting more and more complex. Globalization is forcing us to build relationships across borders. Even the size of the engagements has grown. Ten years ago, selling a \$50,000 or \$75,000 narrowly defined health care or pension project was a huge endeavor. Now the large consulting firms are marketing and trying to produce total outsourcing in health care, recordkeeping, and pension for tens of millions of dollars, so it's a much different environment. We're not interacting with one or two contacts at a client organization anymore, but with a wide variety of people in those organizations at different levels, in different functional areas, and with different backgrounds. We're building and managing diverse teams and making sure the right relationship building takes place as well.

The environment is definitely different, and it's not enough to provide good-quality technical results. We heard the keynote speaker, George Lundberg, talk about quality as need satisfaction. That's a broad definition that goes beyond technical. Technical compliance is just the beginning.

The stakes are higher for individuals too. The market is demanding that huge investments be made in people and technology. These huge investments put big firms at risk. Does that mean the same kind of risk is there for the people in those organizations as well? We're getting into engagements where success or failure at relationship building is potentially career-enhancing or career-ending. The majority of you here are consulting firm participants who understand what the client relationship is. But the term "client" can be much broader than that. If you work in an insurance company, your client might be the chief actuary, the chief financial officer (CFO), or the policyholders themselves.

Relationship building with your spouse and children requires the same skill sets that are effective in dealing with clients. We want to raise your awareness, so Paul will describe our first role play, which dramatizes the experiences of a consumer of professional—or, in this case, unprofessional—services.

**Mr. Paul Giesler:** Client relationships become difficult to manage for several reasons. In some cases, we're not exactly sure who the client is. In some cases, clients are very difficult because they're just bad clients. And, in some cases, we don't communicate as well as we should. But the No. 1 reason client relationships are difficult to manage is that we irritate them by doing incredibly annoying things. This is not unique to the actuarial consulting business, but prevalent throughout the service industry, as you will see in our

scenario called “What We Hate About Those Guys.” In the situation about to unfold before you, we have a high school teacher named John, played by Lee Trad, whose washing machine has stopped working. This is not an unfamiliar situation for many of us, but we want to demonstrate how the actions of a service provider can contribute to the satisfaction or dissatisfaction of the client. Jean Wodarczyk is going to play the role of the answering service for A.J. Appliance Repair Service, I will play the part of Al, the appliance repair person. A member of our audience will play John’s daughter, Jane. As scene 1 unfolds, we find John in his car. He needs to make some arrangements to get his washing machine fixed.

**Ms. Jean M. Wodarczyk:** “A.J. Appliance Repair Answering Service. How may I help you?”

**Mr. Trad:** “I need someone to repair my washing machine. It doesn’t recognize when it’s full and overflows.”

**Ms. Wodarczyk:** “I’ll let the repairman know. He’ll call you back. May I have a phone number please?”

**Mr. Trad:** “Is there a time when I can call back and speak directly with the service person? I’m a high school teacher, and I don’t have access to a phone during the day.”

**Ms. Wodarczyk:** “I’m sorry, sir. The repair service cannot respond to prearranged calls.”

**Mr. Trad:** “Could they leave a message on my machine?”

**Ms. Wodarczyk:** “I’ll ask them. May I please have your phone number and your address?”

**Mr. Trad:** “Sure. It’s 312-701-6068, and the address is 433 N. Birdbath Lane, Chicago. I’ll call again if we don’t connect.”

**Ms. Wodarczyk:** “Thank you. Goodbye.”

**Mr. Giesler:** That concludes scene 1. This is a situation we’ve all encountered at one time or another. Let’s go to scene 2.

**Mr. Trad:** “I’m going to check my answering machine.”

**Mr. Giesler:** "This is Al from A.J. Appliance Repair. We can have a guy there in two weeks. We're in your part of town on Monday, but somebody will need to be there."

**Mr. Trad:** "I hope the wardrobe lasts until then, but at least they're going to come."

**Mr. Giesler:** So, at the end of scene 2, we don't have a bad result unfolding. But let's go to scene 3. John again calls the repair service from his car.

**Ms. Wodarczyk:** "A.J. Appliance Repair Answering Service. How may I help you?"

**Mr. Trad:** "I called yesterday, and the repair service left a message on my machine saying they were going to have someone come by in two weeks. They also said they'd be in my area on Monday. Since today is Wednesday, I don't know which Monday they're talking about. Can we schedule something?"

**Ms. Wodarczyk:** "I'll have the repairman call you back. May I have your phone number please?"

**Mr. Trad:** "We went through this yesterday. I'm a teacher, and I can't wait for a call. Is there someone I can talk to now to schedule the visit?"

**Ms. Wodarczyk:** "I'm sorry, sir. The repairman will have to call you back for scheduling. May I have a phone number please?"

**Mr. Trad:** "Look, just tell him Monday's fine. Have him leave a message on my machine to let me know which Monday and if it will be morning or afternoon. My phone number is 701-6068, and we're located at 433 N. Birdbath, Chicago."

**Ms. Wodarczyk:** "I'll give him the message. They don't like to make appointments without talking directly with the customer."

**Mr. Trad:** "Could they call me in the evening after 5:00 p.m.?"

**Ms. Wodarczyk:** "Oh, no, sir. They only call between 9:00 a.m. and 4:00 p.m."

**Mr. Trad:** "Please ask him to leave a message on the machine. I'm a school teacher. I can't take messages during classes."

**Ms. Wodarczyk:** "I'll give him the message."

**Mr. Trad:** "Thanks."

**Mr. Giesler:** In scene 4 we find John at home, checking his answering machine. "This is Al from A.J. Appliance Repair. We can have a man there in two weeks. We're in your part of town on Monday, but someone' will need to be there."

**Mr. Trad:** "Hey, Jane, the washing machine repairman is probably coming either next Monday, the first of June, or the eighth. Can I count on you to be there to get this thing fixed?"

**From the Floor:** "Is he coming in the morning or the afternoon?"

**Mr. Trad:** "Actually, I just hope he shows up at all. I have to go through their answering service, and the messages aren't very clear. I'm afraid you'll have to stay home all day on the first, and if they don't show up, we'll have to repeat it again on the eighth."

**From the Floor:** "OK, but let's hope they come on the first."

**Mr. Giesler:** Scene 5 opens at home on June 1, with Jane answering the telephone.

**Mr. Giesler:** "Hi. This is the appliance repairman. We've got you on our schedule today. Will someone be home?"

**From the Floor:** "Yes, I will."

**Mr. Giesler:** "What's the address?"

**From the Floor:** "We're at 433 N. Birdbath Lane in Chicago. Do you know how long it will be?"

**Mr. Giesler:** "We've got three calls to make before we get to you. They could be long. They could be short. They could be in the middle. But we'll be there."

**From the Floor:** "We'll be looking for you."

**Mr. Giesler:** Later, the repairman arrives, and Jane lets him in.

**Mr. Giesler:** "What are we fixing today?"

**From the Floor:** "The clothes washer. A couple of weeks ago on a Sunday the water overflowed and ran through the floor and the basement ceiling. Dad was in the basement recreation room when it happened. Will he be glad when it's fixed."

**Mr. Giesler:** "How old are you?"

**From the Floor:** "Twenty. Why?"

**Mr. Giesler:** "We can't do any repair work unless someone over 21 is in the house."

**From the Floor:** "My dad should be in his car headed home soon. Can you talk with him then and get this straightened out?"

**Mr. Giesler:** "No, sorry, it's our policy. We only repair when someone over 21 is home. Ask your dad to set up a new appointment. We'll send the bill for today's call." We will spare you the home-front conversation that evening, but suffice it to say that John had some things to say about Al's parentage that were not very favorable. Jean, John's wife, said she could take a vacation day the following Friday to get the machine fixed. They couldn't wait much longer to wash clothes, so this was becoming critical. Let's move to scene 6 with John calling from his car.

**Ms. Wodarczyk:** "A.J. Answering Repair Service. How may I help you?"

**Mr. Trad:** "I need someone to repair my washing machine. They sent someone out yesterday, but he wouldn't repair the machine because the person at home was 20 and not 21. I need to reschedule."

**Ms. Wodarczyk:** "I'll let the repairman know so he can call you back. May I have a phone number please?"

**Mr. Trad:** "Please ask him if he can come out on Friday. My wife will take the day off so we can get this thing fixed."

**Ms. Wodarczyk:** "I'll let the repairman know, and he'll call you back. May I have a phone number?"

**Mr. Trad:** "Yeah, sure. My answering machine is 312-701-6068, and we're at 433 N. Birdbath in Chicago."

**Ms. Wodarczyk:** "I'll give him the message."

**Mr. Trad:** "I know. I know. We've been over this ground before. Please just ask him to leave a message about Friday. Yes or no. Thanks."

**Mr. Giesler:** In scene 7, John is again checking his answering machine. "This is Al from A.J. Appliance Repair. We can be there Friday. Someone'll need to be there."

**Mr. Trad:** "Jean, it seems that we finally have a commitment from the washing machine repairman. He's going to come on Friday."

**Ms. Wodarczyk:** I play a dual role. "I'll hang around here all day. Too bad I can't do the wash."

**Mr. Giesler:** Finally to scene 8 at home on Friday. Jean answers the telephone and discovers it's Al. "This is the appliance repairman. We have you on our schedule today. Will someone be home?"

**Ms. Wodarczyk:** "Yes, I will."

**Mr. Giesler:** "What's the address?"

**Ms. Wodarczyk:** "We're at 433 N. Birdbath Lane in Chicago. Do you know how long you'll be?"

**Mr. Giesler:** "We've got three calls to make before we get to you. They could be long. They could be short. But we're going to get to you."

**Ms. Wodarczyk:** "I'll be looking for you."

**Mr. Giesler:** Later, the repairman arrives. "What are we fixing today?"

**Ms. Wodarczyk:** "The clothes washer. A couple of weeks ago on Sunday the washer overflowed everywhere. Will we be glad when this is fixed."

**Mr. Giesler:** "It looks like the machine's unplugged and the water's turned off. When the overflow happened, how did you stop the water?"

**Ms. Wodarczyk:** "John got it to stop, I think when he shut the water off."

**Mr. Giesler:** "Are you sure?. Why would he unplug the machine too?"

**Ms. Wodarczyk:** "I'm fairly certain he unplugged it for safety's sake after he shut the water off. Why?"

**Mr. Giesler:** "It could be one of two different things to repair."

**Ms. Wodarczyk:** "What if we just replaced them both?"

**Mr. Giesler:** "They could cost \$190 each, and for that you could be well on your way to buying a new washer. I think you'd better find out how you stopped the water. If you don't remember, try using the machine and watch what happens. It could happen again in a week or it might not happen for another six months. But watch it or you'll have another flood. When you figure it out give us a call and we'll come out and fix it."

**Ms. Wodarczyk:** "I guess."

**Mr. Giesler:** As a postscript, the following Sunday John and Jean ran a couple of loads of laundry through the machine. It worked so well that they sat down to watch a video after putting in load No. 3. I'll let you to figure out the logical conclusion to this scene. We have seen in a somewhat exaggerated form that the service business can be pretty tough.

**Ms. Wodarczyk:** No exaggerations here.

**Mr. Trad:** That's right. This is reasonably true.

**Mr. Giesler:** What have we learned about the interaction between the client and the service person? This could be the client and the consulting actuary in our particular view of the universe.

**From the Floor:** The service person didn't listen.

**From the Floor:** There seems to be a surprising monopoly in the plumbing business in Chicago.



**Mr. Giesler:** That monopoly is not unique to Chicago.

**From the Floor:** It shows an ineffective use of an intermediary.

**From the Floor:** They should have spoken to each other directly.

**Mr. Giesler:** But they tried, or at least, John tried.

**From the Floor:** The service person should have used voice mail.

**Mr. Giesler:** I'm sure no one here has ever failed to reply to a voice mail message immediately upon returning to the office, but this is probably one of those things our clients might consider one of the difficulties of doing business with a consulting firm. Anything else?

**From the Floor:** It would have been better if the service provider had cared about the problem facing the homeowner.

**Mr. Giesler:** Indeed, it was a crisis to the homeowner, but not to the service person. We find ourselves in that position with our clients from time to time. Whether those crises are real or imagined, in our clients' minds they're crises, and the way in which we respond or fail to respond drives their perception not only of us as individuals but also of our industry. Any other observations?

**From the Floor:** It would have been better if the service provider had been willing to call John back at a time when John could take the call, rather than having to communicate via an answering service or through Jane or Jean.

**Mr. Giesler:** Right. It would have been much better if the service provider had been service-oriented rather than living by its own rules. But our clients find themselves in those situations too. It's usually not as extreme, but the fact is that we're not always available, and sometimes we get messages through a third party or parties.

**From the Floor:** The answering service did not seem to give John's address or the description of his problem to the repair person.

**Mr. Giesler:** Of course, none of us has ever had an administrative assistant or secretary who listened to a long message from a client and gave you a pink slip that said, "Call so-and-so."

**From the Floor:** Administrative assistants often make the decision to put somebody into voice mail or take a message.

**Mr. Giesler:** That's annoying to me. I'd rather have an administrative assistant ask, "Can I have him or her call you back, or would you like to leave a voice mail message?" Having that decision made by the administrative assistant is probably one of those things our clients would say they hate about us.

**From the Floor:** But putting people directly into voice mail saves getting a botched-up message.

**Mr. Giesler:** Yes, it does. But, it's a decision we'd like to have our clients make rather than making for them.

**Mr. Trad:** Remember the definition of quality as being "need satisfaction"? Never during this exercise did we ever discover whether the plumber was competent or technically able to do the job. In trying to figure out whether there was a relationship being built between that service provider and the homeowner, all of the problems we've discussed involve ancillary things, such as trying to get hold of him. Keep that in the back of your mind as well.

**From the Floor:** If the repairman had asked the question about how they tried to stop the flooding up front, he could have diagnosed the problem earlier.

**From the Floor:** They charge too much.

**Mr. Giesler:** And none of our clients, I'm sure, would ever express a similar sentiment.

**Mr. Trad:** Yes, we've never heard that one before.

**From the Floor:** He didn't consider timing from the client's perspective, but instead looked at his own capacity to respond to it and said, "This is the time."

**From the Floor:** Because of the series of contacts, too much time was lost before ever trying to deal with the problem.

**Mr. Giesler:** I will make an observation. There is a somewhat hackneyed adage that goes, "They don't care how much you know until they know how

much you care.” I think we had a service provider who made it pretty clear to the client he didn’t care. At some point, John may have had to use the A.J. Appliance Repair Service because so much time had elapsed. However, I suspect that John would be unlikely to give a favorable recommendation to the A.J. Appliance Repair Service or refer any business to them. In the consulting business, and I suspect the insurance business as well, much of our work comes directly or indirectly from referrals. We’re certainly going to check with current customers before we do business with anyone, and I suspect anyone who checks with John is going to run in the other direction from A.J. Appliance Repair.

**From the Floor:** You had to be there all day.

**Mr. Giesler:** Yes. Again, we have a service provider imposing its rules upon the client, rather than asking the client, “How can we serve you?”

**Mr. Trad:** The terminology I sometimes use for that is “sense of control.” Who’s in control here?

**From the Floor:** They need some competition.

**Mr. Giesler:** That’s only valid to the extent that one of those competitors is willing to be more flexible. If they all have the same general attitude as the A.J. Appliance Repair Service, it won’t matter.

**From the Floor:** They’re not really competitors under those circumstances.

**From the Floor:** Going back to referrals, people who are unhappy with their service provider are much more likely to make that public information than happy people are.

**Mr. Giesler:** I think that’s unfortunately true. Good advertising is hard to come by, but bad is easy, and you can’t buy your way out of the bad.

**From the Floor:** You often don’t know why a client terminates the service.

**Mr. Giesler:** Right. Usually, clients say they just decided to use somebody else, thank you, or that the fees were too high. When a consulting firm is terminated, fees are often cited as the reason, but all the research I’ve done indicates that fees are rarely the reason. Dissatisfaction with the fees is simply a proxy for dissatisfaction with the services provided.

**From the Floor:** As consultants, wouldn't we have charged for all those telephone calls?

**Mr. Giesler:** I'm sure we would. Everybody bristled when Al said that A.J. would bill John for the service call, even though he didn't do anything, but consultants probably would bill for the phone calls too. Is the answer not to bill for phone calls? Or is it better to bill for the calls and make sure they're worth something to our clients?

**From the Floor:** We don't charge for phone calls. Instead, we recover the cost in the pricing of other projects.

**Mr. Giesler:** This is obviously not the end of the story, but let's move on to our second dramatization, which deals with communication.

**Ms. Wodarczyk:** This scenario is a little closer to home and relates to something each of us has probably run into: trying to price an engagement, talking to an existing client about some new work activities, and assessing what can go wrong. One of the players, Sue, has had personal and professional conflicts with the new CFO. She recently lost her benefits manager and had trouble replacing him in the current economy. She promoted Rob, a bright but inexperienced supervisor, to the role. Their company, Macroworks, has just closed on an acquisition of an out-of-state company with approximately 1,500 employees. This is the first acquisition in many years, but management appears intent on growing to survive. Sue is worried about the human resource integration of the companies, including the administration of their first cash-balance pension plan. Many differences exist in systems, policies, benefits, cultures, etc. between the two companies. Complicating matters are recent labor relations and Equal Employment Opportunity Commission lawsuits, which have been consuming most of her time. The CFO is pressing all functional areas to control budgets and cash in light of the higher-than-anticipated due-diligence and acquisition costs.

Three years after graduation, Rob, played by Paul Giesler, has become the point person for integrating the administration of the acquired pension plan. He's intent on keeping normal and rapidly approaching budget schedules on time. Accurate and timely forecasting of financial results has always been a priority at Macroworks. The company currently incurs fees of about \$150,000 for the annual actuarial administration of its 5 current plans. Rob believes the acquisition provides a very important opportunity for enhancing his standing at Macroworks.

Bill, played by Lee Trad, has been the client manager and actuary to Macroworks for about five years. Bill and his firm were involved in the acquisition only on a quick, intense, last-minute, and somewhat cursory basis during the due-diligence process. Bill has worked with Sue in the past, but his major relationship had been with the prior benefits manager. It's generally assumed that Bill will become the actuary on the newly acquired plan.

**Mr. Trad:** "It's been a hectic start to your new role. How are you doing?"

**Mr. Giesler:** "I've got a lot of balls in the air and don't want to drop anything, but I'm worried about getting everything done on time, Bill."

**Mr. Trad:** "Hopefully that work plan I sent will give you a little bit better sense of control."

**Mr. Giesler:** "I thought the work plan was pretty thorough, and I think it's a good idea for us to meet like this so we can iron out the issues and monitor the progress of the work. Sue really wants me to transition this plan seamlessly. I did have an issue on timing, though. It looks like you're planning to give us budget estimates for the new plan by the end of August, but, as you know, we usually do our internal budgeting by mid-July. Our CFO will go nuts if we don't stay on that July forecast schedule."

**Mr. Trad:** "It might be tough to get done by the end of July."

**Mr. Giesler:** "Tough because of transition related issues?"

**Mr. Trad:** "Mostly, but it's also a very busy cycle time of the year. However, since it's a priority, I'll try to find some resources so we can stay on your schedule. We also need to confirm that the reports and the schedules we've used in the past are what you're looking for and want on the new plan."

**Mr. Giesler:** "Well, as far as I know, Bill, nothing should be different."

**Mr. Trad:** "Should we contact you or someone at Newco for the data and the other information? We have some information from the due diligence, but we're going to need more."

**Mr. Giesler:** "Staffing is a little unstable at Newco, so you better run your request through me. I noticed you didn't mention fees in your work plan, Bill. Sue says her budget dollars are running pretty low."

**Mr. Trad:** "We thought the fees would be in line with current rates."

**Mr. Giesler:** "We were hoping to get a little more for less. Our customers sure are cost-conscious these days."

**Mr. Trad:** "The plan is so different that the efficiencies of scale don't quite work here. We'll apply similar hourly rates for the new plan."

**Mr. Giesler:** "Do you mean similar to the other plans?"

**Mr. Trad:** "That's right, and we'd better start right away to get those budget numbers done."

**Ms. Wodarczyk:** Rob subsequently calls Sue and leaves a voice mail message.

**Mr. Giesler:** "Sue, I met with Bill, and we're on schedule for the Newco plan to get budget numbers. The project will cost about the same as our other plans, about \$30,000, but maybe a little more for the first year. Talk to you soon."

**Ms. Wodarczyk:** Bill calls his office.

**Mr. Trad:** "Ann, we're going to have to get on those Newco numbers right away. See if we can get some seniors or some other officers involved because capacity's going to be a problem. Timing is our first priority, and they seem to have agreed to pay our normal hourly rate."

**Ms. Wodarczyk:** OK. That was scene 1. Bill, what do you think you heard when you were having this conversation?

**Mr. Trad:** "I heard that they needed things quickly, got a go-ahead to pull all the stops, and that they were willing to pay our hourly rate."

**Mr. Wodarczyk:** OK. And Rob?

**Mr. Giesler:** "I heard Bill tell me that costs weren't really going to be any higher than they would have been otherwise. He'd contain the cost and we'd get things done on our schedule. No big deal."

**Mr. Trad:** What do you think about this conversation? Was it effective? What kind of trouble could this have caused?

**From the Floor:** There was no documentation, such as a follow-up letter confirming what they thought they heard.

**Ms. Wodarczyk:** No written sign-off of the engagement scope or price. What else?

**From the Floor:** The consultant never explained that the timing required a different staff than might otherwise be used, and that this would affect the pricing.

**From the Floor:** The consultant thought that timing was the first issue and billing the second, whereas to the client, both were equally important.

**Ms. Wodarczyk:** Has that ever happened to you? Are you afraid to talk about fees and just want to get on with the work?

**From the Floor:** Sue is being set up to be caught between the two of them.

**Ms. Wodarczyk:** Yes. And Sue doesn't know the consultant well, so I'd say the consultant is in risky territory without a supporter up above.

**From the Floor:** The client alluded to the fact that he was being pinched from above.

**Mr. Giesler:** I told him we were under real cost pressure. I didn't allude to it. I said we had to do more with less.

**From the Floor:** It doesn't mean he agrees with you.

**Mr. Trad:** We agreed to do something consistently.

**From the Floor:** It seems that the consultant came in with this idea of how it should be done without necessarily listening to the client.

**Ms. Wodarczyk:** He wasn't listening. Very good. He wanted to get on with the work and didn't sit around and talk very long. He heard what he wanted to hear, "They'll pay. I'm out of here."

**Mr. Trad:** Maybe he was influenced by the fact that this is a client and didn't take the time and effort to reestablish the relationship on this new piece of engagement.

**Ms. Wodarczyk:** There was no conversation that perhaps a slightly different work product might accomplish the same objective at the price they could afford.

**Mr. Trad:** What about the risks for the follow-up? Aren't both parties burdening themselves with additional downstream risk?

**Mr. Trad:** I'm thinking that both of them, because of a lack of communication and scope, have set themselves up. Both of them are going to be disappointed downstream, and that's something we should be trying to avoid.

**Ms. Wodarczyk:** At the end of the day, by not addressing these issues up front, both the consultant and the purchaser of services will look bad, which is a lose-lose situation.

**Mr. Trad:** Now we're going through the same setup but with a slightly different pricing discussion.

**Mr. Giesler:** Bill has just told me it's going to be tough to get things done by July. "Tough because of transition-type issues?"

**Mr. Trad:** "Mostly, but it's also a busy cycle time of the year. However, since it's a priority, I'll find the resources so we can stay on schedule. We also need to confirm that the reports and schedules are the same as we provided you in the past."

**Mr. Giesler:** "Well, you know, as far as I know, nothing should be different."

**Mr. Trad:** "Should we contact you or someone at Newco for the data and the other information?"

**Mr. Giesler:** "Staffing's going to be unstable at Newco, so you'd probably better run this request through me. I noticed you didn't mention fees in your work plan, and Sue's budget dollars are running pretty low."

**Mr. Trad:** "When we scoped out the fees for the new plan, they came out in the \$60,000-\$70,000 range."



**Mr. Giesler:** “Seventy thousand dollars! Compared to the fees for our current plans, that’s an awful large increase. Sue and I certainly weren’t expecting this. I’m assuming the benefit statements are included in that?”

**Mr. Trad:** “Actually, the benefit statements haven’t been included, which is one of the reasons we prepared such a detailed budget with this work plan. This work’s completely independent of the other plans. Let me give you a few reasons. We’re receiving a separate data feed based on a much different payroll platform. We have a whole new set of contacts that we’re going to have to deal with, and we’re going to have to involve some of our Philadelphia people. This new cash balance design also differs from what we’ve been doing with your other plans. The tight time frame isn’t going to allow us to leverage it as effectively as we would like. Frankly, we haven’t adjusted the fees on the other plans in a number of years because of our efficiency. You can see, though, that the hours are there, and we’ve planned a real strong effort to meet your objectives.”

**Mr. Giesler:** “I hear you, Bill, but you’re still talking about roughly twice as much as the average of our current plans, and this comes on top of bad news we’ve had about our medical plan renewal. We might have to wait till next year to do the transition, after we’ve had an opportunity to sell this internally and budget for it.”

**Mr. Trad:** “Don’t lose sight of the big picture here. There are probably some big savings down the road if we consolidate the administration.”

**Mr. Giesler:** “Well, that’s important, but isn’t there something you can do about those fees now? I’m going to be very unpopular if I have to share these numbers with anyone.”

**Mr. Trad:** “Are there any Macroworks people who could help us with some of the data processing? Maybe we could share more of the process.”

**Mr. Giesler:** “Not a chance, Bill. I’m two people short as it is. Lean and mean is the credo of our new organization. And Newco lost more people since the announcement than we had anticipated.”

**Mr. Trad:** “Let me go back and review the budget. Maybe we could isolate and amortize some of that transitional cost, or the statements. Our relationship is certainly worth using a sharper pencil. We’ve been around a long time and you know you can always rely on us when you need us.”

**Mr. Wodarczyk:** What was better this time than the last time?

**From the Floor:** He told him the fees straight up.

**From the Floor:** He could back up this increased fee.

**From the Floor:** He tried to work out a compromise.

**Ms. Wodarczyk:** Yes, but he still doesn't have the job or the fees.

**From the Floor:** The scope is still a little wishy-washy.

**From the Floor:** It sounded like he was trying to excuse a high fee on this project by kind of saying, "We've been undercharging you on other projects, but we're making up for it here and padding the bill."

**Ms. Wodarczyk:** We don't do that, do we? Any other thoughts? We still don't have the work, and the client doesn't have the service.

**From the Floor:** In this scenario, the consultant is trying to do something for the client, instead of relying on this being an existing client.

**Ms. Wodarczyk:** Yes. Although at the end, he came up with this lame we've-always-been-there-for-you remark.

**From the Floor:** It would have been more effective if he had offered some alternatives that would keep the project cost closer to the client's budget.

**From the Floor:** The consultant should have spent some time figuring out management's hot spots and discuss how valuable it might be to spend this money, as opposed to just delivering bad news.

**Ms. Wodarczyk:** We talked about staggering fees, but maybe we could stagger the work. That would be better for the consultant as well, because the work would match the fees. We wouldn't be in the banking business.

**Mr. Giesler:** Now, we're going to give it one more try. "Bill, I noticed you didn't mention fees in your work plan. You know, Sue's budget dollars are running pretty low, and I want to be sure we can complete the project on budget."

**Mr. Trad:** “When we scoped out the fees for the new plan, they came out in the \$60,000–70,000 range.”

**Mr. Giesler:** “Wow! Compared to the fees for our current plans, that’s an awfully large increase. Sue and I certainly weren’t expecting this.”

**Mr. Trad:** “Yes, the fee is higher, and I can understand your reaction, but this work is much different from your other plans. Our hourly rates are consistent with your current plans, but if you take a look at the work plan in the budget, it details the additional transition time and the independence of this work from those other plans. We can spend some time now or later discussing all of this in detail if you want.”

**Mr. Giesler:** “I think we need to do that because I’m not sure where the value is for all this money.”

**Mr. Trad:** “What do you need to get out of this project? How will you measure the success of that transition?”

**Mr. Giesler:** “Smooth and quick transition of the human resources (HR) issues will be critical to the success of the acquisition.”

**Mr. Trad:** “Exactly, and there are a lot of complex issues inherent in this transition. To be honest, the complexity of the project will require involvement by more senior people. It will add to the overall cost but also to the overall value. Assuming we can achieve this smooth transition, do you have any other immediate priorities?”

**Mr. Giesler:** “We certainly need to slow down the rate at which our people are turning over, but that’s another issue altogether.”

**Mr. Trad:** “I hear you. In this job market, it’s hard to find and keep those good people around. Having a strong compensation and benefits package is pretty important these days. I’ve been talking to Sue in the past about reevaluating that retirement program, but between this transaction and the turnover you’ve experienced, it could be a good time to do a benefit effectiveness review. Maybe we should talk to her about positioning benefits and strategic HR issues with management teams.”

**Mr. Giesler:** “There you go, expanding the scope like I suppose any good consultant’s supposed to do.”

**Mr. Trad:** "It goes with the territory. But, seriously, it's my role to encourage you to think in broader terms. If this opportunity isn't enough, let's talk about the downside risk. What happens if the transition is delayed or fails? There's a lot at stake here for you and the organization. I know I'd like to be involved with you on the next acquisition effort. Doing it with the least amount of disruption has to have some value."

**Mr. Giesler:** "That's a good thought, but it sounds too far down the line. We'd have to spend all that money now. What about my current cash-flow and budget problems?"

**Mr. Trad:** "Rob, look at it this way: What do Sue and the CFO hate to see?"

**Mr. Giesler:** "Mistakes, bad numbers, and unhappy employees, to name a few."

**Mr. Trad:** "Surprises?"

**Mr. Giesler:** "Of course."

**Mr. Trad:** "We've been partnering with your organization for years to minimize those kinds of surprises. Our history and understanding of your culture will help to alert you to those potential issues and opportunities in those plans. Your organization will benefit from this expertise, especially with all those distractions you and Sue have at the moment. Future acquisitions mean we need to set the groundwork now."

**Mr. Giesler:** "How can we even begin to set the groundwork?"

**Mr. Trad:** "During that due diligence, we noticed a number of things that could potentially save some money and be applied against our fees. Let me give you a couple of examples. That new plan is overfunded. Under the right conditions, we could merge it and provide you some short-term funding relief. We've looked at some of the methodology also, and, by changing asset methods, we could accelerate and capture some of the current market appreciation. Currently, you're not paying any of the fees out of the plan assets. We could look at that as well. And just think about the savings in management time you could achieve by consolidating the budgeting and forecasting process. It'll save your own financial people lots of time. I'm sure they don't want to be reeducated and consolidate the work of another actuary. It's taken quite a few sessions with this committee to educate them about the regulatory environment and the cost drivers to the plan."

**Mr. Giesler:** “This is going to help with the CFO, but it seems a little unrelated to the annual valuation.”

**Mr. Trad:** “But it’s the valuation that allows us to establish the baseline cost and to accumulate plan experience and search for the new ideas that fit your strategy. Maybe we could also do some of this education with Newco people so they understand the new environment.”

**Mr. Giesler:** “Maybe we could spend some more time measuring and packaging these paybacks for Sue so that she can understand them too.”

**Mr. Trad:** “Good idea. Let’s schedule another meeting to do that. In the meantime, I can put you in touch with someone who faced a very similar transition at XYZ Company. I think they could lend you some insight. In fact, after evaluating their plan administration they were able to implement some changes that reduced their administrative time and cost by 20%.”

**Mr. Giesler:** “Wow! Now, that’s a lot.”

**Mr. Trad:** “It sure was, and they were able to use the money they saved to improve benefits.”

**Mr. Giesler:** “If we could cut down on our administrative costs and use the money to enhance benefits, we might retain more of our employees.”

**Mr. Trad:** “I’ll be sure to highlight this in our presentation to Sue. Looks like this might help her get the buy-in she’s looking for from senior management.”

**Mr. Giesler:** “I think it would.”

**Ms. Wodarczyk:** If they could save 20%, that makes those \$70,000 in fees seem pretty slim, unless it’s a mighty small company. What went right this time that you didn’t see in the last scenario?

**From the Floor:** He asked questions about what was important to Rob and his management to formulate new work fit into that.

**From the Floor:** By the end, they were collaborating.

**Ms. Wodarczyk:** Yes. In the other scenario, it was more of a negotiation or you against me. This time it was us together. What do you think was the key factor in making that happen?

**From the Floor:** He put it in the client's value context.

**From the Floor:** He used the information he had gleaned from the past and did some homework before the conversation so that he could come in sounding intelligent about the issues and how he could provide value to the client.

**Mr. Trad:** In the second version, the consultant tried to justify the fees by listing four or five reasons that were all very internal to the consultant and the consulting organization. There was no attempt to provide any value-added or benefit to the client. In the third version, he attempted to turn it around by putting it in the context of shared value and listing some things that actually were important to the client. It's one of the notions that we would like to leave with you—to try to do that in your own client situations.

**Mr. Giesler:** The first couple of times he told me all about his problems. I didn't give a rip about his problems. I have my own problems to deal with. The third time, he told me how he could solve my problem, and, reasonably, I'm willing to spend something to solve my problems. I'm not willing to incur any additional cost to help his firm out. He's a nice guy, but I have my own job and my own bonus to think about.

**Ms. Wodarczyk:** The reason the budget pressures were less this time was because the consultant provided an avenue to pay for the extra fees—one that would end up actually improving the client's budget position as opposed to taking away from it.

**Ms. Wodarczyk:** He was willing to go back to Sue and argue for more money because he now felt he would have more money after the exercise than before.

**From the Floor:** If you don't come across with a good argument, they'll blame somebody else for why they can't spend more money even if they have the discretion.

**Ms. Wodarczyk:** Good point. If you put it in their terms, and they see value in the exercise, they will free up the money if they have the ability to do so.

**From the Floor:** He used outside experts to justify the value.

**Ms. Wodarczyk:** The next role play is one that gets at some ethics issues when dealing with clients. This is another difficult situation that we run into often.

**Mr. Trad:** Chris is a high-energy, articulate, and decisive consultant who has had a successful career at XYZ Consulting and is adept at high-pressure labor negotiations. Pat is a health and welfare project manager with 12 years of experience. She is intelligent, thoughtful, well-organized, adept with numbers, and an excellent planner. The location for the first scene is the client's site. He has taken a break from his labor negotiations where he's been advising their client, Microsteel. It's late on a Thursday afternoon, and Chris calls Pat back at the office because he needs some numbers in a hurry.

**Mr. Giesler:** "Pat, it took them long enough to track you down."

**Ms. Wodarczyk:** "Sorry, Chris. I was in a meeting on another floor. What's up?"

**Mr. Giesler:** "I'm on a short break from the Microsteel union negotiations. I think we have the potential for a breakthrough to avoid next week's strike deadline."

**Ms. Wodarczyk:** "That's great news. You've been working on that a long time. I'm glad it's going to come out OK. What turned things around?"

**Mr. Giesler:** "I got the union really anxious about the disability benefits, and it looks like they're ready to make a deal. All I need is the numbers. Do you have them ready yet?"

**Ms. Wodarczyk:** "Chris, don't you remember? We scheduled those numbers to be ready on Monday. They sure aren't ready now. It's only Thursday afternoon."

**Mr. Giesler:** "I know it's early, but surely we have something we can give them. I got this recess on the basis that I could get some numbers from you and wrap this up tonight."

**Ms. Wodarczyk:** "I just got the first run of numbers from Lou, the new analyst we hired a few months ago. At first glance they look higher than I expected."

**Mr. Giesler:** "Come on, Pat. You and I both know that Microsteel's experience has been terrible for the last few years, so their costs are bound to be high."

**Ms. Wodarczyk:** "Even allowing for that, they seem too high. I haven't had a chance to review them carefully myself or to have them peer reviewed, so I really can't tell you anything yet."

**Mr. Giesler:** "Come on, Pat. We've really impressed Microsteel in this so far. Because they're so anxious to avoid a strike this time around, they're putting a ton of pressure on us to help them get it settled. The union trusts us and they're ready to make a deal now. They may not be so ready next week or even tomorrow."

**Ms. Wodarczyk:** "I hear what you're saying, but I can't release those numbers. They haven't been properly reviewed. I mean what happens if something's wrong with them?"

**Mr. Giesler:** "Look, Pat, we both know that Lou's a capable and careful analyst. Nothing's going to be wrong. Besides, there's a major merger under consideration, and QRS Associates is on the other side. We can do ourselves a lot of good if we can close this one now. Just give me the numbers and let me get it settled tonight."

**Ms. Wodarczyk:** Chris, can't you stall them for a couple of hours? At least give me a chance to review the numbers myself. I think that's the very least we should do."

**Mr. Giesler:** "No, I can't stall them. They're all expecting me to go back into the meeting room with some numbers. If I don't have anything, the deal could fall apart, and we might even lose the account. I need to have some numbers right now. Fax them to me at 834-9271, and I'll tell you how it goes tomorrow. I'm sure we'll get it worked out."

**Mr. Trad:** Scene 2 takes place the next day in Chris's office.

**Mr. Giesler:** "Wow, Pat, what a winner! I wish you could have been there. Your numbers clinched the deal, and the union settled. The strike's off. Microsteel thinks we're fantastic."

**Ms. Wodarczyk:** "I wanted to talk to you last night. I left a couple of urgent voice mails, but you didn't call back."



**Mr. Giesler:** “I didn’t listen to them this morning. I was awesome. I reminded them about Jerry Wolfe, who was injured in a car accident on vacation last year, and whose benefits in the company-funded disability plan were inadequate. If he had been injured on the job, his Workers’ Compensation (WC) benefit would have been so much greater. That convinced them they really need to bring the disability plan up to the WC level. You passed me the numbers, and I dropped them on the table when we went back in. One of their guys said they looked a bit high, but I reminded him how valuable that extra benefit would have been to Jerry and his family. Then someone said, ‘The problem with great benefits is they’re really expensive,’ and that clinched it. Isn’t that terrific?”

**Ms. Wodarczyk:** “Chris, when I reviewed those numbers I found that Lou had a bug in the program. It adjusted the standard table for their experience, so the funding is overstated by 40%.”

**Mr. Giesler:** “Not funny, Pat. You’re not serious, are you?”

**Ms. Wodarczyk:** “I’m very serious, and I’ve been up half the night trying to think how you’re going to communicate this to Microsteel and the union.”

**Mr. Giesler:** “I can’t go back and tell them that. It’ll undo the whole deal and ruin everything.”

**Ms. Wodarczyk:** “I don’t see that you or I have any choice. We have to tell them.”

**Mr. Giesler:** “But if the contract talks are reopened, it can lead to a strike. Pat, we’ve got to find an alternative. What about this? The disability plan is funded, and at the end of the year, the actual is always different from what we expect. Let’s just confirm the numbers we gave them. Then we can explain away the surplus at year end as good experience and justify going forward. Nobody gets hurt. They’re not going to check the numbers now. Nobody needs to find out.”

**Ms. Wodarczyk:** “You can’t be serious, Chris. You have to stand up and admit we made a mistake, move on, and try to hold the deal together.”

**Mr. Giesler:** Let’s talk about where we are at the end of scene 2. We have a problem at the firm. What do we do?

**From the Floor:** Cry?

**Mr. Giesler:** Could I have done anything else differently?

**From the Floor:** Who is the client?

**Ms. Wodarczyk:** Good question.

**Mr. Giesler:** Pat is not the client. She faxed me the numbers I used to close the deal. Then we found out they're wrong after the deal was closed. When we were closing the deal, I didn't know that there was any problem with the numbers.

**From the Floor:** She should have sent big, bold faxes with "mistake, mistake, mistake" on them instead of leaving him voice mail messages.

**Ms. Wodarczyk:** OK. What do we do now?

**From the Floor:** How big was the error?

**Mr. Giesler:** We overstated the cost of the disability benefit. Let's say that the whole package was worth \$21 an hour, of which disability was \$1. Now it is \$21.40 to have a sense of where this fits in the overall scheme of things. Does that change the position?

**Mr. Trad:** The materiality of that magnitude is an issue, but he raises another question. What if the mistake had gone in the other direction and you had understated as opposed to overstated the cost? Does that change your response about what you should do?

**From the Floor:** Perhaps you should have said the numbers were estimates until they were checked.

**Mr. Giesler:** Nobody wanted to hear, "These are estimates." They wanted to get the strike settled and go out for a drink.

**Mr. Trad:** No matter what happens, the consultant has a credibility problem for future negotiations.

**From the Floor:** Could he have presented it as a draft?

**Mr. Trad:** Yes, although it's difficult to deal in draft terms during union negotiations. They're never accepted in that mode.

**Mr. Giesler:** You've decided I should tell my client. In scene 3, I will do that, but keep in mind as we go through this that there may be some question about exactly who the client is. I meet with Dave, Microsteel's vice president for labor negotiations, to tell him about the error. "Dave, I don't know any way to deal with this but straight up. We've got a problem, and it's my firm's responsibility. Because of the time pressures, we gave you and the union those disability funding numbers before they were fully checked out. They are overstated by 40%."

**Mr. Trad:** "That doesn't sound like a problem. It sounds like a windfall for us."

**Mr. Giesler:** "I guess that's one way to look at it, but we have to tell the union, and they might see it differently."

**Mr. Trad:** "Let me handle the union, Chris. Everything is going to be just fine."

**Mr. Giesler:** "I'm sorry, Dave, I can't do that. The union relied on those numbers too, so they're really my client as well, and I need to tell them about the error."

**Mr. Trad:** "You've got to be kidding. Microsteel's about to sign a contract with our biggest union just hours before the strike deadline, and you want to jeopardize that by telling them you overstated the cost on one little benefit? No way."

**Mr. Giesler:** "I'm really sorry Dave, but I think we have to tell them. The union relied on those numbers too in deciding to buy this deal, and they gave up on some of their other demands. I don't think we have a choice."

**Mr. Trad:** "Sure, you have a choice. Bury it. Find it next week or next year, but bury it for now. As far as I'm concerned this meeting never happened."

**Mr. Giesler:** "I'm sure it will come out down the road, and when it does, Dave, we'll be in serious trouble. Not only will we have made a mistake, but we'll have covered it up too."

**Mr. Trad:** "Chris, you should be worried about the present, not the future. If we bring this up now, at best we'll have to sweeten the contract, and at worst we'll have a strike after all. If you force me to bring this out, we'll all be in serious trouble right now, and that includes you and XYZ Consulting."

**Mr. Giesler:** "I know Dave, but I don't see any professional alternative."

**Mr. Trad:** "Our executives think we have a contract and no strike. That makes them very happy. I'm confident they're prepared to invest in the plant now, modernize it, and keep the workers employed. If we end up with a strike, they might shut the place down."

**Mr. Giesler:** "That makes it tougher, but if you told the union all that, maybe they'd want to take the deal as agreed to protect their jobs."

**Mr. Trad:** "We're talking about steelworkers here. They're not going to roll over on this. They're going to reopen the contract and demand some sweeteners. You had the local union representative eating out of your hand. They trust you. Surely, there's some way of hiding this now and adjusting down the road. You've been doing this for years in the pension plan. We've had these big deficits and surpluses that you explained away with some of this actuarial mumbo jumbo. Lace up your boots and skate around this one. How could the union ever find out anyway?"

**Mr. Giesler:** "I suppose they're unlikely to find out. They do trust the numbers we gave them, and usually they don't get them reviewed independently. It really isn't that big of a deal in the context of the overall cost of the settlement you made. Maybe you're right."

**Mr. Trad:** "Remember we all have that merger work coming up. Bringing this up now won't enhance our position against QRS Associates. Besides, you can be darn sure that if the union had made a mistake in their favor that I relied on, they never would have told me. So, why should we tell them?"

**Mr. Giesler:** "You're sure right about that. I've been around labor negotiations long enough to know that you have to protect yourself. No one does it for you. They probably should have had their own actuary anyway. OK, Dave."

**Ms. Wodarczyk:** What do you think happened here, the right thing or the wrong thing? What are your thoughts?

**From the Floor:** Who is the client? The company or the union?

**Mr. Giesler:** Is anyone familiar with the Society's Code of Professional Conduct? Who's my client?

**From the Floor:** Anyone who relies on your numbers.

**Mr. Giesler:** Yes. That's what the Code of Conduct says. Anyone who relies on my numbers is my client. I have to tell the union too, even though it doesn't pay my bill. Should I have done something differently?

**From the Floor:** You shouldn't have rolled over.

**Ms. Wodarczyk:** That's where the fundamental mistake was made.

**Mr. Giesler:** In labor negotiations all the heavy stuff happens the night of the strike deadline. We were talking about discussions a week in advance of the strike deadline. So, to some extent we wonder whether this was really a deadline that the union imposed on me or one that I imposed on poor Pat.

**From the Floor:** Who has the responsibility to share the information with the union?

**From the Floor:** The actuary has to tell.

**Ms. Wodarczyk:** Yes. The actuary prepared the numbers.

**From the Floor:** Could the firm be sued?

**Ms. Wodarczyk:** Yes.

**Mr. Giesler:** No one said this is easy.

**From the Floor:** Under the Code, I'm responsible to the client who hired me.

**Ms. Wodarczyk:** So, you define the client as the person paying your fee.

**Ms. Wodarczyk:** We have one last ending to this scenario.

**Mr. Giesler:** We begin just as Dave told me that I should let him handle the union. "I'm sorry, Dave, but the union relied on the numbers too. I've got to tell them about the error."

**Mr. Trad:** "Listen, Chris, I'm the client. I pay your bills. You made a mistake. You've told me about it. I'll deal with the union."

**Mr. Giesler:** "All right, if you'll assure me you'll tell the union right away."

**Mr. Trad:** "Chris, you're my consultant, not my boss. I tell you what to do, not vice versa. I'm telling you as your client not to talk to the union. That's my job. What I tell them and when is my business. If we tell the union now, they'll want to reopen the negotiations, and we'll probably end up in a strike. Microsteel will certainly lose considerable revenue and incur significant extra expense. We may even have to close down the plant. If you so much as breathe a word of this to the union without our approval, I'll fire you and sue for all our losses. Get out of here and talk to your lawyers because, believe me, I'll do it. Now, I'm late for a meeting. Good day."

**Mr. Giesler:** Not perhaps the unqualified success for which I'd hoped.

**From the Floor:** I think one of the problems with the scenario is he didn't come in with any good reason for telling the union other than, "I owe it to them to tell them."

**From the Floor:** You didn't show how you could turn this around and make it a win-win situation.

**From the Floor:** In the Code, there's something about control of the work product, which should have been addressed in the beginning by checking the numbers. Our motto is, "Do you want it now or do you want it right?"

**From the Floor:** Suppose you didn't have the first scenario, and the consultant thought he was working with correct numbers.

**Ms. Wodarczyk:** That does happen. Human beings are human beings.