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The Discipline of Getting Things Done

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Summary: Why do so many companies have great strategies but still fail? One reason is that they don't know how to execute. At this session we discuss the best-selling book Execution: The Discipline of Getting Things Done *by Larry Bossidy and Ram Charan.*

MR. DANIEL SHINNICK: Let me start off by introducing the panel. Sue Deakins is assistant vice president, financial reporting, and valuation actuary at Penn Mutual Life Insurance Company. Penn Mutual is a $13 billion insurance company that sells fixed and variable life insurance and annuity products. Her current responsibilities include statutory and GAAP valuation and analysis and financial reporting. Her previous areas of responsibility include annuity product management and pricing. She is a key member of the financial operations actuarial and accounting team at Penn Mutual, where recently her focus has been on people development. In her section she will talk about what that means and how they are dealing with the people development side.

David Cook is a principal at the Omaha office of Milliman U.S.A. He has been with the firm since 1988. David's area of expertise is individual life insurance. His primary areas of practice are individual life insurance, product development, mutual and stock company financial reporting, mergers and acquisitions and mutual company restructuring. David is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries.

I'm Dan Shinnick. I am the vice president at Thrivent Financial for Lutherans. It is a $60 billion financial services company that is dedicated to helping its members help themselves and to help others. I've had a pretty broad and varied background. I have at one time led the corporate actuarial function, expense management and cash management. I was the duty product line manager. I was a disposable income product actuary. I've done a lot of corporate strategic planning. I'm currently in a role that's not actuarial, working in our fraternal area, where instead of figuring out how to make money, I figure out how to give it away and do good with it, which is kind of a fun thing to do.

Let's start with a little audience participation. What I want you to do is think about a recent strategic initiative at your organization, hopefully something that's been completed in the last year or so. I want all of you to put your hands up. If that strategic initiative was a rousing success, keep your hands up; otherwise put them down. Okay, there are four people who have kept their hands up.

Now that's kind of interesting. I didn't know how many people would keep their hands up, but a number of you put your hands down, saying it wasn't a success. Why wasn't it a success? Was it because it was a stupid idea, because whoever had the idea didn't know what they were doing? The answer is probably not. Was it because you and your colleagues are incompetent? The answer again is probably not.

So why do so many strategy initiatives fail? Probably the answer to that question is execution, the ability to get things done. That's what we'll talk about today. We'll talk about how you go from having a good idea to actually getting it done. I really do think that what we'll talk about applies not only to presidents of companies or vice presidents of departments, but it goes all the way down to the individual performers. Wherever you are along that line of the continuum, I think this does apply to you, and it's something that you can help out.

This presentation is based on a book, and I don't know how many of you have ever seen this book. It's probably about three or four years old now. It's called *Execution: The Discipline of Getting Things Done*. This book was really popular in my company about two or three years ago. It was written by Larry Bossidy and Ram Charan. Larry Bossidy was chairman of Honeywell International, and Ram was an author and consultant to senior executives. This is a book that was not directed toward financial services or actuaries, but to general business, but I think it does certainly apply to us.

Their major premise is that companies fail because they don't know what execution is, and because they don't know what it is, they can't do it very well. So what is execution? Execution is a systematic way of exposing reality and acting on it. What does that mean? That means it's a disciplined way of questioning what's going on, understanding how things work, why they work and really knowing your business. It's more than just deep thinking, and it's a major job of business leaders.

I know I fell into this trap when I started to move up in the organization. I thought, as I got further and further away from doing the ongoing day-to-day work, that my job was to have deep thoughts. I thought I was supposed to figure out the strategy, and then somebody else was supposed to do it. I don't think I'm unusual in that. I think people, as they move up the organizations, often think that they're supposed to get away from doing the ongoing day-to-day business. When that happens, people tend to fail at execution. So it is important for leaders to understand that execution is as much their responsibility as is having deep thoughts.

The key to execution lies in three processes: the strategic process, which is figuring out what you want to do; the operations process, which is figuring out how to do it; and the people process, which is having the people to do it. Good execution requires being able to do all three of those well. And the most important word in execution is "how." How will we do this? How will our marketplace react to this? How will our competitors react to this? It's a question that's often ignored by leaders, so we'll talk about that a little bit, too.

One of the key building blocks in execution is the behavior of leaders. In the view of the authors, there are seven essential behaviors of good leaders. The first one is to know your people and your business. This is a real difficult one for leaders because this does not mean that you're supposed to micromanage. It doesn't mean you're supposed to go out and do the work for your people, but it also doesn't mean that you're supposed to abandon people.
So often we use the word "empowerment," but instead of empowerment we mean "abandonment." "Go do it, and let me know when you're done." That's not leadership. That's not being actively engaged in your business. You really do need to know your business. You need to know your people. You need to know what questions to ask. You can't get away from your business just because you've moved up in the organization. On the other hand, you have to balance. You need to put good people in place and let them do their jobs.

The second one, which I think is probably the most important part of execution, is to insist on realism. Think about how much spinning there is in avoiding reality, and I'm not talking about politics. People try to sell their ideas instead of coming up with what's the best way to do something for our organization. People try to make sure that if a failure happens, they don't get blamed for it. They're trying to make things look better than they are. If that's the culture of your organization, it's very difficult to insist on realism. That's one of the things you can do individually; you can do within your units and you can do within your organizations. It is really important to have that dialogue so people tell the truth.

One of the things that the authors suggest, and I think it's a really good idea, is to get rid of the five-inch binder with your plans. When you have that meeting, it's a four-hour meeting and you spent three-and-a-half hours with a person reading through this 500-page PowerPoint presentation. Afterward, you're absolutely dead and you don't have any idea what's going on because you have information overload, and then they say, "Well, do you have any questions?" That's not the way to do strategic planning. That's not the way to make decisions in an organization.

What you need to do is have 30 minutes of presentation and three-and-a-half hours of discussion about how will we make this work? What are the key issues? What are the things that we can and can't do? What are our strengths and weaknesses? Getting away from those long presentations and getting into discussion are pretty important. Set clear goals and priorities. Have only a few goals; communicate them consistently, over and over again. Don't have 50 goals. Have three or four goals. Make sure they're clear. Make sure they're communicated up and down your organization so people know what they are, and then follow through.

They had one technique in here, which I thought was worth the price of the book. I've used it, and I think anybody can use it. Whether you're in a one-on-one or a small or large group meeting, when it's done, you write a memo or an e-mail to follow up on that meeting. Send it to whoever was in attendance and say, "This is what we talked about, this is what we agreed to, this is when it's to be done and this is who will do it."

I have found just that little tidbit has significantly improved the ability of my area to follow through. When I walk out of a meeting and think that David's agreed to do something, and he walks out of the meeting and doesn't have that same belief, we'll have a problem two or three months down the road when we find out that we don't agree. If 30 minutes later, an e-mail comes from me that says, "David, you agreed to do this by then," we'll have that discussion that day instead of two months later. That's just a little trick out of this book that I thought provided an excellent way, no matter what level you are in an organization, to be able to make sure execution happens in the work that you do.

Reward the doers. We'll talk about that a little bit more later, but it really is important that people who are effective, who get things done, should be rewarded both by position and compensation and by recognition within an organization. If your top-performing FSA is paid 5 percent more than your bottom-performing FSA, you're not rewarding the doers. You're not differentiating performance, and you need to be able to do that.

Expanding people's capabilities is important. If you are a people manager, one of your primary roles is to make the people under you better. Teach them what you know. Give them opportunities to be better. You empower them; you don't abandon them. You give them opportunities. But it's really important for you to think that's your job versus thinking, "Well, they're the people who do all that work I don't want to do." So it's really important as a manager for you to keep in mind that your job is to make them better. Then when they do all that work you didn't want to do, and they do it better than you do, that's even better.

And finally, know yourself. A great thing is 360-degree feedback, and if you haven't gone through that process, you should do that. Find out what your employees think about you. Find out what your peers think about you. Find out what management above you thinks about you. Know what your strengths and weaknesses are. When you build a team, build a team to make up for your weaknesses. Don't put people on your team who are just like you. Put people on your team who are different than you, people who have the skills that you don't have.

The second building block we talk about is culture. If you want to be a company that executes, you need a culture of execution, so you probably need to change culture in an organization. Again, you can start this just in your own little area, or an organization can do this. The first thing to consider is that most culture programs fail. The reason they fail is because they're usually the culture program of the day from the human resources (HR) department, and they don't really have anything to do with the business. So it's really important to link it to business. We're doing this because it will make us a better business. We'll be able to execute better. We'll be able to improve our shareholder wealth. We'll be able to have better products for our customers. That is why we're making these changes in our culture. If you don't link it to a business result, it won't happen.
The second point that they make is that you'll probably change behaviors before you'll change attitudes. The line they use is, "You act your way into thinking. You don't think your way into acting." So, you decide what behaviors you want. You communicate them. You expect them. You reward them. You punish behaviors that are inconsistent with them. People will act that way, then they will start to think that way and then your culture will change. If you try to do it any other way, you'll spend a lot of time trying to get people to think their way into acting, and they'll stay in the behaviors that they've always had. Link rewards to performance, and we've already talked about that. But it really is important for you to send that message both through compensation and in other ways, telling people, "This is the behavior we want, and this is the behavior we don't want." If you don't do that, people will continue to do what they've always done.

Another thing that this book talks a lot about is robust dialogue. That is having a dialogue in the organization on issues that's not "surfacey," but that really gets in deep, where people are actually passing back and forth truth and pushing ideas, and challenging ideas, not in a way that we're playing "got you," but in a way of eliciting how do we make this better? It starts at the top. Leaders need to exhibit the behaviors they want, so they need to ask; they need to not shoot the messenger; and they need to not play got you.

One of the worst experiences you can have is to have this great idea and go into this room to talk to people, and their whole purpose—and I'll be honest with you, actuaries are probably better at this than anybody else—is to find out what's wrong with your idea. The purpose is not to figure out how to make that idea better, how to help your company be successful. The purpose is to play got you. If leaders tolerate that behavior, that's what the organization will do, and it won't encourage an execution culture.

If leaders spin and shade and evade the truth, their employees will spin and shade and evade the truth. If you exhibit a certain behavior, you'll get that behavior. So if you want an execution culture, you need to start off with that culture yourself first. If I really like Sue and she's a good friend of mine, but she does some really bad stuff and I tolerate that, it sends a message to everybody else that the behavior is OK. It's really important as a leader not to tolerate those kinds of behaviors.

The final building block we talk about is people. When I asked my first manager, "How are you successful? How do you make sure things happen?" he said there were three things that were really important to him: people, people, people. He firmly believed that if you got the right people in the right places, process took care of itself and strategy took care of itself. It was all about getting the right people in the right places. He was probably 80 percent right in that. If you get the right people in the right places, you can do an awful lot.

To do that, you need to know what the right place is and who the right people are, so you need to know what you need in a job. What are the skills and the talents that you need? If you don't know that and you're going off and interviewing, what are you basing the interview on? I know that a lot of people interview without taking that step of saying, "What do I need in this job from the perspective of skills and talents?" One big thing that you need to do is step back and say, "What skills and talents do I need in a job before I go out and interview for that?"

Susan will spend a lot of time talking about the people process, and she'll talk about the characteristics of the right people. I skipped talking about not delegating this job. It's really easy to delegate that job to HR or to delegate it down into the organization. You need to be engaged in people selection actively because if you want the right people in the right place doing the right things, you need to know who they are. The most important job a leader can do is to pick the right people and put them in the right places. Focusing relentlessly on people selection, always working on upgrading your talent, is really important. It is really important not to say, "Well, we have a hand that was dealt to us, and we'll have to do the best we can with what we have." You need to upgrade your talent. We were talking about baseball beforehand. That's like Kansas City saying, "We have the talent we have, and that's all we can do." I'm from Wisconsin, and we have the Milwaukee Brewers. They've said that for the last 20 years, and I think they've had one winning season in the last 18 years. That's what you get if you don't work on upgrading your talent. It is really important to upgrade your talent.

The final building block is linking those processes together. The strategy process defines where business wants to go, and that really is the easy work, in general. It's not that hard to look at the environment, look at your company and say, "Here's where we should go." The hard work is to say, "How do we go about doing that?

Who are the people we need, and what kind of people do we need to get that done? What are the processes that we have? What processes do we need to change, from an operating perspective, to be able to get that done?" The hard part of strategy work is not developing the strategy. The hard part is translating that into results and actually getting it done, getting the people in the right places and getting the processes and procedures in the right places.

Now, I'll turn this over to Sue to talk about people management.

MS. SUSAN T. DEAKINS: I would recommend the book *Execution* to anybody in this room. It's a real easy read, and I think everybody can find a couple of things in there that relate to what they do on a day-to-day basis.

I'll talk about the skills assessment process, which is a recent company-wide initiative at Penn Mutual. We've been focusing not on the past, but on the future challenges we see. To kind of link with what Dan said, first, the overall strategy of the company has been developed. Now, given that background of the strategy and the environment, what are some of the key business problems we have? Then, based on some of those business problems, what are the skills that are needed at our company? This was done at the entire company level. I'll also be talking a little bit specifically about the financial area—which includes both the accounting and the actuarial leaders of the financial area—deciding what we thought we needed within our area.

We call this the skills assessment process, and it's a three-step process. The first part of it is to decide what the skills and competencies at each position are that are needed in the future to meet our future challenges. I'll be talking a little bit more about this, but it's not just technical expertise, and it's not just computer skills. It's people skills and organization skills and things like that. Then we would sit down and assess each associate in relationship to those competencies. Finally, the individual leaders would sit down with the associate and kind of deliver a report card of where we thought he was and what were some of the developmental opportunities. If you look at this three-step process, in many ways, this last process was difficult, and it's easy to avoid that.

So we start off with: What are the competencies all about? They're the skills, knowledge and behaviors to get the job done. Behaviors are really important. It's the combination of technical and leadership skills, and it's important that these competencies change as you move up in the organization and as you have different responsibilities.

If we take a look at the book *Execution*, these are the key characteristics of people who do a good job at execution: they get things done, they energize people, they're decisive on tough issues, they get things done through others, and they follow through. These were the key characteristics that were developed for the Penn Mutual leaders: mobilizes people, drives for results, demonstrates functional excellence and has business savvy. These were leadership competencies that were consistent, whether you were in the financial area, the information technology (IT) area or sales or customer service. It's not just technical expertise. The people aspect and the collaboration across the organization, we felt, were very important for leaders.

We came up with examples of some of the key characteristics in the financial area. The accounting leaders had many discussions. The actuarial leaders had many discussions in which we sat down as a group to say, "What are our future challenges, and what are the things that we feel are 'have to haves' in various positions?" It's a continuous process-improvement mentality. The financial reporting and the valuation functions are no longer the same. We have new tools and new reporting requirements we need to learn, so we really need people who think of process improvement as a continual way of being. We can't just accept the way we've always done it. We, as leaders, need the people down in the trenches to be thinking of new ideas because they're the ones who are living it day-to-day.

Another example of a personal characteristic that we thought was important was "adaptable to changing priorities." The CFO often comes to my desk and says, "Sue, we need an answer on this right away." Over the years, I've had two types of people when I go to them and say, "Nancy came and asked for this right away." There were people who were jumping over backwards to figure out what they could do to get the answer to that. You have the other people who, when you ask them to do something a little different than what was on their plan for the day, make a face at you, and they're not looking particularly happy. As we sat down and talked about what we were looking for, being flexible, being willing to change, was an important feature that we thought was non-negotiable.

Another example arises in the quarterly financial reporting process. We go through and generate a lot of data. We want actuaries and accountants to change that data into information. It doesn't do me any good if I have to look through the same 100 pages of reports to get the answers. We want people to be saying, "This looks a little weird. Is it an early indication of something?" Then we want them to be able to drill down and understand why. It's relating the numbers, the detail of numbers, to business and things like that.

We came up with these competencies and, as I said, they were done in a group to make sure everybody had a consistent understanding. Then, and this was done also as a group, we assessed each associate versus those competencies, and these were some long discussions. The reason we did it in a group was, number one, we wanted to make sure the expectations were the same. If you have an actuarial analyst or an ASA, we wanted to make sure that all the managers were expecting the same things at that level. We also have a relatively small staff. People get together to work on projects with various managers. We wanted to get different opinions, so that it really wasn't just a personality issue, that this person didn't like that person's style. As we went through this, we learned some new things about the talents of some of the people we had on the staff.

At the end of this group assessment, you kind of put your people into three categories. You had your A players—your superstars. For those people, it was really thinking through what did they need to do to get to the next step? Did they need more experience in this area? What could we do we help them keep progressing through the organization? You had your B players—your solid players who were reliable but maybe needed to expand their horizons in some areas. We felt we needed to let them know where they stood and discuss some other opportunities for them. Then you had your C players, and those were the players, after we sat down and did this, for whom we had to decide did we really think there was a good fit between their skill sets, their attitudes and what we needed to do.

After we had this, we sat down and had the skills assessment discussion with each of the associates, and we made sure that there was a clear understanding of what the competencies were and how we saw that they fit in. The end result was a developmental plan. This plan wasn't set up in one individual meeting. There were several meetings to go through this. We've had annual performance reviews for years. What had happened over time is that these were lists of all the things you've accomplished in the past year that would justify getting a raise or not getting a raise. What this skills assessment discussion was all about was more forward thinking. How do you get the job done? We were really being open and honest with people.

I had one conversation that I started out by asking the individual, "Are you really doing what you want to do?" Nobody had really asked her that before. Since that time, she realized she maybe wasn't in exactly the right position, and we're trying to make some changes there. The results of this process have been that associates have a better understanding of their strengths and where we see them. Time frames have been established for underperforming associates. In addition, job rotations are occurring in some cases.

Some of my observations from this people process, the skills assessment process, are that it is very difficult, and it's time-consuming. We had many meetings in which we sat down to discuss what competencies we were requiring. Then we had the meetings in which we discussed individual people. That took many meetings. Finally, we had the skills assessment discussions, which weren't always good news. So it takes time and personal energy.

The other thing I want to point out is that it's really not just a one-time process. What I've described here might seem like that, and it's because it's still relatively new. We're trying to keep the lines of communication open. The idea is these skills assessments will be updated annually, and the development plans will be looked at quarterly. But it also points out the developmental needs for individuals. If you think about it, I didn't learn the judgment I have to be our appointed actuary by reading a study note or by passing the exams. I learned it by talking to other actuaries and learning about judgment. Whenever you're doing assignments, you need to take the time to explain why you've come to a conclusion.

Here are some hints that I've used over the years in terms of developing people. Look for smaller projects as development opportunities. As Dan said, empowerment, which was the buzzword three or four years ago, does not mean ignoring people. If you give somebody an assignment to do something with a three-week deadline and you don't touch base with them, they won't think that assignment was very important. You really need to touch base along the way. It's that fine balance between micromanaging and letting people do their own thing.

The third one is really making sure people focus on the right tasks. There's so much judgment in the work we do. If I find that somebody seems to be taking a long time with an assignment, I'll sit down and say, "OK, show me what you have so far." A lot of times, they've done 80 or 90 percent of the work, and that's all we need for this decision. So let's cut it off. Let's not strive for perfection in that particular case. Let's move on.

As we've discussed, choosing the right people is something you do have control over, and that was also discussed in the book. Dan mentioned it. One of my supervisors once told me, "Sue, if I have this project to do and your job is on the line, who will you have on that job with you? If you don't have a team that you feel will get you that end result, it's my problem." We have the hiring decisions; we have the selection decisions, and you should take that seriously.

Another thought is that the development of people is the leader's responsibility. We've come up with these development plans for all of our associates. They can't do that on their own. We have to make sure that we're there with them, if it's paying money for training, if it's taking the time or if it's giving them a chance for a new project. We have to be right behind them.

The final one is that people development is real work, too. Five or six years ago, HR people in our organization were a completely different organization. You only went to talk to them if you really had to. Now the HR people are at our staff meetings and that, I think, really helps us to focus on the people. They're always asking the questions when we talk about new projects, "Well, can you try this person in this role?" We should be asking those questions ourselves.

MR. DAVID N. COOK: My focus will be on process management, the actual execution. In the book, on page 33, there's a great quote. It says, "Organizations don't execute unless the right people, individually and collectively, focus on the right details at the right time." Let me tell you a story about this.

If this presentation doesn't go really well, it's in part because I went to the baseball game last night instead of staying up and looking over the presentation. But I was thinking about execution, especially when there was a rundown between third base and home plate last night. These guys have practiced this rundown ever since they have been playing Little League, and this went back and forth and back and forth, and finally, one of the infielders fumbled the ball, and the runner scored. That team didn't execute as well as it could. Organizations don't execute unless the right people, individually and collectively, pay attention to the right details at the right time.

I hope you take away two things from my comments. One is some general ideas from the book, *Execution: The Discipline of Getting Things Done*. The other is some specific ideas to understand better how to work with consultants when you've engaged them to help you. A consulting firm has three levels of execution that it has to coordinate and pull off. The broadest level is at the firm level. The next-broadest level is at a practice level. Then the most focused level involves engagements with clients. That's what I'll talk about because that's the level at which you interact with us and also the level over which you have the most control.

I'll loop through the same topics twice. The first time through, I'll talk about the things that we would like you to see in us, the way we would like you to perceive us as executing projects, running projects. The second time through, I'll talk about some observations that I've made as a consultant about companies' execution and the way they deal with us in consulting projects. I'll be talking about consulting projects that are fairly typical, projects that don't require secrecy or some sort of confidentiality, but just the regular run-of-the-mill projects in which you might be involved.

We talked earlier about seven essential behaviors of leaders. I tried to translate those into a project leader's seven essential behaviors. I'll mention a little bit about each one of those. The first one I've changed to "know your clients and consultants." It's important for consultants, and you should expect your actuarial consultant to understand your interests and preferences. If they've worked with you before, you should expect them to understand something about your weaknesses and peculiarities also. On the other hand, you should expect your consultant to know the staff that's available to that consultant, as well as the expertise and capabilities of the firm that they can bring to bear on your needs.

Second is "engage realistic projects," and this goes both ways. You should expect your consultants not to overpromise and not to engage in projects that they can't competently complete. On the other hand, you should expect the consultant to be looking at you as a potential client, too, and feel comfortable that you can deliver on your part of a consulting project. If there are questions about that, then your consultant can help you deal with them.

The third essential behavior is setting deliverables and schedules. In most cases these days, that starts with a more or less formal engagement process, in which you should expect an engagement letter and a project plan. For some time now at

Milliman, all the projects of any size include the engagement letter, all of the details that we can lay out up front, and the schedule concerning the project. So in an engagement, planning is an essential behavior for a project leader.

You also should expect your consultant to be very results-oriented and to follow through on any engagement that you have with him.

The fifth behavior is rewarding for execution. A consulting firm is a very performance-oriented entity. We generally have no problems figuring out ways to reward people for execution, both in terms of their capabilities and the expertise they have and the way they bring it to bear in client engagements, but also rewarding them financially when they do well.

Consulting firms continually have to expand their people capabilities. It's a culture in which a lot of training goes on, both individually for consultants and also for interaction with clients.

Finally, a good project leader has to know his own capabilities and those of the people around him to pull off successful engagements.

Most consultants are fairly experienced and fairly well trained project managers. As I mentioned earlier, part of engagement planning should involve, for all projects of any size, an engagement agreement. The agreement is important, but the process of putting together that agreement also is important. The discussions and the structured approach that you should go through with your consultant are important exercises in themselves. Make sure that the roles and expectations are very clear from the very beginning.

During this part of the planning you should expect your consultant to clear any conflicts of interest that might exist within the firm. Those are situations in which the same consulting firm may be on two sides of the transaction, but there are other types of conflicts that might need to be cleared also.
But the key part of the engagement planning is figuring out who will do what, when, and with what resources for both the consulting staff and the client staff. Any tradeoffs between the two staffs, in terms of who's going to do what, should occur during this period. I also encourage you to talk with your consultants about what happens when the engagement doesn't go exactly as planned. Engagements rarely go, start to finish, as you envision them when you start, so you need to talk about, in advance during the planning process, how to figure out whether the engagement is on track and what to do if it things don't go as planned. It's the engagement leader's responsibility to select the right staff from the firm and to manage it during the process. The engagement leader will want to encourage you to do the same for your internal staff.

Not all projects get through this phase. If you feel uncomfortable with your consultant that you're talking to at this point, this is the time to say, "I'm sorry, we're not going to go through with this." Do it now instead of later during the process when things don't go well. It's also true that consulting firms are screening clients these days, so there are some types of clients and some types of work consulting firms won't do. Those don't arise very often, but they do arise.

Second, I want to talk about engagement management and execution. Executing a consulting engagement requires a pretty standard set of skills. However, dealing with the particular circumstances of an engagement requires a pretty capable and committed engagement leader. You should expect well-planned and well-organized project execution from your consultant. A consultant should be accountable for the work that's being done and produce results consistent with your expectations. That may mean that the consultant has managed your expectations somewhat during an engagement, but you shouldn't be surprised with the results when they're presented.

You should have results in a form and a format that are consistent with the engagement agreement or the project plan as you put it together. You should expect your consultant to communicate interim results having to do with both the project results and with schedule. Again, you should expect your consultant to manage your expectations because things don't go right during an engagement. You should expect to know about it and have an opportunity to interact with your engagement leader to modify the engagement if that's necessary to produce useful results for you, even though they might not be the exact results you intended when you started.

If you have particular internal reporting requirements, you need to make sure that your consultant knows about them and that the consultant is responding to you in a way that's useful. If you have senior management meetings that you have to provide results to on some basis—every week or every month—your consultant needs to know about that so that he can provide his results in a way to help you.

You should expect your consultant to follow through a project at an agreed-upon pace. Consultants are very project- and completion-oriented, and they should take their appropriate share of the responsibility for completing any engagement process. You might take note that, in my observation, consulting projects that have a long elapsed time relative to the amount of consulting time that is actually spent on the project are relatively more expensive than well-organized projects in which both the client and the consulting firm interact fairly regularly. It's obvious why that happens. The start-stop process for your consultant eats up some time to get the engine revved back up each time the project restarts. So, issues inevitably arise that affect the consulting process. If you can get it finished before external issues interfere, you'll be better off.

You should expect from your project leader comprehensible results that you can understand, and those results should be targeted toward their purpose. If the project is very technical and the results are to be used by actuaries, you might expect a very technical report. If your consultant is helping you with a project aimed at providing senior management advice and information for making a decision, you should expect your consultant—and you should let them know—that you need information to support that process. Engage your consultants so that they understand how their results will be used. As I mentioned before, the typical project takes twists and turns that are not anticipated when they're engaged, and you should expect your consultant to work with you through those twists and turns to try to make sure that the project study is on track.

Now, let's look at post-engagement. I've worked at an insurance company, and I've worked as a consultant. One thing consultants don't get in the same way an actuary working in a company does is any sense of follow through. You frequently work on a project to produce a result, and it's not always obvious how those are used or what the consequences are. I like to know those things and how my advice or work plays out. If you'll provide some feedback on the project to your consultant, they will appreciate it for one, but also you might get some additional free advice in implementation. Remember, your consultant will also have learned things about you as a client as they go through this consulting engagement. And you should expect that consultants to work with you better the next time if they've done a good job and you hire them.

You should expect a bill from your consultant that meets your needs, both in terms of its detail and its frequency. My clients want different types of bills. Some want a lot of detail in their bill. Some just want to know how much they have to write the check for. But you should expect a bill that meets your needs. Let your consultant know in advance what those are. A consultant typically also will want to avoid surprising you with the size of his bill, even though he doesn't always do that. Again, that's part of managing your expectations as a client during the course of a project.

Consulting firms will still do projects for fixed fees, but primarily we work on a time/expense basis. You're actuaries, and you understand that in asking for a fixed fee on a project, particularly if the project has a high potential variability in terms of the amount of work and the outcomes, there's a risk premium associated with that, and you should be aware of that. It's not always the most economical way to get actuarial consulting work done.

If you like this consultant, hire him again. Your consultant will be ready, I'm sure, and happy to work for you again. But those are things that you should expect from your consultant and perspectives you might want to take in dealing with a consultant.

What I'll talk about now are things that other consultants and I have observed about companies and the way they execute during the course of consulting engagements. During the engagement planning, it's critical that the client knows what he wants. If you go to your consultant and say, "I want a competitive universal life (UL) product," and leave it at that, it's not enough. It's just not enough information. You need to know what you want, and you need to have a leader from the company side who can communicate the company's needs to the consultant. You want to set up realistic engagements, both in terms of the time that's available and also your internal resources, and you need to communicate those, again, to the consultant.

I've been involved in very large projects that were organized, almost literally, overnight. A consultant can bring a lot of people and a lot of expertise to an acute situation, and you shouldn't be afraid to ask for almost anything that you can think of from your consultant. They may not be able to deliver it, but if you're really in need, you might be able to get a lot of work done in a short time. It will be expensive, though, if that's the mode of operation.

Almost all consulting projects also require some client resources. We need data. We need information and decisions. Often, there will be some staff requirements inside the client, and we need your critique and your feedback. As a company working with a consultant, you want to know what your internal resources are and be in a position to commit them to move the project along. Remember, I said projects that move along are relatively more efficient and less expensive than those that start and stop. Your consultant has done this before and is willing and able to help you identify internal resources that will be required of the consulting engagement. So, select the right people from inside the client, from inside your companies.

Successful projects often have a good project leader internal to the company, somebody who can engage the project, a go-to person for information and decisions, a person who can speak for the company and a person who can marshal resources. It doesn't always have to be the same individual in your company. It may be that you want data to come from one place and decisions to be made by someone else, but coordinate those things. You'll get a better consulting result if you will.

A key cause of engagement problems is a lack of client focus and commitment. Two examples are data requests that just don't ever get filled or are delayed significantly or a decision during the process that is made and then remade and then remade. That kind of process particularly hurts a product development, for example, where you go back to your marketing department over and over, and each time the product is not right, and you go back to your consultant and say, "We need to change this in the process." This is an expensive way from a client standpoint to interact with your consultant.

I'll probably aggravate a few people here, but my observation is that a lot of company actuaries don't keep sufficient records and reports and documentation of decisions made. Decisions and results are not reproducible some period down the road. We had a client once that had institutionalized throwing away old stuff. Once a year, I think it was, they just stopped their other operations and cleaned out their offices, and all the old stuff was gone. We were retained with this client to do actuarial contribution calculations. It was demutualization. The actuarial contribution part depends on figuring out what each policyholder has contributed to the surplus in the past. Well, with no records, that was very difficult to do. All the trade books were gone, for example. Keep in mind when you're keeping records that a lot about what we do as actuaries is project the future. You need to keep information around—records of decisions, in particular, and data, if necessary—so that you can critique down the road the results of the work that you do.

I've said this in two or three ways. If you can, maintain the momentum of a consulting engagement, but you also want to look for extra value in your consulting projects. Often a little bit of extra analysis or some byproduct that you can make sure that your consulting leader knows about will be very valuable to you. So keep a look out for those extra value things that you can get in an engagement.

You'll want to evaluate your consultant's work and provide feedback to them—you did a good job, or you didn't do a good job. Once you're done with a consulting engagement, look back and learn to be a better consumer of actuarial consulting. Think about the things that were positive and the things that were negative in your engagement. Be a better buyer next time. Pay your bill, and if they've done a good job, do it again. Go back to the same consultant. They will know you better and be in a position to provide you a better engagement.

FROM THE FLOOR: The company I work for probably has some things in common with other companies that have really embraced the book by Bossidy. One of the things that I've observed is that a byproduct of the notion of choosing the right people is to be intolerant of people who are not doing the job or at least to have a short time frame as far as evaluating people who don't seem to be doing the job. I just wondered if that was a common experience for other companies that have gone to this type of management that sometimes you have jobs that are filled about once every year or once every one-and-a-half years or something like that.

MS. DEAKINS: I guess different people take that people part of it to different degrees. I don't remember which company it is exactly, but when they put the people in their groups, it's the top 5 percent, then the next 30 percent and everyone else is in the bottom group, which is a pretty big bottom. We weren't quite as extreme as that. I would say that when we stratified our group, we had maybe more like 20 percent high performers, 60 or 70 percent in the middle and then 20 percent at the bottom. So I think it all depends on what your appetite is or how quickly you want turnover because it is a reality. There are examples in that book where people aren't given much of a chance to turn things around. It depends what level you are in the organization. For an actuarial student who is maybe learning the ropes, I think you need to be a little more tolerant of what's expected.

MR. SHINNICK: Sue, can I have a follow-up question to that? What do you do with those people who are your bottom 20 percent?

MS. DEAKINS: We started this process a little bit more than a year ago. We've had some people who have exited the company. We've had other people who really have shown remarkable turnarounds, and they've moved up into that middle tier. Part of it was really being honest with those people about what they needed to do and providing them the training and skills and development opportunities to improve. I've actually been really pleased with the turnaround we've had with some of our individuals.

FROM THE FLOOR: I'm just looking for generalization to your last response. Can you identify anything that tends to separate those of the 20 percent who made significant improvement from those who did not? Did those who improved tend to have more technical problems as opposed to relational problems and what you might call bad attitude or something? I know you focused on behavior, but are there any generalizations you can state there?

MS. DEAKINS: I think a lot of it had to do with whether the manager was committed to helping that person. It took the personal kind of time of the leader. Maybe if you have an individual who was really good at this but wasn't so good at this, you could focus on the positives and then work more on the others and give them a development opportunity if there are other skills that they weren't as good at. As I think about the people, it's a combination of some of the technical and the attitude, although from a personal perspective, if you really have a bad attitude, it's very hard to change that around.

FROM THE FLOOR: I have a question for David. What is the most common mistake made by clients in engaging consultants?

MR. COOK: I think it has to do with the planning process, when a client is probably uncertain about what they need and not certain about the right questions to ask and, as a consequence, the planning process doesn't go really well. It's not very complete. The project doesn't go as planned, and there are twists and turns in the engagement that have to be dealt with. I think clients would prefer to have more predictability. The way to give that is to put a little bit more time into planning the engagement with the engagement leader.

I want to comment on one that came to me directly. The question is, is execution relative? Do we just need to be better than our competition? I think the answer is that execution is not relative. I think that it needs to be the best you can produce in any circumstance. We don't, as an insurance industry, always know who our competitors are, and we can't afford just to be better than that peer group that we define as our competitors.

MR. SHINNICK: There might be two sides to that answer. One is, as David said, correct, but the other side is that you can't use that as an excuse not to be better than you are. If you think that you're doing the best you can and that's good enough, but your competitors are doing much better, you need to figure out how to do it much better. So it's both. You can't go out and look at your competition and say, "Well, everybody is mediocre, so it's okay for us, too." But you also can't just look inside and say, "We're the best we can be," and have somebody else out there who's a lot better than you are.

We had a couple of questions that were similar in a general way, and so anybody can answer them. Does anybody have experience changing the behavior of senior management to be more realistic instead of spinning? And how do you do it? A related question is, how can you start this process on cultural change when you're not in management or do not have people reporting to you? If there's anybody out there who has an example or an answer to that, we certainly welcome you to come up to the microphone.

From my perspective, you can have that impact in the small area that you're working in, whether you are leading an area or just part of an area, by your behavior and by having those realistic conversations in which you're talking to your manager and saying, "Let's try doing it this way." If you read the book, they give you a number of techniques to make sure that you personally can execute things well. What are the questions you should be asking and answering when you're reviewing a project and when you're doing work? What are ways to follow up on a project to make sure that it's going well? Those are the types of things that you can do, and you can lead by example.

Now my thought on it is that if the problem is that senior management doesn't really buy into that kind of stuff, then you have an internal question to ask—is this company still the right place for you to work? Are you still able to make the difference that you want to make? Are you still able to accomplish the things that you want to accomplish, given the culture in your organization? Or is the culture wrong for you? If the culture is wrong for you, you'll do both yourself and the organization a favor by trying to find a different place that's a better fit. That's the reaction that I have off the top of my head. Actually I have tried to change senior managers. I don't think it's the easiest thing to do once they get to that level. They can change if they determine that this thing is good. Maybe you buy them the book and give it to them as a Christmas present.

Any other thoughts here about how to create cultural change when you're not in a position of leadership?

MR. COOK: There were four hands left up before that had successful strategic planning processes. Were there any changes that resulted in senior management from those processes?

MR. SHINNICK: I have a question for Sue. Do you tell each employee his A, B or C classification and what that letter means? There's also a second question, which I think is looking into the future, and it is, in subsequent evaluations do you expect the A, B or C classifications to change for individual employees?

MS. DEAKINS: We have, and I know some organizations, especially with their A players, really let them know that they're on a management track. We don't specifically do that. We're not quite that blunt. What we do with the people who we consider to be A players is to make sure that they're aware of that and that we consider them valuable. The skills assessment process at our company did cause change, and it did cause some anxiety from people, especially because it was rolled out by different departments differently at different times. So, some departments had had their personal conversations, and some had not yet. They didn't really know what it meant to them. During this whole process, you want to make sure your A players are happy and they know that they're valued.

In terms of the change, we've definitely seen some people go from B to C or go from C to B. Going from B to A, I think, is more difficult because it's hard to teach some of those behaviors. You either have that great attitude when you're fresh out of college or you don't. We've seen a few people move up there, but not a lot.

MR. SHINNICK: My organization does something similar. We don't have A, B and C. We have quadrants. But it is very important within our process that people know where they are. We just did this in the last two weeks in my area of the company. Before I go into the meeting to have this discussion with my peers about people who are on my staff, I talk to the person and say, "Here's what I plan to say about you. Here are your strengths and weaknesses." We've actually had that discussion throughout our development planning process.

We have the meeting and then when I get back to the office, I still need to sit down with the person and say, "Here's what we talked about you as a group, and here's where we think you need to grow. Here's where we think your strengths are very well fitted to the organization." We think it's very important for this to be an open process. If it's a closed, secret process, it becomes, in our view, more of a detriment than it is a positive thing.

David, I have a question for you. How do you make sure that you are engaging in a realistic project?

MR. COOK: Again, as I mentioned, the planning process, in my mind, is one of the most critical parts of the successful engagement. From a consultant's standpoint, I think you get a good feel over time for situations in which the client is asking you for something that just can't be delivered, and there are ways to talk the client down to a reasonable deliverable. I don't think you will know as a potential client whether you've asked for an unreasonable project until you ask. I encourage you not to be shy to ask for even something you don't think your consulting firm can deliver. If they're responsible, they'll tell you if they can't.

FROM THE FLOOR: I have a practical question to some of the theory. While the technical thing makes sense, if you really apply the techniques and get into a realistic situation, as you were saying, and look at a person's strengths and weaknesses and evaluate those and try to improve each person, maybe you have something there.

One of the things I've found in some companies is that HR comes with the buzzword competencies. You get all these nice buzzwords. Then they apply various things. You have this distribution that you have to apply, and that becomes a political game because it breaks down into various segments. You may have some very good people in this small unit, but you have some distributional issues. Given the raises that people have received recently in terms of being very small, there isn't much room to move from top to bottom. If you have underperformers, that's one thing, but if you have a fairly decent group, these things fall apart. The reality falls apart. They think they're doing a good job, but they don't really execute what they're trying to find to do. In terms of your role, how do you get beyond the theory to the really practical?

MS. DEAKINS: I think there are two things we do. One is that the skills assessment process has been de-coupled from the annual performance review, with the annual raise. It's done in a different time frame. When we're having the skills assessment process, the end result isn't that you're getting a 2 percent raise or a 10 percent raise. That's not the end result, so it defuses some of that.

You're totally correct that there's not much difference between a 3 percent raise and a 5 percent raise. It's not huge, so how motivating is that? At our company, everybody in the organization below certain levels is eligible for a bonus plan. These are bonuses that we can pay throughout the year if somebody, we feel, is doing a good job. We use that to recognize good performance throughout the year as well. So it's not just the annual raise that you get, but it's using some of those other things to recognize good performance.

MR. SHINNICK: I think your point is really interesting, and the book does talk about how the HR departments have to change for execution to work. In some companies, the HR department really sees itself as the rule keeper. They create the processes and procedures, and you have to follow the rules. And their rules can inhibit the success of an organization. When I see a company like that, I try to avoid that company because I don't want to deal with that.

Another way HR departments operate is that they are just kind of there. They take care of the stuff. They're neither a positive nor a negative to the organization. That's not the best place for them to be, but it's better than them being a negative.

The new types of HR departments really see themselves as business partners. In our organization, we actually have an HR person within our division whose role is to help us achieve our business results. When we go through these compensation discussions, when we go through personnel discussions, they're coming from the perspective of how can we help you get your results versus how can we make sure you're following the rules that we have set for you. So a key thing is to help HR understand that its role is different. That is something that management has to help the head of HR to understand.

FROM THE FLOOR: That's an interesting idea that you have, where HR is connected with the business area. As I said, if it's driven from "here's the theory and the theory will evolve," the execution in that very often falls apart with the practical realities of other items. I think that's more common than uncommon.

MS. DEAKINS: They're in their own department, but we have HR partners who are with us as we're having a lot of these conversations. They were there through all of these many meetings we've had about the skills assessment, so they get to know our folks as well.