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GlobalRiskExpert – Choosing a career in Risk Consulting – When does it make sense?

Question: *I am a vice president in credit risk modeling at a commercial bank and my work primarily involves economic capital modeling. Previously, I worked in the group that built our internal credit risk rating models. I have seen dozens of job postings for manager positions in credit risk at several consulting firms. The work looks interesting. Would this be a logical next step for my career?*

Let me start by first going back to an article that I wrote several years ago that identified the key skills of the most successful risk managers. In this article I stated that top risk managers are **quantitative, market savvy, strategic** and have excellent **influencing/communication skills**. If your job has allowed and will continue to allow you to develop and mature these skills, your risk skills are in high demand at capital markets firms, asset managers, energy firms and software firms and a move to consulting would likely not be beneficial.

If, however, you have been unable to develop one or more of these skills at your current employer, you might consider consulting as a logical next step in your career. One example of this is if you have been pigeonholed as a quant, and you feel that you can offer ideas for strategy and problem-solving or your current role does not give you frequent interaction with decision makers. There is no question that a manager role at a consulting firm will allow you to develop these critical strategic and client-facing skills.

A second reason to consider consulting as a next step is if your work experience is predominantly at one firm. Consulting offers you the opportunity to experience multiple clients, and to learn from them in the process. You might gain exposure to additional asset classes, products, technology or processes that you haven't seen at your current firm. This experience will be both interesting and career enhancing, as employers typically want to see manager level and above candidates with varied experience.

Thirdly, like a full time MBA program, consulting can offer you the opportunity to move career tracks. For instance, you might be quite good at economic capital modeling and you probably have developed significant knowledge in this area. Your firm will likely want to benefit from this experience, keeping you on the economic capital team. If you want to broaden your experience, a move to consulting gets you off that "track". While your initial work at the consulting firm may also center around your area

of expertise, subsequent projects will often allow you to branch out into other related areas. Furthermore, if you are not intellectually challenged in your current role or you are bored with the subject matter, a move to consulting can be much more interesting if only for the change of environment.

Here are some things to consider as you think about making a move to consulting:

The quality of life issue really depends on the firm. Some consulting firms are fantastic about work/life balance, while other firms keep consultants on the road or terribly busy virtually 100% of the time. Sometimes these issues are not firm specific, but instead are practice specific, so do your homework about the practice you are considering. Find out about attrition rates and about the amount of work staffed locally by the office you are joining. In this situation talk to current managers, and even ask to speak to some managers who have recently left the firm. Get the straight story on this. Also, consider your current family situation. If you have children and you have never traveled before, think carefully about a career move that involves heavy travel.

Another part of your due diligence should involve the type of work that the practice performs. Post Enron, the Big Four consulting firms spend a great deal of time on audit support and internal control projects and less and less time on strategy. Also, some risk consulting firms specialize in strategy, while others are largely integrators, or risk practices of IT firms. If you are trying to fill a void in your resume around risk systems, a place like IBM Consulting can be a good stop. If you want strategy work, take a look at Mercer Oliver Wyman. If you enjoy risk consulting around ratings, S&P's Risk Solutions Group is a firm to consider. Finally, MoodysKMV offers interesting opportunities that are similar to consulting.

If you aspire to become a partner at a consulting firm, think again. While this is certainly possible, consulting firms are highly levered (many staff per partner) and my advice would be to take a look forward, and consider whether or not you can develop critical additional skills and experience in two to three years. If you love it, you can always stay longer, but view consulting on a short term horizon. Most people believe that consultants get more value from a firm during the first two years, it becomes a wash in years three and four, and after four years the firm is getting much more out of the arrangement than the consultant.

With regards to compensation, rarely do consulting firms compensate risk professionals like banks and investment banks. While some firms pay market rates, including MKMV, most consulting firms pay first quartile compensation as compared to the universe of employers for the skill set. Consider what you are getting from consulting – experience, skills, compensation – and decide if the deal is fair.

Finally, a note to recruiters at consulting firms. Your job is the toughest in the industry. Most consulting firm partners don't understand the issues listed above. Do your best to convince them that risk professionals are highly sought after in the financial services marketplace. Since consulting firms are typically built from the bottom up with

campus recruiting, it is difficult and challenging to recruit experienced manager level talent. Often the people who are interested in these roles are more expensive and appear less skilled than the “home grown” consulting manager. The only way to stay close on headcount requirements in the current market is to source talent that has proven success (promotions, awards, etc) but who likely also has one key skill missing. Convince the partners to hire that person and then help this new employee address the single void. You will find that most of these people can fill in that void in three to six months after which this person will be successful for your firm, and will likely stay longer and be more loyal because you have given her something that she values.

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