



2019 **ANNUAL
MEETING**
& EXHIBIT

October 27-30
Toronto, Canada

Session 155: Strategic Decision Making: Are You Thinking Clearly?

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

Strategic Decision Making Are You Thinking Clearly?

2019 **ANNUAL
MEETING**
& EXHIBIT

Moderator: Marcus Robertson

Paula Hodges, Ameritas Life Insurance Corp.

Emily Kessler, Society of Actuaries

October 30, 2019



SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Perspective is important



Strategic Discussions

- Effective strategic discussions require generative thinking
 - **Slow down:** spend time thinking about the problem
 - Understand the why before delving into the how
 - “Get off the dance floor and onto the balcony”
- Requires understanding of how we normally make decisions, how to better encourage each other in strategic discussions, and processes to support this

Strategic discussions: small scale example



Strategic discussions require open thinking

- **No** vs. **Yes, but** vs. **Yes, and**
- **No** and **Yes, but** focus on the how over the why
 - Bringing operational considerations into strategy discussion
- **Yes, and** enables strategic discussion: openness, focused listening, buy-in

Enabling strategic discussions

1. The basics: cognitive biases, enabling behaviors
2. Discussion/Decision techniques
3. Foresight/Insight/Action cycle

Cognitive biases & enabling behaviors



Cognitive Biases

- Mental shortcuts that facilitate everyday decisions where risks and trade-offs are well-understood
- Work against good strategic decision making when dealing with
 - Unknowns
 - Unknown unknowns
 - Undefined risks
 - Unclear opportunities

Five categories of cognitive biases

1. Action oriented biases
2. Interest biases
3. Pattern recognition biases
4. Stability biases
5. Social biases

Cognitive Biases

- **Action-oriented biases** drive us to take action (vs. think more about the issue)
 - Excessive optimism about outcome of action
 - Overconfidence in our abilities
- **Interest biases:** not understanding our own self-interests
 - Misaligned incentives seek outcomes favorable to ourselves
 - Misaligned perception of overall goal

Cognitive Biases

- **Pattern recognition biases** find patterns where none exist
 - Confirmation bias
 - Power of storytelling
 - Champion bias
 - Management by example
- **Stability bias** favors inertia in presence of uncertainty
 - Anchoring/insufficient adjustment
 - Loss aversion
 - Sunk cost fallacy
 - Status quo bias

Cognitive Biases

- **Social biases** seek harmony over conflict
 - Groupthink
 - False analogies
 - Sunflower management

Countering Biases with Enabling Behaviors

- Encourage exploring unknowns, considering risks, pondering opportunities
 - Mystery-seeking
 - Risk tolerance
 - Future scanning
 - Tenacious challenging
 - Enthusiasm
 - Flexible adjustment
 - Simplification
 - Focus

Enabling Behaviors



Mystery seeking: Fascination with what is not yet known. High curiosity.



Risk tolerance: Willingness to make choices with incomplete information. Mistakes are a way to learn



Future scanning: Fluid thinking that seeks to understand how something operates, how things may play out in the future.

Enabling Behaviors



Tenacious challenging: Tireless problem solving. Done well, excites others about the problem.



Enthusiasm: Infectious excitement for what the organization does –seek to make the challenge fun.



Flexible adjustment: Ability to sell change to someone whose self-interest is against the change; ability to admit fault.

Enabling Behaviors



Simplification: Ability to communicate a complicated idea so everyone understands why it is important.



Focus: Identification of critical actions to be done as well as ability to shift to different set of actions at the right time.

Actions to counter biases

Common Biases	Method to Counter
Pattern Recognition	Change the angle of vision
Action-Oriented	Recognize uncertainty
Stability	Shake things up
Interest	Make interests explicit
Social	Depersonalize the debate

Discussion / Decision Techniques



Techniques

- Think about who participates
 - Diversity
 - Experts from “outside”
- Set common understanding
 - “This is a strategic discussion”
 - Share Pre-Reads, information from other sources
- Bring out different points of view
 - Private collection
 - Round Robin – Talking stick

Techniques

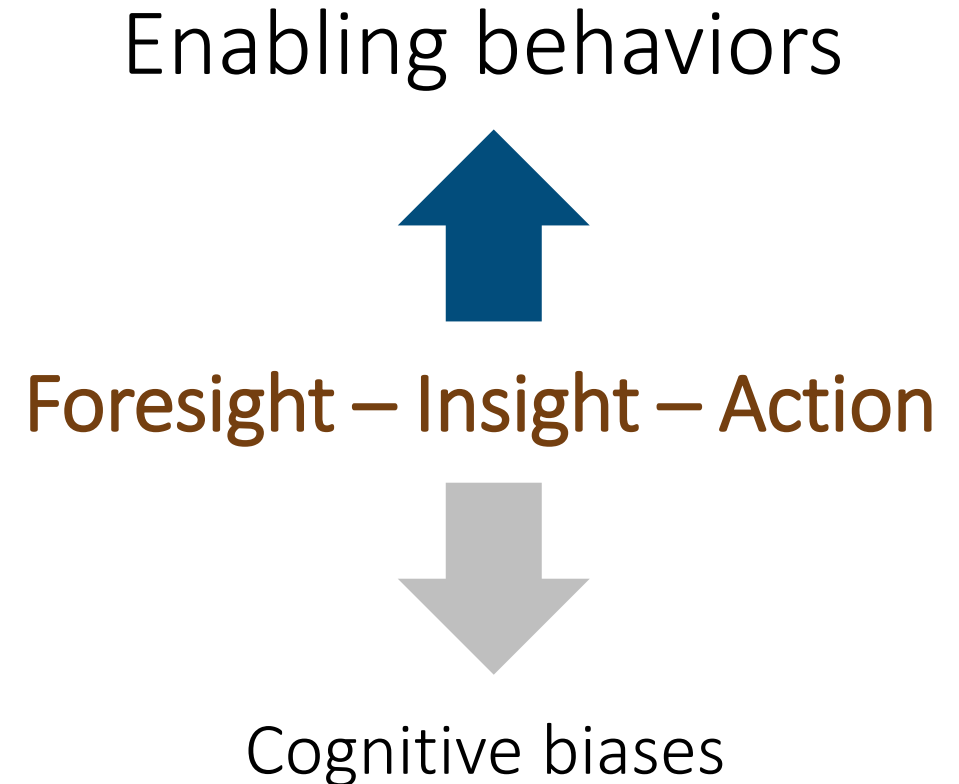
- Dealing with discomfort – head-on
 - Tenacious challenging, Mystery seeker
- Find new insights
 - Juxtaposition
 - Clustering and connecting the dots
- Challenge group think
 - Consider different futures (debate, scenarios, storytelling)
 - Reverse SWOT – strengths may be weaknesses, and vice versa

Foresight / Insight / Action



Why Foresight-Insight-Action

Foresight-Insight-Action cycle can encourage generative thinking, bring forward enabling behaviors and discourage cognitive biases



Foresight-Insight-Action discussion format



Foresight

- Curiosity & discovery
- Develop deeper understanding
- Considering context
- Provoke new ways of thinking



Insight

- Connect the dots
- Create “ah-ha” moments
- Create shared vision of challenge to be met



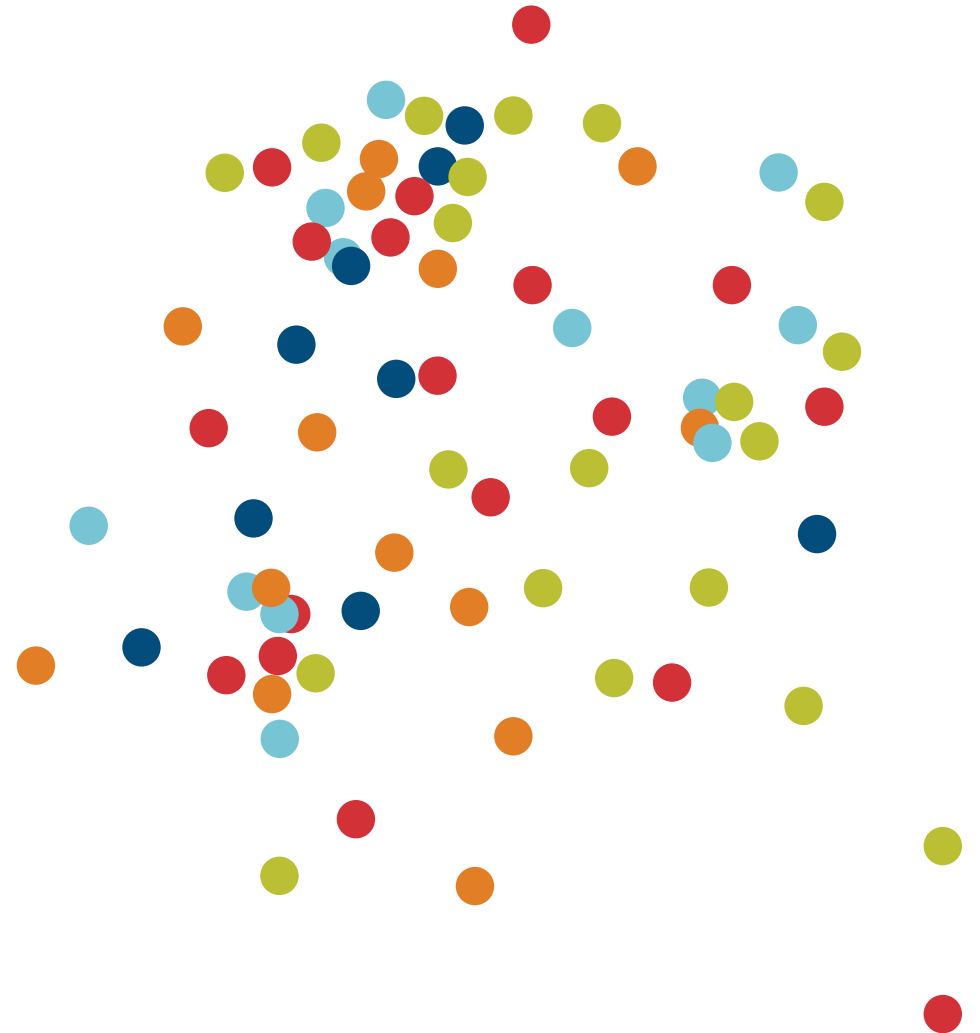
Action

- Ensure consideration of potential outcomes
- Understand the consequences of decisions
- Consider unintended consequences of decisions

Foresight discussions



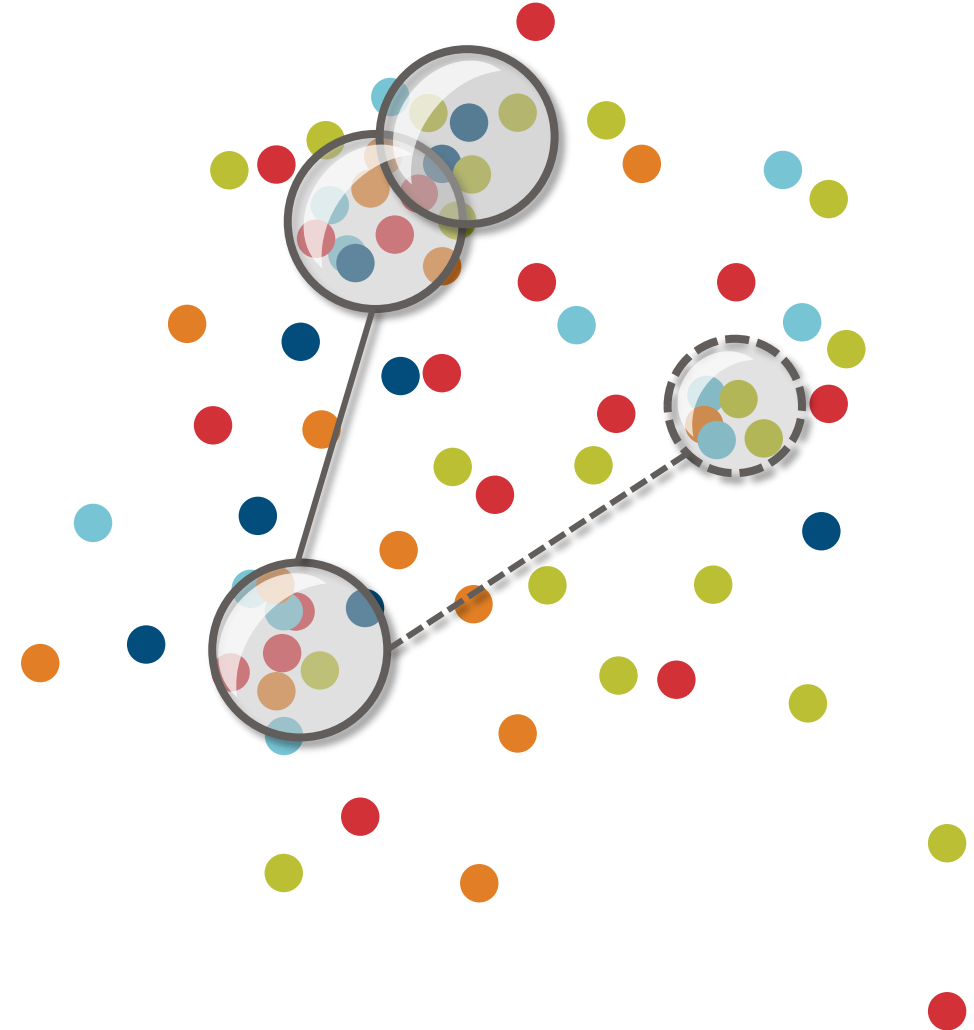
- Defining the space together
 - Facts
 - Knowns, unknowns and unknown unknowns
 - Possibilities and barriers
- Define the space by populating it
 - Considering what's there and not there
 - Recognizing we have incomplete information
 - Emerging commonalities



Insight discussions



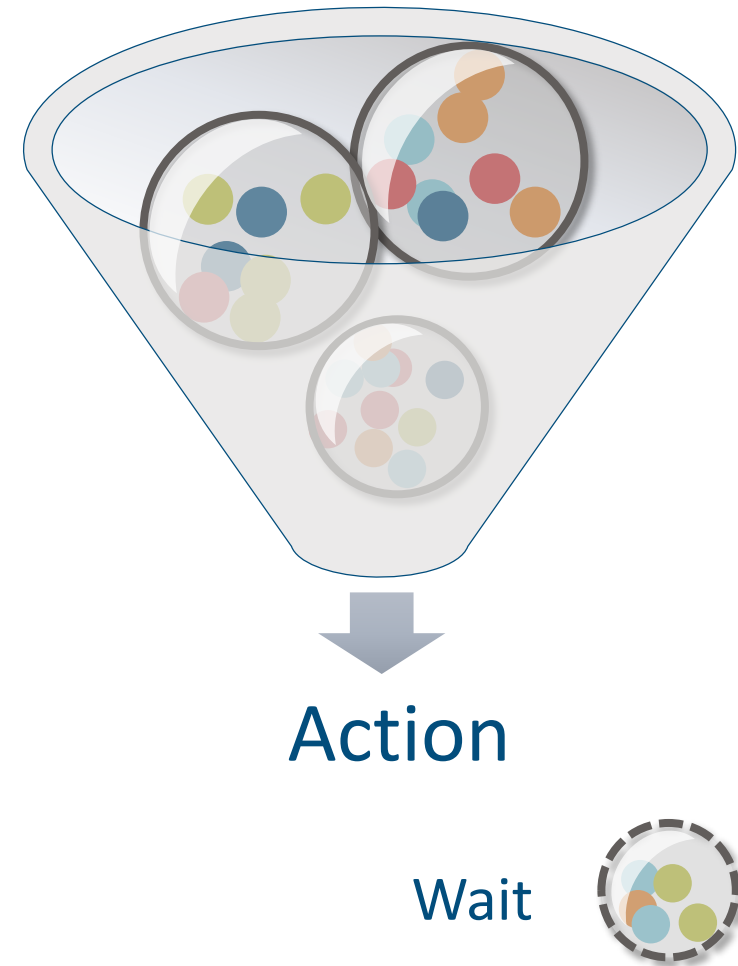
- What emerges from the curiosity & discovery space?
 - Connections
 - Insights
 - $1 + 1 = 3$
- What could this mean?
 - New paradigms
 - Scenarios, juxtapositions, clustering, future states



Actions



- Understand
 - Potential consequences
 - Options
 - Recommendations
- Direction
 - Set objectives
 - Choose to do nothing



Current example from SOA Board

- How is big data, predictive analytics, machine learning and artificial intelligence (AI) changing opportunities for actuaries?
 - Big data, predictive analytics changing our understanding of risk
 - Data science & data scientists
 - AI changing needed professional skill sets
 - Regulatory expectations
 - State of insurance industry
- How does this change the profession: roles, skill sets, expectations?
How does this change the SOA?

Final thoughts



“ If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions. ”

Albert Einstein

“ Genius is 1% inspiration and 99% perspiration. ”

Thomas Edison

Good strategic discussions are **work**

- Organization
- Openness: listening, asking questions, understanding
- Creation of a safe space, common understanding
- Innovation only comes when we move out of our comfort zone: see things differently, challenge the status quo, slaughter the proverbial sacred cow

Strategic discussions require open thinking

- **No** vs. **Yes, but** vs. **Yes, and**
- **No** and **Yes, but** focus on the how over the why
 - Bringing operational considerations into strategy discussion
- **Yes, and** enables strategic discussion: openness, focused listening, buy-in

Enabling strategic discussions

1. The basics: cognitive biases, enabling behaviors
2. Discussion/Decision techniques
3. Foresight/Insight/Action cycle

Cognitive biases & enabling behaviors



Cognitive Biases

- Mental shortcuts that facilitate everyday decisions where risks and trade-offs are well-understood
- Work against good strategic decision making when dealing with
 - Unknowns
 - Unknown unknowns
 - Undefined risks
 - Unclear opportunities

Five categories of cognitive biases

1. Action oriented biases
2. Interest biases
3. Pattern recognition biases
4. Stability biases
5. Social biases

Cognitive Biases

- **Action-oriented biases** drive us to take action (vs. think more about the issue)
 - Excessive optimism about outcome of action
 - Overconfidence in our abilities
- **Interest biases:** not understanding our own self-interests
 - Misaligned incentives seek outcomes favorable to ourselves
 - Misaligned perception of overall goal

Cognitive Biases

- **Pattern recognition biases** find patterns where none exist
 - Confirmation bias
 - Power of storytelling
 - Champion bias
 - Management by example
- **Stability bias** favors inertia in presence of uncertainty
 - Anchoring/insufficient adjustment
 - Loss aversion
 - Sunk cost fallacy
 - Status quo bias

Cognitive Biases

- **Social biases** seek harmony over conflict
 - Groupthink
 - False analogies
 - Sunflower management

Countering Biases with Enabling Behaviors

- Encourage exploring unknowns, considering risks, pondering opportunities
 - Mystery-seeking
 - Risk tolerance
 - Future scanning
 - Tenacious challenging
 - Enthusiasm
 - Flexible adjustment
 - Simplification
 - Focus

Enabling Behaviors



Mystery seeking: Fascination with what is not yet known. High curiosity.



Risk tolerance: Willingness to make choices with incomplete information. Mistakes are a way to learn



Future scanning: Fluid thinking that seeks to understand how something operates, how things may play out in the future.

Enabling Behaviors



Tenacious challenging: Tireless problem solving. Done well, excites others about the problem.



Enthusiasm: Infectious excitement for what the organization does –seek to make the challenge fun.



Flexible adjustment: Ability to sell change to someone whose self-interest is against the change; ability to admit fault.

Enabling Behaviors



Simplification: Ability to communicate a complicated idea so everyone understands why it is important.



Focus: Identification of critical actions to be done as well as ability to shift to different set of actions at the right time.

Actions to counter biases

Common Biases	Method to Counter
Pattern Recognition	Change the angle of vision
Action-Oriented	Recognize uncertainty
Stability	Shake things up
Interest	Make interests explicit
Social	Depersonalize the debate

Discussion / Decision Techniques



Techniques

- Think about who participates
 - Diversity
 - Experts from “outside”
- Set common understanding
 - “This is a strategic discussion”
 - Share Pre-Reads, information from other sources
- Bring out different points of view
 - Private collection
 - Round Robin – Talking stick

Techniques

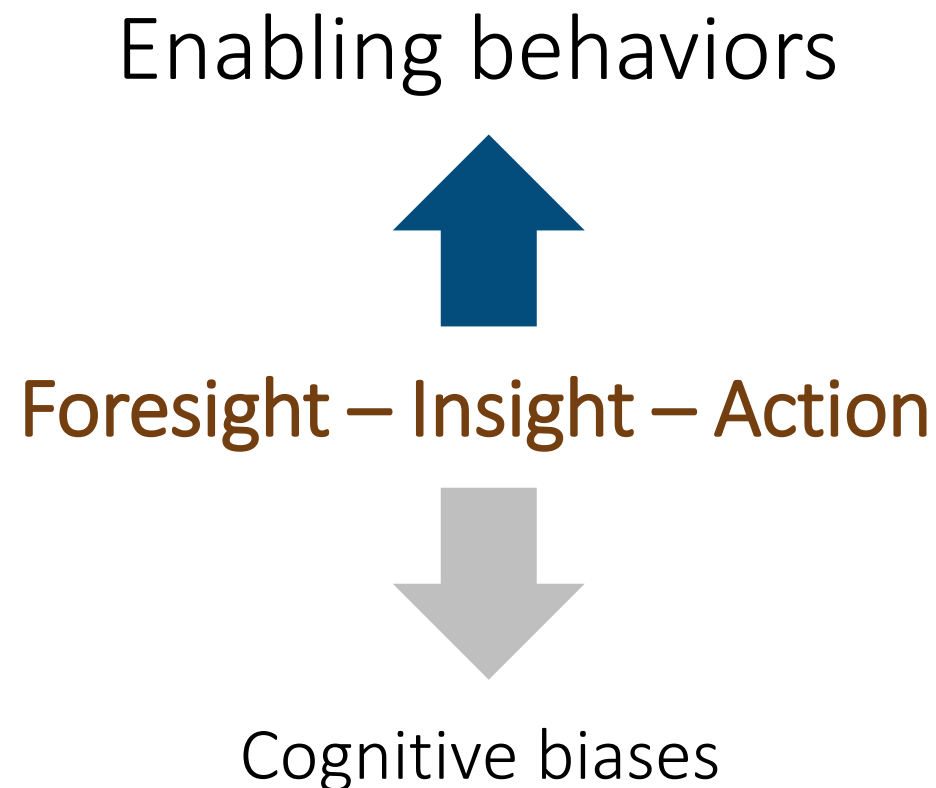
- Dealing with discomfort – head-on
 - Tenacious challenging, Mystery seeker
- Find new insights
 - Juxtaposition
 - Clustering and connecting the dots
- Challenge group think
 - Consider different futures (debate, scenarios, storytelling)
 - Reverse SWOT – strengths may be weaknesses, and vice versa

Foresight / Insight / Action



Why Foresight-Insight-Action

Foresight-Insight-Action cycle can encourage generative thinking, bring forward enabling behaviors and discourage cognitive biases



Foresight-Insight-Action discussion format



Foresight

- Curiosity & discovery
- Develop deeper understanding
- Considering context
- Provoke new ways of thinking



Insight

- Connect the dots
- Create “ah-ha” moments
- Create shared vision of challenge to be met



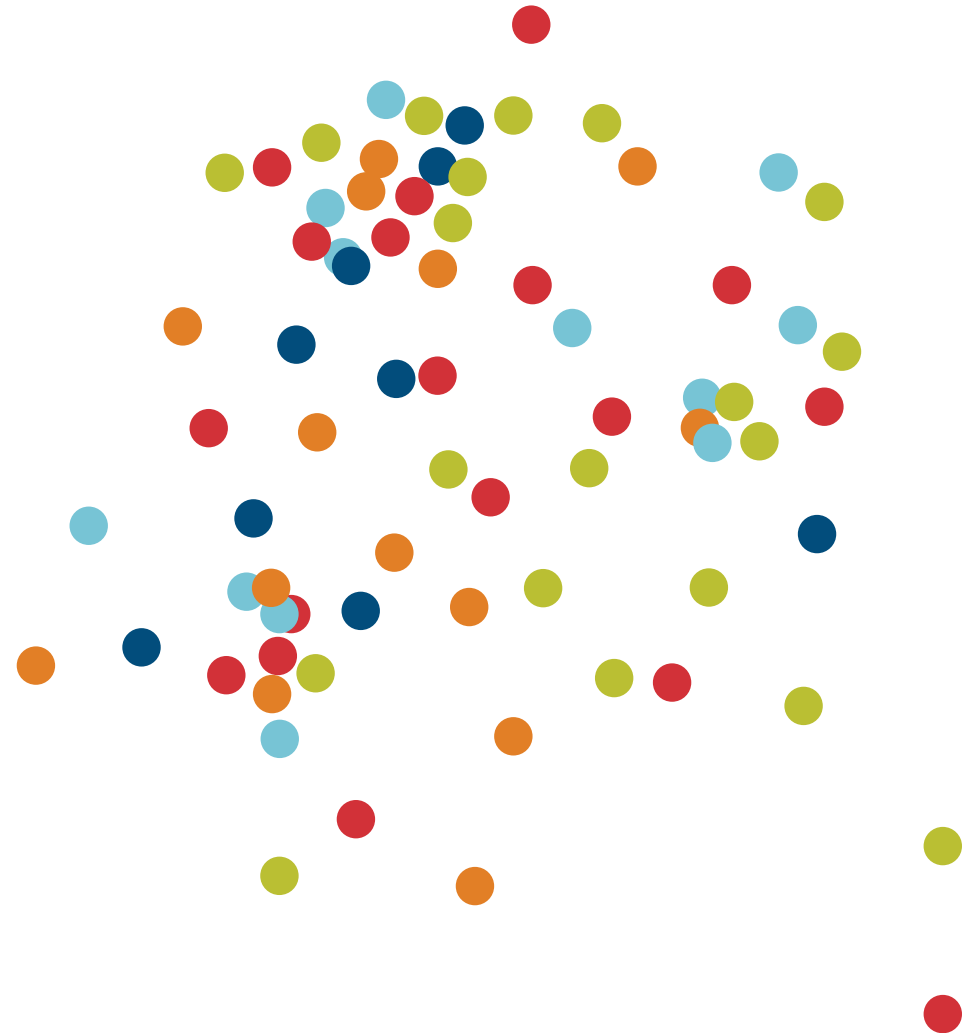
Action

- Ensure consideration of potential outcomes
- Understand the consequences of decisions
- Consider unintended consequences of decisions

Foresight discussions



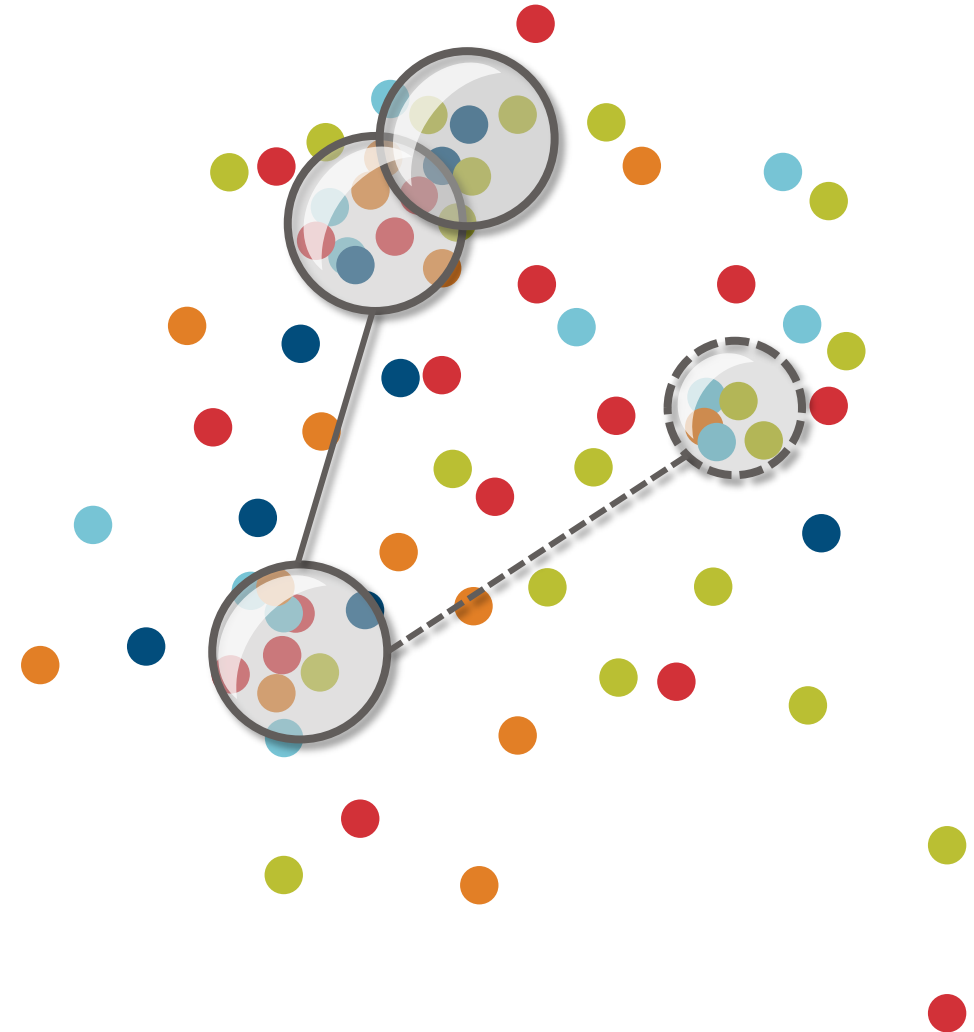
- Defining the space together
 - Facts
 - Knowns, unknowns and unknown unknowns
 - Possibilities and barriers
- Define the space by populating it
 - Considering what's there and not there
 - Recognizing we have incomplete information
 - Emerging commonalities



Insight discussions



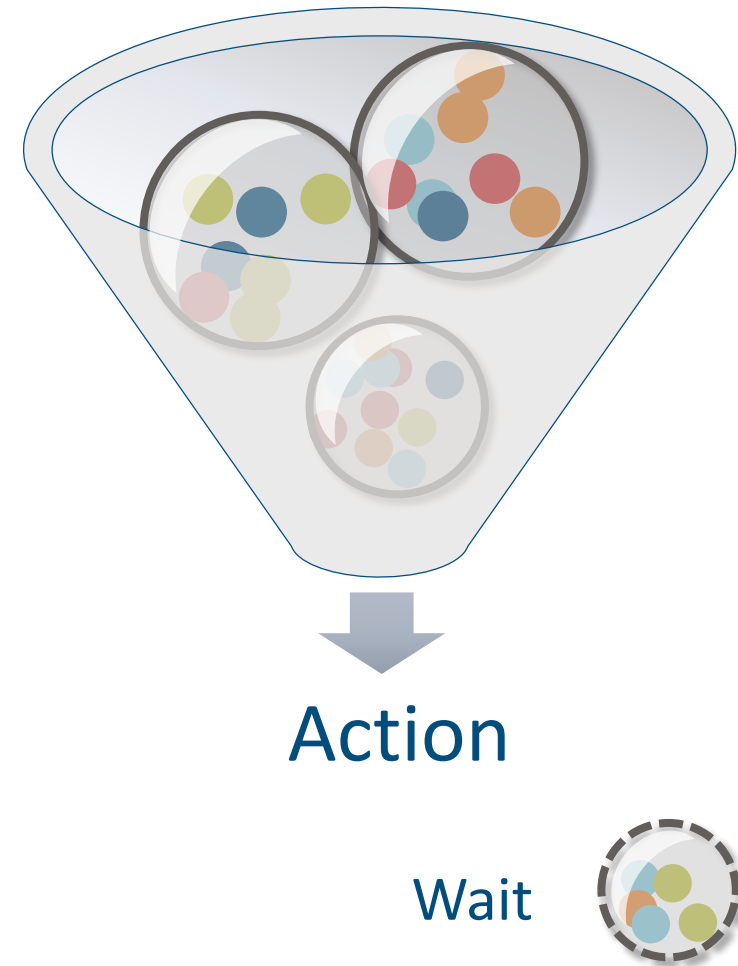
- What emerges from the curiosity & discovery space?
 - Connections
 - Insights
 - $1 + 1 = 3$
- What could this mean?
 - New paradigms
 - Scenarios, juxtapositions, clustering, future states



Actions



- Understand
 - Potential consequences
 - Options
 - Recommendations
- Direction
 - Set objectives
 - Choose to do nothing



Current example from SOA Board

- How is big data, predictive analytics, machine learning and artificial intelligence (AI) changing opportunities for actuaries?
 - Big data, predictive analytics changing our understanding of risk
 - Data science & data scientists
 - AI changing needed professional skill sets
 - Regulatory expectations
 - State of insurance industry
- How does this change the profession: roles, skill sets, expectations?
How does this change the SOA?

Final thoughts



“ If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions. ”

Albert Einstein

“ Genius is 1% inspiration and 99% perspiration. ”

Thomas Edison

Good strategic discussions are **work**

- Organization
- Openness: listening, asking questions, understanding
- Creation of a safe space, common understanding
- Innovation only comes when we move out of our comfort zone: see things differently, challenge the status quo, slaughter the proverbial sacred cow