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**SOLVENCY/CONSUMERISM CONFLICT VERSUS  
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Speaker: TERRENCE DEAL\*

MR. DONALD R. SONDERGELD: It's now my pleasure to introduce our keynote speaker, Dr. Terrence Deal, who specializes in the study of organizations and the issues of change, culture management, reform, and theory. He is the author of several books and articles, including his most recent book, *Reframing Organizations – Artistry, Choice and Leadership*, which he co-authored with Lee Boleman. He will speak to us on change and what it is about, changes in our culture and how to understand them, and the future of the actuary. So do I have a deal for you! Please join me in welcoming Dr. Terry Deal.

DR. TERRENCE DEAL: It's a great pleasure to be here. I spend my time working with organizations all over the world and, in recent memory, I have been to such places as New England Life Insurance, Aetna Insurance, the U.S. Marine Corps, in Dubai with an oil company, and the Bank of Kuwait. I have worked with Mary Kay Cosmetics, the Baptist Sunday School Board, Sisters of the Sorrowful Virgin, the Society of Jesus, and the Swiss Army. This is my first appearance before a group of actuaries. I told people I was coming here and they said, "Be sure you have a lot of fun before you go." What I found out is that isn't really the case at all.

As I was looking at you mingle outside the room, Don said, "They may look like real people, but they're really different." In a sense, as I heard a few of the questions that were posed here by the secretary, I begin to see that I've really have a lot to do to catch up with where you actuaries are. In a sense, you have something that you share with people across the world; you see, people are fundamentally alike. The packaging may be different, but people are basically the same. It's the difference in the packaging that usually causes miscommunication and gets people into trouble.

For those of you who have driven in California, basically the signal red light means stop. In Boston, it has an entirely different meaning. It means avoid eye contact and accelerate. If you've ever driven in Boston, you know exactly what I mean. Recently in Nashville, Tennessee – that's where I'm from – I ran a stoplight and someone gave me a thumbs up sign. I knew it was someone from the Northeast saying, "Right on, baby, good job!" Everyone else in the intersection was giving me a different signal, which even itself doesn't have universal meaning.

One thing that everyone shares is this whole issue of change that is going on in organizations across the world. I want to begin by focusing back on Daphne's 1991 presidential address, because she's going to set the beginning tone and I'll use a couple of quotes to close off my presentation. What we're talking about here is her last year's challenge to you: "If actuaries are going to matter and to survive, we

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must change. The actuary of tomorrow will have to put just as much emphasis on actuarial art as actuarial science."

There are many people who think that actuarial art is an oxymoron, like military intelligence or airline food. What we're talking about here is a major set of changes that you are going to begin to consider and move into. Every important change that goes on is not an individual change; it's an organizational change. As you change, the Society will change. As you change, your organizations will change. If you're thinking about the changes and your ability to bring them off, remember that it's one thing to think about or propose a change; it's another thing to make it happen.

We have invested millions and billions of dollars in management, consultants, and policy to try to make human organizations across the world different. What do we produce as a result of all this investment? First of all, the more things change, the more they stay the same. All you have to do is look at the American public school system to see the return on an investment of billions of dollars. The last time I taught in a classroom was many years ago and if I were to walk back into a classroom today it would look very much the same as it did then.

The second outcome is cosmetic change; we change the outside wrapper, but if you look inside the organization it's just the same as it always was. When I go to look at places where they have tried to bring about change and they show me what they have done, they have to explain to me before I get the point. You have to look hard and wish upon a star if you really want to see what they're trying to do. The third result is turmoil and warfare. When you're proposing a change, someone else is assembling the artillery. As soon as the change becomes visible, it will be shot out of the sky. The other thing that often changes is upper management. For those of you who are interested in changing things, make sure you develop your ability to write resumes, because losing one's job is often the consequence that change produces.

Finally, there's disillusionment. Everywhere I go in human organizations, as I walk in the trenches, people are saying, "I never really loved him or her and I don't want to get involved again. I was excited about change in the 30s. I was excited about change in the 40s and the 50s." And on it goes. Now, that's a pessimistic prediction of what your changes bode for you as a group of people, but it doesn't need to be that way. We're not looking at the problems from the right angles. Every organization has four sides, each posing a different challenge.

When we entertain a change, we typically look at only one part of what a human organization is. Every organization is a factory, a family, a jungle, and a carnival or cathedral, and one has to begin to look at all those sides of an organization if you want to change it and change it successfully. Structurally, we know that every organization has goals, roles, and needs coordination. All one has to do is look at the organizational chart, the table of organizations, and we begin to see a slice of what an organization is about.

But every organization is also composed of people and people have their individual needs. Big people have needs just like little people. As Maslow predicted, individual needs can be arrayed into a hierarchy. When people come into an organization, they first have to have their physiological needs met and then they look to have their

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needs for safety met. They then have to have their needs for belongingness and love attended to. Only then can you begin to think about esteem and other upper-level growth needs. In our nation's public schools, for example, children very often come to school without any of those first three sets of needs taken care of. They are hungry, they don't feel safe, and they don't feel like anyone cares for them. Until those things are taken care of, very little learning or growth will occur.

Finally, every organization is full of power and conflict. It's a jungle. If any of you don't believe that, we'll have a remedial session shortly after this with a controlled substance of your choice to help you realize that organizations are not that rational. The first time that I found that out is when I was here in Southern California teaching a class. It was my first class as a new teacher, and I was really proud of what I had done. I walked out and there was a custodian sweeping the floor. He leaned on his broom and looked at me and said, "Not bad for your first time out, son. The content was solid, but the pace is much too rapid for the children of this school." I said, "What?" He said, "Good content. If you'll just slow down, you'll be fine." He walked away, continuing to sweep the hall. Well, I, of course, went directly to the principal of the school and I said, "Mr. Bonnett, the custodian just told me how to teach." He said, "Well?" You see, the custodian was the most powerful person in that organization and thereafter Joe Liejo became my informal supervisor. He was wired into the community. If I had a parent conference, I never invited the principal. I invited Joe Liejo because Joe was the person who had the power in that organization.

It's often unnoticed people in lesser positions who have control over information, who have wonderful personalities, who have expertise and contacts. A lot of times what we forget is you may have authority, but you don't have access to power.

Every organization is also a tribe that's full of symbols and culture that create meaning. I'll come back to this as we move into a conversation about change. Think of an organization as an iceberg. At the very top you have the structure. As you move down into the deeper aspects of an organization individual needs and skills are evident. A little deeper into the organization and you have the opaque issues of power and conflict. Finally, below the waterline, people are unaware of what really controls any organization; it is culture. Here's an example for any of you who don't understand the difference between an organization having meaning. Think about your airline flight to the conference. Your flight here was either good or bad. If you boarded an American flight, it probably was pretty good. If you boarded a TWA flight, it probably was not so good because American has a psychological paycheck that they give their people and TWA does not.

Organizations have to have meaning. If you're in one where it does, you know how that feels. If you're in one that doesn't have meaning, you know how that feels. In sum, human organizations are simultaneously rational, emotional, political, and spiritual. Each one of these dimensions poses a different challenge for people as they try to change organizations.

First, let's take a look at change as a human resource problem. When you announce a change, you at the same time proclaim people's incompetency. You come in with a new system, a new technological system. Just recently I talked to the CEO of a

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very large corporation and he said, "I told those people we have the best computer technology ever bought and did you see the looks on their faces. They didn't look very good." I said, "Well, what do you think you just told them?" He said, "I'm not sure." I said, "You just announced their incompetency." Every time you change an organization, you make people inept. The longer they've been there in the organization, the worse they're going to feel; they naturally become very anxious.

Recently, there was a physician in a hospital where a procedure was changed. That physician was so worried that she was not going to be able to support her family anymore. This new laser procedure had absolutely made her incompetent and very anxious in terms of the skills that she thought she had possessed. The antidote to that? Training. Every organization that wants to bring about some change has to make sure it provides the training. Now, do you think that's automatic? In most organizations, when they try to change, they don't invest money in the very training they're going to need in order to make that change happen.

About two years ago, Arthur Andersen announced a major change in the mind-set of its tax partners. It changed their role from a traffic cop to being a consultant. Arthur Andersen invested millions and millions of dollars in a state-of-the-art training program. Why? Accountants don't waste money, but they knew that unless they invested in a very state-of-the-art training program, they would lose the entire investment made in proposing the change in the first place. Arthur Andersen also learned that successful change not only must provide people with the skills that they need, but also provide a psychological safety net. It provides a system of support for people. As I looked at your Task Force Report on the Future of the Actuary, I wondered, "Have you made provisions for training?" The answer is absolutely, because many of the recommendations that are contained therein focus on providing training as you begin to move from actuarial science to actuarial art. First up, you have to make sure that you provide the training if you want the proposed changes to succeed.

The second thing is that any time you change an organization, you create some structural issues. We all know that the structure of the organization makes it predictable. A chief financial officer, for example, can predict your behavior as an actuary. The system works because when you do one thing, others do something comparable, and the system is set up so that you avoid confusion. It makes it a very rational and predictable organization.

When you change an organization, you introduce the confusion and chaos that makes people feel like they don't know what's going on anymore. Let's take a personal example of me and my family. By the age of 29 years old, I had been married three times. I love honeymoons and ceremonies. They're fantastic, but what I was finding is that at the end of a year the person who I just married looked very much like the person I had just divorced. I've been married happily now for 19 years and one of the reasons was that I began to change my way of thinking about things. I came home from a trip 18 years ago and I proposed a toast to my wife of 19 years now. I said, "Here's to us, honey." She said, "The marriage is unfair." "Here we go," I said, "another divorce counselor, another attorney. What am I going to do?" I suddenly had a flash of insight and said, "Honey, I think we have a structural problem." She said, "Say what?" I said, "A structural problem."

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I took an 8-1/2 by 11 piece of paper, drew three columns, and labeled Column 1 as Terry, Column 2 as Sandy, and Column 3 as both. I said, "Now it's time to distribute into each of these columns the responsibilities of our marriage so we can identify our roles and interdependencies." We started to list our various functions. You all know what happened. Her column started to fill up very rapidly. I was struggling to come up with something like, "Takes garbage out every other week, weather permitting." I said, "Aha, I have one! Feeds the dog." She said, "Honey, we don't have a dog." I responded, "Well, if we had a dog, I'd feed it. Now, put that in that column right there."

That night we restructured our marriage. I do the cooking now and Sandy mows the lawn. I gas the Jeep and she gases the Porsche. We have those things all worked out, except we moved from Boston, Massachusetts to Nashville, Tennessee and for the first time in our life we could afford a swimming pool. Isn't that wonderful! Now, what's the problem? You have it. Who's going to take care of the swimming pool? Sandy said, "Look, the yard is bigger and the kitchen is better. I think it's only fair that you take care of the swimming pool. But I've heard you speak once and I know the importance of training. I will take the responsibility for getting you trained." She brought in an Eddy Porter, the pool man, to give me a lesson on pool maintenance. As all of you who have pools know, it's very complicated.

As Eddy was going through the instructions, I said, "Eddy, don't you do this?" He said, "Well, yes." I said, "Well, sign me up." So as I was signing the contract, Sandy walked by and said, "What are you doing?" I said, "I'm taking care of the pool." She said, "By what authority did you make that decision?" My spending discretion is now limited, so if I want to buy something for \$199.99 I can do it, but for \$200 or more I must consult with Sandy. What we've learned was something that each of you better learn about the changes you're proposing in the actuary; as your role changes, you better make sure that other roles change as well.

I saw some hints of that in a recommendation, but it wasn't quite specific enough for me to make sure that, as your role changes, other important roles begin to change also. I walked into a large organization not too long ago and talked to the CEO. He said, "I have restructured this organization and I want you to look around and tell me what a good job I've done." I walked around for awhile and talked to people. I came back and said, "You are very successful." He said, "Well, the name is Smith, SMITH. Make sure you mention that in your new book." I said, "No, no, you're going too fast. I said you're successful. You stopped making decisions, but no one else has started. This is a decisionless organization right now and everyone out there is waiting for Godot."

To change an organization successfully, you have to formally negotiate, much like Sandy and I did, the new roles and relationships. Otherwise, if you leave it to chance, I will guarantee the cacophony that occurs will push the system right back to the way that it was. If you actuaries change and you plug yourselves into the same organization, I'll write a written guarantee that your behavior will be back to normal within about two weeks – unless you begin to renegotiate new roles and relationships. Very few organizations in the world are doing this right now.

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The political side of change is even more challenging. Every time you try to change an organization, you create conflict. I heard a little bit of buzz in this organization from the announcement of a change of 200-300 hours in actuarial preparation. Now, my suspicion is that that means something. When a little buzzing that occurs, I know what you are all waiting to do. You want to get out there into the bathrooms and places like that so you can buzz louder and begin to plot to make sure that 200 doesn't ever get to 300. People usually handle conflict in organizations like this. You avoid it, smooth it over, and then you get them. You do everything in your power to dust off the change and retain the status quo.

Worldwide, organizations that are changing are full of street fights where people are killing each other in almost gang-like warfare, only it doesn't quite look that obvious. Mergers are failing now at the rate of 80%. Why? Because it's all hearts and flowers in the mutual meeting. Everyone talks about how nice and wonderful the coming together will be. I've been to a number of situations where I met with the group for the first time and when the meeting adjourns people go to their separate places and talk about how stupid those other people are and how incompetent they seem. They then begin to create conspiracies to get those people and keep them in check.

People aren't paying enough attention to the political side of changing. The one that bothered me the most was a merger that was put together by financial people for financial reasons. I was told that at the first meeting a group of macho men from Texas walked into a room and met the executives of the other group. They were from San Francisco and they were all gay. It was an interesting situation after that! If you're smart when changes are proposed, you will create arena – with rules, rounds, referees, opponents, and spectators. You open it up to some bargaining and negotiation. In the case of the 300 hours proposal, you settle at 250 or 225 or 275. But unless you do that, you'll soon see an organization that begins to tear itself apart by virtue of refusing to deal with the conflict.

I just came last week from the Saturn Corporation. Saturn is making a top quality car, equivalent to or even better than the Japanese are able to do. One of the reasons that they're making that happen there is they have found ways to deal with conflict effectively. Every day, on the line, there's conflict between engineers and others; people are confronting it, they're dealing with it, and they've created the arena that allows them to begin to change.

I spend a lot of my time as a referee trying to help people deal with conflict in organizations. If you don't like conflict, don't change, because it will get you every time. I wondered, as I looked through the recommendations, are you dealing with some of the conflicts or anticipating some of the conflicts that the changes in actuarial practice will begin to manifest very soon? If you can, you've just increased the probability of successful change in a very substantial way.

But you also have a deeper set of issues to deal with here: every organization in the world is a culture. It is the "way we do things around here." It's a modern tribal system, full of symbols like geese formerly on the back of a tail of a Republic Airlines plane, or a speedy bird formerly on the back of the tail of a Piedmont, or Ma Bell.

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One could go on and on with all kinds of symbols that human beings create to make a meaningful, successful enterprise. Let's take a look at a few examples:

Myths and values. In the actuarial practice, I'm sure there are myths, even though it's essentially a rational kind of practice. My guess is you have all kinds of myths, stories, and fairy tales. Every organization has stories that it tells. If I go into an organization like Anheuser-Busch, I ask for stories. I go to people in the organization who shouldn't even know them. I went to Anheuser-Busch and I walked to where someone was cleaning out the vats and I said, "That's a lousy job." He said, "Well, it's not the best, but it's a good company to work for." I said, "Well, what does that mean?" He said, "It's a company of quality and pride." I said, "What does that mean?" He said, "Let me tell you a couple stories about Triple Sticks. That's August Busch III. He's the chairman of our board. Here on the floor we call him Triple Sticks, but not to his face. Let me tell you the first story about him to help you understand the idea of quality. He was looking for a brewery site with a bunch of the other people. Driving along in the Mercedes he yelled for the car to stop, jumped out of the car, raced over to a pickup truck, and pounded on the window. The farmer rolled down the window and said, "Who the devil are you?" He said, "I'm August Busch III. You have my beer in the back. Park this thing in the shade." The man looked him right in the eye, doctored his eagle hat and said, "That's quality." I said, "What about pride?"

"Now the other story," he said. Triple Sticks was being introduced with a lot of the other executives before a major crowd by a vice president who never really fit in around here. The vice president introduced everyone -- he thought, but he was so nervous, that he forgot August Busch III, and sat down. Someone whispered, "You forgot the old man!" He stood back up and said, "Oh, excuse me. Last, but certainly not least, August Busch III, the esteemed chairman of our board. Excuse me, my secretary must have left his name off the list." August Busch III turned to the man next to him and said, "This guy is gone." He fired him the next day. The man looked me right in the eye and said, "Now that's pride."

Everywhere you go in an organization you're going to find stories that give meaning to what people do. Ritual and ceremony. What do you think this is? This is a ceremony, anointing and celebrating heroes and heroines telling stories. My hunch is that you'll find occasional rituals. This place right now is full of ritual and ceremony. Ritual. How does ritual work? We invited a Japanese couple over to our home in Concord, Massachusetts. The Japanese are wonderful about preparing their people for the weird ways of the Americans. They came in and we said, "Would you like a drink?" "Oh yes, cocktails! Happy hour! Favorite time of day for us! Please, we have cocktail." I said, "Would you like some saki?" "No, we'd like gin and tonic, Tanqueray with lime, if that would be possible." We were impressed. I came back and gave the drinks to them. The Japanese man said, "Cheers!" and the Japanese lady said, "In your eye!" She was struggling. Then all of a sudden I stood up to go prepare the meal. Now, the word in Japanese for a man who works in the kitchen is so terrible that they won't even translate it for me. As I left, they were talking back and forth in Japanese. I think they were saying, "Now, this is very strange. Do I go into the kitchen with him or do you go into the kitchen with him?" So they sent their child into the kitchen with me as a compromise.

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At the end of the meal, it was wonderful. The Japanese man had rebounded and remembered what they had been taught. He just gave the ritual a different twist: "Terry, that was a wonderful meal. May I have the recipe, please?" I said, "Oh yes, Cornish game hens with cranberry sauce. I'm sure they'll be big in Kobi." The Japanese woman was looking and she must have thought, "The ritual. He's bonding to those people. What should I do?" She turned to Sandy and said, "How did you two meet?" Sandy said, "Oh, it was wonderful. We walked into a crowded room, our eyes met and we fell wildly in love." She said, "Oh, how wonderful! Just like animals."

The new Associates at this meeting will begin to learn the rituals and ceremonies. Ceremonies remind people of their values. They don't even need to be serious. They can be funny. I was a police officer in Southern California in the 1960s and, if you have a badge that no one respects and a gun that you can't use, you get sophisticated very quickly. Our annual ceremony was the Chuck Huck Awards Banquet in which the leather badge was given to the person on the force who had screwed up the most in the previous year. Two years on the force and I won the vaunted leather badge twice.

The first leather badge was won after I was dispatched to my first riot. I was absolutely frightened to death. The sergeant screeched up behind me and said, "Patrolman Deal, get in there and stop that thing. I'll back you up." He drove his car behind a tree and I drove into the riot frightened, almost petrified. I climbed out of the car, trying to remember procedure, and leveled a shell into the riot gun. About that time, a rock hit and shattered the windshield. I froze, pulled the trigger, and blew the side of the squad car. It stopped the riot. There were 120 prisoners. "Please don't shoot again. I'm only 14 and I have to take care of my aging mother." So I received the Chuck Huck Award for shooting the side off the squad car.

The next year, I was dispatched in plain clothes to a physician's office where a burglary had occurred. Now, what do you worry about? Guns equal crazy people equal dead cops. It's a horrible call to get. So I drove up in my unmarked unit to the physician's office wearing my sport coat. This time the lieutenant and the sergeant are there because it's a very severe call. The lieutenant took over and said, "Sergeant, cover the back door. I'll get the front door. Patrolman Deal, flush him out." Oh my! So I walk through the broken glass window, crunching, and all of a sudden I heard a noise in the other room, kicked open the door, and there was a man with a gun on me. Now, do you know what you do in a situation like that? You hyperventilate and wet your pants. As I was hyperventilating, my mind was working very quickly. I said, "Holy smokes, that guy is scared too, and he looks a lot like me." It was a mirror. The sergeant and lieutenant walked in and here was Patrolman Deal with a gun on himself, hyperventilating in front of a mirror with a puddle on the floor. So I received the Chuck Huck Award for that particular occasion too.

Now, keep in mind that cultural discourse is a little deeper than that and so there are two values that were communicated in that ceremony. One is valor and the other is restraint. I'm sure that when someone was investigating a burglary in a home and a little child jumped up with a cap gun to play with the policeman, that moment of hesitation is necessary. So in your ceremonies, be they serious or funny, you'll begin to have a window into the culture of the organization. There's always an informal



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network of people in an organization -- gossip spies, storytellers and others -- most of which will be at work in this ceremony and all of them are at work in your organizations back home.

When I talked with John Fibiger, who I wish were here, we spent some time getting to know the culture of New England Life, the cultural elements I just described are the categories we played with. How did I get to know that organization? I rode up and down the elevators for three days and I began to find out what the culture of that organization was really about. I watched people come to work and I watched people leave from work. We later had a meeting of all the New England Life insurance executives. John Fibiger gave one of the most brilliant talks I ever heard. How? He threw his prepared speech away and talked about the values of that organization.

When you hit the deep symbolic level in an organization, you're in the stuff that binds a human organization together. By now you can start to anticipate the real problem of changing an organization. People get attached to stories and to rituals. Every person that I saw come in this room, for example, said, "Hey, this is the first time we've had tables." It changes the ritual. Think about change in the symbols. Think about how the people of Republic felt when Northwest repainted the tail of the planes and the goose went. What happens when you change an organization culturally? People feel the same kind of loss that they feel as if they were to lose a pet, a person, or something of value or meaning in their life. That's the challenge of changing we have overlooked, we have not dealt with the loss.

There are no more cabooses on trains, for example. The caboose has been replaced by an electronic box that goes on the end of the last car that handles the function of the caboose much more cheaply and much better than the caboose with its human crew. Let me hear any one of you make an argument against something that is cheaper and better. I don't know if any of you have seen a train go by lately. It's depressing. "Hey, honey, look at the little box there. Daddy and mommy like that. Wave bye-bye!" You see, this is the very reason why Republic and Northwest had such a hard time and they're just now getting it sorted out.

The feelings of the crew about the loss of the symbol and the distress they were feeling was cited as a contributing cause of the crash in Detroit. That's how deeply it goes. If any of you knew anyone at AT&T in 1982 during the divestiture, you can understand the deep aspects of what changing an organization is about. One hundred years of tradition, 100 years of people like Angus McDonald who walked through the blizzard of 1891 to restore service between Boston and New York and Ma Bell. All of a sudden, with the decision of a judge it crashes down and you find in the wake of the changes divorces, alcohol abuse, substance abuse, and suicides. People didn't know what was going on.

I found out what was going on when I gave my first talk to a group of Bell employees following divestiture. I talked about symbols and their importance in the human experience. I looked out at a crowd of 1,000 people and saw people with tears streaming down their face. I walked off the podium and a woman came to me and she grabbed me by the collar and she said, "I want to talk to you now, alone, and I'll pay you as much money as you want." This was my first experience with such a situation. As the woman started to talk to me, all of a sudden the pain started to

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come out. Then a line started to form. Others also wanted to share their pain. A reporter said, "Can I hear this?" I said, "If they okay it you can." He sat there and listened. He said, "I didn't realize that change is loss."

You cannot change anything without losing something. You can't grow up without losing your childhood. Women can't get married, sometimes, without losing their name. All of these are very serious kinds of things in human experience. When people experience loss, they either try to keep things exactly the same way as they were or they try to get all caught up mechanically in the new experience. For example, we had an Irish widower in Concord, Massachusetts whose wife died 25 years ago. He still says, "*we'd* like you to come to dinner" or "*we* love you kids." The house is exactly the same as it was before she died. He's stuck.

The flip side of that is when you get all caught up in new experiences just to keep busy. Our friend's husband was killed in the DC 10 crash over O'Hare. About two weeks after the funeral she said, "Husbands are a lot like buses. You miss one and another one comes along in about 15 minutes." She's stuck too. Now, how do you get yourself unstuck? Well, we all know how you do that in your personal life if there is a death. You have a wake, a funeral, a mourning period, and some kind of a commemoration. This is where I'm spending most of my time in organizations right now – helping them design equivalents of transition correctly that help people let go and then grab on. Change is like a trapeze; you have to let go before you can grab on and move on.

If any of you saw General Schwarzkopf's change-of-command ceremony, you understand the role of transition in the human experience. They played Auld Lang Syne and Schwarzkopf, right at the end, stepped forward and saluted and stepped back. The music stopped and General Hoar walked forward and saluted. Goodbye to the old, hello to the new. The military will tell you that unless they follow that regimen in every change of command, they'll have a problem in the command. It will be directly attributable to the fact that they didn't do it right.

Think about how we change CEOs. Now you're starting to think, holy smokes. I may have a problem in my organization that I didn't know about. The bad news is you always have to go through a transition ritual before wounds will heal. The good news is you can always go back and revisit. Keep in mind that people don't just get attached to positive symbols. They get attached to negative things and they'll hold onto them even when they aren't working.

I talked to a group of school principals about this need for some kind of a transition even when negative symbols are lost. One principal called me three weeks later and he said, "Deal, I thought you were nuts when you talked about that change and lose stuff, but all of a sudden I started to think about my school and I realized the problem. Everyone here is attached to ignorance." He continued, "As I heard you talk, I did what I was supposed to do. I went to the local undertaker and I borrowed a casket and I put it right there on the floor in the most appropriate room and I called everyone together. I said, 'Kids, teachers, I have some bad news for you. Last night, ignorance passed away and we're here to take him to glory. Because of the historical importance of ignorance in the school, I've asked the local pastor to say a few words on his behalf. Pastor, would you please.'"

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The pastor gave a wonderful tongue-in-cheek eulogy extolling the virtues of ignorance and then the principal said, "Thank you, pastor, and now for each of you who so wish, I would like you to pass by the casket and pay your last respects before we take ignorance to glory." As each kid and teacher passed by that casket and peered in they saw there was a mirror on the bottom. They closed up the casket and carried ignorance out of the school. The principal said it was the beginning of the school's transformation to a place devoted to learning and enlightenment.

Moving from actuarial science to actuarial art, changing the practice, particularly as I look at the 1889-1909 symbols, is going to involve some kind of a loss. If you deal with it in a human way, recognizing the importance of some kind of transition rites, that's when you can really begin to move ahead; but people have to let go before they grab on. Art here involves an artist. An artist is a lot like a leader, I think. Technical people are managers, but what we're really talking about when you talk about actuarial art is actuarial leadership in my way of thinking. We're talking about people who don't just count and report, but people who interpret and who begin to move into a new space, one where symbols and meaning count.

Leadership in this world of ours is in very short supply. I went to a speech by Admiral Carlisle A.H. Trost, Chief of Naval Operations, and I was expecting John Wayne 1A. When speaking about leadership, he said, "Leaders have to do three things. They have to know what's going on, they have to figure out the right thing to do, and then they have to make the right thing happen through people who are well organized and well motivated to get the job done." He said, "Our problem is we spend all of our time with number two. Everyone is trying to make decisions, but no one really knows what's going on."

As I go around the world and talk to people in leadership positions, I find they're a lot like Butch Cassidy and the Sundance Kid. Remember when the posse was after them and they kept saying, "Who are those guys?" We'll hear, "I wrote four memos on that and no one seems to understand. That's not our policy. Why is people behavior so different? Who are those guys?" They don't know what's going on in the organization and, as a result, we have a lot of people who keep doing what physicians are prohibited to do and that is to treat symptoms. They're not figuring out what's going on. Trost said that what we really have to do is begin to help people know what's going on in their organization and make sure as, in your case, that actuarial changes can be carried out by well-organized and well-motivated people who can get the job done. You may wish to heed a few of these ideas.

I just want to give you a little bit of evidence from the current research we're doing worldwide. We're trying to find what the difference is between effective managers and effective leaders. Each of those four sides of the organization – the family, the factory, the jungle, and the carnival or cathedral – is really a lens through which people look to begin to define or respond to their reality. We have an instrument now that measures how people think.

What we're finding out is effective managers think mainly in rational, structural terms. They give some attention to the human resource, the people side of the organization, and a little attention to politics, but basically managers are structural people. They're people who are technicians. They're people who are scientists. They're people who

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are working the rational side of the human experience and it's a very important aspect for people to work.

For effective leaders, the equation putting rationality first completely reverses itself. This finding is worldwide now. Symbolism is the stuff of leadership. We have never had a change in the pattern. Effective leaders think mainly in symbolic terms. They're artists. They're able to interpret human experience. They're able to begin to reach into realms to help deal with the deeper side of organizations. They also think politically and they give some attention to human resource issues, but their world is not a structural world. Their world is a world of ambiguity. Their world is a world of uncertainty. Their world is a world of risk. Their job is to make it meaningful and full of spirit.

That's why I think, as actuaries begin to consider some of the changes mentioned in your report, you have to give some attention to the important political and symbolic issues. That means that each of you, as you move toward becoming an artist, doesn't want to throw away everything that has happened before. The point is to begin to elaborate and enlarge the practice to take into account some things that maybe you haven't taken into account as much before. As your past president said very well, "It's the future where we will think of ourselves as artists as well as scientists, where actuarial work is defined more broadly to encompass business." I want to substitute there one of my own words, organizational as well as technical skills. That means people who can think symbolically, who can think politically and, in the best sense of the word, who can begin to address the human side of the equation.

To close off, I want to return to last year's Presidential Address, remember Daphne's words: "We claim to be professionals. Being in a profession takes courage. We have to get the courage to speak up, to get involved, and to assume the risk that will result from a broadened scope for the actuary." I want to highlight the word courage, because being a professional takes courage. If you'll remember, the Wizard of Oz talked to all those people on the Yellow Brick Road and he said, "It's inside you." I am not a wizard who brings an answer, but I am a Wizard of Oz who reminds you to pay attention to what goes on inside you, your practice and your organizations.

If you think about courage, the Wizard told the Cowardly Lion, "Look, every living thing is afraid. Courage is the ability to go on when you're afraid. All you need is confidence in yourself." Assume the risks because change is a risk. Leaders take risks. If you're taking risk, you have to be able then to begin to tolerate and to deal with failure. As you move into what may be a different world of actuarial practice, I will share one last comment with you as far as symbolism is concerned. The bigger the screwup, the better the story. That's what life is all about -- having good stories to tell. Good luck to you people and a new future and thank you for taking away from here a new image of what actuaries are about. If anyone hits me again with a stereotype of technically oriented, rational people who don't have any heart or any fun, I'll tell them they're nuts.