SOCIETY OF ACTUARIES Management & Personal Development Section

ISSUE 42 MAY 2011

the stepping stone

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THE ACTUARIAL ETHICIST

BUSINESS MANAGEMENT

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PERSONAL DEVELOPMENT

The Actuarial Ethicist: Jam Sandwich

by Frank Grossman and John Hadley

This short article sets out a hypothetical workplace dilemma. We invite you to submit comments and suggested solutions, which will be summarized and published in the following issue of The Stepping Stone. *All submissions will be received in confidence, and any identifying details removed prior to their inclusion in the case discussion.*

Rick the FSA brought in Charlie the FSA from another organization to fill his former position upon Rick's promotion late last year. Charlie had some previous experience supervising summer interns, but three actuarial students who used to report to Rick now report to him; clearly a step-up in responsibility.

During his first six months, Charlie worked hard to cultivate a good working relationship with both Rick and his new reports, including Lily the ASA, who had been in the unit the longest. By degrees, he began to have concerns about the quality of Lily's work. Charlie sought to share his concerns with Rick, but Rick never seemed to have time to talk about it.

Rick asked Charlie to make a presentation about the evolution of their book of business, and Charlie delegated preparation of a product analysis to Lily, something that fit naturally with her job responsibilities. Lily struggled when assembling the raw data. During one of their working sessions, Lily told Charlie appreciatively, "I'm glad you caught those errors!" With time running out, Charlie took the best version of their work and proceeded to make his presentation.

Then disaster struck for Charlie: during his presentation, Rick's peers noticed errors in Charlie's product summaries; and Rick made his displeasure known to Charlie in front of the group. Charlie was mortified, but he accepted responsibility for the errors, and did not attempt to shift the blame to Lily.

Charlie sought an audience with Rick following the presentation, both to apologize and to discuss his concerns about Lily's performance—but his efforts fell on deaf ears. Rick refused to engage in any discussion of Lily's work, simply stating that it was Charlie's responsibility to ensure that all work produced by his unit was 100 percent accurate. Rick ended their meeting by asking, "Don't you know how to manage your staff?"

WHAT SHOULD CHARLIE DO?

Send your suggestions before May 18, 2011, to craigmore54@aol.com. *The discussion of Charlie's dilemma will be published in the August 2011 issue of* The Stepping Stone.

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Issue Number 42 • MAY 2011

Published quarterly by the Management and Personal Development Section of the Society of Actuaries

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Schaumburg, Ill 60173-2226
Phone: 847.706.3500 Fax: 847.706.3599
Web: *www.soa.org*

This newsletter is free to section members.

The Stepping Stone
Publication Schedule

Publication Month:
August
Articles Due:
May 25

On Reading

by Kristen Walter Wright

Last year, the Management and Personal Development Section sponsored our first annual book review competition. Troy Wieck's winning review is featured on page 24 of this issue of *The Stepping Stone*.

The MPD section council has a soft spot for reading, in line with our personal development focus. You may already be familiar with our popular Management Book Review breakfasts at SOA meetings; you can revisit past presentations of featured titles at MPD sponsored meeting sessions under Resources on the MPD section website (accessed through *www.soa.org*). You will likely see more resources regarding the latest business leadership and management books coming to the section website in 2011.

Individual talent and experience can create opportunities and success, though personal development through reading will give you an advantage. Reading builds knowledge and expertise, while application of your learned knowledge creates value. Reading strengthens communication skills, through comprehension, listening and increased verbal proficiency. Reading also allows for self-reflection as to what you know, what you do not know, and how you relate to the world around you.

In the 1950s, motivational speaker and author Earl Nightingale suggested one hour of study per day in your chosen field. With this one hour, one should be able to read one book per week, or approximately 50 per year. Fifty books! While I have not tallied the books I've read over the last year, 50 would be an exaggeration for me. How can one prioritize reading and ensure that it is an optimal use of their already limited time?

1. **Choose relevant books**. Select the books that are most important to you for where you are in your career and life. Relevant and applicable material is exciting and interesting; if the material is irrelevant, the subject matter is more difficult to read and process.

2. **Use audiobooks**. While audiobooks do not allow the listener to stop reading and synthesize ideas as readily as visual material, they can be a convenient method of accessing more material while you are commuting to work or even while you are exercising.

3. **Take advantage of e-readers**. E-readers are convenient to have with you on the go and can store several books at once, marking your place in each one. In addition, a few e-readers can synchronize with an app you may have on your cell phone. While it is not easy to read an entire book on a cell phone, it can certainly be convenient to read a few pages of your current book while you wait for the dentist to escort you to the exam chair. A relatively unsung feature of some e-readers allows you to preview a book (usually the first chapter or two) before you commit to your purchase.

4. **Join a book club – or start one!** Book clubs serve as an effective means of reading books you may not otherwise consider and establish a forum for discussion of shared reading experiences. Office book clubs provide members with common vocabularies and circumstantial perspectives, which may result in a more effective work environment.

Reinforce what you've read. One acquaintance of mine insists on always carrying two books: the one he is reading, and a journal to note what he has learned from what he is reading. I write notes in the margins (or highlight and type notes on my Kindle) for quick future reference. Discussion of your latest reads with your mentors, peers, spouse, and friends cements thoughts and ideas you've gleaned from your study.

While the MPD Section tends to focus on leadership and management books, consider all genres of value. Memoirs and biographies provide invaluable perspective from other people, while fiction is enjoyable and expands your horizons as well: I recently finished *Bluebeard*, by Kurt Vonnegut and was delighted to learn what was in the potato barn! Our next book review competition will be announced shortly. Consider good books you've read recently – we are very much looking forward to reading what all entrants submit.

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The Actuarial Ethicist: Responses to "Ahead of the Curve"

by Frank Grossman

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THE CASE STUDY

Briefly summarized[1], Neil the FSA and chief actuary of his insurance company invested considerable time and resources in the development of his staff and their models over the past four years. His company was subsequently purchased by a larger competitor, and a new CEO, Roger, was transferred from the parent company and became Neil's boss.

The parent company has considerable expertise with long term disability products and in markets similar to Neil's LTD lines. Their claims experts conducted a detailed review of all large outstanding LTD claims at Neil's company and their final report highlighted substantial opportunities to close, reduce or settle a sizeable number of claims with long tails.

Roger met with Neil and observed that his LTD reserves appeared to be overly conservative, and asked what could be done about that. Neil eventually agreed to revise his LTD claim assumptions for the cohort of claimants targeted by the review, partially reflecting the anticipated impact of more efficient claims management practice, which decreased year-end claim reserves for the LTD lines in question by approximately 10 percent on average.

Following year-end, Bruce the auditor challenged the appropriateness of the reduction in LTD reserves, and asked Neil, "How can you defend your change in assumptions?"

READER RESPONSES

Your comments and suggestions dealt largely with tasks Neil ought to have performed before Bruce contacted him, including careful evaluation of the claim experts' report and assembly of good documentation. Responses have been edited for space considerations.

Similar, Yet Not the Same

Neil appears to be a diligent chief actuary. "*Four years is enough time to establish his focus as chief actuary and not be a drone. The fact that he has developed his staff and improved his models indicates some level of maturity in his role.*" One reader specifically noted that "*Neil needs to be qualified to render opinions and be current on his continuing education credits*" echoing the SOA's Code of Professional Conduct.

> COPC Precept 2: An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.

The case describes the acquiring firm as a "larger competitor" with "considerable expertise with LTD products and in markets similar to Neil's LTD lines." Note, however, that the case does *not* say that the acquiring company's body of claims experience was more credible than Neil's firm's data. One sharp-eyed reader observed that "with LTD products and in markets similar to Neil's LTD lines" meant of the same type but not necessarily the same products or markets. Several readers nevertheless concluded that the acquiring company's LTD experience was more credible, and their LTD lines were exactly the same as Neil's.

Assumption Setting Rudiments

One actuary defended Neil's approach. "*There will, in practice, be several sets of experience taken into account:*

- *the experience underlying the base table;*
- *inter-company termination study reports for the industry, leading to adjustments to the base table; and*
- *own company termination studies of the experience of the actual block of business, used to confirm or further adjust the termination rates.*

The rates will be set by the actuary by giving levels of credibility to each of these sets of experience. On occasion, one or more additional factors will be taken into account if the actuary has good reason to believe that they will influence the future experience." A change in assumptions may be triggered by "*an argument that an external factor, namely the claims management process, has changed or is about to change*."

Another anticipated a corporate desire for consistency in LTD assumptions. "*Once the two companies merge, then it's probably reasonable for the reserve assumptions for the two companies to be consistent (using the combined data of both companies). The parent's reserves might go up to offset if blended experience is used. Alternatively, Neil might be able to just use the parent's assumptions, if he could point to the implementation of clear process differences*."

The first actuary also considered the asset side of the balance sheet. "*Part of the reason for settling long-tail claims may be reduction of financial risk rather than reduction of expected value. For example, long-tail claims carry additional financial risk because they cannot easily be closely matched by fixed income investments. If the purpose of the settlements is to remove these risks from the portfolio, the settlement basis may be as generous, perhaps even more generous, than the computed expected value of future payments and still be beneficial from the insurer's point of view. In that scenario, future settlements may not augur lower claims costs*."

A third mentioned the risk of potential policyholder lawsuits, due to overly aggressive efforts to close, reduce or settle claims, and their attendant legal costs—something else for Neil to consider.

Tea for Two

That Neil "eventually agreed" to lower his LTD claim reserves suggests that this was not an immediate response. Neil set his assumptions after the claims experts completed their final report, but before his meeting with Roger. One might fairly conclude that the chief actuary was aware of the claims experts' findings and considered them when setting his assumptions. The relevant Actuarial Standard of Practice [ASOP] says as much.

> ASOP 5 (Incurred Health and Disability Claims) §3.2.1 Health Benefit Plan Provisions and Business Practices (in part): The actuary should consider the health benefit plan provisions and business practices … that materially affect the cost, frequency, and severity of claims.

(A Health Benefit Plan is defined to include a disability income plan.)

And yet the case study is silent on the process or criteria that led Neil to "eventually agree" with Roger. One wonders what Roger might have said that prompted the chief actuary to revise his assumptions. Readers offered a range of interpretations. One actuary wrote plainly, "*I never thought, based on the write-up, that Neil did something arbitrary just because his CEO asked*." Another concluded that Neil had indeed been railroaded by Roger. When confronted by ambiguity, what do good actuaries do? Make an assumption! And this is exactly what a third reader did: "*I'm going with the theory that Neil didn't bend to pressure, but used professional judgment and relied on the experts who said the costs can be lowered.*"

People Who Need People

The acquiring company's claims experts clearly provided Neil with additional, new information. "*The parent company has expertise that is considered improved and different claim management practices*." Another reader noted, "*Neil is relying on the claims expert in the new company and can do that as long as he has analyzed and reviewed the new methods and agrees with them.*"

To the extent that Neil's assumptions were influenced by their analysis—either before or after meeting with Roger—this "*reliance on others needs to be documented and it probably would be good to have the claims experts sign a reliance statement regarding the information they are supplying*." This view was echoed by another actuary who suggested, "*Since Neil didn't actually do the claims analysis and he is relying on someone else's word/analysis that the new company will manage the claims differently, he should state that explicitly via a reliance letter*."

CONTINUED ON PAGE 6

Timing is Everything

It's possible that Roger had a valid point. Actuaries are generally a pretty staid lot, and maybe Neil's LTD reserves were too heavy. One reader suggested, "*It actually sounds like Neil should have been incorporating some degree of claims management improvement into his valuations before meeting with Roger ... Was he being overly conservative before the acquisition?*"

But the sticking point is when exactly should Neil reflect the impact of the parent company's more efficient claims management practice? "*Claims handling practices have to be taken into consideration, but I suppose that this could be taken to say that the expert analysis in Neil's case could only be applied after the change in practice occurs*." A second actuary cited practical considerations. "*From an acquisition standpoint, just because you buy another company, that doesn't mean you can roll out your claim payment practices on Day 1. Sometimes it takes months or years for the 'better' practices of one company to take hold in another company. So, if the claim payment practices weren't going to be operational until, say, three years down the road, Neil needs to take that into consideration and not assume they happened on Day 1*."

A more skeptical attitude was reflected in another response. "*In terms of basing a reserve reduction on a review of opportunities, that's probably not justified. If the opportunities are real, then when acted upon—and the claims are closed—they will naturally lead to the reserves coming off of the books. If I were Neil, I would allow the reserves to come off through the targeted actions, rather than assume the targeted actions were effective in advance*."

Tell and Show?

Several actuaries mentioned pitfalls that Neil should take care to avoid. One observed that the influence of an external factor on termination rates may be weak or contrary, for example if "*the new claims management process has already commenced and the opportunities to close, reduce and settle claims have already been taken advantage of*." It may be worth noting that the case does not spell out whether the "substantial opportunities to close, reduce or settle a sizeable number of claims with long tails" were ever acted on. "*Such claims reviews, while valuable and useful, cannot usually be repeated to the same effect and typically produce diminishing returns. If on the other hand the revised claims management process has yet to be applied, the impact on future claims expenses may be mixed*." Perhaps that's why Neil only "partially reflected" their anticipated impact.

A canny actuary mentioned, "*Another issue is to what extent did Neil look for potentially offsetting factors when he put the assumption change through. Was he aware of any such items, yet ignored them, effectively allowing the CEO to cherry pick the obvious and available positive impacts to current period financials?*"

The first actuary also mentioned, "*Hopefully, Neil has not applied the time-honored actuarial technique of 'tell me what answer you want, and I will* *show you how to get there'. In that case, it might be difficult for Neil to convince Bruce that the assumption change was justifiable*."

A Routine Call

Several actuaries mentioned the importance of having one's documentation in order *before* the auditor calls. This would include "*the experience data and reserve assumptions of both firms*" taking care to spell out the material changes made to these assumptions for year-end. "*Neil should have a package ready to share with the auditors when changing assumptions has a 10 percent impact on the reserves, including a complete list of the reasons underlying the changes and their supporting logic*." One actuary specifically noted that not only the credibility of claims data but its relevance (i.e. consistency with claims practices going forward) ought to be described and disclosed. And providing evidence of process controls that were in place to ensure that the desired assumption changes where those actually implemented couldn't hurt.

The case mentions that the auditor's post year-end call was routine, but there was no indication whether Bruce had audited Neil's work previously, or that he was a new external auditor. In this vein, one actuary wondered, "*Was Neil's original company privately held or otherwise subject to a different audit standard than the parent company?*" The first year-end under new top management might mean a new audit process for Neil as well. If this was indeed the case, then a little proactive information gathering (e.g. What's different about our new audit standard?) and advance preparation (e.g. What do I have to do now that I haven't done before to meet this standard?) on Neil's part would have been a good idea. Another actuary specifically mentioned a need to "*discuss the auditor's threshold for materiality*." Neil could have taken the initiative and called Bruce first—maybe even prior to year-end!

One actuary noted that, "*An equally valid question from the auditor would have been 'How can you defend no change in assumptions?'*'" which serves as a reminder that a decision to make no revisions to one's assumptions may need to be buttressed somehow. Another reader wrote, "*When updating assumptions, even if that means no change from prior assumptions, documentation of the experience study used and any changes in process (new, more efficient claims management practice) should be prepared.*"

While there may be innumerable ways to come up with a wrong answer, a sage actuary noted there may not necessarily be a single right answer. "*Bruce as an auditor likely thinks in terms of there being a 'correct' liability. Some actuaries think that way too. In fact, there is no 'right' number for a liability of this sort, involving as it does both probabilities of payment and time value of money. Probabilities of payment are based on experience, and depend upon the experience selected and the credibility assigned to that experience*." Amen to that.

... there is no 'right' number for a liability of this sort ...

CONCLUDING THOUGHTS

A sincere thank you to all who contributed their comments and suggestions about Neil's next move. And special thanks to John Hadley who co-authored the case with me.

The contents of this article should not in any way be construed as a definitive interpretation of the various actuarial guidance documents referenced within the article. This hypothetical case study and its discussion are intended for the personal use and (possible) edification of members of the Management & Personal Development Section.

ENDNOTES

[1] See the February 2011 issue of *The Stepping Stone* for the complete description of this case study.

Know Thyself and Others

by Mary Pat Campbell

Mary Pat Campbell, FSA, MAAA, is the webinar coordinator for the SOA Technology Section. She can be reached at *marypat.campbell@gmail.com*

Ariely, Dan. *Predictably Irrational*, 2008.
Ariely, Dan. *The Upside of Irrationality*, 2010.

Dan Ariely became aware of the danger of assumptions as a teenager.

He was a burn patient for three years, due to a magnesium explosion that covered 70 percent of his body with third-degree burns. Dealing with the excruciating pain and the practices that seemed to hurt more than they helped (which was the case), Ariely started turning over in his mind how to improve these practices, and then kept turning his gaze farther outward from that point.

The result has been a very broad body of research, much of which is accessible to the layman. Recent papers he's published:

- Dan Ariely, Uri Gneezy, George Lowenstein, and Nina Mazar (2009), "Large Stakes and Big Mistakes." With Uri Gneezy, George Loewenstein and Nina Mazar. Review of Economic Studies.
- Eduardo Andrade, Dan Ariely (2009), "The Enduring Impact of Transient Emotions on Decision Making." *Organizational Behavior and Human Decision Processes*. Vol. 109: 1-8.
- Dan Ariely, Emir Kamenica and Drazen Prelec (2008), "Man's Search for Meaning: The Case of Legos." *Journal of Economic Behavior and Organization*. Vol. 67: 671-677.
- Leonard Lee, George Lowenstein, James Hong, Jim Young and Dan Ariely (2008), "If I'm Not Hot, Are You Hot or Not? Physical-Attractiveness Evaluations and Dating Preferences as a Function of One's Own Attractiveness." *Psychological Science*. Vol. 19, No. 7.

Just reading the titles, you can tell what he is looking into, unlike much of academic research. It's difficult to characterize his research field – psychology, economics, sociology, business – other than decision-making in specific and questioning assumptions in general. In his two books, *Predictably Irrational* and *The Upside of Irrationality*, he goes over the results of some of his research in an entertaining manner. He not only explains the assumptions he is questioning, and the results he found, but also the experiments and data he considered as well as possible greater ramifications of his findings.

The two books are extremely similar, being a grab bag of a variety of topics where the common theme is that the assumption of perfect rationality, of course, fails. If that were all, this would not be interesting – the important part is in demonstrating how these assumptions fail. The second book supposedly puts a positive spin on our limited rationality, but I did not find that to be the case. Both books show positive, negative, and neutral aspects of how human cognitive biases operate.

What is interesting to me is that the first book (*Predictably Irrational*) points out where economists' assumptions fail, but where businesspeople have been savvy for ages. For example, the persuasive power of FREE(!) being exponentially stronger in differential pricing than anything else. The particular example Prof. Ariely looks at is Amazon.com and a free shipping promotion, which boosted sales tremendously all over the world – except in France. The difference was that in France, the shipping wasn't free, but was at the (pre-euro) price of 1 franc. That was enough to keep people from closing the sale. It's not just a matter of price – he also showed a phenomenal differential response between the concept of 0-calorie- and 3-calorie-beer (not that either exists). In the human mind, the difference between 0 and 1 is a far greater chasm than the one between 1 and 2. No wonder it took so long for the human race to discover the concept of zero!

The portions of both books I found the most intriguing were the ones dealing with work and motivation – how social norms will motivate volunteers to do a far superior job to paid workers, how incredible bonuses will make for worse performance, how wasted work demotivates people and how to counteract that, what makes cheating more or less likely. Yes, many times in reading these chapters one smacks one's head along with the requisite "Of course!", but the way he demonstrates some of these concepts through experimentation makes for engrossing stories.

Let's consider the case of performance bonuses. Even though there is a great deal of palaver over executive compensation in the current round of financial regulation reform, there is precious little evidence that people will behave the way assumed when various "remedies" are crafted. Policymakers are generally using what they think makes sense rationally, but also in reaction to what came before: this sort of executive pay preceded total financial meltdown; ergo, we must prevent that sort of pay again.

However, Prof. Ariely decided to try to test the effect of the size of performance bonuses directly. "That would be a bit expensive," you'd think – and you'd be right, if they used U.S. business people as their subjects. Using the perennial research subjects of college undergrads can also get a bit pricey (and it can be difficult to generalize from those who are basically still adolescents to the behavior of much older adults), if you want to make the bonuses substantial. So he and his fellow researchers outsourced the subjects, i.e., they went to rural India and used local graduate students to conduct the research.

In picking several small Indian villages, they would be able to offer bonuses for their tasks that would be substantial for the participants – up to several months' worth of the average salary there. The tasks were essentially games of skill that one could improve with some practice, like the memory-game Simon. The amount they'd be paid would be determined by their scores, and the payouts ranged from one day's worth of pay to about five months' worth. (For more details on the experiment's design, read *The Upside of Irrationality*). After compiling the data, they found that the result from the low and medium bonus situation were about the same as each other, but the high bonus resulted in much lower performance.

After reviewing other research on the same sort of set-up (involving tasks that involved more physical effort, like hitting a keyboard very quickly, versus tasks that involve thinking), Prof. Ariely states:

> "The conclusion was clear: paying people high bonuses can result in high performance when it comes to simple mechanical tasks, but the opposite can happen when you ask them to use their brains – which is usually what companies try to do when they pay executives very high bonuses. If senior vice presidents were paid to lay bricks, motivating them through high bonuses would make sense. But people who receive bonus-based incentives for thinking about those mergers and acquisitions or coming up with complicated financial instruments could be far less effective than we tend to think—and there may even be negative consequences to really large bonuses"

This is quite at odds with what many of us have been taught with regards to management. Given the landscape that companies are competing on when trying to attract executives, removing the large bonuses

… they found that the result from the low and medium bonus situation were about the same as each other, but the high bonus resulted in much lower performance.

CONTINUED ON **PAGE 10**

… they give us a chance to rethink our assumptions as to how people actually think and behave, as opposed to how we think it's supposed to be.

may cause problems in having anybody working for you in the first place. But it helps to know that what is considered common knowledge may be entirely false, especially when a great deal of self-interest is wrapped up in that common knowledge.

There was one passage that impinges directly upon actuarial work, and that took me aback. At the end of a chapter on market failures, being illustrated by the dynamics of online dating sites, Prof. Ariely then turns to larger market failures:

> "Then there's that wonderful insurance product called an annuity, which is supposed to protect you against running out of money should you live to be a hundred. Theoretically, buying an annuity means that you will be repaid in the form of a fixed salary for life […] In principle, annuities make a lot of sense, but sadly, it's very difficult to compute how much they are worth to us. Worse, the people who sell them are the insurance industry's equivalent of sleazy used-car salesmen. […] They use the difficulty of determining how much annuities are really worth to overcharge their customers. The result is that most annuities are a rip-off and this very important market doesn't work well at all."

It was a chuckle when considering how the online dating market fails… not so much when it's your own profession or product. As an aside, my assumptions about what "rational" (or, at least, educated) people thought changed greatly when I worked at TIAA-CREF and read letters from their core customers: university professors. Even in that population, there was a great amount of confusion as to the value of TIAA's core annuity products; I believe the main reason that TIAA had such fabulous annuitization rates all these years is simply because a life annuity is the default option.

Unlike many of the other pop economics/psychology books in the vein of *Freakonomics* or Malcolm Gladwell, I found several items in here that I could see had direct, immediate application to how I went about my daily work. The particular experiments described may be "toy" versions of reality, but like Einstein's thought experiments, they give us a chance to rethink our assumptions as to how people actually think and behave, as opposed to how we think it's supposed to be.

While in particular I'm reviewing these two books by Prof. Ariely, if you are of the online ilk, you ought to check out the following:

- Prof Ariely's website at MIT: *http://web.mit.edu/ariely/www/MIT/*
- Prof. Ariely's TED talks: http://www.ted.com/speakers/dan_ariely.html
- Prof. Ariely's personal site, which sometimes has invites to participate in studies: http://danariely.com/
- The Predictably Irrational Podcast: (you can also look it up on iTunes U) *http://deimos3.apple.com/WebObjects/Core.woa/Browse/new.duke.edu.1441813513.01441813519*
- Just search for him on YouTube – plenty of interviews and lectures by Prof. Ariely to be found: *http://www.youtube.com/results?search_query=Dan+Ariely&aq=f*

There is so much in these books – I focused on management-related items, obviously, but there is so much more: influence of sex in non-sexual contexts, anchoring in pricing, the effect of salary disclosures (to wit: everyone ends up unhappy), scheduled procrastination, overvaluing what we own, overvaluing what we create, keeping options even when it hurts us, the effect of expectations (and how this makes placebos work), what ordering beer tells about people, how people adapt to their situation even if it's horrid (or fabulous), and on and on. I've been trying to get the SOA to book Prof. Ariely as a keynote speaker for one of our meetings, but the question is…what exactly would we ask him to talk about? There's so much to choose from! (There's that bias of trying not to make a choice….)

The danger, of course, in listening to Prof. Ariely is that certain upsides of irrationality may no longer work for you after reading his books – in particular, placebos. But the short-term pains will be worth the long-term wisdom.

Managing in the 21st Century

Part 2: The Employee Whisperer

By John Dante

Intro: In the book Built to Last*, authors Jim Collins and Jerry Porras relate the story of an acquaintance that once had lunch with Sam Walton (the founder of Wal-Mart) in a local diner. In the story, Sam points to an individual across the room and says, "That is Joe. I admire Joe. He used to drive a truck and now he owns his own business selling chickens." Sam went on to say, "I could learn a lot from Joe." This was a very interesting comment coming from a man who was already one of the most successful retailers in the world having amassed a fortune that made him the richest man in the United States from 1982 to 1988.*

This article is the second in a two-part series on managing in the 21st century. The purpose of the two articles is to provide some guidance to those who are relatively new to management positions and desire to understand the behaviors that make one a successful manager. It is also for those experienced supervisors who, like Sam Walton, believe that no matter how successful one is, there is always more to learn. Part II deals with effectively managing employees.

As actuaries, we typically take non-traditional paths into management roles. Early in our career, there is a lot of emphasis on passing exams. Given that we may be out of the office frequently studying for exams, we may not be considered the best candidates for supervisory roles. Many actuaries are typically thrust into management roles upon the completion of exams. Often at that point, we find ourselves scrambling to learn how to be a supervisor. It gets even more complicated when we are asked to supervise employees that have an underlying resentment toward actuaries. All they see is that we are frequently out of the office to study and every time we pass, we get a pay raise. They may feel that we have not pulled our weight within the company.

This becomes the point where we need to start using skills that are not on the exam syllabus such as communication skills. Having an open dialogue with your employees and trying to understand the issues from their viewpoint is critical to be successful at this stage. In many instances, the employees may be more skilled than you at the particular tasks that you oversee because they have been performing these tasks for a long time. Let them know that you value their expertise. While you can ask for their advice when needed, ultimately you are the boss and will have the responsibility for making the final decisions. Acting in this manner will help gain their respect. You might find that it is easier than you think given that most of the employees probably don't want your job. Many are not interested in making the leap from being an expert at a job to then being responsible for overseeing others in that job.

One of the common mistakes that we make on the job whether we are employees or supervisors is to view the company as if it were a person. We may take offense at a specific action that the company takes and look at it very personally as if we were betrayed by a friend. In response to this, I have seen employees plot some form of retribution such as not working more than the normal work hours to help get out a critical project. We don't realize that the company is not a person. It is a collection of individuals making decisions to advance the goals of and make a company successful. Sometimes these

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CONTINUED ON **PAGE 12**

When you suggest a change, you are more likely to succeed if you bring a more logical, common sense alternative than just an emotional response.

decisions do not appear to make sense, and it is also possible that some individuals could be trying to advance counterproductive agendas. However, it is important not to take things personally. I am reminded of the line in the movie, *The Godfather*, where they say, "It's not personal. It's strictly business." One needs to keep in mind that there is always the possibility of overturning decisions or policies that don't make sense. When you suggest a change, you are more likely to succeed if you bring a more logical, common sense alternative than just an emotional response. At the end of the day, we need to remember that the company is not an outside entity, rather it is us and the decisions that we make. It can help your success as well as the company's if you can also get your employees over to this way of thinking.

I was put into a supervisory role early in my career and had minimal training when I started. Much of what I learned then came from making mistakes while in that role. One of my initial lessons came when I gave my first performance appraisals to two individuals on my team. I was worried about the reaction I was going to get from the first one because he needed to improve. What a relief it was when he agreed with my assessment wholeheartedly. Later the same day, I told the other employee what a great job he was doing and suggested that he make a minor change to improve for the next year.

It came as a real shock to me when he responded by saying that I had a lot of nerve to criticize his performance. It taught me first hand that people can have very different reactions to our communications and you need to understand this when crafting your message.

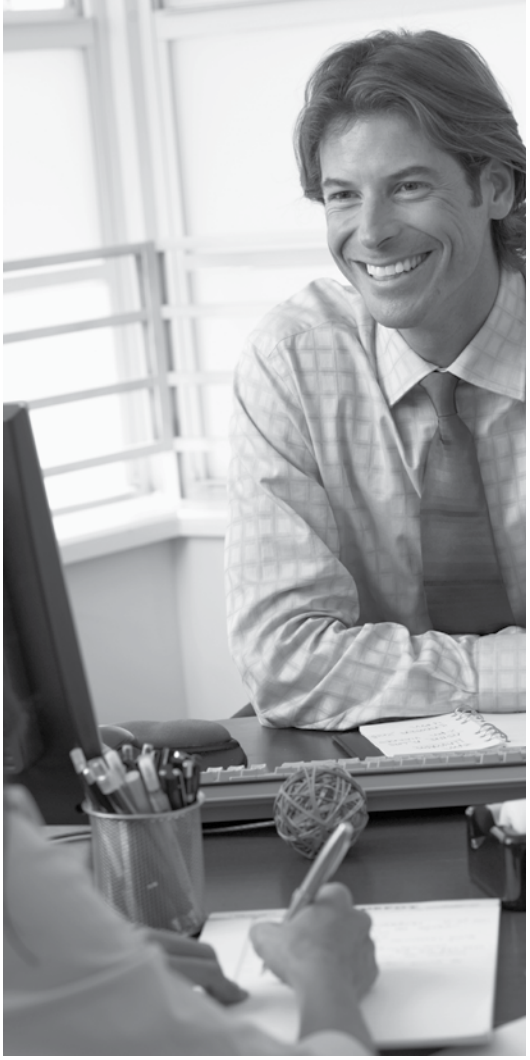
Another mistake that I learned from was when I was asked to supervise someone who had more experience than I did. Given this person's experience, I valued his counsel when I was restructuring the department. Even though my gut said otherwise, I implemented a recommendation that this person had made. Before I could undo the action, the recommendation caused another valuable employee to resign. I realized that I was asked to supervise in this situation because my management believed that I was the best qualified. Unfortunately, it took a mistake of that magnitude before I realized this and followed my instincts going forward.

While learning from my mistakes was important training for me, I would say that the most valuable management training for me was the observation of others. This article is titled, "The Employee Whisperer," which I borrowed from the movie, *The Horse Whisperer* and the TV series, *The Dog Whisperer*. These individuals have a greater understanding of and can control the behaviors of horses and dogs, respectively. Similarly, I have come across a number of managers in my career that have this innate expertise for dealing with employees. Employees have such a respect for these bosses that they genuinely want to put in their best efforts to make their boss successful.

There are two types of employee whisperers that I have met in my career and I have coined a term for each of them. I call them either a "Position Ignorant" or a "Swiss Army knife".

Shortly after obtaining my FSA designation, I worked at a company where the CEO would hold the celebration for exam passing actuaries in his office every six months. He had a large office that overlooked a part of the New York City skyline. Another actuary relayed the story of a time when he attempted to have his picture taken at this event while seated at the CEO's desk with the skyline behind him. He waited until the CEO was distracted while saying goodbye to the departing guests outside his office door. However, before this actuary's friend got a chance to snap the picture, the CEO noticed them and questioned what they were doing. The actuary sheepishly confessed that he was trying to get a picture of himself at the CEO's desk. Rather than scolding him as the actuary was prepared for, the CEO offered to take the picture.

In the few days prior to Christmas of that same year, I wore a tie to the office that would play Christmas carols when you pressed on it in a certain spot. I was



a little bit nervous later that day when I found that I received a voicemail message from the Chief Legal Counsel of the company. Why was she calling me? What did she want? Did I do something wrong or forget something? When I listened to the message, I found out that she was just calling because she heard about my tie and she happened to be wearing a sweater that day that did the same thing. She ended the message by playing one of the Christmas carols from her sweater.

I was taken aback by the behavior of both the CEO and the Chief Legal Counsel. At the time, we all worked at one of the largest mutual insurance companies in the country. It was like they were saying that no matter what my level is, I am no better than you and I respect you as a person and fellow colleague. It was behavior that I found so inspiring and motivational that it is still remembered over 18 years later. These two were "Position Ignorant" Employee Whisperers. Their behaviors made me want to work hard and do whatever I could to make them successful.

I also had the privilege of observing the other type of Employee Whisperer later in my career when one of my most talented employees was having trouble communicating with his supervisors. I couldn't quite figure out why such talented people were having trouble getting along with each other. When we shifted this employee to another supervisor, little did I know how well it would work out. The employee was so much happier and productive under this Employee Whisperer. I tried to step back and figure out why this supervisor was so successful. This Employee Whisperer recognized that one could not use a cookie cutter approach to managing people. To quote Abraham Maslow, "If the only tool you have is a hammer, you tend to see every problem as a nail." He recognized that each employee was a bit like a puzzle. After observing and spending time with them, you learn what motivates each one and can adjust your management style accordingly. That is why I call this Employee Whisperer a "Swiss Army Knife". He figured out which tool was the right one for the job.

How does one become more successful managing employees? How does one become an Employee Whisperer? The following are attributes that I have observed in Employee Whisperers:

- They show appreciation for their employees – Employee Whisperers realize that appreciation is the best motivator. It means more than money for most employees. As people, all of us desire praise and will react positively to continued praise.
- They don't see themselves any different from their employees – Regardless of their level, they see their employees as equals. This helps to open the lines of communication and garners respect from the employees.
- They seek and value input from their employees – Employee Whisperers realize that the ones who know most about improving the workplace are those who are doing the work—the employees. They also realize that the buck stops with themselves, that they have the final say.
- They manage with logic rather than emotion – Employee Whisperers don't take things per-

CONTINUED ON **PAGE 14**

Employee Whisperers realize that appreciation is the best motivator.

Employee Whisperers know that each employee may have a different communication style.

sonally. They continually offer alternatives to make their companies more successful.
- They understand that each employee is an individual and they adapt their management style accordingly – Employee Whisperers know that each employee may have a different communication style. They also know that what motivates one employee may be different for another employee.
- They continually encourage and challenge their employees – Employee Whisperers understand that they need to create the environment that brings out the best in their employees.

Employee Whisperers also make sure that they avoid the following traps:

- Implementing rigorous controls and reporting to manage employees – Employee Whisperers know that micromanaging leads to less productive employees.
- Creating an adversarial environment – Employees can easily become defensive. An Employee Whisperer knows that when he loses that rapport and trust with an employee, it is a no-win situation for all involved.
- Playing the blame game – Employee Whisperers know that creating an environment where employees fear to take risks does not help in terms of making a company successful. They encourage and challenge their employees to be risk takers. When it works out, they celebrate the employee's success. When it doesn't work out, they teach the employee to learn from the experience.

I believe that companies that groom managers to be Employee Whisperers are the companies that are more successful. An example of this is a supermarket located in my area called Wegmans. Their philosophy is, "Employees first, customers second." They know that when the employees are happy, the customers will be too. Wegmans has placed number three or better on *Fortune Magazine*'s list of the "100 Best Companies to Work For" in six out of the past seven years.

Securing a Spot in the Succession Planning Conversation

by Barbara Gregory

Where do you see yourself in 10 years? Sure, we all set yearly goals and maybe we even project a three-year plan for ourselves. But, what about the long-term? You may think picturing yourself in the executive chair is a lofty aspiration or maybe you are already on the leadership track; no matter where you are in your career path if the executive team is your end-goal, it's time to get acquainted with your company's succession plan.

Succession planning has been quite a buzz topic lately—and for good reason. Fierce competition, globalization, new technology tools, political influence and shifting workforce dynamics are only some of the factors dramatically changing our industry's landscape. Forward-looking organizations are creating strategies to build leadership capacity now for the challenges of tomorrow. Ideally, organizations want to recruit from within. How can you ensure that you will be part of the succession planning conversation?

1. UNDERSTAND THE PLAN.

There are ultimately two scenarios organizations consider when forming succession plans: planned leadership changes and contingency. Of course, planned leadership changes are the preferable situation. However, qualified leaders must be waiting in the wings in case the unexpected happens. The succession planning process is most often driven by the CEO, documented by human resources and overseen by the board of directors.

Succession planning is about more than sitting down and producing a flow chart. It is about leadership development: putting the right people in the right roles and giving them the proper tools to excel. It defines people's strengths and gives them the opportunity to lead. Finally, it ensures there are dedicated, talented people that are aligned with the company's goals and culture. Make it your goal to put yourself in that category.

2. PUT YOURSELF OUT THERE.

Securing a spot on the succession plan will take a lot of time and dedication, so begin laying the groundwork now. Start with a visit to your human resources department; most will be happy to share the succession planning process. Familiarize yourself with your company's promotion practices and career development program. Revisit your company's mission statement and core values for insight into desired leadership traits. By understanding who the key decision makers are, you can start building relationships now. It is up to you to take control and find out the specifics.

During performance reviews, discuss long-term goals with your supervisor. In addition to your personal goals, show interest in the company's long-term goals and how you can contribute. Follow cues given by your supervisor and human resources for when to speak up and who to direct your aspirations

CONTINUED ON **PAGE 16**

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Keeping track of all measurable successes provides convincing talking points for performance reviews.

to. Make your dedication to your company and your desire to grow apparent. In your quest for the top, take the driver's seat.

3. STAND OUT FROM THE PACK.

The most obvious attribute an executive boasts is experience—across multiple functions. To gain a broader array of experience, volunteer to take on new projects and sit on committees with people outside your function. Take advantage of any continuing development programs your company offers. Keeping track of all measurable successes provides convincing talking points for performance reviews. Most succession plans are projected for 10 or more years ahead; make use of that time by beefing up your resume.

Of course, traditional experience is not the bottom line. Because the insurance landscape is changing quickly, experience is not as universal as it once was. For this reason, you should make your inherent skills known. Take risks when appropriate to show that you are capable of thinking outside of the box to solve critical issues. Involve yourself in high-visibility projects and demonstrate that you can deliver results.

Do not underestimate the power of mentorships. Organizations benefit from a grow-from-within approach; a candidate that has been grown by the top players is more attractive than an external one. Conversely, show your leadership capabilities by serving as a mentor to new employees. Leaders grow best by growing others.

If being part of the succession plan is your goal, it's not too early to get the ball in motion. It all boils down to understanding the process, developing relationships and standing out as a top performer. When you take a proactive approach to your career development, people take notice!

How Do You Measure Career Success?

by John Hadley

What's your long-term career goal: chief actuary, company CEO, senior partner of your consulting firm?

What's your goal for the next step in your career?

Now, what are the key metrics you can track to follow your progress toward that next step?

That last question isn't so easy to answer, is it? What do you track to see how you are progressing toward that, say, next promotion?

The problem is that you often can't be sure exactly what it will take to earn that promotion. You can guess at some of the key characteristics and skills you need to demonstrate to be considered qualified, but that doesn't guarantee that the person making the decision will see exactly the same things, or that the timing will be right, or that there won't be a reorganization that either takes the promotion off the table, or opens up an entirely new possibility.

But that doesn't mean you shouldn't try!

If you are able to zero in on a set of key items to work on, and create a set of metrics you can use to measure and track your performance, and to see how you are improving, you will create the growth in yourself that is so critical to career success.

If you are in a demanding job, it's easy to get stuck in busy mode, working hard all week long on your job-specific goals, and giving short shrift to your intermediate-to-long-term career goals. As a result, you can't be really sure whether what you are doing is moving you forward, or at the rate it should be. I'm convinced much of this is due to measuring the wrong things, or not even knowing what you should be measuring.

Let's take a simple example – networking. Most people I talk to recognize the importance of building and maintaining a robust network of contacts at an intellectual level, and yet when they get busy at work it is one of the first things that falls by the wayside, because:

- *I can't waste time schmoozing at lunch.*
- *I can't afford the time to go to a networking event.*
- *Work is too demanding for me to take several days to go to an actuarial conference.*

If it's truly important to your career growth, then what would happen if you made regular time each week to do just a bit of networking? This doesn't have to mean a lot of time, perhaps just a half hour of phone calls and emails once or twice a week. And if you track what you are doing, as well as the results of your activity, you will create some self-accountability to help keep you motivated. Plus, if you know what a 'good' result looks like, you will be positioned to identify ways to improve the results of those times you set aside.

For example, how would you define a 'robust' network for your own personal situation? What would be the key criteria of that network to help you achieve your career goals? Would it be:

- To have close ties to key contacts in as wide a variety of functional areas as possible, so that you can draw on their expertise whenever issues cross functional boundaries?
- To know people (or more importantly, have people know you) at all of the key competitors in your particular industry sector, keeping your pulse on activity throughout the marketplace?
- To have key contacts at the senior levels throughout your own company, so that you are always well-informed on key initiatives and organizational changes, and are continually kept in mind when possibilities come up that could benefit from your expertise?
- To simply have as large a network of contacts as possible, so that you achieve maximum possible visibility?

CONTINUED ON **PAGE 18**

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If it's truly important to your career growth, then what would happen if you made regular time each week to do just a bit of networking?

Whichever aspects you decide are most important, you can then start to measure your ‘success’ in those, and as you move forward track your performance towards your own definition of “robust”.

So here’s my challenge to you.

1. Write down the next step you would like your career to take.
2. Give careful thought to the mission critical activities you need to work on to give you the best chance to achieve that next step.
3. Examine what you could measure to track your performance on each of those mission critical activities.
4. Choose at least one of those activities to track for the next month.
5. At the end of a month, re-examine where you are, and decide to either continue to focus on that one activity for the following month, or to pick a new one that needs more work, or to expand your list.

To help you create some real external accountability, feel free to send me what you come up with for steps 1-4 above, and I’ll give you some critical feedback. I might even challenge you to take things up a notch!

I guarantee that putting an increased focus on metrics for career growth, and tracking them on a regular basis, will bring you invaluable insights that will move your career forward!

Words or Graphs?

by Carlos Arocha

Actuaries, like other business professionals, make use of graphs to communicate quantitative ideas. A technical PowerPoint slide deck will usually feature diagrams, charts, and other visual aids to convey one or several messages to an audience. Often, these messages are complex in nature, and the amount of "air time" available is limited. A critical success factor for the speaker is to have the ability to capture the attention of the audience, so that the speaker and not the slideshow, becomes the "real" presentation. However, with slides that include many details, it is somewhat difficult to have the audience heed your body language, voice modulation, and other attributes of great speakers. Skipwith (2009) describes these features in detail.[1] In other words, too much information on the screen distracts from the speaker's words.

One of the top dilemmas with which actuaries are confronted when preparing presentations, is to strike a balance between "words" and "graphs." Quantitative messages may be the outcome of an emerging cost analysis of a product feature, or the consequences of a new piece of legislation that will have an impact on a company's solvency. The background information may be vast, and it should be summarized in a few words. Charts will be employed to illustrate potential outcomes, trends, etc., and they represent such an important aspect of the presenter's work, that it is advisable to spend some time in graph engineering. There are many good sources of information on this matter. One that is specifically aimed at actuaries is Frees and Miller (1998). In designing graphs the authors advise:

1. Avoid chartjunk
2. Use small multiples to promote comparisons and assess change
3. Use complex graphs to portray complex patterns
4. Relate graph size to information content
5. Use graphical forms that promote comparisons
6. Integrate graphs and text
7. Demonstrate an important message
8. Know the audience.

Eye-catching graphs form the basis for the most compelling slides. Also, an advantage of using graphs is that slide decks will usually be reviewed after the presentation, making it easier for the reader to remember key points.

In addition to resorting to graphs, personal stories are also useful tools to enhance the presentation experience. Good presenters use captivating storylines in structuring their speeches.

Mere text may not deliver a message as effectively, and as a matter of fact, PowerPoint was not developed for that purpose. It is best practice to keep slides uncluttered and display just a few bullet points in each. Animation should be avoided or kept to a minimum. Some practitioners recommend plain bullet points (e.g., key messages) with no more than two indentation levels. Furthermore, the use of slides filled with text coupled with a speaker reading them word-by-word is strongly discouraged, unless the speaker wants to put the audience to sleep. Successful presentations engage the listeners' passion by tapping into the speaker's own passion. And learning this important personal development ability of the actuary's skill set will only be achieved with a great deal of practice: "practice makes perfect."

In summary, when conducting presentations actuaries should remember to (1) tell personal stories to arouse attention; (2) keep presentations visual; and most importantly (3) rehearse before standing in front of an audience.

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ENDNOTES

[1] See also Thomas Skipwith's article "From Boring to Beautiful: The Skipwith-Radar" in the Feb. 2011 issue of *The Stepping Stone*.

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Good presenters use captivating storylines in structuring their speeches.

The Magic Conflict Question

by David C Miller

David C. Miller PCC, is president of Leadership Growth Strategies, an organization that specializes in helping executives become more influential leaders and consultants generate higher revenues for their practices. He is the author of the book, The Influential Actuary (*www.theinfluentialactuary.com*). For more information, contact Dave at dave@BusinessGrowthNow.com or visit his websites *www.BusinessGrowthNow.com* (for sales) and *www.LeadershipGrowthStrategies.com* (for corporate leadership).

CONFLICT - just the word triggers something in all of us. Most of us either want to avoid it or at least minimize it. When I work with couples, partners or teams, the word conflict usually has some severe negative connotation, like some sort of relational warfare.

In this article I'm looking at conflict in a more general sense. Yes, it could mean "all out warfare," but it can also mean "an annoying irritation in the relationship." There is some level of relational tension between two or more people. In my experience, where two or more are gathered, some degree of tension will emerge at some point in time.

How we handle conflict or tension in relationships is influenced heavily on how we view it. So as you read the rest of this article, I want you to think about a current relationship where some level of relational tension exists. Because in a moment I'm going to reveal to you what I call the *magic conflict question*. This question will transform how you look at and deal with conflict.

We could assign many meanings to conflict that impact how we respond to it:

- "oh, oh"
- "this is bad"
- "we've got a problem"
- "why do I have to deal with this?"
- "I can't stand working with them."
- "I'm going to fight"
- "I'm going to flee"

One of the most helpful perspectives on conflict comes from the Center for Right Relationship: *"Conflict is a signal that something is trying to happen."* Think about the essence of this statement and be aware of how it may change how you are feeling about your example.

What if you approached your conflict situation with the magic conflict question *"What's trying to happen here?"*

First, what you may notice is that the negative feelings, like dread or anger, are replaced with a constructive dose of curiosity. You have reframed the situation in a way that causes you to examine what you and the other person want here.

Second, you will be in a much more resourceful place to engage the other person. You become interested in understanding their perspective, thus you listen more effectively.

Third, the chance of getting a positive response from the other person is much greater because of the way you are communicating.

Finally, even if the other person has no interest in cooperating to resolve the conflict, you are in a much better place to determine how *you* want to respond.

Here's a quick step-by-step process to take yourself through before you engage in a difficult conversation:

1. Ask "What's trying to happen here?
2. "What do you specifically want?
3. "What do you think they want?" (Note: This

question is very helpful to reflect on, but make sure you always confirm this with the other person. No assuming or mind reading.)

4. "What's common about what you both want?"
5. "What are some possible solutions that can work for you both now that you have a better sense of what is trying to happen?"
6. How can I skillfully engage them in a constructive conversation around this issue?" (hint: starting by trying to understand their perspective first is always a good bet.).

Try this process the next time you experience conflict or tension in a relationship. Staring with a higher quality question like the magic conflict question will lead to higher quality interactions with others.

"A Game of Inches" Hits a Home Run!

by Curtis Lee Robbins

Curtis Lee Robbins is an actuary in corporate actuarial operations at Humana. He can be reached at *crobbins@humana.com*

The Stepping Stone published an article called "A Game of Inches" by Michael Braunstein in October 2008. Coach Braunstein wrote that, in business like in the game of baseball, often the tiniest of margins make the big difference in career success. To help actuaries understand the "small but significant" things in our work or relationships that make a big difference, the Management and Personal Development Section held two different interactive sessions—(1) at the SOA Health Meeting in June 2009 and (2) at the SOA Life and Annuity Meeting in May 2010.

Facilitated discussions at each session helped us to learn what makes the difference in success at work—those subtle, seemingly unremarkable, not so obvious little things that separate those who get the job, the promotion, the next cool project, etc. To help gain insights, we split into three groups by management level,

- First Level Manager
- Middle Manager
- Senior Manager.

We then asked attendees to identify those tiny extras that can make a difference when dealing with others from different levels in their organizations. We asked each group three questions.

1. What are the three small things that you try to pay attention to when dealing with managers from other levels? Why? (Small things that I try to pay attention to….)

2. What are the three small things that you appreciate from managers from these other levels? Why are they helpful? (Small things I appreciate….)

3. What are the three small things that managers from other levels should avoid when dealing with you? What problems do they cause? (Small things that managers should avoid.....)

So, what did we learn? Each group offered candid responses to the questions. Also, each session offered some similar as well as different insights from health actuaries and the life/annuity actuaries. By cross-referencing the comments, we learned

1. what *FIRST LEVEL MANAGERS pay attention to* when dealing with MIDDLE MANAGERS, *then*

2. what *MIDDLE MANAGERS appreciate* from FIRST LEVEL MANAGERS *as well as*

3. what *FIRST LEVEL MANAGERS should avoid* when dealing with MIDDLE MANAGERS.

Using our cross-reference, we are also able to glean perspectives for Middle Managers and Senior Managers.

To view the cross-reference and gain insights for all responses, please refer to the SOA Management and Personal Development Section web page at *www.soa.org/mpd,* under Publications heading "Game of Inches".

Following are examples of the insights we learned from the participants in the three interactive groups at the respective sessions of health and life/annuity actuarial leaders.

Relationship:	First Level Managers ← → Middle Managers
✓ FLMs pay attention to what MMs want and when.	✓ MMs appreciate FLMs to clarify questions and be concise.
✓ FLMs appreciate MMs positive and constructive feedback.	✓ MMs pay attention to giving FLMs ongoing feedback, staying in touch, and being available.
✓ FLMs want MMs to avoid micro-managing.	✓ MMs want FLMs to avoid surprises.

Relationship:	First Level Managers ← → Senior Managers
✓ FLMs pay attention to communication with SMs by asking questions.	✓ SMs appreciate FLMs to communicate back on conflicts rather than whining.
✓ FLMs appreciate SMs approachability and recognition of who you are and what you do.	✓ SMs pay attention to FLMs by taking time to chat and getting to know them.
✓ FLMs want SMs to avoid overuse of Blackberry and not respecting others time.	✓ SMs want FLMs to avoid not asking themselves the questions first.

Relationship:	Middle Level Managers ← → Senior Managers
✓ MMs pay attention to information keeping SMs in the loop.	✓ SMs appreciate no surprises from MMs and early warning of problems.
✓ MMs appreciate the political influence of SMs and a clear understanding of their agenda.	✓ SMs pay attention to MMs understanding the problem—explaining issues, possibly making suggestions, and seeing them figure it out.
✓ MMs want SMs to avoid jumping to solutions.	✓ SMs want MMs to avoid lobbying an issue in the hallway.

Please note that the above insights are representative examples from the volunteer attendees in our interactive sessions. A more complete study may offer different or additional perspectives.

We appreciate the leaders who joined our interactive sessions and the facilitators who helped encourage excellent participation. As we start another baseball season, we are reminded that business, like baseball, is truly "a game of inches."

How the Best Leaders Make Everyone Smarter – A Review

by Troy Wieck

Troy W. Wieck, ASA, MAAA, is a pharmacy pricing actuary at CIGNA. He can be reached at *troy.wieck@CIGNA.com.*

Editor's Note: The Management & Personal Development Section launched a contest last summer soliciting both formal and informal short reviews of business management and personal development books. Contributors' names were entered in a random drawing. Congratulations go to Troy Wieck, who received both a gift card and now publication of his review in The Stepping Stone.

In *Multipliers: How the Best Leaders Make Everyone Smarter*, Liz Wiseman and Greg Mckeown examine two extreme management paradigms: the "Multiplier" who can literally multiply the intelligence of those they work with, and the "Diminisher" who underutilizes and diminishes the intelligence of those they supervise.

Liz and Greg selected "a set of companies and industries in which individual and organizational intelligence provide a competitive advantage." They interviewed senior professionals inside these organizations to identify leaders who fit either the Multiplier or the Diminisher description. By studying more than 150 of these leaders and using interviews and assessments of their practices, they developed a Multiplier Formula.

Multipliers:
1. Are talent magnets
2. Liberate peoples' best thinking
3. Extend challenges
4. Debate decisions
5. Instill accountability

Diminishers:
1. Are absorbed in their own intelligence
2. Create tense environments - stifling others
3. Build empires
4. Limit what the organization can achieve to what they themselves know
5. Micromanage

As actuaries we can be susceptible to the Diminisher management style. The outward perception of our intelligent natures can make others fearful to confront us, question us, and work with us collectively. *Multipliers* supplies a formula for using our leadership position to compound that vast pool of intelligence that surrounds us. By finding the genius in someone, challenging them, discussing/debating, and relying on the fact that people are smart and can figure things out we can use this "multiplier effect" in an already powerful profession.

How Can You Be More Confident?

by Dr. Doreen Stern

Have you ever admired someone as they strode across the stage to deliver a high-powered speech? Did he or she appear centered and self-assured, carrying a big smile? Did you wish you could be more like that person?

I'm here to tell you it's as easy as **1 – 2 – 3.**

Sure, you may have fallen down before. You may even have felt so embarrassed that you told yourself you'd ***never*** humiliate yourself like that again. It's OK to have those feelings. That was the past, though. This time is going to be different, since you're going to have a ***new*** set of skills.

Here's what I want you to know about confidence:

1. It's a learned ability.
2. You can practice it, just like you may have practiced throwing a ball or skipping rope. Maybe knitting and crocheting. Perhaps hitting golf balls.
3. You can increase your confidence, no matter what your past experience has been.

To begin, I invite you to picture yourself when you feel discouraged. Are your shoulders slumped? Do you have a scowl on your face? Do you avert your eyes when you speak to someone?

Yes, I suspected so.

Let's change that image . . . together. I invite you to use a blackboard eraser to remove the downcast picture in your mind. Wipe it away completely, because in a moment we're going to replace it with a completely new one.

What kind of image will this new one be? In the revised picture, see yourself standing up straight, with your shoulders pushed back – comfortably. You're holding your head up high. Try it now.

Excellent work! Now, spice it up even more by smiling - a big wide grin that comes from your heart. I realize that your mind may resist this. It may say: *"I've got nothing to be happy about."* Or *"I've got a lot of important things to do: I'm too busy to be reading this silly article now."*

It's OK to have these thoughts. Thank your inner critic for being concerned about your welfare. Assure it that you're in good hands and no harm will come to you. Tell your critic that reading this article will take only a few minutes and it can dramatically improve both your life at work and at home.

Good, I'm glad that's out of the way. Now let's turn on the sound in your picture. Do you hear yourself hemming and hawing? Saying *"I'll try"*? Or "*I gotta"*? Maybe *"I need to"*? Perhaps *"I should"*?

Noted psychologist "Dr. Albert Ellis" used to call phrases like these "musterbation." Only these words bring little pleasure; instead, they make us feel small by yielding control of our lives to someone or something outside of ourselves.

I invite you to banish them from your vocabulary. Replace them instead with more powerful words. *"What kind of words are these?"* you ask.

Do you know what are the two most compelling words in the English language?

At my presentations, many people raise their hands to offer "*I can.*" Sure, "*I can*" ***is*** empowering; however, the very *most* powerful words are these: ***"I've decided***." Say them out loud in a booming voice: "***I've DECIDED."***

Feel the difference? Yes, I see you growing in stature already.

Here are a few other effective words to add to your vocabulary: "*I intend to.*" Also "*I plan to.*" And *"I will."* These words will put you in the driver's seat in your life. That's where you belong.

Now that we've discussed the first skill, changing your mental picture, let's go on to the second: doing

CONTINUED ON **PAGE 26**

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something more difficult than you currently feel capable of doing.

Yikes! Why would you choose to put yourself in such an uncomfortable situation? There's a simple reason: to practice the skill of taking tiny steps to achieve a seemingly impossible goal.

Here's an example: Some *Stepping Stone* readers may recall an article I wrote nearly two years ago about my decision to attend "Trapeze School" in New York City.

Why did I go to Trapeze School? Ever since college, when I saw my boyfriend grasp onto a rope swing, glide out over the lake, and then release his grip and fall into the water below, I'd been yearning to do it, too. But I felt terrified. Absolutely apoplectic. Think about it: I was a girl from Queens who had never done anything intrepid like that.

Out of the blue, two years ago *The New York Times* featured "Trapeze School" in its Sunday "Style" section: it seemed the answer to my dreams. I'd be laced up in safety gear and an instructor would tell me what to do. According to the *Times,* nine-year-old girls were doing it at their friends' birthday parties.

I told myself I'd take a tiny step: merely call for information. That done, I walked to the park to see what it would feel like to turn myself upside down on a jungle gym. O.K., I could do that, too. After these small successes, I broke the project down into 19 other small steps: things like mapquesting Chelsea Piers, so I'd have directions to where I'd be going.

Eureka! I did the whole thing: I sailed through the air, shouting, *"I'm flying; look at me!"*

With that success in mind, I realized that I could live larger than I was currently doing. That led me to recently decide to compete in a "Ms. Senior Connecticut" pageant, modeled on the national Miss America competition. For the talent portion, I intend to act out my experience at Trapeze School. The bottom line is that one success provides the confidence to push forward into new, unexplored territory.

I invite you to ask yourself what dream lies deep within you just waiting to come out? This is the time to take tiny steps toward it. Doing so will make you feel more courageous and confident.

And here's the third skill: Create a confident mindset. Oftentimes we may say we want to become more confident, yet we also hold a competing belief that's holding us back. Think of yourself driving your car down the street with one foot on the gas pedal and the other on the brake. You can't get very far, can you? That's what happens when we hold competing beliefs.

I offer an exercise to help you resolve your competing beliefs, which I learned from Dr. Paul McKenna in his book, *I Can Make You Confident*:

A. Identify the two conflicting beliefs or positions within your mind. (For me, these are to be successful and also to feel safe. As a result, part of me wants to continue feeling fearful because doing so will help me stay safe.)

B. Place your hands out in front of you, palms out. Imagine the confident part in your dominant hand, the fearful part in your non-dominant hand.

C. Ask each part in turn what its positive intention for you is in wanting what it wants. For example, what does my dominant desire for success want? It says it wants me to use my unique talents to inspire people to lead happier, more fulfilled lives. In doing so, I'll lead a happier, more fulfilled life.

   How about my non-dominant fearful side? The one that desires safety at all costs? It says it wants me to lead a happy, secure life. One without gaping craters, where I could injure myself. *"I want you to be happy and healthy,"* it whispers in my ear. *"I love you, and I'm trying to look out for you,"* it reveals.

   Suddenly, I see that both sides want the same thing: for me to be happy and have a wonderful life. Earlier, it seemed like my beliefs were at odds, yet now I see that both want the same thing. This resolves my competing beliefs, so my right and left hands can work together to help me realize my dreams. In doing so, I'll feel more confident.

D. Now cross your hands over your chest as you imagine a new "super part" of yourself with the combined resources of both your confident self and your fear. Feel these two parts uniting inside of you as they both wish you well -- and infuse you with positive energy.

By practicing these three simple skills: (1) changing your mental picture; (2) taking tiny steps to accomplish something larger than you currently feel capable of doing; and (3) resolving your competing beliefs; your confidence will soar. You'll soon see yourself living larger than you imagined possible. I've seen it in my own life, and I look forward to hearing from you about your own successes.

Warmly ~

Dr. Doreen Stern

WE: How to Increase Performance and Profits through Full Engagement - A Review

by Meg Weber

Meg Weber is director of section services at the SOA. She can be reached at *mweber@soa.org.*

WE: How to Increase Performance and Profits through Full Engagement is freshly on the shelves of business and personal development books for 2011. The authors are Rudy Karsan and Kevin Kruse. Rudy is one of our own, so to speak, having earned his FSA in 1983. He is also co-founder, chairperson, and CEO of Kenexa, a global provider of business solutions for human resources.

Given the title, I thought the focus of *WE* would be on teamwork. In a world where it's discouraging that the likes of Bernie Madoff can still get press space, I was ready to think "we." But, while teamwork is mentioned, more core to the book is taking individual responsibility to achieve "we." What I found…

- *WE* appeals to people in different stages of their careers.
- *WE* incorporates multimedia to augment the experience of reading. However, videos and self assessment tools did not distract from the simple experience of reading (to my appreciation).
- *WE* offers tactics, not just the observations of the authors on the world of work.
- *WE* is thought provoking for staff people and management alike. It spurs introspection.

WE initially engaged me by providing a history of work, jobs, and careers. Using a broad definition of entitlement, it reminds us (US?) that even as white collar knowledge workers, we need to continuously anticipate change, learn and adapt.

The book has a strong basis in business analytics. Rudy Karsan's company Kenexa studies human behavior and team dynamics in organizations in over 20 countries, and he has drawn on that experience for this book.

Some of my key takeaways…
Work and personal life are not separate. "Health" to both means the two must be in harmony. One way to contribute to this harmony is ensuring the culture of where you work aligns with what is important to you. If they aren't aligned, neither you, nor the organization will prosper from the relationship. This is important for me as an employee and it is important for me as a manager. It can be a difficult lesson to learn when lifestyles are so important to American culture.

WE suggests forming your own "Career Board" of people who really know you. These are people who are current with what you have done, and who you can bounce ideas off of on a scheduled basis. It is not necessary to have the CEO of your company on your career board.

And finally, there is the formula for success (after all, one of the authors is an actuary):

Harmonization = Engagement + Alignment

Within that formula there are additional variables, of course. For example, Engagement is built on Pride, Satisfaction, Advocacy and Retention. An engaged employee is priceless compared to those who are not. In my experience that employee has an intellectual curiosity beyond his immediate responsibilities and is far more likely to be proactive in avoiding problems and providing solutions.

Overall, the book had some very straightforward advice for me on a personal level and as a manager. I would recommend it to people interested in sharpening their focus on careers and on life.

Nooruddin (Rudy) S. Karsan, FSA, is one of the co–founders of Kenexa® Corp., a leading end–to–end provider of software, proprietary content, services and process outsourcing that enable organizations to more effectively recruit and retain employees. He was nominated by his peers as an actuarial pioneer and was featured in the August/September 2008 issue of The Actuary magazine. Read the article at http://www.soa.org/library/newsletters/the-actuary-magazine/2008/august/act-2008-vol5-iss4-kirkwood.aspx to learn more about this entrepreneur who builds and leads dynamic, growing businesses. Karsan may be contacted at rudy.karsan@kenexa.com.

Are You a Commodity or an Expert?

by David Wolfskehl

How do you answer the question for your firm: *"Are you a commodity or an expert?"*

Most actuarial firms are commodities. Building a micro-niche boutique within your firm and capitalizing on the expertise of your partners and staff can change your answer.

Now answer the same question about yourself: *"Are* ***you*** *a commodity or an expert?"*

Chances are very good that you are a commodity as well. Developing a micro-niche boutique within your firm, capitalizing on your expertise, will change *your* answer, too.

Being a commodity is not fun. Yet many actuaries reject the idea of building a micro-niche because they fear missing opportunities by narrowing their focus. Their approach to getting new clients is to go anywhere and to accept every prospect who walks through their door. You must recognize that no firm can or should be an expert in everything.

I hear firms talk about fee pressure every day. I also hear them talk about the frustration and the time spent preparing and answering a large number of RFPs. This is the price of being a commodity. Professionals often tell me their clients do not deal with them in ways that make them feel respected. They believe they are constantly hassled about price and the risk of their clients leaving for another firm hangs over them constantly. They also commonly tell me they do not feel their marketing is effective.

My response to these complaints can only be, *"Stop being a commodity!"*

When you are a commodity:

- Clients will switch to another firm over small price differences.
- You will receive few referrals.
- Clients and potential clients will not be willing to wait for an appointment and they will not be loyal to you.
- You will always be negotiating price and spend a great deal of time responding to RFPs.

The only way to move your firm away from commodity status is to become an expert with a well-defined micro-niche.

When you become an expert with a micro-niche business, you can target your marketing and get more clients by focusing on the *right* prospects. You will spend less time at "cattle call" networking events and focus your time and attention building strong centers of influence. You will stop responding to RFPs and build your business with people who seek you out and referrals (from centers of influence). As an expert, you will be able to differentiate yourself (or your firm) based on your micro-niche business rather than on price, location or a host of other characteristics.

If you want to stop being a commodity and command the respect you deserve, you must:

- Analyze your client base for areas in which you excel.
- Analyze your competition for areas in which you can stand apart.
- Analyze your team for unrecognized areas of experience or expertise.
- Focus your marketing.
- Sharpen your focus on targeted prospects.
- Invest in cultivating needed expertise within your staff.
- Think smaller in order to grow larger.

Here are **11 steps in creating expert recognition:**

1. Create a Press Room page on your website. Populate it with your logo and with basic information describing your business and your credentials. Write and post to this page regular press releases/media releases about unique aspects of your thinking, any new credentials you earn, speaking engagements, webinar announcements, etc. When members of the media recognize you as an expert, they will

CONTINUED ON **PAGE 30**

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The only way to move your firm away from commodity status is to become an expert with a well-defined micro-niche.

start turning to you for insight on the industry.

2. Use industry jargon freely. Even if you think it will sound strange to some people, it will position you as an industry insider.
3. Seek out and accept as many speaking opportunities as possible. If you are extremely uncomfortable speaking in public, focus your time on writing and publishing.
4. Join all of the appropriate associations. Display their logos on your website, particularly in the "about us" section and your home page.
5. Create useful cutting-edge free resources for people in your industry. Make them available at conferences, trade shows and other gatherings, as well as on your website.
6. Write and publish. Write articles for publication and distribution on your website, in your newsletter, by subscription, and through appropriate article directories.
7. Write special reports, white papers and other resources designed to be helpful to your ideal client.
8. Offer question and answer forums on your website.
9. Offer webinars and other informative programs using media preferred by your ideal client.
10. Do for yourself and for your firm what you are selling to others.
11. Write reviews of books in the field and publish them on your website and on book review and book selling sites.

You will know you have moved from commodity to expert status when your referral sources (clients, colleagues, centers of influence, other contacts) stop looking at you as a *quid-pro-quo.* In a commodity relationship, you can expect a limited number of referrals because you can only make a limited number of referrals to your sources. When you achieve expert status, the same sources will look at you and give you referrals because they know you can truly solve the client's problem.

Are you a commodity or an expert? Which would you rather be?

About David Wolfskehl

David Wolfskehl is President and CEO of DGW and Associates, the parent company of The Practice Building Team, a consulting firm that helps professional services firms create powerful business solutions for their practice in those areas in which many professional services providers feel the least confidence. The Practice Building Team helps our clients grow their business from the inside and from the outside by providing training, support and a clearer focus. Watch for David's forthcoming book The Micro-Niche Method. *Visit us online at* www.tpbteam.com.

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