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The Actuarial Ethicist: Stochastic Cherry Orchard

by Frank Grossman

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

Lennie the FSA has been asked by his manager, Anita the FSA, to revisit prior analysis of the investment guarantees embedded in their large inforce block of universal life policies. This work was last undertaken five years ago, and though the findings were not summarized in a memorandum or report, they indicated that the cost of the minimum crediting rates was modest. Prevailing fixed income yields have declined significantly since then, prompting the divisional risk management committee to ask for an update during their next meeting in three weeks. Anita is a member of the committee, and reminded Lennie that the pre-read document distribution deadline is one week prior to the meeting—so, he has only two weeks to complete his assignment.

As the generation of economic scenarios is the responsibility of their firm's investments division, Lennie promptly received 6,000 scenarios assembled

by Mike the quantitative analyst. Given the heterogeneity of the UL block, including its many minimum crediting rates and other product feature variants, Lennie plans to run one set of stochastic seriatim asset-liability projections with the inforce model's minimum crediting rate logic invoked, and a second set without. Anita agreed with this approach, but due to the looming deadline suggested that Lennie first stratify the scenarios, based on their estimated asset portfolio total returns over 20 years, and then run only the scenarios associated with the lowest (or worst) 500 total returns.

Mindful of the dynamic policyholder behavior assumptions within his model, Lennie suggested that "negative cherry picking" scenarios (so to speak) using a 20-year total return statistic might not be the best idea. Anita disagreed, stating that, "that's how the work was done last time." Lennie asked who performed analysis five years ago, and Anita responded, "I did."

What should Lennie do?

Send your suggestions before July 22, 2010, to Craigmore54@aol.com. The discussion of Lennie's dilemma will be published in the October 2010 issue of The Stepping Stone. ●



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Are You Politically Savvy?

by Kevin Leavey

Bring up the topic of office politics and you can taste the change in the atmosphere. Lips curl down. Eyebrows narrow. Teeth clench. Most people I know react with passionate disdain. They all have examples of stories that start with “Can you believe...?”

- Can you believe he said that?
- Can you believe so-and-so got promoted (or still has a job)?

I don't know anyone who relishes the work required to make him or herself more proficient at office politics. At the same time, I don't know any successful executive who doesn't possess a degree of political savvy.

I have been told that politics is a “necessary evil.” I would characterize politics as a reality that must be addressed in order to succeed, which is essentially the same idea but without the judgmental tone.

Earlier in my career a colleague recommended the book *The Secret Handshake, Mastering the Politics of the Business Inner Circle* by Kathleen Kelley Reardon. Four or five years ago Dr. Reardon followed up with *It's All Politics, Winning in a World Where Hard Work and Talent Aren't Enough*. I highly recommend both books. They are both excellent “read today, use tomorrow” books. They both give great examples and vignettes of how to navigate through political situations. I will pull out some highlights to help you get started on a more politically savvy you.

The books are full of great quotes. Two that spoke the most to me are these:

“You can't know politics simply by discussing it theoretically. I learned what I know by observing, trying new approaches, falling on my face and getting up to try again.”

In a previous article I wrote about the virtues of practice, and that theme is the same here. Keep at it.

“Keep in mind that people benefit from perpetuating the image of politics as something you either know or you don't. Ignore them.”

Improving your political savvy is within your reach. Don't give up before you start, and don't give up when you stumble.

You can read either book straight through or pick through chapters to focus on your particular needs. I think *The Secret Handshake* does a great job helping you determine your current political comfort zone. Dr. Reardon categorizes people into four groups:

- Purist – believes in getting ahead through hard work.
- Team Player – believes in getting ahead by working well with others and participating primarily in politics that advance the goals of the group.
- Street Fighter – believes the best way to get ahead is through the use of rough tactics.
- Maneuverer – believes in getting ahead by playing political games in a skillful, unobtrusive manner.

Where do you fall? Once you know your comfort zone and how to stretch it, you can determine the best work environment for your particular style. Dr. Reardon provides tips on how to do just that.

In *It's All Politics*, Dr. Reardon provides a quote of particular interest to actuaries:

“If you combine technical competence with political savvy, you're less likely to be bypassed by buffoons.”

Admittedly a bit harsh, the quote holds true. While taking exams, progress is usually more dependent upon passing the tests than paying attention to the political environment.

“The magic of being politically savvy lies in advance work, not fancy strategies.”



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Thinking on your feet takes practice. To advance, keep three things in mind:

1. Visibility – make your work visible to the right people
2. Centrality – put yourself in a position to be noticed
3. Relevance – be sure your work is relevant to the more pressing goals of the organization

A big part of office politics is the art of persuasion. Dr. Reardon provides what she calls her “ACE” strategies:

- A – Appropriateness, what others are doing
- C – Consistency, what a person like you would do
- E – Effectiveness, what will get you what you want

To persuade someone you must first ask yourself, “What does she/he care about the most: being

appropriate, consistent or effective?” When trying to persuade, focus your efforts on what others can do; it’s much more important than what they *should* do. Why? Because even if someone wants to help you get something done, they may just not be capable of doing so.

Your political savvy will increase just by listening to others and observing how they act. No one wants you to become a Machiavellian manipulator. Just recognize that office politics are real and something you can handle. Good luck. ●

Responses to “A Change in Plan”

by Frank Grossman

THE CASE STUDY

Briefly summarized¹, Kate the FSA works part-time as an in-house benefits actuary, and has an indirect reporting relationship with Henry the CFO. Her firm sponsors a contributory defined benefit pension plan, with a fairly conservative investment strategy in fixed income instruments and stocks. Kate estimated the appreciable shortfall risk (the chance that the plan’s funded ratio would deteriorate, requiring additional future contributions) using stochastic techniques. The plan trustees recommended a modest increase in future contributions, and senior management proposed that the increase be shared by the plan sponsor and plan members. Kate presented a summary of her findings at several employee town hall meetings.

Senior management subsequently rescinded their decision to increase contribution rates, citing a return to more tranquil market conditions. Preparations for a second round of employee meetings are now under way, and Henry has requested that Kate help explain why the proposed contribution increases are no longer required.

READER RESPONSES

Comments and suggestions ranged from concerns about Kate’s professional qualifications, to the usefulness of traditional scenario analysis. Responses have been edited for space considerations.

Only When Qualified to Do So

Though Kate is employed part-time as a benefits actuary, it’s absolutely necessary that she be fully competent per the SOA’s Code of Professional Conduct [COPC].

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.

There may be additional nation-specific requirements, such as attaining an Enrolled Actuary [EA] designation. As Kate is a “benefits actuary,” she might provide actuarial services associated with health benefits in addition to pension benefits.

As our profession’s membership ages, and the nature of both work and retirement evolve, there may be more “part-time” actuaries in future. One reader specifically noted that Kate needs to “perform sufficient pension continuing professional development [CPD] activities” while at the same time conceding that her ability to do a stochastic shortfall risk study was prima facie evidence of her professional competence.

Plan Governance

A key issue is the state of the pension plan’s governance structure. Are the senior management team and plan trustees separate and distinct, or overlapping groups? *“Do the trustees ‘report’ to management, or is it the other way around with respect to pension plan decisions, and in particular funding decisions?”* Where exactly does the plan’s decision-making authority, and the concomitant fiduciary responsibility, reside? Situations where plan trustees do indeed have fiduciary responsibility for a single employer plan are not unknown, though this is more frequently encountered outside the United States.

Based on the details of the case, most readers assumed *“that senior management has fiduciary responsibility, and that the trustees do not, and the trustees effectively report to senior management.”*

Opportunity Knocks

While senior management’s volte-face about their support for additional plan contributions might well be disappointing for Kate, it’s important that she remain open-minded and continue to seek ways to advance the dialogue. Senior management didn’t reject Kate’s analysis, rather their market view

As our profession’s membership ages, and the nature of both work and retirement evolve, there may be more “part-time” actuaries in future.

¹ See the April 2010 issue of *The Stepping Stone* for the complete description.

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changed, and Henry has asked for her help with the coming employee meetings. There’s no indication that Kate will not be participating in the second round.

Kate needs to work assiduously to deepen stakeholder understanding of the pension plan’s dynamics, including the basic fact that actuarial assumptions per se will not alter the ultimate cost of defeasing the firm’s pension obligations. Keeping the lines of communication open and continuing to provide good advice is essential.

One reader recommended that Kate adopt a more flexible attitude, employing an analogy to incorporate Henry’s “more fully funded” phrase. *“Kate could explain the pension funding concept in terms of a mortgage. Someone buying a house takes on a debt, with a minimum level of payments that need to be made. Senior management decided earlier that it would be prudent to pay higher contributions (akin to higher mortgage payments) to protect against a possible downdraft in the markets. ‘More fully fund’ means paying off the mortgage earlier with higher payments than would have been the case under the original schedule.”*

Another suggested, *“I would see the upcoming employee meeting as a training opportunity to describe how defined benefit pension plans work.”* For example, *“Kate might prepare some figures illustrating how the current funding level will change based on actual investment performance in the future using three examples: a low, a medium and a high investment performance scenario. Kate should share what the funding level would be without any additional contributions in each scenario, and also gauge the additional contributions that would be needed if the low example were to happen.”*

A third suggested Kate offer perspective on the recent experience of other plans, such as *“any publicly available metrics on how well private defined benefit pension plans are currently funded, as well as their funding levels at the bottom of market crashes.”*

Assumptions, Economic or Otherwise

The case provided no indication that Kate’s investment assumptions were unduly pessimistic. Key assumptions were presumably the level of future market volatility and the asset class cross-correlations. There was no indication in the case that these stochastic assumptions were revised by Kate or were inconsistent with the basic pension valuation assumptions.

The case was also silent as to the relative level and general direction of growth of asset market values during the period of the case. (A change in market level would have plainly influenced Kate’s analysis.) What did change, however, was management’s perception of future market risk.

Several readers assumed that a market drop (combined with an increase in realized volatility) had exacerbated Kate’s shortfall analysis, and that a subsequent and dramatic recovery in market valuations (combined with a decrease in realized volatility) spurred management’s decision to forego additional

contributions—a not unreasonable premise based on the “financial market turmoil over the past couple of years.”

Preparing for the Meeting

Kate needs to land with Henry regarding their presentation, and possibly with senior management and the plan trustees too, *in advance* of the meetings. They may well not agree on every point but they need to be in sync.

The first thing Kate needs to do is to collect documentation supporting any intervening change in assumptions and their supporting rationales (e.g. staying with the original contribution rates), or model inputs (e.g. current economic data), and then update her projections.

One actuary cogently targeted Kate’s volatility assumption. “*There seems to be no indication that short-term investment returns have been good enough to improve the shortfall projections if the work were repeated taking them into account. There are two possibilities regarding her assumption about the volatility of future returns.*

1. *That volatility was set higher than past experience as a subjective judgment based on perceptions as to the future of markets. In this event, Kate could reduce the volatility to closer to the long-term experience, rerun the results and, if the numbers supported such a conclusion, report that less pessimistic volatility assumptions demonstrated a lower probability/magnitude of possible future deficits and therefore less need to consider additional funding.*
2. *That volatility was set based on past experience, without any special adjustment to reflect perceptions as to the future of markets. In this event, updating the historical experience for the recent past would have little impact on the volatility assumption. The shortfall analysis would still stand, and Kate would have to explain to Henry*

that there was no basis for justifying less need for additional contributions purely on the basis of less pessimistic assumptions as to future volatility. It would then be necessary for Kate and Henry to explore further the actual reasoning (by senior management) behind the decision not to make additional future company contributions.”

The stochastic analysis underlying recommendations can be significantly influenced by seemingly minor changes in methodology or economic assumptions. Three actuaries noted that some serious effort regarding sensitivity testing key assumptions would be well advised.

One respondent observed, “*After running the model with the latest assumptions, if Kate doesn’t agree with what is asked of her, she should not speak to the employees in support of the new direction.*” There were a range of views as to whether Kate needs only to tell the intended audience of her report (i.e. Henry, the senior management team and the plan trustees) of her disagreement, or the plan members too. “*Kate needs to disclose in her report if the plan sponsor is asking her to use assumptions which significantly conflict with her professional judgment.*”

Another reader noted that Kate “*cannot let them think that she is giving actuarial blessing to the plan to not make another contribution*” and then concluded: “*It is our job as actuaries, not just to pass judgment on the choices that managements make (although we can’t bless a bad choice), but to give them alternatives that we can bless.*”

Reaching Outside the Box

It is critically important for Kate to act impartially when performing actuarial services. “*Is there any conflict of interest with her being an employee and a beneficiary of the plan, and the one doing the funding calculation on it?*” The COPC addresses conflict of interest as follows.



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While a growing number of organizations may express some desire to identify and measure their inherent risks, there is frequently much less interest in paying hard cash now to mitigate the possible future effect of these self same risks.

COPC Precept 7: An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:

1. the Actuary’s ability to act fairly is unimpaired;
2. there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; and
3. all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary.

The related need to be seen acting impartially prompted some readers to suggest that Kate ought to reach out to an external actuarial firm “*if obtaining independent and objective advice is important.*” An outside actuary might bring additional insight to the discussion, though the additional cost of an external engagement would doubtless be something for Henry to consider.

Two readers thought that Kate might turn to the Actuarial Board for Counseling and Discipline [ABCD] for informal advice given their expertise with “thorny professional problems.”

Wishful Thinking

Senior management’s decision to forego additional plan contributions was ostensibly based on their view that “*a return to more tranquil market conditions*” had occurred—precluding a return to more “stormy weather.” One reader observed, “*It sounds like management decided not to pursue higher contributions and they are hoping for better returns. ... higher contributions might still be required.*”

Another noted that this change in heart might reflect senior management’s shifting view that precious (financial) resources would be more effectively allocated to “*the plan sponsor’s operations which may lead to better profits to put them in a better position to contribute more to the pension plan in the future.*” Kate is, after all, living in a world of scarce resources (along with the rest of us). That “*larger-sized plans can apply enterprise risk management vigorously as part of their overall risk management measures*” is often a best practice that smaller plans simply cannot afford.

A perennial challenge confounding those in hot pursuit of effective ERM is the all-too-familiar risk/reward trade-off. While a growing number of organizations may express some desire to identify and measure their inherent risks, there is frequently much less interest in paying hard cash now to mitigate the possible future effect of these self same risks. Wishful thinking may work just as well. Until it doesn’t.

Preparing for the Future

One reader suggested that Kate employ investment return scenario analysis to better define and obtain management support for a pension funding strategy, and to confirm under what conditions the question of higher contribution rates would be revisited. Such an approach would require that plan funding levels would be continually monitored and communicated too. “*By securing agreement to an action plan in advance, Kate can better prepare the group for various contingencies.*”

CONCLUDING THOUGHTS

A sincere thank you to all who contributed their comments and suggestions about Kate’s next step. Thanks, as well, to Stephen Cheng, Steve Lemanski, and Barbara Sheldon for their constructive feedback received while drafting the case; its remaining deficiencies are all my own.

The prospect of additional employee contributions was a plot device supporting the need for the town hall meetings within the case. In point of fact, contributory DB plans are quite rare in the United States for tax reasons. This apparent incongruity did not figure into any of the member responses received.

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. ●

Want More Success? Focus on These Five to Thrive

by David C. Miller

To be successful, you don't have to excel at everything. But there are five areas that you must be clear about and must master if you want to reach just about any goal:

1. Clarify Your GOALS,
2. Create and implement a STRATEGY to accomplish those goals in the fastest, easiest way,
3. Upgrade Your SKILLS,
4. Optimize Your ENVIRONMENT and
5. Master Your PSYCHOLOGY

GOALS

For you to succeed, you have to be very clear on where you're going. Define your destination by setting specific, measurable and inspiring GOALS.

Without goals it's easy to lose focus and motivation. You end up floundering, jumping from one thing to the next, but not really getting anywhere.

In addition to getting clear on your goals, you want to identify why you want to achieve those goals. Everyone needs a compelling vision that will help them stay on task even when the going gets rough. So when I speak of this target area called "GOALS", I'm also including how clear and strong your reasons are for wanting to do this.

STRATEGY

Whereas your GOALS define your destination, your STRATEGY defines how you get there. What "vehicle" will you use to achieve these goals? Do you know what to do? What is the pathway to execution? Is the course you're pursuing ideal for your personality, skill set and goals?

What are "strategies"? Consider the goal of *setting yourself up for a promotion*. Some strategies are:

- Identify the core challenges your superior is wrestling with and solve those problems,
- Network with more senior levels so they know who you are,
- Take the initiative to lead a major project,
- Do superior work and
- Hone your leadership skills, etc.

If you're a consultant and your goal is to generate leads, you might pursue these strategies:

- Networking and referrals,
- Speaking to various groups,
- Surveys and white papers,
- Direct mail and newsletters and
- Events like trade shows, exhibits, etc.

There are literally hundreds of strategies that can be employed. Most professionals simply focus on a single strategy. But it's preferable to develop a *multiple strategic approach* to growing your career or business. Just like you wouldn't invest all your savings in one stock, you don't want to limit your future to only one source of growth.

So, along with having clear and powerful goals, have a set of strategies to get you to your goals the fastest and easiest way.

SKILLS

Skills have to do with competence. Competence is a function of knowledge and skills, which can be gained from education, training and/or experience.

Where STRATEGY talks about "how", SKILLS deal with "how well." They speak to the level of execution and effectiveness.

You may have great GOALS, a compelling vision and a solid set of STRATEGIES, but if you don't have sufficient SKILLS to be effective, you won't achieve your desired result.

For example, if you're pursuing networking as a marketing strategy, but are ineffective at establishing rapport, asking good questions and carrying on a quality conversation, you will not be very successful, even though networking is an excellent marketing strategy.

If you want to get noticed by senior management by showing them you can lead a major project, but you're lacking when it comes to dealing with diverse



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personalities, coaching people through challenges and organizational skills, you won't be successful.

The problem is you can't succeed with strategy alone. You also need skillful execution.

What SKILLS are important for you to succeed? I recommend you make a list of these and rate yourself on a scale of 1 to 10 on how you rate their current mastery, with 10 being the best.

** Note: If you want business growth, then take the assessment of 20 critical skills at the end of this article. If you want leadership mastery, then take the assessment of 25 critical skills also found at the end of this article.*

If you are a consultant or business owner, here are some examples of selling skills that you might include in your list:

- Prospecting (finding and attracting potential buyers)
- Following up on leads
- Establishing rapport (“to have a connection or understanding with someone”)
- Assessing needs (finding out what your prospect's pain is and what they may want from your product and service)
- Presenting (solutions and benefits—not features)
- Handling objections
- Closing the sale
- Getting re-sales (customer buys again), upsales (customer buys higher level package or additional items)
- Getting referrals

If you're a corporate executive, here are some examples of communication and leadership skills that you might include on your list:

- Effectively articulate my organization's mission
- Speak effectively before a group
- Influence senior management
- Cast a vision that inspires my team
- Develop the potential of others through coaching
- Serve as a change agent

- Delegate to achieve optimal leverage in my organization
- Hold other accountable
- Make difficult decisions in a timely manner
- Increase productivity and bottom line results

So along with GOALS and STRATEGY, you want to be aware of your own SKILL level.

ENVIRONMENT

You want to create an ENVIRONMENT that will support you versus one that works against you. Can you succeed in spite of your environment? Well, yes, but it will take a lot longer and be a lot more painful.

What do I mean by “environment”? There are three general categories here:

1. **Physical** – this includes things like where you live, where you work, the condition of your office or desk, and your filing systems. For example, if you're working in a noisy environment in a work space too small to store all your work material, so there is paper everywhere—you're not in an ideal environment.
2. **Technology** – The second category of environment is technology. This has to do with how well you're utilizing systems and tools in your career or business.

PDA's, cell phones, project management software, telephone headsets and contact management databases are other examples of technology that can really make the journey to success a lot faster and easier.

Technology isn't just about computers and electrical gadgets—it's about systems and approaches. A prime example is having a system for managing time and priorities. So if you struggle in the area of time management, it may be an issue of the ENVIRONMENT (i.e., not having a system).

3. **People** – The third category of environment is people. Who are the people you surround your-

self with? Is the company you keep supportive or are they a drag on your career or business?

An ideal people environment serves as a structure of support for your business. Do you have that structure of support—someone who will make sure you get to your destination no matter what comes your way? Do you have a business partner, supportive manager, accountability partner or a coach?

If you don't have that structure of support, it is easy to get off-track and get discouraged.

If you optimize your environment, you can succeed BECAUSE of your environment rather than IN SPITE of it.

PSYCHOLOGY

Finally comes MASTERING YOUR PSYCHOLOGY. I believe that PSYCHOLOGY is 80 percent of the battle in doing anything difficult; the other 20 percent is mechanics. A person may be doing well in all these other categories and still fall way short of achieving the desired outcome if he or she has an unresourceful psychology. It's called "getting in your own way."

Our psychology is comprised of our thoughts and beliefs. It is the conversation that happens inside our heads. *What I think or believe about a situation will impact how I feel about it, which will impact what I do about it.*

Beliefs like "I don't have what it takes", "What if I fail?", "They'll probably reject me", {insert yours here!} disempower us and prevent us from taking the necessary actions to obtain our goals. These thoughts can start a downward spiral of performance.

However, a resourceful psychology will work in a positive way to fuel an upward spiral of behavior and success.

ARE YOU FOCUSING ON THE FIVE TO THRIVE?

So when you think about it, if you have

- Really clear GOALS to provide **direction**
 - An effective STRATEGY to provide the **vehicle**
 - Upgraded SKILLS to provide the **effectiveness**
 - A supportive ENVIRONMENT to provide **leverage**, and
 - A resourceful PSYCHOLOGY to provide the **passion, persistence and determination**,
- there's an excellent chance you will achieve your goal, whatever it is.

In the October issue of *The Stepping Stone*, we'll look more specifically at how you can recognize which of these five areas are holding you back. ●

David C. Miller, PCC, is president of Business Growth Strategies, an organization that specializes in helping executives become more influential leaders and consultants. generate higher revenues for their practices. He is a Professional Certified Coach providing coaching, consulting and training in leadership, sales and change management. For more information, contact Dave at dave@BusinessGrowthNow.com or visit his websites www.BusinessGrowthNow.com (for business growth and sales training) and www.LeadershipGrowthStrategies.com (for corporate leadership development).

Take the Business Growth or Leadership Mastery Assessment

In the meantime, if you have a goal of growing your business (i.e., more clients, engagements, revenue, etc.) or your leadership effectiveness (i.e., more influence, more impact, more leverage and results, etc.), then take one of these special assessments I developed. You'll rate yourself on 20 or more critical success factors. You will not simply rate your ability, but you will also gauge two other important parameters. The combination of these answers will reveal some valuable insights into what's holding back your full potential for explosive business growth.

After you complete the assessment of your choice, I'll contact you to set up a 30-minute debrief by phone and answer any questions you have. This is totally complimentary.

Take the Business Growth Survey (Ideal for consultants, business owners and sales professionals): <http://tinyurl.com/revenuegrowth>

Take the Leadership Growth Survey (Ideal for company professionals who want to realize their full leadership potential): <http://tinyurl.com/leadershipmastery>

Focus on Results

by John Hadley



In this month's Chair Corner, Kevin advances three central tenets to being politically savvy: Visibility, Centrality and Relevance. I'd like to propose two more: **Challenges and Results.**

What do I mean by these?

We are all very adept at certain things, and for actuaries, virtually anything technical falls into this. These skills are so natural to us that we tend to forget that they are anything special. As a result, we tend to underplay them.

This was brought home to me in college, when I attended a Renaissance Fair and watched a performer eat the apple he was juggling. As I studied his act, I realized how easy this trick was. That night, I tested it out, and within a few minutes was able to do it myself.

Soon after, we had a talent show in my dorm. I did a juggling routine, incorporating my new shtick into the act. I practiced throwing balls under my legs and behind my back, bouncing them off the ground and my arms during the performance, and a variety of other moves that required a fair degree of mastery.

What did the audience remember afterwards? That I ate an apple I was juggling.

A key to achieving the visibility gained by those who are truly politically savvy is to keep a clear focus on challenges, so that those become visible to others. You want to be associated with making those challenges go away. I wrote an editorial exploring this in more depth in the January 2009 issue of *The Stepping Stone*—you can find a copy at <http://www.JHACareers.com/ArticlesChallenges.htm>.

Then come **Results.**

Those of us who grew up in the actuarial world, where for so many years getting ahead relied on our ability to excel at test-taking and academics, are often lulled into thinking that if we do good work, everyone will notice.

The world doesn't work that way.

I don't advocate putting your results on a billboard and wearing them at all times—that falls into the 'braggart' category. However, those who are politically savvy learn ways to make the results they have produced shine through in natural ways. When you do this, you are seen as the person others want on their team whenever a new opportunity arises.

For example, in 1996 my company was going through a merger, and most of the officers would be severed at year end. I was chief actuary, and knew there was no role for me.

A few months later, I was approached with an offer to immediately become an officer of our parent company, in a new role that would let me stay with the organization long term. I hadn't sought out the role, and in fact was already exploring the career change that ultimately led to where I am now. **The only reason the offer came my way was because I had been very naturally doing the things all along that ensured key people knew the results I was capable of producing.**

How do you do this? By always presenting an answer to the WIIFM question (*What's In It For Me?*) for the other person.

It's natural for us to think of WIIFM directed at ourselves when evaluating all of the opportunities around us:

"Should I go to this networking event? WIIFM?"
"Should I volunteer for this project? WIIFM?"

In fact, society helps condition us to think this way. However, true success comes from thinking instead about how to answer this question for OTHERS!

For example, consider a networking event where someone asks *"What do you do??"* The tendency is to answer the question literally, which is always a mistake. You want to reframe the question, imagining that the person has instead asked, *"Why should I pay your salary?"* This answers the WIIFM question **for them**—something that is about a result you can achieve or challenge you can overcome, instead of the details of what you do. This way the other person can picture a way in which you might be able to help them, or others with whom they could put you in contact.

Think of it this way. If you run into a senior executive at the annual holiday gathering, and are asked *"What do you do?"* you will likely say something like, *"I price universal life products."*

This may be accurate, but it doesn't make you at all memorable. If you instead explain that you developed a pricing methodology that helped the company's new line increase its market share 10 percent, you will be giving a memorable answer that advances your influence.

So, to be truly politically savvy:

1. Sit down for a few minutes and brainstorm a list of the key problems you have solved, or solutions you have provided, over the past five years.
2. Think about which of those you would like to get involved in again, or better yet would like to see as core elements of your next job.
3. Work on a simple statement—no more than one sentence for each item on your list—to clearly express that problem or solution.
4. Practice them until they become natural.
5. Use those as your answers to "What Do You Do?"

I guarantee you that if you do only this much, you will start to become more memorable to networking contacts and key players in your company.

For more on this concept, see these two short articles: <http://www.JHACareers.com/30SecondPitch.htm>. And if you are still struggling with your own statements, drop me an e-mail at John@JHACareers.com. ●



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The Actuarial Leadership Conundrum

by Jeanne Hollister Lebens



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Certain skills and behaviors necessary for effective leadership are not innate in people drawn to the actuarial profession.

Actuaries are among the most intelligent, talented, earnest, hard-working people I have encountered in business. Why is it, then, that after a rapid ascension to middle management level positions early in their careers, so few actuaries break through the “math ceiling” and emerge as true business leaders? And for the relatively few who do assume leadership roles, why do they rarely bridge the gap from respected expert to trusted advisor status within the executive ranks of their organizations?

For nearly 30 years, I have worked with actuaries in company and consulting environments, managed actuarial functions, worked in areas that relied on input from actuaries, led a large consulting practice made up predominately of actuaries, consulted to actuaries, and consulted to executives and Boards of Directors who relied on actuarial analyses.

I have observed three interrelated factors that can explain this “actuarial leadership conundrum”:

1. Certain skills and behaviors necessary for effective leadership are not innate in people drawn to the actuarial profession.
2. Most actuaries either underestimate or are blind to the importance of these skills and behaviors to their career advancement. They do not actively seek to develop themselves in these areas, nor recognize that they can compensate by surrounding themselves with people who have complementary skills while leveraging their own strengths.
3. While these skills and behaviors can be learned, they aren’t taught sufficiently through on-the-job or classroom training.

EFFECTIVE LEADERSHIP DEFINED

First, let me define some terms. A leader is someone whom others choose to follow. People choose to follow a leader who clearly articulates a destination (also referred to as a “vision”) and motivates and inspires others to contribute to the realization of that vision.

An effective leader establishes an organizational structure that allows people to carry out their duties in support of stated goals and plans. The leader understands what skills and competencies are needed, in the aggregate, to successfully achieve the organization’s mission and hires the right blend of people. He or she knows how to tap into people’s strengths to create a culture conducive to high performance. The effective leader recognizes and helps the organization address barriers to success and, in doing so, inspires confidence in the ability of the organization to reach its stated goals.

It is important to acknowledge that being an effective leader and holding a leadership position are, unfortunately, not one and the same. In this article, we are talking about the former and not the latter.

CHALLENGE #1: SKILL AND BEHAVIOR GAPS

People who are attracted to the actuarial profession are typically of higher-than-average intelligence and enjoy mathematical problem-solving and analysis. Many actuaries would likely classify themselves as introverts, preferring to work alone or in small groups. In general, they do not seek to be the center of attention and are not self-promoting. They pride themselves on being accurate and thorough in their work and are careful to ensure that users of their work product are aware of the caveats underlying their analysis.

In contrast, people who rise to the leadership or executive level are more likely to be extroverts, or “people people”. They enjoy and get along well with others, they may be skilled at “working a room,” they communicate effectively, they are attuned to and can effectively navigate organizational politics and they appear to engender widespread support from their colleagues. They demonstrate strong personal salesmanship; they successfully influence others by conveying confidence in their own ideas and perspectives.

Other personal qualities that I have observed in effective leaders include good listening skills, empathy, energy, passion, a results-orientation, self-assurance, courage and the capacity for introspection.

Although some of the traits common in effective leaders may not be innate in actuaries, it does not mean that actuaries cannot become effective leaders. Understanding one's own natural tendencies and learning how to adapt them to fit the situation is the key. With sufficient motivation and the right support from management, many actuaries can shore up their abilities in certain underdeveloped areas and compete successfully for broader leadership roles in their organizations.

CHALLENGE #2: LACK OF AWARENESS

To be motivated to embrace new skills and modify behaviors, actuaries must first recognize that they lack these, and that unless addressed, their chances of being tapped for leadership roles may be limited. This requires a degree of self-awareness that is highly unusual, and, in fact, is likely to have been muddled by the feedback and rewards actuaries received earlier in life and at the start of their careers.

Some combination of hard work and natural abilities exhibited in elementary and secondary school resulted in admission into a competitive college. Doing well in college led to acceptance into a competitive actuarial training program. In the program, the combination of passing exams and demonstrating a strong work ethic is rewarded with salary raises and promotions. After 20 or more years of positive reinforcement for being smart and working hard, the formula for success seems obvious to any mathematician.

Then the rules abruptly change, and the path to advancement is no longer clear. It is at this juncture that confusion and frustration may set in, as lateral career moves replace the pattern of con-



tinued upward advancement that the actuary has systematically enjoyed. Some may misinterpret this as a career stall, when, in fact, it represents an opportunity to test new skills and expand one's network—important stepping stones to continued career advancement.

That said, for many, movement into leadership and executive positions is not in the cards. Of course, not all actuaries aspire to leadership. However, for those who do, the lack of a clear path forward can be unnerving and create disillusionment.

Without a handbook that explains the formula for post-Fellowship success, some actuaries, not surprisingly, choose to play to their strengths and acquire additional credentials, such as CPCU/CLU or CFAs. Achieving these designations certainly can enhance the actuary's understanding of the insurance business and world of finance, which may contribute to enhanced job performance. But adding more letters

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The unspoken reality is that while being smart and working hard are both important contributors to long-term success, they aren't sufficient to ensure a person's advancement to the leadership or executive ranks.

to one's business card does not increase the likelihood of being selected for leadership roles.

Others may change companies in the hopes that they will have greater opportunities in a new organization. For some, this may in fact be the case. For others this proves to be a short-term remedy, and leadership opportunities do not emerge.

The unspoken reality is that while being smart and working hard are both important contributors to long-term success, they aren't sufficient to ensure a person's advancement to the leadership or executive ranks. In fact, it is estimated that only a small percentage—perhaps 20 percent—of a person's success in business is a function of their raw intelligence, as measured by IQ. In contrast, a very high percentage—close to 80 percent—of success is related to EQ—or emotional intelligence, where emotional intelligence measures abilities and traits such as interpersonal skills, communication skills, adaptability, flexibility, stress management, general temperament and self-awareness.

Unless the newly minted actuary is fortunate enough to receive candid and insightful feedback about his barriers to continued success, he may very well remain blind to these issues and continue to behave in old ways that were once rewarded but are not sufficient for effective leadership.

This lack of self-awareness around missing skills and needed behaviors also manifests itself in how some actuaries build teams. With an understanding of their own strengths and weaknesses, it is possible to compensate for their shortcomings by surrounding themselves with people who have complementary strengths. Recognition of the need for diverse skill sets in an organization is only part of the solution, however. Knowing how to attract, reward and

develop people with these different abilities and interests is equally important, and it appears to be a relatively rare talent.

Awareness of, and appreciation for, these potential gaps in leadership skills and behaviors is an important first step for those actuaries who aspire to play broader roles in their organizations.

Watch for Part 2 of this series on the challenges and opportunities actuaries face as leaders in the October 2010 issue of The Stepping Stone. ●

Jeanne Hollister Lebens is a credentialed actuary who spent most of her insurance career in nontechnical leadership roles, working extensively with company executives and boards of directors as both a company employee and a consultant in the industry. Having worked closely with actuaries her entire career, she is passionate about helping people in the actuarial profession become more effective leaders. Jeanne is the President of JML Coaching, LLC and specializes in leadership and executive coaching for financial professionals.

Using the Myers-Briggs Type Indicator to Enhance Workplace Communication

by Liz Berney



The Myers-Briggs Type Indicator (MBTI), based on the work of Carl Jung, assesses how individuals prefer to get rejuvenated (through extraverted or introverted activities), to perceive and process information (through details or the overview), to make decisions and communicate (through attention to principles or to people needs), and to manage time and possibilities (by flowing with time or desiring closure). While an individual can be skilled in all four preference pairs, one preference in each pair comes far more naturally and easily. Taking the inventory produces a four-letter type that reflects the individual's preferences in each pair.

Many people gain self-insight from their MBTI results; however, they often fail to see how to bridge the differences between their types and those of other people. For example, as an actuary, you may be confused, if not offended, when your marketing teammate looks glassy-eyed when you describe actuarial facts. Of course, these details are not in your teammate's area of expertise; but, additionally, he or she is likely to be an "Intuitive," a big-picture, visionary type, while you are likely to be a "Sensor," a master of details. If you knew how to bridge these differences, you might get your teammate's atten-

tion by introducing a compelling vision, rather than leading with a grocery list of facts and figures.

Let's look at how to apply knowledge of the preference pairs to communicate more effectively with those from other preferences.

INTROVERSION/EXTRAVERSION

If you get re-energized and rejuvenated by your inner world of ideas and reflections more than by the outer world of people and activities, you are more likely to be introverted than extraverted. Introverts think through ideas and problems before sharing them, whereas extraverts are often likely to talk in order to think. Extraverts prefer to act rather than reflect, and find Introverts too slow in thinking through decisions, whereas Introverts believe Extraverts act prematurely.

Introverts communicating with Extraverts should:

1. Focus on actions to be taken
2. Focus on results
3. Communicate verbally with enthusiasm
4. Emphasize action over deliberation



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Extraverts communicating with Introverts should:

1. Communicate a well-thought-through idea or plan
2. Build in time for Introverts to reflect before deciding
3. Communicate in written form rather than orally
4. Allow airtime for Introverts who wait for silence to speak

SENSING/INTUITION

Sensors prefer facts to ideas, view obstacles as problems to solve rather as conundrums to explore, prefer “tried-and-true” solutions rather than new ones, and prefer action to conception of ideas. Actuaries tend toward being Sensors, given their strengths in working precisely with facts and details.

In contrast, Intuitives prefer new ideas and options to predictable solutions, favor innovation over practicality, and enjoy visioning and theorizing more than implementing. It should be no surprise that this preference pair, Sensing - Intuition, experiences more conflict with each other than any other preference pair. For example, imagine an Intuitive marketer enthusiastically pushing her not-fully-researched ideas on the Sensing actuary who wants to run the numbers before having a discussion. She experiences the actuary as a “naysayer,” while the actuary finds her analysis thin at best.

Sensors communicating with Intuitives should:

1. Start with an overarching description of the issue or challenge rather than the relevant details
2. Allow room for creative exploration before moving to facts
3. Describe the overall goal and strategies before moving to tactics
4. Explain the desired outcomes and related challenges of a project

Intuitives communicating with Sensors should:

1. Clearly identify the problem they are trying to solve

2. Share relevant facts and details
3. Reduce risk factors or required changes
4. Describe successful applications of the desired strategies

THINKING/FEELING

Thinkers make decisions from an objective viewpoint, thoroughly analyzing the relevant issues. They tend to question ideas and solutions before accepting them. Questioning and debating tends to be their initial reaction to most ideas. Given their focus on the task rather than the people involved, they are often perceived as impersonal. Directness and succinctness is critical to them—“beating around the bush” or indulging in painstaking details are turnoffs.

In contrast, Feelers focus more on values and people than on the task itself. Since interpersonal harmony is a central value for Feelers, they will focus on commonalities before discussing differences that require negotiation. Feelers can perceive Thinkers’ direct stance as abrupt and their debate-like nature as disconcerting.

Thinkers communicating with Feelers should:

1. Be descriptive rather than judgmental
2. Use empathy by imagining the other’s perspective
3. Start with a concern for what is important to people
4. Consider a decision’s impact on the people who carry it out
5. Start with the positives rather than the negatives

Feelers communicating with Thinkers should:

1. Discuss the costs and benefits of the issues
2. Identify the issue clearly, the principles involved, and potential solutions, as well as their strengths and weaknesses
3. Take a stand and make their case succinctly
4. Be willing to engage in debate without taking it personally

JUDGING-PERCEIVING

Judgers prefer closure and organization to looseness and spontaneity; relax after completing their work (which means not a lot of relaxing!), and use lists and calendars to manage their time. Perceivers value the management of time far less and prefer room to be spontaneous and change direction. They enjoy brainstorming and exploring new possibilities far more than decision-making itself.

Judgers communicating with Perceivers should:

1. Allow Perceivers flexibility around “how” they meet their goals
2. Allow sufficient time for brainstorming
3. Realize there are often far more “right” solutions than their own
4. Consider multiple options before pressing for closure
5. Understand that over-directing Perceivers will lead to their resistance

Perceivers communicating with Judgers should:

1. Understand that frequent or last-minute changes adversely affect Judgers
2. Take Judgers’ deadlines seriously and “to the minute”
3. Balance brainstorming with analysis and decision-making
4. Reopen decisions only when new data significantly impacts the decision
5. Take a clear stand

Like any other assessment instrument, the MBTI provides one lens among many for understanding personality and behavior. This particular lens offers powerful applications for enhancing workplace communication and teamwork. When delivering information in a style sensitive to the receiver (rather than to the deliverer), individuals can be far more effective communicators. Many worry that they cannot leverage these strategies since they don’t know their colleagues’ or customers’ MBTI type. If that is

the case, they can make their best guess, and if those strategies are ineffective, they will know why and be able to make use of another set of strategies. ●

Liz Berney, Ph.D., runs Berney Associates, an organization development and training firm specializing in working with teams and training in leadership, change management and conflict resolution. Her “Team Application to MBTI” toolkit helps teams agree upon specific actions to enhance team communication and effectiveness. You can read her article, “The Co-Creation of Conflict” in Yes You Can! offered by Insight Publishing. For more information, go to www.berneyassoc.com.

When delivering information in a style sensitive to the receiver (rather than to the deliverer), individuals can be far more effective communicators.

Web 2.0 Offers Many Opportunities for Actuaries

by J. Eddie Smith, IV



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WHY BOTHER WITH WEB 2.0?

Two extremes bound the gradient of strategies you can take in this new era: you can ignore it all, or you can try to take it all in. Neither approach is in your best interest.

Even if terms like “status update” and “tweeting” make your skin crawl, it is becoming increasingly imperative that you at least understand what is happening and how the social landscape is changing. Finding your personal middle ground is key, and will depend on your personality, your needs and your goals in life.

It’s okay if you feel lost in the blizzard of tech jargon brought on by the Web 2.0 era. There is a lot to keep up with, and new websites seem to appear daily. Knowing which to invest time in and which to ignore is a challenge, and to some degree, a trial and error process.

WHAT THE HECK IS WEB 2.0, ANYWAY?

Consider compact discs (CDs). The first generation was read-only, meaning that you could access the information on them, but you could not add to or modify them. Web 1.0 was the read-only version of the Internet. As with the first generation of CDs, a very small minority had the means of contributing and creating content, while the majority only had the ability of consuming information.

Later, CDs became read/write, and inexpensive technology was developed that allowed anyone with a CD burner to put information on CDs. Web 2.0, which began in 2004, is the read/write version of the web. In this second generation of the web, virtually anyone can add, edit, and share content very easily and inexpensively. From an anthropological perspective, this is no small transformation. For much of human existence, information has been controlled and distributed by a very small subset of the population because of political factors and technological limitations. As journalist A. J. Liebling once noted “freedom of the press is guaranteed only to those

who own one.” We are now entering an era in which everyone owns a press.

The early success of popular Web 2.0 media like Wikipedia, Facebook, LinkedIn, Twitter, blogs and message boards indicates not only the hunger people have for information but also their willingness to add and share information in decentralized systems. The number of sites classified under the Web 2.0 umbrella has grown so fast that the term is becoming increasingly too generic to be useful. And so many previously static sites have added features that allow for user interaction and contribution that it’s all blurring into a single thing. Web 2.0 is the Web today.

The following statistics highlight the traction being gained by Web 2.0 sites:

- Social media sites are growing three times faster than the overall Internet in terms of “time spent” according to Nielsen in 2009.
- Six-year-old Facebook now has over 400 million users (exceeding the population of the United States). Half of them log into Facebook every day, and 35 million of them update their statuses every day.
- As of March 2010, users of YouTube upload 20 hours of video every minute, a rate that equals 12 centuries of video per year!
- Twitterers tweet at a rate of 50 million tweets a day, or 600 per second. This figure is up 1400% from 2009 to 2010.
- From LinkedIn’s blog in October 2009: “LinkedIn has 50 million users worldwide and we’re growing that figure at roughly one new member per second. When LinkedIn launched in 2003, it took 477 days — almost a year and four months — to reach our first million members. This last million took only 12 days.”

ACTUARIAL AWARENESS OF WEB 2.0

In 2009, the SOA Technology and Financial Reporting Sections participated with the research firm Gartner to assess the relationship between sec-

tion members and their IT staffs. One of the survey questions also inquired about the popularity of Web 2.0 tools.

Results ranged from close to half at least talking about implementing instant messaging, to less than 15 percent even having heard of crowdsourcing. Let's look at a few of these.

Crowdsourcing

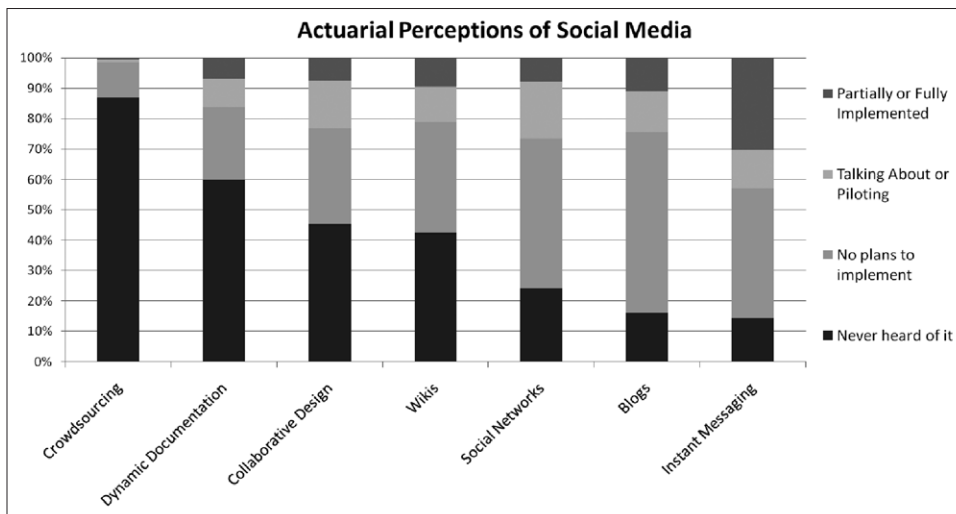
If you have ever turned to an online message board to ask a question, you've used crowdsourcing. Crowdsourcing is the act of "outsourcing" a project or problem to a crowd, the members of which offer, evaluate and ultimately offer solutions. The technology forum of the Actuarial Outpost is perhaps one of the best examples in the actuarial community. Almost daily, people go there to ask questions about Excel and a variety of other common (and not-so-common) topics.

If used wisely, the productivity gains from crowdsourcing can be great. First, there is no cost. Second, solutions to problems can be found quickly—sometimes in just minutes. And third, the person seeking an answer can work on other things while the crowd chews on the problem. It's like having free access to a legion of knowledge workers just down the hall from you. At no time in history has such a dynamic, immediate and real-time resource been available.

Wikis

Another popular Web 2.0 tool not highly recognized by respondents in the Gartner survey was the wiki. Perhaps the odd-sounding name is a distraction. Here's a little history...

In 1994, computer programmer Ward Cunningham wanted to make it easier for programmers to communicate with each other. He came up with the idea of a web-based system wherein users could edit pages themselves. He installed the system on his company's website in 1995, and it became known as WikiWikiWeb, based on the Hawaiian word "wiki," which means "fast."



About five years later, two men, Jimmy Wales and Larry Sanger, were troubled by the lack of success of their project to create a web-based encyclopedia called Nupedia. Their idea was to impose a strict set of rules for adding, reviewing and changing content in Nupedia. Only experts (mostly PhDs) were allowed to contribute. The model wasn't working. After 18 months and \$250,000 of expenses, Nupedia had only a dozen articles.

When Wales and Sanger learned about Cunningham's WikiWikiWeb concept, they decided to give it a try and launched a site called Wikipedia in January 2001. Unlike Nupedia, anyone could contribute to and edit Wikipedia. By the end of the first month, Wikipedia amassed 617 articles; by the end of the year, 19,000. Presently, Wikipedia has over 3.2 million articles in English alone. Nupedia and its ultimate collection of 24 articles went offline in 2003.

Wikis are so prevalent today, it's hard to imagine that they were practically nonexistent a decade ago. But in that time, they've been put to use in a variety of settings—from software documentation to enterprise collaboration to government intelligence.

Wikis can be useful to actuaries for a variety of reasons. Here are a handful:

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Versioning. Wikis back up everything. If someone breaks a page or overwrites something, restoring is very easy. On the other hand, if you overwrite a Word file on your network, it's gone unless some backup process ran. Wikis back up every change.

User tracking. Want to know who changed your documented per policy expense assumption from 10 to 20? A wiki keeps up with who changed pages. This increases accountability, and also directs you to people with information you may need. For example, suppose I'm a new hire and I notice that that Joe Actuary usually updates interest rates. I know to go to Joe for more information on those rates.

Procedures openly available and readily searchable. Suppose Joe becomes ill and can't come into work for a while. I'm pretty sure that he has documented his procedures, but I have no idea where they are because they are most likely in a Word or Excel file stored on the network somewhere, or worse, stored on his hard drive or e-mail. If Joe has them in a wiki, I can go to a single search field and probably find his procedures in seconds.

Project tracking. Users can update their project status simultaneously in one, open location. No more sending those e-mails saying "Whoever is in Spreadsheet ABC, please let me know when you're done so I can update it."

Cross-referencing. You can quickly link to past projects or integrate previously disparate areas. For example, maybe the valuation area needs to add assumptions for a new term product. If the pricing area has the product specs stored in a centralized wiki, the valuation area can link directly to them and probably avoid retyping tons of information into individual files.

Completely searchable. Suppose new hires are coming in and need answers related to software or any procedure. These files are probably difficult for someone brand new to find. Folder structures are often intuitive only to those who created them.

However, a wiki could connect someone who needs information with that information in a matter of seconds because the user doesn't need to know exactly where the information is; he or she just needs to do a keyword search.

Social networking

Even if you have no desire to engage in online social networking in your personal life, you will increasingly find it useful, if not necessary, in your professional life. For example, by participating in group discussions on LinkedIn, you can meet people who are interested in the same subjects. LinkedIn's core premise is the forging of connections in your network. A connection is made on LinkedIn when one person invites another to connect. If accepted, the two individuals can see each other's activity in a "newsfeed" appearing on each other's home page.

You may notice that one of your connections is working on or just completed a new project in an area you're interested in. These little bits of information in your newsfeed may seem insignificant, but they are actually a very powerful and efficient mechanism for joining people who need information with those than can provide it. It's a knowledge worker matchmaking service of sorts. And it will prove to be tremendously beneficial for actuaries or any other highly skilled professionals whose numbers are not great and are dispersed throughout the world.

Additionally, LinkedIn and similar sites provide an unprecedented opportunity for interdisciplinary collaboration. By engaging in groups of interest to you, you will naturally learn from and connect to non-actuaries. This could be enormously valuable to the actuarial profession, one that has much to offer outside its traditional sphere of work.

It's very important to understand that you don't even have to be a "social" person in the traditional sense to benefit from social media sites. These new media cut through the customary face-to-face inhibitions that roadblock the same connections at traditional

meeting venues like annual meetings and symposia. What's more, sites like LinkedIn are 24/7, context-based networks that naturally evolve with you, your interests and the time you invest in them. Once started, your network will work for you—even when you aren't online.

A well-developed, active network can be an enormous asset to a job seeker. Credibility is very difficult to fake on a site like LinkedIn. Put yourself in a hiring manager's shoes. Suppose you're evaluating two candidates. One of them sent you a one-page paper resume. The other has a LinkedIn profile, multiple connections (some of which you share), public recommendations and is also active in group discussions on LinkedIn. Who do you know more about?

The quickest way of finding other actuaries on LinkedIn is by joining actuarial groups. The SOA itself has an official group: "Society of Actuaries," as do many of the sections, including Technology, Financial Reporting and Entrepreneurial Actuaries just to name a few. If you do a group search for "actuaries" on LinkedIn, you will find many, many more groups with actuarial members.

LinkedIn is certainly not the only social media site of professional value to actuaries. Twitter is another social network where actuaries have been emerging in the last two years. Twitter is a free service that allows you to broadcast public 140-character messages. The openness of Twitter allows you to connect with people that you would never find through a more context-based network like LinkedIn. Twitter has benefits beyond networking, including being one of the best sources for real-time news on virtually anything taking place in the world at any given time.

One of the quickest ways of finding actuarial Twitterers is searching for the #actuary hashtag at <http://search.twitter.com>. Hashtags are a way of tagging tweets to give them more context, and they also make it easier to find people interested in that topic. Another way of finding actuaries on Twitter is by looking at the followers of popular actuaries like current SOA President Michael McLaughlin, who goes by @PrezMike2010 on Twitter. I wrote an entire article explaining the basics of Twitter in the October 2009 issue of *CompAct*; you may want to check that out to learn more about Twitter.

If you have questions on using social media or other aspect of Web 2.0, feel free to contact me or someone on the Technology Section council. We are interested in helping actuaries find ways of utilizing these new tools. You can also find more of my personal writing on these subjects at my blog: <http://risk20.wordpress.com>. ●

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A well-developed, active network can be an enormous asset to a job seeker.

The Art of Managing Volunteers

by Chris Fievoli



I chose the title of this article deliberately. We've all seen books about the science of managing people. But let's face it—when you are paying someone a wage, that gives you a very effective “hammer” with which you can get things done. However, if the person working for you is doing so for free, how do you effectively motivate them? That's where the art comes in.

The Society of Actuaries relies very heavily on volunteers. A large number of members contribute their time and efforts to committees, councils and leadership positions. If you spend enough time in the volunteer system, you will find yourself in a position where you are managing other volunteers.

When you get to that point, there is one thing you will find very quickly—you're not necessarily their number one priority. In the vast majority of cases, volunteers have paying positions that have first claim on their time. Don't be surprised if the time they give you comes second. As a manager of volunteers, your best strategy is to simply accept that fact. Give your volunteers enough latitude to

meet their other priorities. That may mean managing their workloads differently—a task with a very short effort time may require a much longer elapsed time to complete.

One of the key things to understand as a manager of volunteers is what motivates them. As you have probably figured out, money is not a factor. (I have occasionally offered to double what I pay my volunteers if they agree to take on a new task. It doesn't work.) Depending on the situation, there may be very different motivators—even within the same committee.

If you are lucky, you will have some volunteers who are motivated by making a contribution to the profession. These can often be your most effective resources, so make sure they have roles that are sufficiently challenging. They will also want to know that their contributions are valued, so always make an effort to listen to their suggestions. There is one caution to keep in mind, though—this type of volunteer may inadvertently take on too much, and before realizing it, become swamped. As their manager, make sure you have a good understanding of their workload, and step in if you see it getting to be too heavy.

Next, you may have volunteers who are motivated by the recognition; that is, they want membership on a committee because it looks good on their résumé. If that's their only motivation, then you could have problems getting them to complete their assignments. In this case, ensure that they have manageable workloads, and are not on a critical path to getting a project completed. Roles and responsibilities will likely need to be well-defined up front. Keep a close eye on their work, and always have a Plan B ready to put in place if they aren't making progress.

Finally, you may have volunteers motivated by the privileges. Have you wondered why so many Canadians volunteer for the E&E system? Could it be that the grading meetings—often held in Florida in December—offer a welcome getaway from the Northern winter? It could well be—it's certainly

what got me started as a volunteer for the profession way back when.

That motivation is not necessarily a bad thing. As a manager, you need to be very clear on what the expectations are. Tell them, “You have to do ‘A’ before you get ‘B’”. Celebrate successes, but only after everything has been completed satisfactorily. And if they deliver only what they were committed to—no more and no less—just be happy with that.

There are certainly other motivations out there as well, so as a manager you will need to keep your eyes open. Get to know your volunteers well. An understanding of their personal situation will help you find the right assignments for them. And if you come to realize that the fit is no longer there, then have an honest conversation about it. In most cases, if you give them an out, they will take it. Emphasize that there is no shame in dropping a volunteer assignment because of other priorities.

One other thing you will need to be prepared for is the unexpected. Volunteers may suddenly quit. Or they may just disappear altogether without telling you. Don’t be surprised if this happens. Make an effort to find those “lost” volunteers, but don’t over-exert yourself in the process. An unwilling volunteer is not an effective volunteer, and your best strategy in that case is to just move on.

On the other hand, if you are fortunate enough to find a volunteer who thrives in the role, then let them

run with it. Don’t be afraid to offer added responsibilities if you think they can handle it. But at the same time, don’t be surprised to hear them say no. You may have grand plans for a good volunteer, but as I said earlier, you may not be their number one priority. Never assume that someone will automatically jump at a chance to take on a more important role. Once again, having a Plan B is essential.

Finally, keep in mind that your best successes will come if you can approach things diplomatically. The attachment between a volunteer and their assignment is tenuous, much more so than the attachment between an employee and their job. That’s not to say that you can’t push for results, but you have to figure out what it means to push too hard. Respect their time, use lots of polite reminders if need be, and keep the experience positive. Look at things from their point of view; ask yourself what it would take to keep them coming back. This is where the art comes in—and it may take some practice before you develop the right touch.

Managing volunteers can be a rewarding experience, so if the opportunity arises, give it a try. The skills you learn as a result will serve you well in other endeavors. And you will find that you don’t necessarily get what you pay for—you might get a whole lot more. ●



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Getting Started When You're Overwhelmed

by Scott D. Haglund



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Although Gantt charts and timelines look great when completed, what do you do when you don't even know how to get started? The forms and templates work great when you're an organized person, but at times, having an informal process that gives a flexible structure can be a great aid. Although not an expert in planning projects, I am an expert in being stuck and, at times, having a hard time getting started. The thoughts that follow can assist if you find yourself in the same situation.

DISCOVER

The first step in any project is figuring out what the problem or issue is. This is different than working on what someone has requested. The true customer need may not be what they asked for.

In this step, you may already have a good idea of what needs to happen, but you also begin looking at where you need to go. At this point, don't constrain yourself; capture what really needs to happen and use future steps to bring the project down to what can get done with what you have.

By carefully defining the reason for the project, natural steps and tasks will likely begin to develop. For example, you may have a claims-related project and questions about blocks of business of product types may begin to form in your mind. From these questions, a few tasks that may need to be captured are data review and analysis that determine what you can actually capture or what is currently present.

Within this step, you should connect with a variety of internal (and potentially external) customers to define what the need really is. You will discover what issues the customer is currently experiencing and other attempts that have been made to resolve this situation. No promises are yet being made, but you are listening to discover what must be accomplished. Rarely can a project be completed in a vacuum; getting outside input and support will always benefit the final product.

DESIGN

After defining the goal of the effort, begin working on what your final results should look like. If you have your goal in mind, it will be easier to set up what needs to happen to achieve it. Again, don't constrain yourself here; you may need to trim certain pieces of it due to time or resource constraints, but the ultimate goal should at least be captured.

Mocking up the spreadsheet or report will get your mind thinking about getting them populated. However, as you begin developing the final product, make sure you are capturing what was desired in the Discover phase. Working with your business partners in the Design phase can be a great help in that you won't design something that needs changing later (and it may be more time consuming to do it then).

At the end of the Discover and Design phases, a project plan should now be captured to get your project moving. Start by writing down a high-level outline (significant steps or milestones) and jot down your thoughts on each main point to fill out other steps. Make sure to use your style to make the collection of steps easier to develop. If you like shapes and colors as you design, do it. If you work best from a formal step 1, 2, 3 outline, use that.

The key is to gather as many thoughts and steps as you can to better define what needs to be accomplished. To make the list better, rely on someone else to review to see if you're missing anything. If someone else has completed a similar project, talk to them about significant items to include or issues they encountered. By incorporating the opinions of several individuals, you are more likely to have captured the steps involved than just doing it yourself.

DO

Based on the Discover and Design phase, you can begin doing the project. However, before doing, you need to make sure you have the overall plan in place. It's possible that by wandering you may stumble

upon the final product, but the time involved and the quality of the project will be greatly sacrificed. The plan may just be a quick flowchart or several bullet points, but you should have something tangible written down so you can tell when you've finished.

As you work through the steps, continue thinking about how much time each step may take and what your overall deadline is. As appropriate, communicate the project status to your business partners, any issues you've encountered and when you expect to deliver something for review. As you develop your timeline, keep in mind that someone else should review your work. The review phase of the project is critical and needs to be incorporated in the timeline.

As changes in your plan are requested, consider what the overall impact will be to the timing and determine if the request can be accommodated. You may not be able to just say no, but by explaining the overall impact to the project, you may be able to get agreement that the request could be included in a future revision. Another option is to compromise on what is included so the intent of the request is accommodated, but possibly not to the degree that the individual desired.

A key part of the process is documenting what you've done. Documenting your work as you progress easily captures the decisions being made and the work flow to reproduce what was done. The documentation is written as much for you as it is for others. By writing down your process, you may discover mistakes in logic or you may begin questioning decisions that you made. The documentation is also critical to anyone who needs to review your work and to anyone in the future who may need to run your process. Waiting until the end of the project may make the documentation difficult and actually more time-consuming than doing it as you are actually completing the work. A key question for documentation is: would this make sense to someone else?



DEFEND

Once the initial solution has been completed, begin reviewing the work to make sure it met the criteria established in the prior steps. You need to be comfortable with what you achieved before sharing the results with your business partners. As part of this review, it is always a good idea to have at least one other person look over your results. Having it reviewed at this step will make it easier to catch errors before your partners look it over. Correcting the obvious errors before your partners see the results will give the project more credibility.

After the initial peer review, allow your partners time to examine your solution to make sure it addresses what they see as the issue and meets their need. Likely this will be the same group of individuals you identified in the Discover phase. As questions arise, this may provide a cycle between the Do and Defend steps until all parties are comfortable. Getting agreement in this step will make the implementation of the solution much easier and more widely accepted within the organization.

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DISTRIBUTE

After your partners are comfortable with what you've developed, you can now begin implementing what you have accomplished. After getting agreement on the final version with your business partners, modify the documentation as needed to incorporate the changes included. This should include any changes in the process from the original design as well as reasons behind the changes.

A clear communication should now be sent out to the team involved informing them of the agreed-upon solution. In addition to the results, make sure to include next steps or future actions that were deferred due to resource or time constraints. You should also include the frequency of any updates and where they can find future reports (by e-mail, specified directory, etc).

Most projects will include the five phases described above, but with differing degrees of importance. For example, if a project is internal to just your team and results are not shared, the Discover phase may already be well known so this may be done quickly.

However, it doesn't mean that this step should be ignored. Even an internal team project will benefit from physically writing down the steps, as new insights may be obtained as you work through the project plan.

A key consideration with any project is the interaction of time, cost/resources and scope. In some capacity, you will likely have constraints on one or more of each element. As changes are requested, your plan and project will need to be modified so this balance is maintained. For example, if your deadline and resources are fixed, any changes requested would need to be balanced by changing the scope and deliverables from the project.

By following the steps listed above, you won't have a perfect project, but you will create a plan that will at least get you moving. The key is finding something that works for you, not what works for someone else. You don't have to do this alone; working with others on your team or organization will provide the guidance and support you need to be successful as you complete solutions impacting your organization. ●

Why I Am Not Bill Gates

by Nick Jacobi

What does he have that I don't? Besides the money, the power and the haircut what makes him a better leader?

Though many of us find success, few go on to dominate an industry like Bill Gates. Surely luck had a hand in his success. Or maybe it was a right-place-right-time situation.

It's not just him. Great business leaders have success that seems almost supernatural at first glance. Morgan, Rockefeller or Carnegie make Bill's career seem more pedestrian. But all these men had some things in common. They all saw the future. They made plans in areas of expertise as diverse as oil, railroads, steel and computers. And they never gave up. Sure, they were lucky, and the harder they worked the luckier they got, but they all followed the three "Ps" below.

PERCEIVE

History is understood in retrospect. But it takes insight to see which of all random fates will be ours. Markets are often defined by "the next big thing." In the last century it was radio and RCA was a giant. Then came TV, then color TV, VCRs, PCs, CDs, iPods, etc. Before that it was railroads, steel and light bulbs.

Bill Gates was lucky enough to be exposed to computers early in life and to recognize their potential. At some point he thought: "In the future there will be a computer on every desk, and I will supply the software."

What's the next big thing? Wind power, fuel cells, nanotechnology or genetic engineering? What separated him from many other failed visionaries is that his future was based in reality. Computers existed and had real potential. He didn't dream of flying cars or lunar real estate. If you want to be wildly successful you've got to dream big and dream real.

PLAN

Bill had a plan. He was focused on starting a company of his own. Beyond that he loved computers. His

ambitions started out small, just writing software on his own, but quickly evolved into the blueprint for Microsoft. He forged key partnerships early, especially with IBM. His MS-DOS product turned out to be a winner for the PC.

His plan changed several times as his company was reincorporated, but his goal never did. Write the best software in the world and put it on every computer. At heart it was a simple plan, and although it sounded grand at the time, it was quite realistic. After all, someone had to write the best software. Some company had to be the best in the field.

PERSIST

Every day everyone makes some kind of mistake. Remember the ancient Greek aphorism, "Know thyself?" Before you can do that you have to at least like yourself. Before that happens you have to accept that you're flawed and consistently make mistakes.

Bill had his share of failures, but he worked hard enough to keep them small. When Microsoft was first starting out he reviewed every line of code before it was sold. He would sometimes find (and make) mistakes in correcting it. Initially he recommended another company for the PC's operating system and could have easily never sold a copy of DOS. Whenever he started to fail he worked harder, tweaked his original plan and stuck to his long-term goal.

Could we all be as good a leader as Bill? It's difficult to say. Luck does play a role. It helps to be born in a time of great innovation. We all like to think about the future, but it often doesn't become a great plan in our lives and a sustained effort on our part.

Indeed most of us will not be the next Bill Gates, but how many of us have tried? ●



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If you want to be wildly successful you've got to dream big and dream real.

What If the Impossible Were Possible?

by Dr. Doreen Stern



Dr. Doreen Stern is a motivational speaker, writer and business coach in Hartford, Conn. She is currently working on a book entitled, *Change Your Life in 17 Minutes!* She can be reached at Docktor@DoreenStern.com, or at 860.293.1619.

How often do you let someone else's words deflate you?

- "That won't work here," your boss says.
- "You'll never be able to pull that off," your spouse chimes in.
- "That's a stupid idea," your kid concludes.

How frequently do you quash one of your own brilliant ideas with these deadly words: "It's impossible," telling yourself you don't have the time, the energy or the expertise to pull off such a stunning coup?

What if I told you the impossible IS possible? That every day unlikely events occur.

Of course, as an actuary, you're concerned with calculating risk, not the possibility of the unlikely happening. Do you yearn to live exactly at the mean, though? Or to be an outlier? Someone who lives an extraordinary life? Because you pay attention to your dreams?

Here's an example: As I was preparing to leave my writing group this past Monday, one of my colleagues—an excellent writer with a compelling story—murmured, "It's so hard to get published today. Even if I finish my book, there are thousands of other people trying to get published, too. And so few publishing houses. Each publishes only about 25 books a year."

Susan's meaning was clear: "Things are hopeless, so why keep trying?"

I sat back down and suggested to her that she think more positively. And then related the following story, which I heard a writer describe in a presentation: The author wanted to get his book in front of a certain editor so he dressed up as a FED EX driver and delivered his book to the publishing house. "Express Delivery for Jane Smith," he announced to the guard at the front desk.

"Leave the package here," the guard replied, pointing to his desk.

"I've been directed to surrender this package only to the editor herself," the writer shot back.

It was only when the writer saw the whites of the editor's eyes that he came clean with his ruse. With a big smile and a humble bow. "Please consider my work," he asked her.

The editor did indeed read the writer's book—and then signed him to a book contract.

An unlikely story, right? Yet, that very night when I got home, I opened *The New York Times* to discover an even more improbable one.

The former drummer of a rock band had just been awarded the 2010 Pulitzer Prize for Fiction. "I feel like I'm in a fairytale," author Paul Harding revealed. "It was so unlikely. A small press published my debut novel, *Tinkers*. There was no marketing campaign. Only 7,000 copies of the book were sold by independent booksellers. One book at a time. I received a \$1,000 advance, which I was delighted to get. I never expected my book to be published at all."

Harding's manuscript had languished in a desk drawer for nearly three years, after a series of agents and publishers had rejected it.

Tinkers is the story of a New England man who's on his deathbed: as he's dying he recalls his childhood and memories of his father.

"It's an interior story, quiet in the tradition of transcendental writers like Ralph Waldo Emerson and Henry David Thoreau," Harding explains. Agents and publishing houses rejected it because of its slow, contemplative nature. "Who wants to read books like that today?" they demanded.

Eventually Harding screwed up the courage to send out his book to another publisher. “I think your book is quite good,” the publisher said, “but it doesn’t fit within our offerings. I’m having dinner tomorrow night with the editor of a new imprint at NYU. Do you mind if I mention your book to him?”

The rest is history.

History was made because of the unflagging support of a group of zealots: independent bookstore owners and employees who embraced the book. Folks like Michele Filgate, the events manager at RiverRun Bookstore in Portsmouth, N.H., who raved about

Tinkers on “Bookslut,” a literary blog. And she mentioned the book to Rebecca Pepper Sinkler, the chairwoman of the Pulitzer fiction jury, at a book reviewing workshop in Manchester, N.H.

Here’s my parting salvo: The impossible becomes possible every day of the year if you live your life as if miracles exist; if you listen to your dreams and take small steps toward them. Steps so small you can’t fail. Tiny steps like sending out your manuscript to ONE MORE publisher. Even though all the other ones rejected it.

What tiny step will YOU take today? ●

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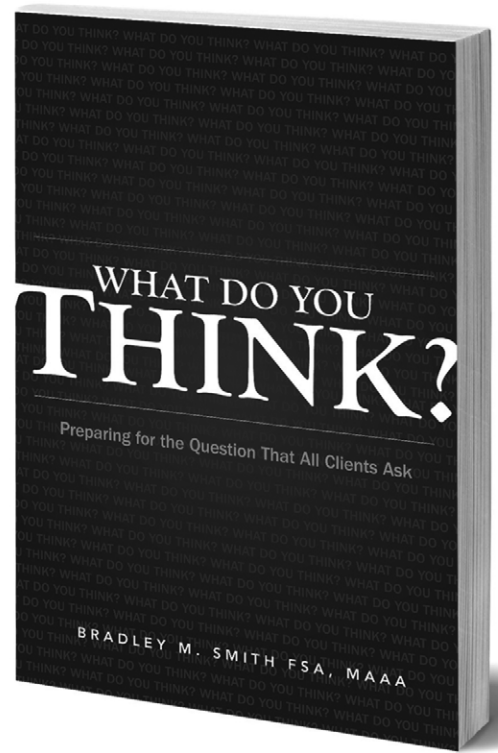
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