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# The Actuarial Leadership Conundrum

by Jeanne Hollister Lebens



Jeanne Hollister Lebens, FCAS, is the President of JML Coaching, LLC and can be reached at [Jeanne@jmlcoaching.com](mailto:Jeanne@jmlcoaching.com) or 860.490.4636

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

**A**ctuaries 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

CONTINUED ON PAGE 16

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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.*