SOCIETY OF ACTUARIES Management & Personal Development Section

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the stepping stone

The Actuarial Ethicist: DAC Expectations

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.*

Mary the FSA accepted an internal rotation to her insurance company's corporate area just in time for financial reporting year-end, and reports to Irwin the FSA and chief actuary. Once Mary's year-end assignments were wrapped up, Irwin gave her a couple of important off-cycle responsibilities. One was to first review the mortality and lapse rate assumptions—including dynamic lapse rates—within the valuation models, and revise them as required. And second, to prepare actuarial projections for Phillip the CFO which will be used to update the company's financial plan.

Mary prepared a written summary of recommended assumption changes, based on her thorough analysis of the relevant experience studies, and they were approved by Irwin. Mary then updated her models to reflect the assumption changes along with sundry model "fixes" which were identified during year-end. These model revisions caused the projected expected gross profits [EGPs] for one product line to change such that the deferred acquisition cost [DAC] asset had a negative unlocking of $25 million (i.e. the DAC balance would be written down by this amount).

Mary subsequently received a telephone call from Phillip, during which he said that "a certain amount of DAC unlocking this year was committed to during last year's planning process"—namely $15 million of *positive* unlocking (i.e. the DAC balance would be written *up* by this amount). Mary checked the final projections prepared by her predecessor during last year's planning process, which confirmed the positive $15 million figure. Mary called Phillip back, and tried to explain why the EGPs changed. Phillip simply said, "That's not good enough."

What should Mary do?

Send your suggestions before November 15, 2010, to Craigmore54@aol.com. The discussion of Mary's dilemma will be published in the February 2010 issue of The Stepping Stone.

Frank Grossman, FSA, FCIA, is a corporate actuary at AEGON USA, who finds reading anything by Peter Drucker calming. He can be reached at fgrossman@aegonusa.com or 319.355.3963.

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475 N. Martingale Road, Suite 600
Schaumburg, Ill 60173-2226
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The Stepping Stone
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Publication Month:
February
Articles Due:
November 22

A Call to Serve with a Serving of Gratitude

by Kevin Leavey

For my final Chair Corner, I am calling on our membership to actively participate and improve the lives of your fellow actuaries. If you would like to help but aren't sure how, here's how:

1. Recruit! You have already shown yourself to be dedicated to the importance of business skills to complement our technical skills. Recruit others to stand up and be counted.

2. Write a book review of a business book that helped you.

3. Contribute your management tips in an article for *The Stepping Stone.*

4. Develop or participate in a session for a SOA meeting.

5. Volunteer for the section council when the time comes next June.

Moving onto the section council is the largest time commitment you can make, and this may feel daunting to some, but the benefits of such a move could be many. During one of the first sessions I attended as a council member, we were presented with the following graphic describing the benefits of section leadership.

The graphic above was designed by former M&PD chairperson, Paula Hodges. I think Paula did an amazing job capturing all the benefits of serving on a section council.

As I contemplated the best way to deliver my final Chair Corner, I could not escape the feeling of overwhelming gratitude I have for this opportunity to serve on the M&PD Section Council. I have benefited greatly from this experience and I can only hope that my efforts to give have surpassed what I've received.

In addition to the benefits shown above, I have been able to meet and work with dozens of SOA members. I have had the pleasure of working with wonderfully dedicated fellow council members as well as the chairpersons of other sections.

Most of all, in parting I have some huge "Thank You's" to give. Thank you to Meg Weber and Jill Leprich of the SOA staff. You both educated me about the hard work and tireless support given by SOA staff members and taught me more about how the SOA works than anyone. My final thank you is for John West Hadley, our newsletter editor. Obviously, this could not be done without you. Your patience and guidance have been nothing short of exemplary.

To our members, please get involved. We will all benefit from your knowledge, and you may just get out of it more than you expected.

Warm Regards.

Kevin Leavey, FSA, CFA, MAAA, is AVP, product actuary at Commonwealth Annuity and Life Insurance Company, a Goldman Sachs Company. He can be reached at *kevin.leavey@cwannuity.com.*

The Actuarial Ethicist: Responses to Stochastic Cherry Orchard

by Frank Grossman

Frank Grossman, FSA, FCIA, is a corporate actuary at AEGON USA. He enjoyed picking cherries—the sour variety, not the stochastic kind—as a youngster, and can be reached at fgrossman@aegonusa.com or 319.355.3963.

THE CASE STUDY

Briefly summarized[1], Lennie the FSA has been asked by his manager, Anita the FSA, to update the five-year-old analysis of the investment guarantees embedded in their firm's large inforce block of universal life [UL] policies. At that time, the cost of the minimum crediting rates was modest, but prevailing fixed income yields have declined significantly since then. The pre-read document distribution deadline for the upcoming divisional risk management committee meeting is in two weeks' time.

Lennie received 6,000 economic scenarios from Mike the quantitative analyst who works in the investments division, and plans to run two sets of stochastic seriatim asset-liability projections: one with, and the other without, the inforce model's minimum crediting rate logic invoked. Anita suggested that Lennie stratify the scenarios by estimated asset portfolio total returns over 20 years, and then run only those with the lowest (or worst) 500 total returns. Lennie suggested that "negative cherry picking" scenarios might not be the best idea. Anita disagreed, stating, "That's how the work was done last time." Lennie asked who performed the prior analysis, and Anita responded, "I did."

READER RESPONSES

Comments and suggestions regarding Lennie's next move ranged from the advancing technological imperative of actuarial software, to concerns about relying on the work performed by others. Responses have been edited for space considerations.

Square One

One reader succinctly described the dilemma in a single sentence: "*Lennie has two weeks to replicate an analysis his boss completed and he feels her approach lacks the analytical rigor he would prefer to use.*" Therein lay two basic challenges for Lennie. On the technical front, is selecting "*500 low-rate scenarios out of a set of 6,000 … sufficient to quantify the cost of the minimum guarantees?*" Lennie has already suggested to Anita that her prior method of identifying which adverse scenarios to run may not be appropriate, but there appears to be some additional need to establish what actually constitutes an adverse scenario for the UL block.

Lennie's second challenge is "*How a junior actuary should go about dealing with an instruction from a senior actuary to follow a method he/she believes to be unsound.*" Several readers noted Lennie's urgent need to confer with Anita, specifically addressing the potential impact of taking methodological shortcuts, as well as finding some way to suggest use of a better scenario selection technique.

There is no indication in the case that Anita's suggestion to run only a subset of the scenarios was other than well-intentioned direction based on her past experience. From Anita's perspective, Lennie needs to avoid blindly adopting a brute-force approach (i.e. running all 6,000 scenarios) and failing to complete his analysis in the available time.

And the clock is ticking for Lennie. A couple of readers noted that he is already running out of time. "*He can't waste any time. Depending upon the modeling tools at his disposal, two weeks is not much time to perform, review, prepare to present and document the analysis.*"

"Negative" Cherry Picking

Cherry picking is generally understood to mean the selective use of information or data to make a point not likely to be borne out based on a broader sample. It often underlies an attempt to make things seem better than they actually are. (After all, we're picking *cherries* and not *gooseberries*!) Thus, using the term "cherry pick" also speaks to the intention(s) of the individual said to be employing this approach. That data has been cherry-picked may not be apparent to all—as opposed to garden-variety "window dress-

FOOTNOTES

[1] See the July 2010 issue of *The Stepping Stone* for the complete description of this case study.

ing"—hence, this technique, if not plainly disclosed, has a decidedly underhanded taint. (Those actuaries curious to learn more about this arcane practice might well reach out to their friendly neighborhood accountant for a more thorough explanation.)

Within the case, Anita sought to identify individual scenarios within the universe of 6,000 that would trigger minimum interest guarantee payments—outcomes that will presumably have an adverse influence on UL earnings. Hence, Lennie described sampling the scenarios based on the lowest 20-year returns as "negative" cherry picking. This was not meant as a disparaging comment about Anita or her work five years ago.

Finding a Haystack's Needles

Several readers suggested that Lennie rejoin with Anita to learn why she thinks her prior scenario selection approach is still appropriate. "*Even if the method was appropriate five years ago, things have changed since then. It is not clear that the old method would still apply.*" Anita's "because this was the way I did it five years ago" reply was described simply by one actuary as "*lame reasoning.*" There is such a thing as a bad precedent.

"*If Anita doesn't have a reason other than her initial reaction, it would be up to Lennie to develop an alternative that meets Anita's goal of fewer scenarios.*" A more effective cherry picking approach would target the economic scenarios for which guarantee payments were apt to be made. One reader mentioned "*some scenarios that have extreme negative returns over one- or three-year periods to test the impact of a short-term market drop*" need to be considered, while another respondent made the fundamental point that "*it can be difficult to project portfolio yields without running an asset-liability model.*"

One actuary cited the dynamic policyholder behavior assumptions present in Lennie's UL model, and noted that "*the value of the embedded policyholder options are path dependent and the risk level within the block most likely won't be captured with the (worst 20-year return statistic) approach. … Perhaps Lennie could show Anita a comparison of the worst 200 scenarios selected using total return versus 200 scenarios selected using the total return divided by standard deviation (of annual returns).*" Another suggested that, given the general decline in interest rates over the past five years, the proper observation interval when compiling return statistics today was likely to be longer than 20 years.

At length, Lennie might consider "*analyzing some deterministic scenarios to identify when the guarantees come into play … and use this information to update the method of picking scenarios.*" Of course, a conclusive finding of exactly which of the 6,000 scenarios will trigger UL interest guarantee payments entails running the entire scenario set—something that Lennie apparently doesn't have time to do.

Potential Efficiency Gains

Several readers distinguished the basic effectiveness of the selected scenarios (as discussed above) from the efficiency of Lennie's analysis—the number of scenarios required to achieve an acceptable UL interest rate guarantee cost estimate. Three respondents felt that actuarial models are much quicker today, and can execute more runs within a given time period than they were capable of five years ago. Hence, it may be possible to execute 500 asset-liability model runs in less time than Anita originally thought based on her past work.

In particular, one actuary wrote: "*I would suggest that Lennie start by looking at the time he has available and figure out how many scenarios he can run rather than letting Anita dictate to him what he should do. I'd also note that the technology issue probably came into play when Anita did the original work. Whether her shortcut was ideal or not, she may have made a good faith effort to get the most information out of the tools available to her then.*" Another reader suggested, "*If there is only time for 500 scenarios, then it makes sense to choose some*

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Even if the method was appropriate five years ago, things have changed since then.

good and bad scenarios." The inclusion of some "good" scenarios (that do not trigger the guarantees) would serve as a check on the UL model's logic.

Let's Ask Mikey

Mike the quantitative analyst prepared the set of 6,000 economic scenarios for Lennie, and Lennie's analysis of the UL guarantees relies on the quality of Mike's work. One respondent noted that, "*Data is defined to include numerical information. I think the scenarios qualify*." referencing the Actuarial Standard Board's Data Quality Actuarial Standard of Practice [ASOP] 23, which permits the actuary to rely on data supplied by others subject to a review of that data.

> ASOP 23 (Data Quality) §3.5 Review of Data (in part): … the actuary should review the data for reasonableness and consistency, unless, in the actuary's professional judgment, such review is not necessary or not practical. In exercising such professional judgment, the actuary should take into account the extent of any checking, verification, or auditing that has already been performed on the data, the purpose and nature of the assignment, and relevant constraints.
>
> When determining the nature and extent of such a review, the actuary should consider the following: a) Data Definitions …; b) Identify Questionable Data Values …; c) Review of Prior Data …

"If Lennie is familiar with using Mike's scenarios for other work, that may be okay with regard to the data definitions, but he still needs to make sure that the data makes sense. Maybe Mike used the same process as usual from his perspective, but a bug in a new release of the computer program that generated the scenarios might be enough to make the UL scenarios nonsense. In a world where actuaries are dependent on computers, we can't afford not to do reasonableness checks on our data."

Mike might also be able to provide useful information as to whether (and how) the 6,000 scenarios were calibrated. Though it may be difficult to pursue a review of the prior data per ASOP 23 §3.5c)—as the case study doesn't mention whether Mike prepared the scenarios for Anita's earlier analysis—it still might be wise for Lennie to ask Mike whether there have been any intervening changes to the scenario generation process.

The same actuary also noted: *"Is Mike capable of generating 1,000 scenarios rather than 6,000? Can Lennie choose 1,000 random scenarios and ensure that they capture the full scope of economic outcomes? ... It seems that Lennie ought to be able to specify the number of scenarios he needs."*

Tact and Diplomacy

Lennie should prepare carefully for his discussion with Anita. One actuary wrote that *"Lennie needs to think about his relationship with Anita and how he can best persuade her to change her thinking. He also needs to avoid any career-limiting moves like showing up his boss in front of the risk committee."* Another actuary suggested, "*The key is to 'agree in public, disagree in private'. If anyone is challenged in a public arena (e.g. staff meeting, water cooler, etc.) they may get defensive and entrenched. But if Lennie asks for a private meeting with Anita, he can lay out his arguments without an audience, and that will reduce the possible tensions."*

The foregoing is consistent with the guidance contained in the SOA's Code of Professional Conduct

[COPC] which recognizes that actuaries can have differences of opinion.

> COPC Annotation 10-1 (in part): Differences of opinion among actuaries may arise, particularly in choices of assumptions and methods. Discussions of such differences between an Actuary and another actuary … should be conducted objectively and with courtesy and respect.

It's important that Lennie assemble as much information as he can about his UL model and Mike's scenarios, including how varying the quality and number of scenarios will affect his analysis and its comparability to Anita's prior work. "*Lennie could start their discussion with the points of agreement. For example, perhaps he thinks some form of scenario sampling is a valid approach to control run-time. He should start with that agreement, build consensus, and address the differences from common ground."* In particular, Lennie must try to anticipate and understand Anita's concerns and potential objections to his suggestions—and be ready to respond clearly with solid options.

One actuary wrote that *"Lennie needs to prepare his arguments carefully. He can't go in with vague notions of 'what's right'—that's what Anita has!"*

Closing the ALM Barn Door

With only two weeks to complete his work, Lennie needs to take shortcuts. It's important that the shortcuts, as well as their effect on Lennie's analysis, be both disclosed to and understood by the divisional risk management committee. *"Otherwise, they might make a business decision (e.g. approving a hedging program) that they would not make with a fuller set of information."*

For example, *"It cannot be concluded without extensive testing that the financial implications of future scenarios are negatively correlated with the total returns under those scenarios."* And given the heterogeneity of the UL block, the reader suggested that "*the degree of negative correlation may vary by UL product*."

Several respondents suggested that Lennie ask Anita (and by extension the risk management committee) for additional time to undertake a more thorough analysis. One actuary wrote *"Anita isn't likely to give it, but if Lennie goes to the entire committee, he might get the time, but offend her. That can be risky."* Another thought, *"It seems unlikely that the divisional risk management committee, after receiving no such reports for five years, needs a final answer by the next meeting. An interim report with an initial assessment would seem to suffice."* Yet another actuary suggested that "*Lennie should also ask Anita to schedule a special divisional risk management meeting ... so that group can be fully prepared to make decisions."*

Since fixed income yields have declined significantly, one respondent dryly observed: *"Of course, it is unlikely that our hypothetical insurance company's management would quickly decide to implement hedges that would 'lock-in' relatively low rates and earnings, thereby almost certainly reducing their own incentive compensation."* No need to close the barn door now.

Casting a Wider Shadow

Several actuaries suggested that Lennie view this situation as an opportunity to extend and improve—and not merely update—Anita's prior analysis. *"Lennie should not wash his hands of the problem and simply refresh the analysis. It would be too easy to take a 'well, it was good enough for my boss and the risk management committee only asked for a refresh anyway' attitude. ... Lennie would be doing a disservice to himself, his company and the profession if he did that."* At the minimum, there would seem to be some need to establish a process for continual risk monitoring and reporting regarding UL minimum interest rate guarantees.

The actuary who advocated preparation of an interim report with an initial assessment (see prior section) suggested this: *"Lennie should attempt to persuade Anita that a rushed production of a single number is not the best way to assist the divisional risk management committee to address the possible interest rate risk. Better than addressing which scenarios are of*

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At the very least, Lennie has to do a better job with his documentation than Anita did five years ago. A cinch; maybe even as easy as (making a cherry) pie!

most concern would be to address the question of which UL blocks are of most concern. To do this means analyzing the full scenario set for each block of business."

One definite area for improvement mentioned by a couple of actuaries was the preparation and retention of adequate documentation per the Actuarial Communications ASOP.

> ASOP 41 (Actuarial Communications) §3.6 Documentation (in part): The actuary should create records and other appropriate documentation supporting an actuarial communication and, to the extent practicable, should take reasonable steps to ensure that this documentation will be retained for a reasonable period of time … Such documentation should identify the data, assumptions, and methods used by the actuary with sufficient clarity that another actuary qualified in the same practice area could evaluate the reasonableness of the actuary's work. …

At the very least, Lennie has to do a better job with his documentation than Anita did five years ago. A cinch; maybe even as easy as (making a cherry) pie!

CONCLUDING THOUGHTS

A sincere thank you to all who contributed their comments and suggestions about Lennie's next step. A point of clarification might be apropos: the case described Anita's suggested scenario selection measure as a "20-year total return statistic"; perhaps "20-year *cumulative* return statistic" would have been clearer.

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.

How to Destroy Your Business in Tough Times

by Nick Jacobi

Editor's Note:
Nick has provided a tongue-in-cheek look at common mistakes made by businesses today. We hope this stimulates discussion, and invite your feedback for future issues. Drop me a note at SteppingStone@JHACareers.com with your thoughts.
John Hadley

A business failure is a failure of leadership before a result of circumstance.

Companies are portrayed as victims of circumstance. Economies fail, firms go under and industries suffer. But what is a business apart from the men and women who comprise it? A business failure is a failure of leadership before a result of circumstance. Not a lack of skills on the part of management, but a lack of imagination. Luckily, it is not difficult to imagine ways to fail, which means learning is possible. So follow your instincts if you want to efficiently sink your ship, or avoid them to experience the perils of success.

FAIL TO RECOGNIZE WHAT'S IMPORTANT

Is your stock tanking and your debt getting downgraded? Quick! Stop buying hand soap for the bathrooms. And no more free coffee for the employees. Try to consolidate all your offices into one and make everyone bunk their cubicles.

It may sound silly, but the only other way to cut costs is to cut employees (your worst ones). These alternative cost-cutting schemes will allow you to create a work environment so unpleasant that some of your employees (your best ones) will leave on their own.

"IT'S NOT MY PROBLEM"

Some professions in our society are looked down upon by many as being unethical—for example, lawyers, politicians and telemarketers. This is not true.

You can be unethical in any endeavor you choose, be it salesperson, actuary or CEO. Perhaps you can save money when designing your new product by not doing any market research. Maybe you found a poor excuse to deny some claims. It saves costs, and the government is wrong to stop you. Remember, the only one who will be blamed is the CEO, and maybe the CFO. If things go really bad you can always prepare a resume.

NEVER GIVE ANYONE ANY AUTHORITY

Before you let someone do their own work you should remember that you are not sharing power—you are losing power. It is fine if someone else does your work as long as you are given the chance to constantly question it.

The organization as a whole should be structured this way. Make sure that the first boss two people sitting next to each other have in common is the CFO. If possible, create a culture in which everyone tries to get their peers fired by pointing out every mistake. Forget that business is a game of mistakes and that is how you learn. There is no time to learn anything when your company is losing money!

GRASP AT STRAWS

It is always possible to innovate your way out of your financial problems. Just look at Apple!

Start selling ineffective insurance to people who do not need it. Put all of your product development into the infant auto insurance product or your "barely a discount" vision coverage. Entertain any long shot that comes along.

Ignore the fact that Apple took 20 years to make its comeback.

In a similar vein you should try to generate revenue in ways that are unsustainable. Add hidden fees to your products and see if the market notices. There is no reason not to redesign your renewal strategy and broker compensation packages until you're in handcuffs.

MORE DEBT PLEASE

If your company owes $100 it is your problem; if you owe $100 billion it is everyone's problem. If your company is no longer turning a profit, remember that it is the economy's fault … not that your system of doing business is outdated or broken. Your motto should be "when the system's broke—don't fix it, borrow money to keep it going." Someday things will pick up, the economy will improve, and your business practices will be relevant again.

SELL, SELL, SELL!

As every successful businessperson knows, any and all problems a company is having can be completely eliminated by selling more!

For insurance companies this is particularly beneficial, because although you are adding to your liabilities, you can always find a way to DAC your initial loss and recoup it in a few years on renewal. You are not selling discount stereos here; you are investing in your new customers. Ideally you should make this investment in your new customers with no regard for your current customers.

Cut rates 20 percent, or until they are inadequate. Assume your new customers will persist as you increase their rates 30 percent each year. Maybe your future gains can be securitized! Ignore any inconvenient comments about your reputation in the marketplace or the kind of culture you are creating for your company. As long as those sales numbers are high, you can do no wrong!

When your business is facing challenges it is difficult to do anything dynamic to meet them. It is easier and far safer to put all of your effort into keeping the machine turning over. You have been told that every business has two basic functions—marketing and innovation. Doing neither and maintaining the status quo is much safer when times are changing. Any organization can fail, and somewhere in the world there waits defeat for everyone. The best any company can do is not actively try to find it.

Nick Jacobi, FSA, CERA, is an actuary in the disability finance unit of Metropolitan Life Insurance Company. He can be reached at *njacobi@metlife.com.*

Set Realistic Goals for Your Strategic Practice Development Plan

by David Wolfskehl

David Wolfskehl is president and CEO of The Practice Building Team, a member of the DGW & Associates Family of Companies. To learn more, please visit *http://www.tpbteam.com.*

- If you were asked to provide the reason for the "failure" of some of your firm's previous practice development efforts, how often is the reason tied to unrealistic goals or lack of training?
- When you try to open a conversation with your team about practice growth, do people tell you they can't buy in because you expect too much?
- Does your strategic growth plan focus on one year or more than one year? Are you working with a five-year plan, a 10-year plan? The most common mistakes made by professional and financial services firms when they plan for growth of the firm is setting unrealistic goals, and having no training or support. In fact, if your firm is typical of most, you have recognized a need to build your business and have done some reading on the subject. You know the consequences of not continuing to build your business—and yet you have trouble getting buy-in.

If you are like some firm owners or senior partners, your avid determination that the future of the firm depends on unified and heroic action immediately is approaching mania. You might be trying to convince your team that you must double the size of the firm in the next six to 12 months. This is not the correct tone. The tone should be that practice development needs to be part of everyday activity, not just during slow time.

Unless you are just starting out, or you have done little to grow your business in the past, doubling the size of any business in a very short period of time is simply unrealistic. Practice growth takes time, under normal circumstances. You need to maintain a dual focus for your team: build the practice and keep current clients happy. In fact, if you don't keep current clients happy, you are probably setting the stage for a big step backward. However, your comfort zone is usually in deliverables and customer care so you never seem to get around to working on building your book.

WHAT ARE REALISTIC GOALS?

Practice development goals for your firm must be realistic. Realistic goals command the support and buy-in of members of the team because there is a reasonable expectation that they can be achieved. For example, an unrealistic practice development goal would say that the size of the firm (measured by number of clients) will be tripled in one year. A realistic practice development goal would say that the size of the firm (measured by number of clients) would increase by three clients per professional member of the team. This might feel like a stretch to members of the team, but under most circumstances, it would not be impossible or unrealistic. Some people feel that you should always set goals high—however if they are set at an unbelievable level, then people take no action moving towards them.

The attributes of realistic practice development goals for a professional or financial services firm include:

- You can honestly say the goal is reachable or attainable.
- The goal says exactly what will be accomplished and how it will be done.
- The goal will provide specific and complete details, including budget, resources, scheduling, completion date, who will do what, etc.

- The goal will be measurable and it will state both what will be measured and how it will be measured. There will be a defined way to measure and evaluate success.
- The goal will be situated in time. There is a reasonable expectation that the goal will be achieved by a specific date.
- The goal will be actionable. Realistic goals state expectations that can be achieved by the actions of members of the firm.

Setting goals for your strategic practice development plan will outline what the firm's owners and leaders expect to accomplish with a view to closing a gap between where the firm is at present and where the firm needs to be at a particular point in the future. Your goals will outline how you plan to move the firm from point A to point B.

What kind of practice development tools and techniques will help you move the firm toward strategic practice growth? How do you want the firm to grow? Do you want to build a niche? Do you want to buy another firm? Do you want to find new partners? Do you want to add services and create products?

When you set goals to achieve your practice development strategy, you will probably have in mind some specific ways you want to develop the firm. You might, for example, be very clear that you do not want to bring in any new partners. You might also be clear that you want all members of the team who are not partners in the firm to begin to develop an area of expertise—risk analysis, corporate tax issues, energy specialists, manufacturing experts, etc. You might decide that in order to help these junior professionals develop knowledge and skill in these areas, you will direct all work that comes to the firm in these areas to these junior professionals. You might also designate a senior partner to oversee their work and mentor them as they develop the desired expertise. This is the content of goals.

If your goals are relatively simple and clear, you might need to write only a statement of the goal and share it with those responsible for implementing it and those affected by changes or the process of implementation. On the other hand, if some of the goals are complex and involve a number of steps and the involvement of a number of people, you might find it helpful to write action plans for them. Action plans simply outline the steps to be taken by each individual, with target dates and accomplishments. Complex goals will also outline how the work of each individual touches upon or feeds the work of others.

Another thing to talk about is who is going to hold others accountable and at what points will there be check-ins.

When you set realistic goals for your strategic practice development plan you essentially chart a course to a destination. Realistic goals provide the destination coordinates and indicate where the reefs and

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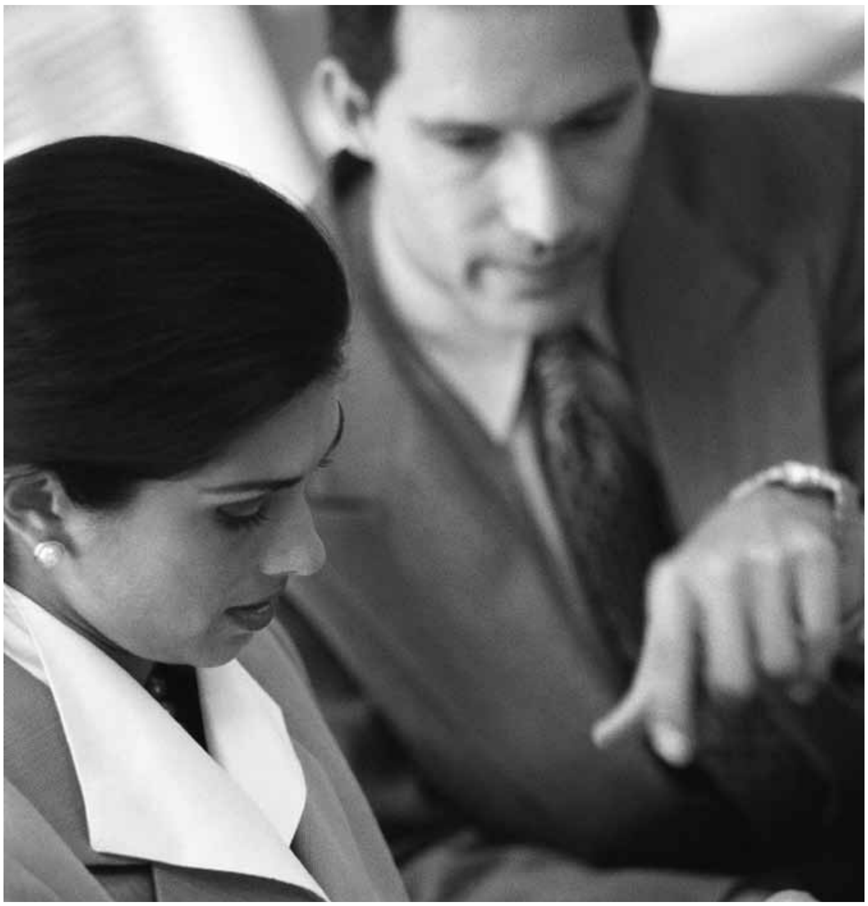

other dangers are located. They also indicate safe routes from where you are to where you want to go. A good strategic practice development plan will be successful if the goals are realistic and clear to everyone involved in achieving them. Good goals equal solid success. Good goals get all of the ships and all of the captains, along with their crews, safely to the safe harbor of the designated destination.

About David Wolfskehl

David Wolfskehl is president and CEO of The Practice Building Team, a member of the DGW & Associates Family of Companies. The Practice Building Team helps professional services firms accelerate their growth. To learn more, please visit our website at http://www.tpbteam.com. David has been an entrepreneur and a guide for entrepreneurs throughout his adult life. In addition to the Special Report: How to Grow Your Practice in 2010*, David has just released a new* Special Report: How to Quadruple the Value of Your Business in Three to Five Years*. Learn more about this compelling report at http://www.tpbteam.com/resources/special-reports/item/81-how-to-quadruple-the-value-of-your-firm-in-three-years.*

Make Better Career Decisions

By John Hadley

How often do you struggle over critical decision points in your job search, career or business? How many times do you find yourself stuck in a form of analysis paralysis, particularly when you don't really like any of the choices?

This can be especially paralyzing with big decisions that arise in a career search:

- Can I afford to (attend the SOA meeting, keep up my SOA or AAA dues, hire a coach ...)?
- Should I accept or reject this job offer?
- Can I try to negotiate a better offer, or might that cause me to lose the bird in hand, even though it's not nearly what I was seeking?
- Should I pursue the job I really want, or compromise and go after whatever is out there?
- Will it be too difficult to change careers?

When you are faced with two (or more) unattractive options, what might happen if you instead turn the decision on its head and really examine the potential negative consequences?

This happened to me recently when I was faced with a critical personal decision. As I struggled, a colleague suggested I ask myself:

- **What's the worst that could happen if you follow Option A, vs. Option B?**
- **What are the potential long-term consequences of either option?**
- **Are those consequences irreversible?**

Looking at it this way immediately gave me clarity. I knew what I would do, and reaching that decision gave me peace.

This doesn't only apply to personal decisions, but also to professional ones.

How often do you end up choosing a particular career path mainly because:

- It's easier than the alternatives, because you don't have to move out of your current comfort zone?
- You know exactly what to do if you take that path, where other choices involve some uncertainties?
- It's faster (or at least it looks that way when you don't really carefully examine where you would like to be longer term)?
- Others tell you it would be silly not to choose that path?

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John West Hadley is a career counselor who works with job seekers frustrated with their search, and professionals struggling to increase their visibility and influence at work. He can be reached at *John@JHACareers.com* or 908.725.2437. His free *Career Tips* newsletter and other career resources are available at *www.JHACareers.com*.

- Others tell you another path will be very hard?
- You worry that you might not succeed at another path?

I don't advocate that you ignore these thoughts—they are part of the decision-making process. Just be sure to put them in the proper context, rather than letting them be knee-jerk approaches to avoid making better decisions.

I think back to Pat, who was in a job he hated, and had been for years. He had some ideas for what he would really like to be doing, but it was too hard to contemplate a career change, so he kept falling back into his current job by default.

"One of the most important steps you can take to move your career or job search forward is to continually find ways to move beyond your comfort zone."

I encouraged him to get out and pretend he knew exactly what he wanted to do, and network with people to create a feedback loop. We carefully examined his background, put together the strongest story we could to demonstrate both why this was a passion for him and why he would be good at it. After a couple of months of productive meetings, he called me up one day to say that he had met a partner, was moving overseas the next month, and they were opening up their consulting practice. I had never heard him so excited!

So let's consider when you approach the path that is easiest, or more within your comfort zone, or more of a known quantity.

These are all variations on a common trap ... a resistance to change, or an attempt to retain 'control' over your destiny.

Naturally, you don't want to dive head first into the deep end without looking. However, **one of the most important steps you can take to move your career or job search forward is to continually find ways to move beyond your comfort zone.** Slowly and steadily expand it to incorporate new strategies, techniques, skills and types of experience. In fact, this is a key criterion I use in deciding whether or not there is a good fit between my services and a prospective client. **Even if you don't succeed in the new approach, you will learn a lot in the process that will move you forward in unexpected ways. Plus, you will have the satisfaction of knowing you really tried.**

For example, I often talk to job seekers who have a good idea what they want to do next, but are reluctant to express it. They are afraid that they will rule themselves out for other possibilities that might work out for them, and quickly add to the end of their statement about their target, *"I could work in a variety of jobs", "I'm able to apply my talents to several different industries", "My skills are transferrable"*, etc.

They see this as staying open to possibilities, but more often this is a decision to compromise instead of focusing their search on what they would like most to do next. They see it as a faster way to land SOMETHING, but in fact it is usually either a slower path to ANYTHING, or a quicker path to a LESS SATISFYING role than they could have achieved almost as quickly if they had stayed focused.

I'm not suggesting you be Pollyanna (remember that 1960 Disney film starring Hayley Mills?), but am urging you to **pick a focused goal and stay with it for a given period of time, and for at least that period don't permit yourself to be distracted by any Plan B** you might have in the back of your mind.

Don't let your current comfort zone keep you from making better career decisions!

And if you are really ready to step out of your comfort zone and uncover ways to maximize your career potential, I invite you to take my Career Accelerator Assessment survey at: ***http://tinyurl.com/Career201007***

Once I receive the completed ChangeGrid, I'll reach out to schedule a complimentary 30-minute debrief with you to explain what this unique tool is saying about your situation, your level of engagement in critical activities and the challenges you face. This will position you to take action right now to accelerate your career growth!

The Actuarial Leadership Conundrum

by Jeanne Hollister Lebens

Editor's Note: Part 1 of this series (published in the July 2010 issue of The Stepping Stone*) focused on two of the three aspects of what the author has dubbed "The Actuarial Leadership Conundrum." This second article focuses on actuaries' self-perceptions regarding their strengths and weaknesses and the implications of these perceptions on their effectiveness as leaders.*

Mirror, Mirror on the Wall…

It may come as a surprise (and perhaps a disappointment) to learn that as actuaries advance to leadership positions, our technical expertise is no longer what sets us apart. In fact, the further up the corporate ladder we move, the more our success as leaders is determined by our behaviors and social skills.

Unlike technical abilities, which can be measured with some degree of objectivity, behavioral effectiveness is more challenging to assess. As a result, there can be large discrepancies between a person's self-perception and how others perceive them in this regard. Calibrating our sense of self with the way we are perceived by others and then addressing areas where our behaviors are impeding our effectiveness as leaders requires self-awareness and a capacity for introspection, which are two important aspects of "emotional intelligence."

So how do actuaries perceive themselves as leaders, and how do those self-perceptions compare to those of others who work with them? During the past year, more than 100 credentialed actuaries have volunteered to participate in a specially designed self-assessment survey that focuses on attributes of effective actuarial leadership.[1] Participants were asked to assess their ability to perform 17 different leadership-related activities and to rate the level of challenge posed by each of those activities. The data highlight aspects of leadership where actuaries perceive that their abilities fall short of the challenges they face, and others where they believe their abilities are far beyond the challenges at hand.

Areas where participants reported low ability and high challenge are:

1. Dealing effectively with personnel problems
2. Holding others accountable
3. Ensuring the high performance of others
4. Resolving conflicts with others
5. Inspiring others

It is easy to understand why these aspects of leadership fall outside many actuaries' comfort zone. *Dealing with personnel problems* and *Resolving conflict with others* involve confronting people in an unpleasant way. Discomfort with performing these activities is not unique to actuaries—confronting others directly is challenging for most people.

Holding others accountable and *Ensuring the high performance of others* are two other aspects of leading that typically prove challenging for many in leadership roles; they require clear and direct communication around expectations and areas where performance is not in line with those expectations. These types of discussions may point to differences in perception around performance that can result in hurt feelings and defensiveness—something that few professionals feel equipped to handle effectively, and especially those whose strengths lie more in the technical realm than in human relations.

The fact that many actuaries report that they don't have abilities that are on par with the challenge of *Inspiring others* merits some discussion. If one of the hallmarks of effective leadership is the ability to articulate a vision and convince others to work with us to achieve that vision, inspiring others is of considerable importance. In fact, its importance is likely to be magnified in the future due to macroeconomic trends that have a bearing on the nature of the work we do.

FOOTNOTES

1 This survey was originally designed by the author for use in a December 2009 webinar entitled "Actuarial Leadership: A Call to Action" which was jointly sponsored by the SOA and CAS. Those interested in taking the survey can find it on www.jmlcoaching.com (See link for Leadership Self-Assessment). A complimentary half-hour consultation to review personalized results is available to all interested survey participants.

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Jeanne Hollister Lebens, FCAS, is a leadership and executive coach who helps financial professionals enjoy greater career success. She can be reached at *Jeanne@jmlcoaching.com* or 860.490.4636

It may come as a surprise (and perhaps a disappointment) to learn that as actuaries advance to leadership positions, our technical expertise is no longer what sets us apart.

In his book, *A Whole New Mind: Why Right Brainers will Rule the Future*, author Daniel Pink speaks to a shift in the skills that will be necessary to succeed in the workplace going forward. Pink suggests that we are moving beyond the "information age", where analytical thinking and the concept of the knowledge worker prevailed, to the so-called "conceptual age", where a number of traditional white-collar jobs such as law, accounting and engineering will be outsourced to less-expensive overseas workers.

According to Pink, "In many professions, what used to matter most were abilities associated with the left side of the brain: linear, sequential, spreadsheet kind of faculties. Those still matter, but they're not enough." Instead, "right-brained" abilities that involve a combination of empathy and creativity will become paramount. These include the ability to tell a story.

"In many professions, what used to matter most were abilities associated with the left side of the brain: linear, sequential, spreadsheet kind of faculties. Those still matter, but they're not enough."
–Daniel Pink, A Whole New Mind

Pink explains that in a world where facts are available with the click of a button, what matters more now is the ability to put those facts into context and deliver them for emotional impact. He refers to this as "story-telling," which involves seeing the world as a series of episodes rather than logical propositions. It is the same skill that allows a leader to create a compelling vision with a beginning, a middle and an end—a vision that will inspire others to participate in its realization.

The actuarial leadership self-assessment also highlighted several areas where survey participants reported high ability and low challenge. These are:

1. Building trust
2. Seeking new ideas and innovations
3. Speaking effectively
4. Communicating effectively
5. Building camaraderie

The fact that actuaries feel confident in their ability to *Build trust* likely reflects the nature of the work we do and the governance around our work products. Companies rely on actuaries to serve as the barometers of the financial health of the organizations they serve and are generally respected for "telling it as it is." The emphasis on the integrity of the actuarial work product and the professional standards that require actuaries to maintain a certain level of independence in the work they do likely contribute to a high level of trust in them and the analyses they perform.

It is also not surprising that actuaries view themselves as highly capable in *Seeking new ideas and innovations,* considering the emphasis in the profession on developing and maintaining subject matter expertise. Doing so requires actuaries to remain current with advancements in actuarial science, and many actuaries enjoy contributing to the development of leading-edge tools and techniques.

A large number of actuaries who participated in this survey view themselves as being very strong in the areas of *Speaking effectively* and *Communicating effectively,* and they don't feel particularly challenged by these activities in their current roles. We can imagine that these are people who are called upon quite regularly to communicate the results of the analysis they conduct to a variety of stakeholders, both in writing and orally. They work hard to ensure their communications are accurate and thorough. Documenting the data sources and the methodologies employed, ensuring the numbers all tie, and making users of the analysis aware of any caveats in its use are well-honed skills.

According to the survey, many actuaries also believe that they are strongly skilled at *Building camaraderie* and that doing so doesn't present much of a challenge to them. These are likely individuals who view themselves as team players and who generally have productive working relationships with their colleagues.

Beauty is in the Eye of the Beholder

How well do actuaries' self-perceptions around their leadership skills jive with those of their non-actuarial colleagues? In particular, would those who are in a position to observe the behaviors of actuaries and the impact they have on their organizations agree with the perceived areas of strength identified in this survey?

There is ample evidence from actuarial stereotyping that suggests that non-actuaries perceive actuaries quite differently. For instance, it is not uncommon for non-actuaries to complain bitterly about the tedious and detailed nature of the communications they receive from actuaries. Observers also will comment on how awkward and un-engaging some actuaries are when speaking before a group. And although actuaries may see themselves as highly competent in building camaraderie, non-actuaries observe how insular and non-inclusive actuaries can be, appearing to prefer socializing among themselves rather than to cultivate close, professional friendships with non-actuaries.

These examples point to the importance of having clear definitions of behavioral expectations. We assume we are on the same page as others, when, in fact, we may not be. Take, for example, the concept of *Effective communications*. Due to the technical nature of what we do, actuaries may interpret "effective" to mean thorough and accurate. Their audience, on the other hand, may define effective communication as the ability to impart information or perspectives in a way that is relevant, compelling, and sensitive to the needs of the reader or listener. So while "thorough" and "accurate" are certainly important, in the eye of the beholder, they are not sufficient to constitute effective communications.

In a similar vein, actuaries may view their ability to *Build camaraderie* from the perspective of how constructively they work with others in their department and how well they generally get along with others. These are important attributes, but they are different from the ability to build the kinds of close, mutually-supportive relationships broadly across an organization that gains a person political capital, something that proves critical to leadership effectiveness.

Unless we have a clear understanding of others' expectations of us and also have access to candid feedback about how well our behaviors reconcile with those expectations, we are going to remain blind to areas where we aren't particularly effective. That can hold us back from being considered for broader leadership opportunities.

Differences in how we view ourselves versus how others view us not only has implications at the individual level, but also for the actuarial profession more broadly.

Consider some recent examples.

There have been several occasions in the past decade where the actuarial profession has come under attack for failing to safeguard insurance companies against large capital losses. Two cases in point:

1. Actuaries were publicly taken to task several years ago for the large upward adjustment to loss reserves experienced by a number of property/casualty insurers.
2. The financial crisis pointed to the assumption of excessive risk by many life and some p/c insurance companies. We can be certain that this resulted in some finger-pointing at the actuaries in these companies. Even the criticism of the rating agencies with regard to the accuracy of the ratings they promulgated potentially could lead to finger pointing at the actuaries, since some of the models the rating agencies employed had actuarial underpinnings.

In each of these cases, one might question whether the actuary failed to deliver the message, was not heard or was **not even at the table** where decisions were being made. Some might argue that any of these possibilities suggests a failure in actuarial leadership. Were the actuaries not persuasive in their communications? Were they not viewed as an integral part of the decision-making team in matters pertaining to assumption of risk and protection of the balance sheet?

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A broader failure in actuarial leadership was acknowledged by the profession itself several years ago when it became clear that other professions were positioning themselves as "risk experts"—a space that actuaries felt they rightly owned. It was determined that the actuarial profession as a whole had not done an effective job of promoting itself in this arena, despite the fact that so much of the thought leadership around risk analysis initially came from the actuarial community. This alarming recognition led to a public relations campaign aimed at enhancing the image of the actuary and repositioning the profession squarely in the forefront in the evaluation of risk.

These examples point to a potential disconnect between how the actuarial profession perceives itself and how the profession is perceived by others. While perhaps difficult to accept, acknowledging and understanding these differences can inform the professional societies' education and personal development initiatives and guide the communications to its members.

Having access to candid, clear and specific behavioral feedback is an essential component to the development of effective actuarial leaders. With a well-calibrated sense of ourselves, we can make conscious choices about behaviors we want to change and then manage our careers and personal development to support those goals.

What Has Toastmasters Taught Me?

by Gaia Dong

Ever since graduating from university and starting my career, I have been feeling the pressure to improve my communication skills:

"In order to succeed in Corporate America, you have to be good at talking to people,"

"A real leader is a great communicator,"

"Being an actuary, you need to be able to explain technical concepts to non-technical people."

These words have echoed through my New Hire orientation, my one-on-one meetings with my boss, my mid-year review and many more occasions. Yeah, yeah, yeah! I get it—speaking skills are key to climbing to the top of the corporate ladder, and people who do not speak well instead end up doing most of the work. But English is even not my native language, so how could I survive? When puzzling over this question, I observed how people around me speak and noticed that people who have spoken English for their entire life are not necessarily articulate. This gave me hope that there might be some way for me to improve and develop my speaking skills. After discovering a Toastmasters club at my company I decided to attend a meeting.

Sitting at my very first meeting as a guest, introducing myself and confessing why I wanted to join Toastmasters, I was very happy to hear almost everyone in the room shared the same reason for joining the Toastmasters meeting—we all wanted to improve our public speaking skills. Many people said they were not good at public speaking, so they were here! I felt this could be my safe haven. However, when the meeting moved on to the speech portion, I realized those people were not telling the whole truth. Most of them spoke very well. They had great gestures, powerful voice, nice flow and effective body movements. I did not understand why they were still there until later. These Toastmasters' extraordinary speaking skills intimidated me very much, but they were very friendly, supportive and encouraging, and I decided to join.

Preparing for my first icebreaker speech was not that bad; after all, what I needed to do was to give a speech on who I was and how I came to be there. I wrote down the entire speech and memorized every word. However, standing in front of people and delivering the speech was a different story. I was very nervous, rigid and fearful. My arms suddenly became a burden and I did not know where to put them. The light in the room suddenly became brighter and started burning my eyes. My audience turned into scary authorities, even though they all had smiling faces. I was so scared to look at them. Every eye contact became a brain eraser. Every time I looked into my audience's eyes, their eyes became laser guns, shooting right into my eye balls, streaming into my brain cells and disturbing my normal brain waves, causing my mouth to stutter and my brain go blank. My adrenaline level shot sky high.
When I practiced on my own at home, I functioned well, but at that moment, standing in this corporate room, facing 10 people who gave me their full attention, it was like putting a machine into a highly magnified field, the program was running on a short-circuit. I knew I failed. If it had been a class presentation and I were the teacher, I would have given myself an F. Even now, I do not remember how I got back to my seat. I felt embarrassed, nervous and frustrated.

But to my surprise, my fellow Toastmasters gave me very encouraging feedback. They complimented me on not using notes, making eye contact, and being passionate about my dream, though my body movements were a bit conservative. They looked forward to hearing more speeches from me. Phew—it went better than I thought! I was very grateful to my fellow Toastmasters for their 200 percent support and tolerance.

With the encouragement and support of my fellow Toastmasters, I got better over the next few speeches, even though I was still nervous, My mentor at Toastmasters, Doreen, told me that confidence was the key to becoming a successful speaker, and I needed to talk from my mind instead of reciting words that I memorized. I noticed that some people are just natural speakers, like Doreen and Michael, my other mentor. It seems like some people are gifted with perfect tone, and others are perfectly coor-

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Gaia Dong, ASA, is an actuarial student at Aetna Life Insurance Company, Hartford, Conn. She can be reached at dongg@aetna.com.

I get it—speaking skills are key to climbing to the top of the corporate ladder, and people who do not speak well instead end up doing most of the work. But English is even not my native language, so how could I survive?

dinated. Nevertheless, people like me who don't naturally speak well can still improve through practice. My nervousness was due to inexperience and a lack of self-confidence. In Toastmasters, I have been fighting these problems by giving speeches and practicing in front of people. It is a challenging albeit exciting process. By the time I finished my first 10 speeches, I had gained a lot of confidence and became less nervous.

When I started the advanced manual, I had come to enjoy giving speeches. After getting nervousness out of the way, I was able to become aware of my gestures, vocal variations, body movements and facial expressions. Moving my arms and body became more natural. Looking into my audience's eyes became a comforting and exciting experience. Sometimes I make eye contact to seek confirmation, sometimes to test my audience's response and sometimes to stimulate my audience's emotions! Lights in the room become spot lights—I felt like a little performer, standing at the little podium, enjoying the attention given by my fellow Toastmasters. The whole experience of getting my audience's emotions involved in my speech and being the center of attention is so powerful and thrilling. Giving a speech is not an ordeal any more; instead it has become a pleasure.

Toastmasters has been the most supportive and tolerant place for me to make mistakes and learn from my mistakes and from others. We come to meetings for the same reasons, and the support and encouragement we give one another bonds us together. I have made friends at the club who care about my growth. Doreen, for example, has encouraged me to take acting classes and write more. I feel very lucky and am proud to be a member of our club. I also became a club officer this year, helping my club thrive as well as develop my own potential. Toastmasters meetings have taught me far more than simply how to improve my public speaking skills; they have helped me talk to my inner-self, understand myself better, explore my performing interest and potential, make new friends, and, finally, write an article about it for *The Stepping Stone*.

If you want to polish your public speaking skills, hone your leadership skills and have mentors who care about your progress, go to www.Toastmasters.org to find a Toastmasters club near where you live or work.

Business Classics: *The Effective Executive*, A Review

By Mary Pat Campbell

I browse through Amazon.com, coming across the latest best-seller in the business section. Seeing the good reviews the book has garnered, I add it to my online shopping list to order later.

Then when I get back to the list a few months later, I find the book is heavily discounted, with multiple used booksellers trying to unload inventory at 90 percent off the cover price. The just-favorite is now replaced with the newest craze.

Many times these books are little more than a series of examples taken from recent history, without knowing how these particular businesses will end up in the long term. It's hard to tell whether the principles being touted really are long-lasting. If it was such a good idea, would these books be replaced so quickly?

However, there are certain books that have stood the test of time. Decades after they were written, they're still relevant. One often finds their ideas popping up in variants in other people's current best-sellers...but why not get back to the original source?

The obvious start to such a project is *The Effective Executive*, a book by management guru Peter Drucker. Drucker was a giant in the field, writing books over decades and being published in the *Wall Street Journal* up until a few years before his death in 2005 at the age of 95. I have the first edition, written in 1966. I picked it up at a library sale; the original owner's bookmark noted it was given in recognition of completing a management training course at IBM in 1973. My father took a similar course in 1982. I wouldn't be the least surprised if this book was still being handed out (or given a free download to Kindles!) in 2010.

The theme of the book is being effective in an executive position, and Drucker spells out what he means in the very first paragraph:

"To be effective is the job of the executive. 'To effect' and 'to execute' are, after all, near-synonyms. Whether he works in a business or in a hospital, in a government agency or in a labor union, in a university or in the army, the executive is, first of all, expected to get the right things done. And this is simply that he is expected to be effective."

An aside in response to this paragraph: after a couple decades of being inured to "gender-neutral" writing in business books, it can be a bit jarring for the modern reader to see the ubiquitous "he" and "men". Given that I expected such a difference in language, I became used to this. But one can see why a newer edition might be preferred, if the difference in style and assumptions is too distracting.

Also, it's a bit easier to get ahold of the latest edition.

As is the case with most good business books, this classic is short and gets to the point quickly. In the first chapter, Drucker argues that effectiveness can be learned. He also argues that knowledge workers (yes, Drucker coined that term) are executives individually, even if they don't have the fancy title or direct reports. Drucker's description of knowledge work:

"Knowledge work is not defined by quantity. Neither is knowledge work defined by its costs. Knowledge work is defined by its results.
….
Throughout every one of our knowledge organizations, we have people who manage no one and yet are executives."

The key point is execution—making a decision of what needs to be done, and how it is to be done. The cubicle warrior trying to alter a spreadsheet so that it runs more efficiently and has better error controls is an executive in Drucker's definition, and can use his recommendations.

I find it interesting how prescient Drucker was in terms of seeing how the world of management was going away from the previous canonical model of manufacturing and operations (especially given his

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

The key point is execution—making a decision of what needs to be done, and how it is to be done.

first major association in the business world was with General Motors) and towards knowledge work. On other items, he was a bit less prescient, as we will see.

***The Effective Executive* in a Nutshell:**

1. Know thy time
    a. Record
    b. Manage
    c. Consolidate
2. Focus on contribution; focus on results
3. Make strengths productive
    a. One's direct reports
    b. One's superiors
    c. One's self
4. First things first—do one thing at a time
5. Make effective decisions
    a. Identify the generic from the extraordinary
    b. Set boundary conditions
    c. Consider multiple alternatives
    d. Convert decision into action
    e. Test prior decisions with feedback, continuous improvement of process

The above outline provides the major themes of the book. In spelling these out, one is inclined to say "Oh, yes, but of course"; but Drucker outlines not just cases that exemplify his principles, but also those that contrast against them.

When one had lifetime employment in one company, you were stuck with the company and they with you, so focusing on what people could not do was not helpful.

Let me pull out a few details that stood out for me. In the chapter on making strengths productive, Drucker covers the concept of the performance appraisal, the bane of many a corporate worker. After giving the broad outline of the process and his purpose, he contrasts it against the Japanese mode of management. He notes the promotion by pure seniority until at a certain level and age, and his disapproval of the structure that results (noting a "small number of people … do, in effect, everything of any importance whatever") but noting that Westerners could benefit from their practice of building on individual strengths. When one had lifetime employment in one company, you were stuck with the company and they with you, so focusing on what people could not do was not helpful. Focusing on what they did well and could do was more useful for the organization run that way.

In the decision-making chapters, the examples get more interesting. In distinguishing generic from extraordinary situations, Drucker mentions an infamous blackout experienced in 1965, where engineers in New York City followed the generic rule of responding to a normal overload. However, it was an extraordinary situation, and the normal rules didn't help. Drucker noted that while a first catastrophe might indicate an extraordinary situation, chances were that these might be the first symptoms of a new generic problem. This certainly brings to mind the recent BP oil spill; it certainly wasn't the first oil spill in the Gulf of Mexico of large magnitude, but it was of a different nature than the ones that came before, and perhaps prior safety rules were no longer relevant.

What I found really interesting in the decision-making chapters were the decisions he had touted as good, where we now know how things turned out. Due to his own heavy involvement with these companies, Bell System and General Motors come up multiple times.

One item that was interesting was how Bell managed to maintain its monopoly and avoid nationalization. Drucker notes that in most other countries, the telephone systems were run by the government, not a private company. Two things an early leader, Theodore Vail, decided on:

1. Support efforts of regulation (which would also keep out competitors, but keep the government happy).

2. Create a large research and development division, which would do primary research that would give back to the community at large as well as make their own technology obsolete (prevents competitors from coming in and doing it for them).

Of course, we know now that Bell (a.k.a. AT&T) was eventually broken into bits due to government monopoly-busting. The regulations and innovations helped them last only so long.

One of the more intriguing sections was on decision-making and the computer. Drucker notes that some thought computers would become the decision-makers, replacing middle management in operational decisions as well as taking over strategic decisions. Drucker did not agree: "Actually the computer will force executives to make, as true decisions, what are today mostly made as on-the-spot adaptations. It will convert a great many people who traditionally have reacted rather than acted into genuine executives and decision-makers."

One might say Drucker was being a bit optimistic. But he did understand that computers were powerful tools in being able to help people make generalized solutions, as opposed to trying to react to each situation as if it were new. He saw the potential of computers to make more and more employees executives, in that the computer could replace generic rules, and where true intelligence and decision-making was required, the human would step in. People could actually concentrate more and more on the crucial issues and not have to deal with frivolous ephemera.

Of course, Drucker did not predict the Blackberry, e-mail and out-of-control spreadsheets.

Even though we do fall short of Drucker's vision of optimal use of computers as decision-making and decision-implementing tools, his core principles as outlined are eternal. His final message is not only that these principles can be learned, but that they *must* be learned for someone to be truly effective. Most impressive to me was how Drucker saw (and named) the phenomenon of knowledge work, and its growing presence to dominance in the business world.

Even should we not get the fancy title or an office, these principles can help us be more effective at work, even almost a half-century after they were first published.

Identify Your Success Obstacles

By David C. Miller

David C. Miller, PCC, CMI, is president of Business Growth Strategies. He can be reached at *dave@BusinessGrowthNow.com* or 215.968.2483.

Editors Note: The Influential Actuary *is a new book written by David C. Miller that lays out specific tools and strategies that enable actuaries and other technical professionals to raise their game and add greater value to their organizations by being more influential in the way they communicate, influence and relate to others. This article is an excerpt published with permission of ACTEX Publications. To find out more about this book, got to www.TheInfluentialActuary.com.*

FIVE SUCCESS TARGET AREAS

In the last issue of *The Stepping Stone*, I discussed five critical areas that you must be clear about and must master if you want to reach just about any goal (see *Five to Thrive*):

Clarify your GOALS to provide **direction**,
Create and implement a STRATEGY to provide the **vehicle** to accomplish those goals,
Upgrade your SKILLS to provide the **effectiveness**,
Optimize your ENVIRONMENT to provide **leverage** and
Master your PSYCHOLOGY to provide the **passion, persistence and determination**.

To be successful you need to design a comprehensive plan that includes these five elements. Set your goals. Design and implement your strategy to achieve these goals. Along the way upgrade any skills necessary to be more effective in your execution. Take specific actions to optimize your environment. Finally, make sure you keep your psychology in a resourceful state to keep on track every day.

As a general principle, you want to keep these five target areas in mind as you examine your progress to your goal.

Evaluate "On a scale of 1 to 10…":

How clear and specific are your GOALS? Do you have something specific you are shooting for and moving toward?
How well are you pursuing an effective STRATEGY? Do you have a defined plan of action that will get you to the correct destination?
What is your level of knowledge and SKILL in executing your strategy?
How well does your ENVIRONMENT support you?
What is the strength or resourcefulness of your PSYCHOLOGY? Is your mindset one that will propel you forward or hold you back?

Just by keeping an eye out for these five target areas, you will uncover a wealth of rich areas that will greatly help you stay on track to meet your goals.

IDENTIFYING SUCCESS OBSTACLES

These success target areas are also helpful to identify where we may be getting stuck and thus what to focus on to get our momentum back. The question is: "How do I know that when I get stuck, the problem is going to require a renewed focus on GOALS, STRATEGY, SKILLS, ENVIRONMENT or PSYCHOLOGY?"

To ascertain this we need to ask ourselves three determining questions:

Do I know what to do?
Am I taking action?
Am I motivated to take action?

These three questions expose a decision tree of outcomes (The appendix outlines the logic flow):

I DON'T KNOW WHAT TO DO

We begin with the presenting problem: You are not getting the desired result. Begin this process by mentally asking the first question, *"Do I know what to do?"* "Do I have a plan of action that I am pursuing, or am I totally lost and floundering?"

If the answer is no, then you may want to focus on STRATEGY. If you do not know what to do, you need a game plan on how to proceed. Explore options, brainstorm with a coach or accountability partner, seek counsel and do whatever it takes to develop your strategy.

I KNOW WHAT TO DO / I AM TAKING ACTION

Now suppose you have a game plan you've been pursuing. The next question you want to mentally ask is *"Am I taking action?"* Suppose you are taking action. You are pursuing a course of action and are frustrated because you are not getting the results you want.
It could be due to one of three things:

A SKILL problem. You may be taking action, but you may not be effective. You need skills training to improve your proficiency. Training can take many forms such as books, tapes, seminars, classes and coaching. You will build proficiency with the skills if you engage in practicing these skills.

On the other hand, their problem may not be SKILLS….

You may be pursuing an ineffective STRATEGY. For example, if you are a consultant, you may have an excellent marketing message and selling approach, but you're executing those skills at a trade show that does not draw from your target market (i.e. You are fishing in the wrong pond).

The definition of an ineffective strategy is "one that won't get you to your goal no matter how effectively you execute it". This is in contrast to a skill problem which involves "not effectively executing an effective strategy". You want to make sure that the strategy being pursued is an effective one.

But it is possible in this scenario, the primary culprit is not SKILLS or STRATEGY…

It may be an issue with your PSYCHOLOGY. You may have an effective strategy and solid skills but you are lacking the confidence to execute effectively. You may, for example, have written an excellent oral presentation for the Board, but deliver it without any passion or presence. Alternatively, you may leave out a key part because you are afraid of rejection.

So in this situation, where:
You are not achieving their desired result,
You know what to do, and
You are taking action…

You will want to focus on SKILLS, STRATEGY or PSYCHOLOGY. Is it possible that it could be more than one of these? Absolutely! There is interaction and overlap between all of these categories. You are dynamic and one area will affect another. Decide which has the highest priority and work on that.

I KNOW WHAT TO DO / NOT TAKING ACTION / NOT MOTIVATED

Now let's look at another scenario. Suppose you know what to do and you are NOT taking action. The next question you want to mentally ask yourself is "*Am I motivated to take action?*" In other words, is there a desire to take action or not?

If the answer is "No", then you want to focus on one or both of these two coaching target areas:

You may have an unresourceful PSYCHOLOGY. There is something about the task that is unpleasant. You may be thinking, "It feels uncomfortable to put myself out there and ask to lead that project. Too self-promoting." People will not take action in an area that violates their morals, ethics or their sense of who they are.

If this is the case, take some time to understand your values and perspective. Adjust the beliefs that are not serving you to get yourself back in the game.

I often work with clients who feel that to succeed in sales, they have to be someone they are not. They feel they need to be slick and extroverted and even manipulative and pushy. As a result, they resist taking effective action.

The key is to reframe their perspective about selling. I believe selling is about sharing something that can help change your prospect's life. I first help my

CONTINUED ON **PAGE 28**

clients to see the value of what they are offering, then I work with them to sell in a way that fits their natural style.

The other target area to explore if you are not motivated is **GOALS.** It is possible you have lost focus of the goals you are pursuing or the reasons you have for achieving them. Alternatively, you may no longer want to attain a particular goal.

Go back and revisit your goals. See if they still inspire you. If not, do some new goal-setting and vision work. If you are working toward a goal that inspires you, your motivation will return.

I KNOW WHAT TO DO / NOT TAKING ACTION / MOTIVATED

Let's examine another set of paths. Suppose you know what to do, are not following through on your plan, yet you are motivated—you really want to take action.

Yes, it is not uncommon for people to be motivated, yet not take action.

There are three possibilities to explore here:

You really want to take action in the areas that will help you become more influential, but you keep getting sidetracked.

You really want to take action, but you don't know how to do it.

You really want to take action, but you are not sure why you don't.

Let's go through these one by one.

I KNOW WHAT TO DO / NO ACTION / MOTIVATED / SIDETRACKED

The first possibility is that you keep getting sidetracked from actually doing what needs to be done to succeed. There are three possible target areas here:

Your ENVIRONMENT. You may have trouble keeping organized. You may struggle to manage your time, priorities or relationships. You may not have support from your boss. You are being assigned so many technical tasks, that you have no time to focus on the interpersonal side of your professional development.

Work to optimize your environment. For example, you might start using a time management system. Maybe you need to look for ways to leverage work. Delegate certain duties to staff so that you will have uninterrupted time to focus on your professional development. Stop saying "yes" to every request and draw some boundaries.

There are many ways to create a supportive environment. Brainstorm these ideas and make adjustments.

What are the other areas that may explain you getting sidetracked?

You are unclear about your GOALS. Is achieving excellence a high enough priority for you? Do you want the results badly enough to do what it takes? You may need to reevaluate and recommit to your goals.

PSYCHOLOGY. People have trouble saying "no" to others because of what they think and believe about how people will respond to them. They have trouble saying "no" because of what that means to them. "If I don't say 'yes' to everything, I'm being selfish or I'm not a team player," for example.

You may not be managing your time and priorities well, not because you do not have the systems or skills, but because there is something negative in your mindset about pursuing these professional goals.

I KNOW WHAT TO DO / NO ACTION / MOTIVATED / DON'T KNOW HOW

Now we will explore another path:
You know what to do,
You are not taking action,

You want to take action, but
You don't know how to do it.
You know *what* to do but not *how* to do it. This is a SKILL issue. You want to take action, but you need some modeling and practice on how to do it. You need mentoring, training and skill-building. If you grow in competence and still are not taking action, then it's time to examine another target area.

I KNOW WHAT TO DO / NO ACTION / MOTIVATED / NOT SURE WHY

There's one more situation we want to look at:

You know what to do,
You are not taking action,
You want to take action, and
You don't know what's holding you back.

Here the issue is again, most likely our friend … PSYCHOLOGY.

There will be situations where you will not be able to verbalize why you are not taking action in an area you want to. It could be any of the categories but it is safe to start with psychology. In this scenario, your lack of results is most likely due to what you are thinking or believing about the task. It is not unusual to be unaware that these beliefs are operating. Developing awareness of how your thoughts and beliefs affect your performance is critical. Then do the work to change what you think to support what you want to accomplish.

When you get stuck, work through the three determining questions to identify the obstacles to your success.

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 sales) and www.LeadershipGrowthStrategies.com (for corporate leadership).

APPENDIX: IDENTIFYING SUCCESS OBSTACLES

Problem: Not achieving a desired result

Do you know what to do?

If no, then focus on Strategy (brainstorm options to develop a game plan)
If yes, go to 2

Are you taking action (or implementing your chosen strategy)?

If yes, then focus on one or more of the following areas:

Skills – you may be taking action, but may not be effective. You need skills training.

Strategy – you may be pursuing an ineffective strategy.

Psychology – you may have a good strategy and good skills but are lacking the confidence to execute effectively.

If no, go to 3

Are you really motivated to take action? (Do you want to implement the strategy?)

If no, then focus on one or more of the following categories:

Psychology – there's something about the task that is unpleasant. Like "I hate promoting myself. I feel sleazy doing it."

Goals – it is possible you have lost focus of the goals you are pursuing or the reasons why you wanted to achieve those goals in the first place. Or you no longer want this goal.

If yes, go to 4

You are motivated to take action…

And are getting sidetracked, explore the following:

Environment – you may have trouble keeping organized, managing your time, priorities or relationships.

Goals – You may be getting sidetracked because you are unclear about your goals.

Psychology – People have trouble saying "no" to others because of what they think and believe about how people will respond or what that means.

OR

But don't know how to do it…

Skills – you may need some more knowledge or skills. You want to take action, but they need some modeling and practice on how to do it.

OR

But something is getting in the way…

Psychology – there will be situations where you will not be able to verbalize specifically why you are not taking action. It could be any of the categories but it is safe to start with Psychology.

Row, Row, Row Your Boat: What Can You Learn from Ocean Rower Katie Spotz?

by Doreen Stern

Dr. Doreen Stern bills herself as "America's Success Coach." She is also a motivational speaker and author. Her mission is to help you realize your dreams. Based in Hartford, Conn., she is currently writing a book entitled, "When You Love Yourself." She can be reached at *Docktor@DoreenStern.com*, or at 860-293-1619.

You may not have heard of Katie Spotz, yet she has an important message for you: Start small and dream big. Join with others to make your dreams come true. And stay in the here and now.

Last February, 22-year-old Spotz became the youngest person to row across the Atlantic Ocean. From Africa to South America. Seventy days of sleeping wedged between stores of food in a cramped cabin while waves lapped around her. Thirty miles of rowing a day, under sunny or stormy skies. With blistered hands and monotonous loneliness.

Not your idea of a good time? Not mine either, yet I thought of Spotz last weekend, after I went out for my first run in 19 years. Spotz went out for such a run shortly after her high school graduation. Although Katie had been on three teams in high school (track, tennis and swimming), she had played the same position on each: benchwarmer. Says Spotz: "My swim team nickname says it all: 'Turtle.' It reflected my marginal athleticism."

So Spotz joined a running class after graduation to get her going. Like most of us, and certainly me, when I showed up for my first running class last week in Bushnell Park, Katie wondered if she would be able to keep up. She surprised herself (as did I).

Not only did Katie keep up, she loved doing it. "I can do this," Spotz thought to herself. She gradually increased her mileage. Until one fateful day when she ran five miles. Five whole miles. Easily.

"Wow," Spotz marveled, "If I can run five miles, I bet I can run a marathon." She kept training and achieved her goal. Next she said, "I never thought I could run 26 miles, but now that I've done it, maybe I can do something even BIGGER."

In the four years since Katie showed up for her first running class, she's dramatically expanded her vision of what's possible.

Spotz has run a 62-mile ultra marathon in Melbourne, Australia, to raise money for Oxfam International. She's cycled 3,300 miles across the United States, from Seattle to Washington, D.C., to raise money for the American Lung Association. And she became the first person to swim the entire 325-mile length of the Allegheny River. She completed a month-long swim to raise money for the Blue Planet Run Foundation, which saves lives by providing safe drinking water around the globe.

The remarkable thing about Katie Spotz is that she keeps going outside her comfort zone. And is willing to do poorly at first, knowing that she'll eventually improve.

Consider this: Spotz began rowing a mere two years before her ocean voyage. While studying in Australia during her junior year of college, Katie found herself chatting with someone on a bus who had done it. "The idea found me," she says. When Spotz returned to the United States, she joined the crew team at her college. "I was the worst person on the team," she admits. But she stuck with it anyway.

"Rowing across the ocean doesn't have anything to do with how fast you are," Katie points out. "It's about mental toughness."

Dr. Morris Pickins, a sports psychologist who has trained golfers like U.S. Open winner Lucas Glover and British Open winner Stuart Cink, describes mental toughness as, "the ability to control your mind in a way that allows you to be composed, confident and mentally prepared for the challenges you are about to face."

In order to sharpen her mental preparedness, Spotz learned to meditate before her record-shattering voyage. Indeed, she attended a meditation retreat where she meditated for 12 hours, 10 days in a row. She credits meditation as being the essential skill that enabled her to row across the Atlantic. To be in the moment. To focus on the here and now.

"I really couldn't think too far in advance because otherwise it was overwhelming," Spotz says. "I had to keep thinking about these doable, achievable baby steps." That's what got her across the Atlantic. That and the peace she experiences when she goes beyond her fears into the here and now.

I invite you to consider what small step you can take today to go beyond your fears, so you can realize a deeply-held dream. A dream like being in better shape, feeling happier, or having more intimacy in your life. A small step like going out to walk at lunch, even though it's blustery. Or going to bed a half-hour earlier tonight, so you can be more rested tomorrow. Or hugging your spouse—or kids—before you leave tomorrow morning, even though you've got a lot on your mind.

Because all of these activities can—and will—improve your day-to-day performance at work. And your overall life satisfaction.

And if your conviction wavers, just think about Katie Spotz's 2,817 mile voyage in a 19-foot rowboat.

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