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# 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.<sup>1</sup> 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

- <sup>1</sup> 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](http://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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CONTINUED ON PAGE 18

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***—Daniel Pink,  
A Whole New Mind***

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.

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-actu-

arial 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?

CONTINUED ON PAGE 20

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 oth-

ers. 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. ●