SOCIETY OF ACTUARIES Management & Personal Development Section

ISSUE 43 AUGUST 2011

the stepping stone

The Actuarial Ethicist: Purloined Pages

by Frank Grossman

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

Dave the ASA stopped by Erin the FSA's office and asked her to accompany him to a meeting with Vincent, one of their firm's asset portfolio managers. Dave is Erin's manager and the CFO for their company's interest-sensitive product division. Erin is the valuation actuary for a couple of interest-sensitive product lines. On the way, Dave explained: (i) the statement of investment strategy for one of Erin's product lines prescribes a duration matching approach to managing interest rate risk, and (ii) the liability duration provided to the investment unit was stale, predating the appointment of both Dave and Erin to their current roles three years ago.

This was the first time Dave and Erin met with Vincent, and their meeting was cordial. Dave and Erin learned that the duration for the product line's asset portfolio was produced by a third party software package. Erin asked for more information about the assumptions underlying the asset duration calculation, and the meeting ran long as a technical discussion ensued. At length, Erin was able to confirm that the interest rate scenario generator used to calculate the asset duration was roughly consistent with the generator used for her valuation work. She also described how sensitive the liability duration was to her dynamic lapse rate assumption, which seemed to be news to Vincent.

Erin prepared a written report summarizing her liability duration calculations for the follow-up meeting with Vincent a couple of weeks later, including an appendix noting her policyholder behavior sensitivity test results. While waiting for Vincent to arrive, Dave quickly read Erin's report, asked for all three copies and removed the appendix from each report before returning them to Erin. Just as Vincent entered the room, Dave said "Let's try to finish today's meeting on time, okay?"

What should Erin do?

Send your suggestions before August 22, 2011, to Craigmore54@aol.com. The discussion of Erin's dilemma will be published in the November 2011 issue of The Stepping Stone.

Frank Grossman, FSA, FCIA, is a senior actuary at AEGON USA who, when working under the shadow of a newsletter deadline, recalls Pascal's wise words: "The last thing one knows in constructing a work is what to put first." He can be reached at *fgrossman@aegonusa.com* or 319.355.3963.

Actuaries
Risk is Opportunity.®

the stepping stone

Issue Number 43 • August 2011

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

475 N. Martingale Road, Suite 600
Schaumburg, Ill 60173-2226
Phone: 847.706.3500 Fax: 847.706.3599
Web: *www.soa.org*

This newsletter is free to section members.

2011 SECTION LEADERSHIP

The Stepping Stone Publication Schedule

Publication Month:
November
Articles Due:
August 29

Call for Volunteers

by Kristen Walter Wright

You can make a difference in the Management and Personal Development Section! The M&PD council seeks your involvement as we move forward. Volunteers are at the heart of the SOA and each of the section councils; our effectiveness as a section is a result of the time and effort put forth by several people who serve their colleagues to further our profession.

The council elections are occurring at the time of publication; I encourage you to vote if you have not done so already. Please consider running for council when the call for candidates is issued next April and May.

The benefits of volunteering are endless, and will serve you well in your professional development:

- Develop leadership skills as you manage, recruit, delegate, negotiate and make decisions on key projects for the section.
- Are collaboration, teamwork, or networking on your development plan? If so, take the opportunity to brainstorm with a team of diverse colleagues, develop negotiation skills and maximize your expertise in a supportive environment.
- Enhance your written and oral communication skills through different writing exercises or presentation opportunities.
- Contribute to the profession with your ideas, insights, personal experience and professional expertise.

As we plan for 2012, the M&PD council has identified areas in which we specifically seek your expertise.

1. We coordinate sessions each year at the SOA Life & Annuity Symposium, the SOA Health Meeting, the Valuation Actuarial Symposium and the SOA Annual Meeting. Volunteer opportunities abound, including:
   - Meeting coordinator
   - Session moderator
   - Session presenter (including book review presentations)
   - Session idea generation
2. Practice your written communication by contributing to *The Stepping Stone*:
   - Write a newsletter article about the management or personal development topic of your choice. You can view past issues here: *http://www.soa.org/news-and-publications/newsletters/management-and-personal-development/pub-management-and-personal-development-details.aspx*
   - Contribute to The Actuarial Ethicist column: *http://www.soa.org/professional-interests/management-and-personal-development/mpd-act-ethicist-jam.aspx*
   - Write a book review of a current management or personal development book: *http://www.soa.org/professional-interests/management-and-personal-development/mpd-book-review-competition.aspx*
3. We also seek your thoughts, ideas, and manpower in regard to future M&PD webcasts and ideas in regard to the M&PD website: http://www.soa.org/professional-interests/management-and-personal-development/mpd-management-and-personal-development-detail.aspx.

Thank you for your consideration. If you are interested in volunteering or have questions, please contact our volunteer coordinator, Meredith Lilley. She can be reached at *meredith.lilley@sunlife.com.*

Kristen Walter Wright is vice president of actuarial analysis at Regence in Seattle, Wash. She can be reached at *kristen.walter@regence.com.*

The Actuarial Ethicist:
Responses to "Jam Sandwich"

by Frank Grossman

Frank Grossman, FSA, FCIA, is a senior actuary at AEGON USA who, when working under the shadow of a newsletter deadline, recalls Pascal's wise words: "The last thing one knows in constructing a work is what to put first." He can be reached at *fgrossman@aegonusa.com* or 319.355.3963.

THE CASE STUDY

Briefly summarized[1], Rick the FSA was promoted and hired Charlie the FSA from another organization to be his successor and direct report. Charlie had some prior experience managing interns, and now had responsibility for the three actuarial students who used to report to Rick—including Lily the ASA, who had been in the unit the longest. By degrees over his first six months, the quality of Lily's work began to give Charlie cause for concern—yet Rick never had time to talk about it.

Rick asked Charlie to make a presentation, and Charlie delegated some of the product analysis to Lily. Though this assignment fit naturally with her job responsibilities, Lily struggled. During one working session, Lily told Charlie appreciatively, "I'm glad you caught those errors!" With time running out, Charlie took the best version of their work and proceeded to make his presentation.

Then disaster struck for Charlie: Rick's peers noticed errors in Charlie's product summaries; and Rick made his displeasure known to Charlie during the meeting. Charlie accepted responsibility and did not attempt to shift the blame to Lily.

After the meeting, Charlie tried to apologize to Rick and discuss Lily's performance to no avail. Rick said that it was Charlie's responsibility to ensure that his unit's work was 100 percent accurate. Rick concluded by asking, "Don't you know how to manage your staff?"

READER RESPONSES

Your suggestions about Charlie's next move included an annual 360-degree review process for his direct reports, as well as ways to improve his communication with Rick. Responses have been edited for space considerations.

Falling Down on the Job

Respondents variously found fault with Lily, Charlie and Rick, specifically their failure to exercise due care in their work and collaborate effectively. The SOA's Code of Professional Conduct [COPC] applies to ASAs and FSAs alike, and its first precept speaks to Charlie's dysfunctional workplace dynamic.

> COPC Precept 1: An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

One actuary noted that Lily violated the first precept's first annotation:

> COPC Annotation 1-1: An Actuary shall perform Actuarial Services with skill and care.

"If Lily was unqualified to pull the information, then she should have found other resources that could help. Charlie has a similar issue. As Lily's manager, he was presenting her work and needed to ensure that it is prepared with skill and care. If Lily couldn't do it—he caught some of her errors—and if he didn't have the history with the company to catch all of the errors, then he should have sought out another resource to aid in the work." Another reader suggested that Charlie might have tried to obtain help via a peer review, adding that, *"Charlie should have asked for more time. This is reasonable in a company (non-consulting) work setting."*

Continuing, *"Rick knew Charlie was new (to the organization) so there was no way that Charlie would have had the historical perspective (to describe the evolution of the block of business). Rick should have reviewed Charlie's work before the meeting."* Another actuary noted that *"(C) hastising Charlie in front of the group, not actively working to address the embarrassing situation, and then ending their conversation with 'Don't you know how to manage your staff?' just proves Rick* *doesn't know how to, either."* The performance of Charlie and his colleagues evokes a familiar nursery rhyme's concluding line: "We all fall down."

Professional Courtesy

A first-time respondent pungently observed that, *"Rick sounds like he has the people-skills of a gnat. He owes Charlie an apology for embarrassing him in front of their colleagues which was totally uncalled for and unprofessional."* A second actuary thought *"(Rick's) comments to Charlie both in front of his peers and one-on-one were rude—or at least verging on it."* This violates Precept 10:

> COPC Precept 10: An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.

(Principal is defined within the COPC as "A client or employer of the Actuary.") Some readers identified Rick and Charlie's firm as their common Principal; others viewed Rick as Charlie's Principal. A third actuary noted that, *"Rick is showing no cooperation at all."*

Additionally, Rick's need to maintain a civil tone with Charlie is underscored here:

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

The second actuary continued: *"Some of the blame (for presenting bad information) reflects on Rick as Charlie's supervisor. In truth, this is probably part of the reason why Rick reacted the way that he did. He might have realized that he did a poor job training Lily and he left Charlie in a bad situation. Embarrassment can cause people to act badly towards each other."*

Picking up the Pieces

A street-wise actuary offered some advice. *"The first thing Charlie should do is to objectively assess what happened and face the realities of his situation. While this may have been the first, it will not be the last time he gets his butt kicked in a meeting. Charlie shouldn't wallow in doubt or self-pity, but learn from his mistakes and not let them happen again. Charlie's still new to the company so this will be forgotten quickly unless he has a repeat performance."*

"In the short period of time since joining the company, Charlie had concerns about the quality of Lily's work. Big mistake! That he saw her struggle and found errors in her product analysis should have set off ear-shattering alarms. Lily has the most experience in the group, yet the 'new' guy finds errors in product summaries she should know inside-out and backwards."

A canny actuary wrote, *"It sounds like Charlie may have focused on making friends with his new staff, rather than helping them understand their required deliverables and success criteria."* With the benefit of hindsight, *"Charlie was a fool for not having documented the issues he was seeing."* Another recommended *"He needs to start building a paper trail on Lily."*

Another suggested: *"Charlie should seek no further input from Rick since he is no longer in a position to help and—even as a friend—has no interest in helping for whatever reason. Charlie should resolve this issue and effect constructive changes through other avenues such as: speaking with/seeking input from other managers that manage groups like Charlie's; and his direct reports, including Lily."*

Managing Down

Several actuaries described the need for Charlie to become a more effective manager with his direct reports, and Lily in particular. Once the surprise of the presentation gone wrong and his ensuing

CONTINUED ON PAGE 6

conversation with Rick have worn off, one reader suggested Charlie meet with Lily and provide her with *"a mid-year review telling her in no uncertain terms just how concerned he is about her performance and why."* Charlie might also let Lily know how the presentation went, taking particular care to not criticize Rick, on the assumption that she'll eventually hear about it from others. Another respondent mentioned how important it is for Charlie to temper his feedback, and beware of projecting his frustration with Rick on Lily. *"Charlie should tell Lily how much he appreciates all her hard work and experience, and that her contributions are very important—especially since she has a lot of experience and Charlie is new to the area."*

A different reader observed, *"Lily appears to be well intentioned—she likely just didn't get the direction and supervision she needed from Rick."* It's possible that Lily may actually never have heard how poorly she has been performing. Who would have told her—Rick? An actuary pointed out that *"Charlie should have talked to Lily first about her performance. She should know she is not meeting expectations before Rick does."*

A couple of actuaries noted that having reports who *"don't have the right tools"* is not unusual, and that's why Charlie is his students' manager. One suggested Charlie should prepare *"a development plan outlining how to get Lily back on track. By producing this and executing on it, Charlie can show that he is indeed worthy of the responsibility he was given."* Another wrote: *"There are going to be some students that you can't really help, but by and large the majority will respond and progress. … Charlie is now in charge of his reports and need not seek approval from Rick to proceed. Time to press on with the job he was hired for!"*

A respondent suggested *"Charlie should seek input from his new reports by asking them questions about the training they have received in the past and are scheduled for in the coming year or two (other than actuarial exams), and what type of training they would they like in order to advance their careers with the firm."* This respondent also thought Charlie needs to get a better handle on the skills and/or knowledge Lily lacks. He could *"seek direct input from Lily about the sort of training she thinks she needs to boost her technical knowledge."* One of Charlie's goals is to try to *"uncover the reasons for Lily's lack of proficiency, which may range from a lack of basic technical training to simply being unsuitable for the position, despite the fact she is an ASA."*

This respondent also noted the importance of jointly setting *"clear, achievable short-term (vs. vague, long-range) goals."* Another reader stressed the importance of agreeing on job expectations before setting development goals, and *"part of that would be Charlie's expectations regarding Lily's work performance and quality."* An actuary suggested *"There may be a problem with expectations. For example, Charlie asks for an estimate, expecting a quick and dirty back-of-the-envelope type calculation, and Lily does two weeks' worth of research and writes up a five page recommendation. … Charlie should explore whether he's giving Lily* *too much work, given that she has been in the unit the longest"* and is presumably the most adept of the three actuarial students. *"Charlie needs to get a better idea of how long each project takes."* Hence, the importance of fostering clear lines of communication.

One actuary suggested *"Charlie should implement his own training program for his team and possibly get other managers and their teams involved. They could have 'lunch & learn' sessions hosted by senior reports or more senior/experienced people on various topics of interest."* Frequent team meetings might help. *"Their function would be to get everyone talking about their work issues and interests. … Often times you have students that are too afraid/embarrassed to speak up if they are stuck. Team meetings help to build rapport with the others so that team members will not be embarrassed to seek help from their peers/project manager."*

One reader stressed, *"Until he finds a resource to help ensure accuracy, Charlie needs to exercise caution about sharing Lily's work with anyone."* Another suggested *"pairing Lily up with someone else in the department, asking them to regularly review each other's work. That way the work has been reviewed by at least two people before coming to Charlie."* A third suggested Charlie *"emphasize the importance of avoiding/minimizing errors and also teach Lily techniques to double-check her calculations."*

One reader had suggestions regarding the expectations/feedback cycle. *"After a few weeks, Charlie should schedule regular one-on-one meetings with Lily and move from discussing expectations to providing feedback—keeping the discussion mostly positive, but addressing areas that need to be corrected. For those areas, Charlie needs to learn if it's more job fit related or if there is any training that is required, and then build that into Lily's development plan. If it's about motivation, then Charlie should listen carefully to understand how to better motivate Lily."*

"Charlie should prepare an annual '360-degree review' for each of his direct reports. For example, Charlie would ask Rick, Lily's two peers, and Lily's other customers for candid feedback on Lily's work performance, and then share this information with Lily (on a no-names basis). There doesn't need to be a company-wide process to use this review approach, and it could be especially effective because Charlie is new to the organization. He can say, 'Since I'm relatively new and haven't had the opportunity to observe everyone, I thought I would also get input from your key customers to see what feedback they have.'"

A sage actuary concluded that a remedial program will require an extra investment of Charlie's time and energy. *"Charlie will have to decide if he is willing to work the longer hours needed to support Lily during her progression while still covering his own bases and avoiding future failures."*

More than Meets the Eye?

Several readers considered the case from Lily's and Rick's perspective. *"While being very tactful, Charlie should find out if Lily resents being passed over. Perhaps she was after Charlie's job, and her chagrin is coming out in her performance."*

"Rick should have also shared any work issues that Lily has with Charlie. Rick was her previous manager and knows very well what she can or cannot do … Does Rick have some sort of favoritism toward Lily? Is he aware of her shortcomings but has 'blinders on'?"

"Rick didn't listen about Lily's work quality. He laid all of the blame at Charlie's feet and wouldn't consider any other possibilities."

The details of a putative Lily/Rick back story might be the key that unlocks the mystery of both Lily's poor work and Rick's intransigence. Charlie needs to proceed with his eyes wide open.

CONTINUED ON **PAGE 8**

A Noble Gesture?

Several actuaries lauded Charlie's grace under pressure. One reader thought *"Charlie was extremely professional in not calling Lily out at the meeting"* while another wrote *"I applaud Charlie for standing up and taking the heat for Lily."*

Another had a slightly different perspective: *"Charlie thought he was doing a noble thing by not blaming Lily for the work. However, Charlie should have prefaced his report by noting who he depended on for the various pieces of his presentation. This isn't a matter of CYA [cover your posterior], but a matter of being forthright and honest."* It's fair to say that the motivation for a routine disclosure of reliance made *in advance* of the discovery of errors would be viewed by others in stark contrast to an ad hoc disclosure made *after* errors surfaced.

The actuary continued: *"Charlie is responsible to make sure that work done under his direction satisfies the applicable standards of practice. The question is whether there are standards of practice that apply? The case is a bit fuzzy on just what was wrong in the product summaries—but it could have been data related. If Charlie relied on data supplied by Lily, he should disclose this."*

> ASOP 23 Data Quality §3.3 Reliance on Data Supplied by Others (in part): … The accuracy and comprehensiveness of data supplied by others are the responsibility of those who supply the data. … the actuary should disclose such reliance … .

"Even if the product information wasn't data, but was relevant to the use of the data, disclosure is still appropriate."

> ASOP 23 Data Quality §3.4 Reliance on Other Information Relevant to the Use of Data (in part): In many situations, the actuary is provided with other information relevant to the appropriate use of data, such as contract provisions, plan documents … The actuary may rely on such information supplied by another, unless it is or becomes apparent to the actuary during the time of the assignment that the information contains material errors or is otherwise unreliable. The actuary should disclose reliance on information provided by another… .

"Sometimes an actuary can't review all of the data or information beyond a comparison to prior data or a reasonableness check. Again, the standard says that if you haven't done a complete review, then you have to disclose that fact."

> 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 note necessary or not practical …
>
> If in the actuary's professional judgment, it is not appropriate to perform a review of the data, the actuary should disclose that the actuary has not done a review and should disclose any resulting limitation on the use of the actuarial work product.

And yet the key point seems to have been that *"'Charlie took the best version of their work,' knowing that he caught some errors and doubted Lily's abilities. Sometimes an actuary has to stand up and say 'No' to his/her manager. Charlie needed to say 'No' to Rick."*

Another actuary wondered, *"Did Charlie go into the meeting knowing about the errors or not? If he did know, that's very bad. If he wasn't sure but simply ran out of time, he should have mentioned his caveats up front."* A third reader described an approach: *"Had Charlie conveyed something to the effect that 'While minor details of the product summaries may not be 100% correct, the material aspects of the products' evolution is still clear' the basic message of his presentation could have been preserved."* Investing in an ounce of prevention in this way might have saved Charlie a pound of cure—and a heap of hurt too.

HR on Speed-Dial

One actuary observed: *"It's amazing that after the* *(presentation) fiasco, Rick didn't seek Charlie out, but Charlie had to seek him out—and Rick still wouldn't engage! Charlie should document the situation by email, and make one more good faith effort to engage Rick. If Rick still ignores him, then Charlie needs to go to Rick's boss or HR."* Another actuary noted that documenting the situation *"as clearly and objectively as possible"* might not be a simple task but it was a necessary one. Several readers thought contacting HR for assistance would be a wise move for Charlie—especially given Rick's apparent lack of engagement. One respondent thought that might be an option for Rick too. *"Many actuaries don't have any management training, and Rick could be among them."*

Managing Up

Rick and his behavior really struck a chord. (Vituperation alert!) Reference was made to *"crusty Rick"* and "*badly behaved Rick"*; and one actuary suggested that *"Rick needs to get over himself."* Several readers emphasized that they wouldn't want to work for Rick, and one suggested *"Rick won't be winning any 'Manager of the Year' awards."* And yet, it was Rick's promotion that created an opening within the organization for Charlie—Rick must be doing something right.

One actuary thought that Rick was on target regarding two of Charlie's core responsibilities. *"First, as the project lead and FSA, Charlie is ultimately responsible for the quality of the final work product. Second, it sounds like it is now Charlie's responsibility to provide training/mentorship to his new reports, and he need not seek approval from Rick to develop his new reports."*

Regarding work product quality, literal adherence to Rick's "100% perfect standard" implies that little work will get done without an inordinate allocation of resources. Implementing a triage-like process so that a) important work is done with more care than lesser assignments, and b) bigger errors are caught sooner and before smaller errors, would be more practical. But delivering on these twin objectives presupposes establishment of priorities and agreement on a shared tolerance for risk. This is one more reason for Charlie and Rick to start communicating better—and somehow move beyond the rhetoric of "perfect work."

A second actuary took a different stance regarding staff development. *"Since Rick hired Charlie knowing that he had very little management experience, it is Rick's responsibility to provide him with the tools and training to manage a team. He also needs to be much more available to help with management issues, and provide guidance and support in such manners."*

On the communications front, a third thought that *"Charlie should schedule a regular (perhaps monthly) one-on-one meeting to help with the new job transition. Communication with Rick would primarily be via e-mails such as 'Here's what I think, and you probably agree, right?' That way, since Rick is busy, he only needs to produce a 'Yes' or 'No' response. 'Yes' means they're on the same page. If Rick doesn't agree, that gives Charlie permission to set up some time to discuss with Rick and to listen to his views."*

A sage actuary offered: *"Charlie needs to continue to work to find out how he can improve his working with Rick. Rick does not sound touchy/feely. So Charlie probably needs to be more direct in his communications with Rick whether by memo or email: clarifying and confirming expectations about what needs to be done and by when."*

"Rick is more of a problem than Lily. Lily might be rehabilitated over time—ideally with Rick's support. But if Rick isn't going to be a patient and nurturing boss who recognizes how to develop talent, then Charlie is going to be pulling his hair out until one of them quits or is fired. Charlie should start taking action to mitigate the downside if he is the one that is fired, and be proactive so that he has the option to quit before he harms his reputation or his health trying to please a boss who likely will never be pleased."

"Finally, Charlie needs to recognize that he

CONTINUED ON **PAGE 10**

"Many actuaries don't have any management training, and Rick could be among them."

is primarily responsible for his own career development. We all end up with less than ideal bosses at one point or another. While I personally think that life is too short to stay in a bad situation indefinitely, enduring this situation for six or 12 months—and making the best of it—will likely be a tremendous growth experience for Charlie whether he ultimately stays in his current organization or moves on." Six months and ticking.

CONCLUDING THOUGHTS

This case study illustrated one challenge of being stuck in the middle of a management situation. Indeed the case's title—Jam Sandwich—alluded to Charlie (the jam) being stuck between Rick and Lily (the two pieces of bread).

A sincere thank you to all who contributed their comments and suggestions about Charlie's next move. The contents of this article should not in any way be construed as a definitive interpretation of the various actuarial guidance documents referenced within the article. This hypothetical case study and its discussion are intended for the personal use and (possible) edification of members of the Management & Personal Development Section.

ENDNOTES

[1] See the May 2011 issue of T*he Stepping Stone* for the complete description of this case study.

Report from a Distant Quarter:
PSoA Holds Professionalism Workshop

Contributed by the Pakistan Society of Actuaries

Editor's Note: Earlier this year, the Pakistan Society of Actuaries (PSoA) contacted us about using The Actuarial Ethicist case studies during a seminar that they were planning. We agreed, asking that they acknowledge the source of the case studies during their meeting, and give us a report on the event. What follows is the first portion of the PSoA's report including their feedback regarding the "Change in Plan" case originally published in the April 2010 edition of The Stepping Stone, *available at http://www.soa.org/library/newsletters/stepping-stone/2010/april/stp-2010-iss38.pdf.*

The Pakistan Society of Actuaries professionalism workshop was held on March 3rd at the Pearl Continental Hotel in Karachi.

The seminar began with the President of PSoA, Arif Rasool, discussing five precepts from the SOA's Code of Conduct and leading an interactive session on them. The precepts discussed were: professional integrity, three precepts under the heading of communication & disclosure, and conflict of interest. Examples were drawn by the president to explain the relevance of each precept in a practical working environment.

One of the examples discussed, which raised a huge amount of interest, was about a husband and wife who were both actuaries and working for the pension department of a life assurance company. The husband's client becomes the takeover target of the wife's client. The pension implications were material as there was a large surplus in the scheme and hence it would affect the bid price. The question that was posed to the audience was what should the husband and wife do as actuaries?

The audience came up with different responses discussing the conflict of interest and disclosure of this information to the clients. Opinions ranged from either one or both of the actuaries stepping down and withdrawing from their advisory roles to the decision making process; to leaving the final decision in the hands of the clients by making them aware of the partnership between the actuaries concerned. There were also thoughts about the husband and wife being put in separate hotels for the period of the transaction and a Chinese wall to be drawn in the company. There was a general consensus about the underlying conflict of interest and it being incumbent on the actuaries to disclose the information to the clients as best practice.

ATTENDEE RESPONSES TO 'A CHANGE IN PLAN' CASE

Participants present were divided into seven teams of four to five members. They were given the 'A Change in Plan' scenario to read and were asked to identify the major issues and make possible suggestions to mitigate these problems. The spokesperson for each team rotated so as to have an engaging session and widen participation.

Briefly summarized, here is the 'A Change in Plan' scenario:

"Kate the FSA works part-time as an in-house benefits actuary, and has an indirect reporting relationship with Henry the CFO. Her firm sponsors a contributory defined benefit pension plan, with a fairly conservative investment strategy in fixed income instruments and stocks. Kate estimated the

CONTINUED ON PAGE 12

appreciable shortfall risk (the chance that the funded ratio would deteriorate, requiring additional future contributions) using stochastic techniques. The plan trustees recommended a modest increase in future contributions, and senior management proposed that the increase be shared by the plan sponsor and plan members. Kate presented a summary of her findings at several employee town hall meetings.

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

Team responses for the scenario varied from the opinion that Kate didn't perform her responsibility adeptly, to management making irrational conclusions due to their ignorance. The following were the issues raised by different teams:

Review Again

There was a consensus among most participants that Kate should ask senior management for more time to review her findings in the wake of new market conditions. As one member logically described the process: *"Once her analysis is done, she should inform the Trustees (who were identified to be the principal in this case). A meeting should then be held with the Board and Trustees, to whom the findings should be presented and a collective decision be reached about changing the contributions."*

Terminology Barrier

One member explained that 'funded' is based on a deterministic set of assumptions where the assets would be enough to meet the liabilities. Going to terms like 'shortfall probability' where current assets and current contribution rates won't be sufficient to meet the scheme's obligation—the speaker felt that these terms were very complex and probably senior management didn't understand them fully.

As a participant summarized *"senior management might not have been against increasing the contributions rates being beneficiaries themselves, but there was a lack of communication where technical terms and jargon needed to be explained by Kate as they probably couldn't appreciate the assumptions and theory behind the analysis and thus came to a simplistic conclusion."*

Explaining "Stochastic"

One of the respondents explained the term 'stochastic techniques', *"as being an analysis in which different conditions as opposed to a deterministic analysis, in which case only one scenario would have been tested. This means that Kate would have considered various scenarios. Thus the return to more stable and tranquil markets was something Kate would have factored in her original examination. Hence, the fact that senior management decided to change their opinion about the market conditions shouldn't have any bearing on Kate's analysis, as she would have taken account of the particular scenario. Kate needs to explain her analysis to the Senior Management who might be unaware of the technical terms. She shouldn't change her view as there is no reasonable basis or justification behind it."*

Painting A Rosy Picture

The term 'more fully funded' used by Henry, was picked out to be a deceiving way of communicating a rosier picture to the audience. A member shrewdly noted *"that Kate wasn't exactly great at communicating concepts and implications, thus Henry could get away with using a term that he didn't understand fully himself!"*

The general opinion was that Kate should let Henry know that she is bound by a professional code and hence using terms that might be misrepresenting facts goes against the profession's practice.

Conflict Of Interest

One member expressed concern about *"Kate probably being a beneficiary and hence having*

a vested interest in the results of the analysis in a certain direction. There is a potential conflict of interest and it makes you wonder whether Kate should have done the analysis in the first place."

Some people were of the opinion that Kate should take a second opinion before publishing her findings and also in the light of changing scenarios (especially if she disagreed with the Senior Management's decision about contribution rates) her advice would have stronger standing.

Public Interest

One member questioned the intention of the employer with a view that public interest needed to be protected. *"Maybe the employer is unwilling to increase the contribution rates as it might cause a dent in their pocket. Kate needs to examine the issue closely and protect the interests of the employees if she feels that they are being comprised in any way. Kate should approach the regulator if she felt her analysis remained staunch and her findings unaltered about the contribution rates."*

Employees: The Disadvantaged Group

An issue about communication to the employees was raised. Assuming that Kate altered her opinion in view of the new market conditions and shared management's judgment, there would be a need to communicate the results effectively to the employees, who were told otherwise.

"The employees were only told about increasing contribution rates previously. As a measure that would reduce their disposable incomes, most employees would have serious reservations about increasing contribution rates. Kate may have presented her findings to overcome these objections and reservation and stress the need for altered measures. The very fact that she has to go and refute and negate her previous statements would make the employees lose confidence in the scheme and in her ability to act impartially. The loss of trust by the employees of the company is a major consideration that might need to be handled with care."

Editor's Note: Watch for Part 2 of the PSoA report, including their feedback on the "Mortality Study Conundrum" case, in our November 2011 issue.

Analytics at Work

A Book Review by Meg Weber

Analytics at Work: Smarter Decisions, Better Results by Thomas Davenport, Jeanne Harris and Robert Morison follows the executive book best seller, *Competing on Business Analytics*. Popular in its own right, *Analytics at Work* (2010) has sold over 100,000 copies and has been translated into 13 languages. Davenport has attracted the attention of senior managers and executives who are interested in developing a culture of fact based (vs. "gut based") decision making. *Analytics at Work* describes the value of transitioning to an analytic based culture and how to do it.

This should be good news for you!

Actuaries are "all about" fact based decision making. Insurance companies, with the casualty side leading the way, have practiced business analytic techniques such as data mining, predictive modeling and business intelligence gathering in order to price, market and underwrite their products. So for actuaries used to making data based decisions, this book may not seem like anything new. In fact, the book has been described as being "analytics for the rest of us", meaning non-analytical types.

What I think is relatively new and attractive to executives is to move the analytical practices from local levels to enterprise-wide models. Also new are the types of data, amounts of data, speed of computing and spread of applications for that data.

Analytics at Work describes the steps necessary to become an organization that "competes on business analytics". **DELTA** is the acronym for the five factors involved in the five stages of development. Chapters are devoted to each: Data, Enterprise, Leadership, Targets and Analysts. (I was personally relieved to discover that rather than being "analytically impaired", I at least qualified as being an "Analytical Amateur."

Analytics at Work also provides many stories from Progressive Insurance to Netflix to illustrate its points. One features Lisa Tourville and her work using advanced business analytics at Humana (p. 37). (OK, it is exciting to me to read about an individual *I know* in a book!)

If you don't know her, Lisa Tourville has been an active volunteer with the Society of Actuaries and in 2010 was the Chair of the Annual Meeting. (In fact, I decided to read *Analytics at Work* because of a project Lisa and I are working on. Honest! I didn't know she actually appears in the book!) This year, the Society of Actuaries has a strategic marketing research project to see what opportunities there are for actuaries using advanced business analytics. And while it was exciting to see Lisa and her work in the book, there are no references to "actuary" despite a portion of the book dedicated to dealing with the shortage of qualified analysts.

Some of the criticisms I have heard or read about the book are:

- Too many buzzwords.
- Padded prose.
- Success stories appear in the book, but not comparisons across organizations at different levels of analytical competencies that truly demonstrate the culture garners superior results.

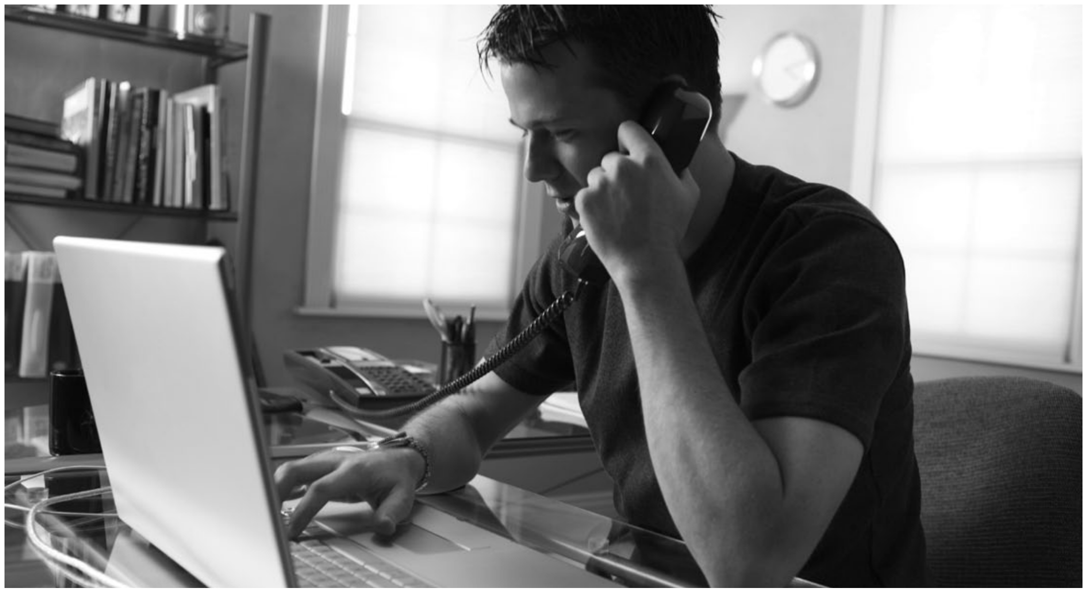
Overall, I recommend *Analytics at Work*. It provides very practical advice you can use to evaluate your own environment and potential. It offers ideas that can be used in any size organization. The illustrative stories are interesting, if not as much fun as what is found in *Freakonomics*. But most importantly? Your CEO may be reading this book right now!

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

Small Firms Can Compete with Big Firms and WIN

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. He can be contacted at david@tpbteam.com.*



Most people who lead small firms assume they cannot compete successfully against big firms. One way to succeed is by creating a micro-niche business, because other firms—including big firms—cannot compete directly.

A GREAT SUCCESS STORY

There is a story that has given hope to many people in a vast range of situations because it demonstrates that the little guy can win, despite apparently overwhelming odds against it. Most people have heard or read the story of young David toppling the giant soldier Goliath with a single extremely well aimed stone from his slingshot.

The story is familiar. A boy with no weapon except a slingshot and some skill with it faces a giant who is a well-armed and armored soldier with a great deal of experience. When that relatively defenseless boy stepped up to engage in battle, everything anyone believed about the confrontation about to occur changed dramatically. What was different?

1. David did not need to engage Goliath in hand-to-hand combat. He only needed to be as close as the limit of his slingshot's range.

2. He—surprisingly—switched the weaponry. Who ever heard of winning a war with a slingshot and one little stone?

3. David had the advantage of surprise. Surely, Goliath (and everyone else) laughed to see a small boy with no weapons or armor step forward to fight.

4. David succeeded in this engagement because he "changed the game." He refused to fight the battle on Goliath's terms. Instead, he stepped outside direct competition, introduced a completely new element, knowing Goliath could not compete because his weapons were designed for close fighting. As a result, David carried the day.

LESSONS FOR THE SMALL FIRM

A small firm can compete against large firms with great success by stepping outside direct competition, in which it cannot hope to win. If the small firm will take the necessary steps to differentiate itself effectively from the crowd of its competitors by building a micro-niche (or several) within, it can win. The name of the game is to create a unique niche or micro-niche and build it in a way that precludes competition. Learn from David when he faced Goliath.

Firms have been successful for many years by building a niche that meets a clear client need or eases a known client pain point and provides real value to the client, also. Today, when many professions have built a number of niches in which the vast majority of firms offer services, the goal is to build a micro-niche that can become the flagship business bringing in clients for all of the services offered by the firm. When you can isolate a client need shared widely enough to be profitable and you can build a micro-niche that meets that need through innovative service offerings, unique method of delivery or another special characteristic that clearly responds to that client need, you can build a premium micro-niche within your firm. Your new micro-niche business will bring new clients. Your micro-niche will also enable you to sell the same premium services to some of your current clients.

Step outside the usual competition in your profession. Change the nature of the competition and compete on your unique strengths. Your small firm can attract the new clients you need with a new micro-niche. Listen carefully to your clients and hear their needs and pain points. Use your creativity and imagination to develop innovative responses that will alleviate or remove the pain. Then you can charge premium prices for your micro-niche services and products. You can also cross-sell and up-sell other products and services.

About David Wolfskehl

As President and CEO of The Practice Building Team, David Wolfskehl helps CPAs increase wallet share from current clients by selling them additional services offered by the firm; grow their firms by adding new advisory services (such as wealth management); maximize opportunities if they currently provide advisory services; define and build powerful micro-niche businesses that redefine success and professional excellence. Because micro-niches are built upon the expertise of a single accountant, they stand alone in the marketplace and justify premium pricing for services.

David is the author of The Micro-Niche Method: The Pathway to Premium Pricing and Increased Profitability for Today's CPAs. *The book is a step-by-step guide for accountants who wish to identify, evaluate and build a micro-niche business. It includes sections on assessment of potential micro-niches, implementation of the operational and marketing needs of the micro-niche business, and how to scale back marketing efforts to maintain your "go-to" status. For more information about practice development, please visit www.tpbteam.com. To learn more about The Micro-Niche Method, visit* www.themicronichemethod.com.

... the goal is to build a micro-niche that can become the flagship business bringing in clients for all of the services offered by the firm.

How to Become a Better Actuary

by Rod Bubke

Rod Bubke, FSA, MAAA, is vice president—insurance and annuity valuation with Ameriprise Financial in Minneapolis, Minn. He is on the Professional Development Committee representing the Life-related Sections (Financial Reporting, Product Development, Reinsurance, Smaller Insurance Company, Marketing and Distribution and Taxation) and is a past chair of the Financial Reporting Section. He can be reached at *rod.l.bubke@ampf.com.*

No, I am not so vain to think I have all the answers and so can tell all of you how to become a better actuary. However, I can tell you about a tool that exists that I think can help you accomplish that very objective.

But a little background first. In 2008, the SOA began work to identify the skills that actuaries need to be valued for their professionalism, technical expertise and business acumen. Some of the purposes of this endeavor were to provide guidance on approaches to professional development, provide actuaries with the skill sets they need to better serve employers and clients, and to provide individual actuaries with information to support their growth.

The work was completed in the fall of 2008 in the form of the Competency Framework (CF). The framework identifies eight competencies that actuaries need. The CF was presented to the SOA board in 2009, promoted to the membership throughout 2010, and incorporated into meeting sessions with primary competencies identified for each session. The use of the CF is continuing to expand in 2011.

This leads me to how you might be able to become a better actuary. In 2010 work was begun on a CF Self-Assessment Tool that measures your skill level for each of the eight competencies. You are asked to rate 100 items in terms of how important they are to your work and how well you are able to perform them. At the end of the assessment, a PDF file is generated that graphically shows your results along with all the supporting detail. This provides information on which competencies you are meeting or excelling in, and in which ones you have gaps. The competencies with the largest gaps are areas where you may want to focus your professional development efforts.

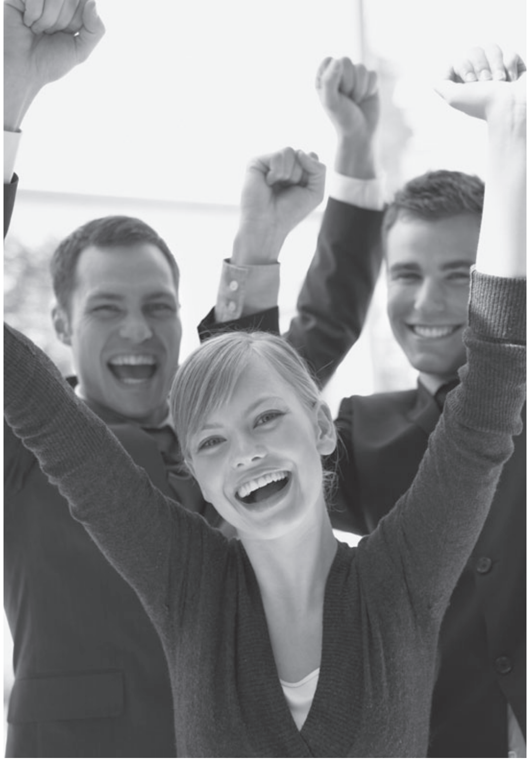
Below is a graph of results from when I used the tool and gave some random answers. Based on these results, you can see a gap in communication skills exists along with some other, smaller gaps.

So now that you know in which competencies you have gaps, what can you do about closing those gaps? Along with the Self-Assessment Tool is a personal planning workbook, which provides professional development suggestions for each competency. In addition, there is a tab with all professional development offerings from 2010 listed by their primary competency. Remember that even if you didn't attend those sessions, the content for many is still current and relevant, and recordings are available for some that might be relevant for you. The full listing of audio recordings is available on the SOA website. Are you attending upcoming SOA meetings? As you plan which sessions to attend at the meetings, look for the session descriptions—each identifies the primary competency it supports. If you haven't checked out the redesigned event calendar on the SOA website, please do so. For all professional development opportunities, the primary competency is identified. Again, this will help you focus your professional development plan.

At the beginning of the Self-Assessment Tool you are told it will take about 45 minutes to complete and you are not able to save what you have done and come back to it. It did not take me that long. Others have told me the same thing, so don't let that prohibit you from using the tool. Even if it takes even more time, you're worth it.

We all have areas in which we can improve. From a personal viewpoint that is a great reason to make use of the tool. If you are interested in becoming a better actuary and furthering your career (and who isn't?), here is one way to help make that happen.

In my current role, I have 14 actuaries who report to me, ranging from seasoned FSAs to entry-level students. I am also a part of our company's Senior Actuarial Leadership Group. In that role, I have encouraged all of our actuaries to use the Self-Assessment Tool and the planning workbook. By going through the process, it will help make them better actuaries. This is good for their personal and



professional development. And, it will also make them a more valuable resource to the company.

From a company perspective, the Self-Assessment Tool will allow actuaries to focus their development opportunities on their gaps. This should make more efficient use of the investment a company makes into professional development for its employees.

The feedback I have received has been positive in terms of identifying gaps and providing opportunities to close them. If you are a more seasoned actuary, it may confirm what you already know. If you are on the younger side, it can provide insights into becoming a more rounded professional.

Can I tell each of you how to become a better actuary? I can't do that. But using the CF and the Self-Assessment Tool can help you identify areas where you can focus your professional development and further your career.

The Right Moves

by Scott Haglund

Scott D. Haglund, FSA, MAAA, FLMI is the director of life actuarial services at Federated Life. He can be reached at *sdhaglund@fedins.com.*

After never believing I would leave my first employer, I have just stopped to think I am working for my sixth insurance organization and have held jobs in four states. I don't believe this makes me an expert in moving, but it has given me an opportunity to learn what is important in a company and how to evaluate my life. Here are a few things I've learned from my career travels.

GOALS MATTER

A key consideration is having a direction for your life. Note that I said life, not career. A new job will bring with it new life connections along with the new work responsibilities. You may have volunteer interests in your community you will need to give up to pursue a change in career, so if these are important to you, they need to be considered.

Without a direction, it doesn't matter where you are working.

> **Alice:** Would you tell me, please, which way I ought to go from here?
> **The Cat:** That depends a good deal on where you want to get to.
> **Alice:** I don't much care where.
> **The Cat:** Then it doesn't much matter which way you go.
> **Alice:** So long as I get somewhere.
> **The Cat:** Oh, you're sure to do that, if only you walk long enough.
>
> *Alice in Wonderland*, by Lewis Carroll

If you've taken time to write your goals for both your personal and professional life, they will provide you with insight into what opportunities should be pursued and which ones should be ignored. It's exciting to have someone pursue you for a new position, but the excitement will wear off quickly if the new role is just "more of the same" and does not provide you with what you're looking for.

Career goals, objectives: Spend time thinking about what you would like to accomplish professionally, keeping in mind the amount of time you want to spend on your career. For example, you may want to become a manager, but may not be willing to spend the additional time management positions usually entail. Work on getting specific, written goals that detail what you would like to be doing as well as the skills you need to develop to get you there. As new positions within and outside your company come about, this will help you decide what makes sense to better achieve your career goals.

Personal goals: Your personal interests can also dictate where you should be working. If you have an activity or group that energizes you and is a passion in your life, a decision needs to be made on what takes precedence—your passion in your personal life or your goals for your career. It's possible that a passion in your current location is not easily found in a new location. Once at a new role, you may discover that fulfillment in your personal life is now missing.

Family goals: As a family, you need to decide what is important to you. If your extended family and their life events are a top priority, then the location and hours needed in your career are important considerations. Without the support of your family, a successful job and location change is difficult, if not impossible. Make sure you define what is important for your family, not just for you.

STRUCTURES MATTER

Although not obvious initially, it will become very clear shortly that you've given up most of your support structure and potentially your spouse and children's entire support structure. In your current position, those supports may now be second nature, but when they are gone, it's very clear what they provided. The support comes from a variety of places.

School, teachers: In your current situation, you are likely comfortable in knowing your child's teachers and how the school operates. You know what is coming for them in future grades as well as the general flow and calendar of the year. It will take time to build the relationships with both the school and the teachers in a new environment.

Babysitters, child care: When you need a mental health break, you have probably built a network of people that can help you out with your children. Also, if you and your spouse work, arrangements are in place for the necessary child care that you're comfortable and familiar with. It will take time to find those new connections in a different location. You will need to be prepared for a few months of "family time" and potentially few parental breaks.

Doctors: If you or your family have specific medical needs, you will need to consider where doctors are located that deal with that condition. You'll need to research what doctors and specialties are present in the new location before just assuming they are there. It can be difficult to find doctors in new locations, particularly if you don't have existing connections to that area. Once in the new location, you will need to rely on co-workers or other new friends to get recommendations on doctors you can trust for yourself, your spouse and children.

Religion: Your religious network can also be very difficult to leave behind. If you're used to having them share your life and its challenges, that will be a noticeable impact on your mental and spiritual well-being. Similar to the doctors, you can't assume your denomination or affiliation is present in the new area. Depending on the importance this has in your life, this could be a serious consideration as you look at new opportunities. It's not impossible to find these new connections, but you need to be prepared for this loss as you move into a new area.

Friends, parties, clubs: Outside activities are important parts of your life and factor into your decision on your future direction. These people and events are vital stress relievers. Are you willing to give this up to better meet your career objectives? Again, this outlet isn't gone for good, but may take a while as you get connected in your new role.

Mentors, networks: In any new position, it takes time to get connected with the life blood of the company. Questions that you can answer easily now will become more difficult in a new company structure. You may not know initially who to ask for assistance, and the terminology of the new company may not be familiar to you. In your current role, you may also have natural mentors that are helping you develop and of whom you can ask questions. Again, they are not completely gone from your life, but you may no longer be able to ask the same questions of them that you became accustomed to. Over time, new mentors will come and you will plug into the new network at the company, but you do need to consider this impact.

Overall, the biggest thing is that you will need to be intentional in creating the new support systems.

CONTINUED ON **PAGE 22**

Although difficult, you may need to get out of your comfort zone to find the business and social connections needed in the new area. Regardless, the impact that your current support structures have on your life needs to be carefully considered before deciding to make a change.

FAMILIES MATTER

It is your career, but it's also a family career. What you say and do is as important to you as it is to your family and to those close to your family. The cost of the move on your family can be tremendous.

> ***Social Outlets:*** You will need to think about what you do for "fun" during your week. This could include shopping centers, restaurants, golf courses, playhouses or other activities that are important to you. If you are moving to a different part of the country or world, some of what you do now may not be easily accessible. What you will do outside of work has to be factored into your decision,
> As part of this social outlet, you may be heavily involved with family events. If the move involved a significant distance, it may no longer be possible to attend most events. Initially this may not seem to be an issue, but over time, you may begin realizing family was more important than you thought.
>
> ***Friends / Playmates:*** The ability to just pop over to a friend's house or a next door neighbor for your children is important too. Facebook, Skype and text messages can keep you connected, but that is different than hanging out in their family room. It's not quite like a death, but it can seem like that when the pressures of all the areas mentioned above come to bear at the same time. You will need to at least realize that you may not have their physical support when it is needed the most.

Discussions to have with spouse and family:

1. What are you giving up by leaving your current school? What are you gaining in your new school?

2. Are we willing to sacrifice our time with family and family events?

3. How will we prepare for the life changes—doctors, dentists, child care, housing, busing, additional / fewer cars, etc.?

Discussions to have with yourself:

1. Am I moving away from something or am I moving toward something?

2. If I'm dissatisfied with my current role, have I tried to alter the position with my manager, or even explicitly discussed my issues with my manager?

3. Other than money, what would a new role provide to me?

4. Does this opportunity move me closer to the goals I've set for my life (both personal and professional)? What does this opportunity provide me that I'm not getting today?

I have been fortunate in my career to have opportunities that occurred at the right time and for the right reasons. By knowing what was important in my life, I was able to ignore the opportunities that didn't meet my interests and focus on ones that were truly a good fit.

The balance of professional and personal priorities changes over time, so this is definitely not something you only do once in your life. The goals for your career and the goals of your family need to be reconsidered and discussed throughout your career. The biggest thing to keep aware of is the complete impact change has on both your life and the life of your family. If you prepare before making quick decisions, you will be more likely to find a new opportunity that you don't regret later.

Seven Steps for Setting Yourself Apart

By David C. Miller

Looking to enhance your career status? Would you like to set yourself apart rather than simply do a solid job and get another 3 percent merit raise?

What if you approached your career as if it were your very own business? What would you do differently?

If you are a consultant, this way of thinking may not be a huge leap. But when you work for a company performing functions that are not directly revenue-producing, you may not have thought about this approach.

It's time to start thinking like an entrepreneur. Imagine your career is your own store-front business.

Here's a *checklist of seven elements* that are required for you to be successful:

1) **Create a vision and business goals that inspire you.**

You can navigate your career to a specific destination, or you can just go with the flow like a raft drifting to wherever the ocean currents take it. As the old saying goes, *"If you aim for nothing, you will hit it every time."*

Vision and goals are critical for any business. Powerful goals create both inspiration and clarity. Too many company workers just come in and do their jobs. If you want career growth, you want to shoot higher.

Many professionals get discouraged about the idea of setting the bar high because they feel they have little control over the result. As a business owner, you have no choice. You need to succeed in any environment. Entrepreneurs don't stop until they find a way to succeed.

What are your inspirational career goals? What is your vision for yourself and the contribution you want to make in your organization?

2) **Identify your target market.**

Successful business owners know who their customers are. They know the specific demographics, core needs and buying patterns. Start identifying who your customers are in your organization. *Who depends on you for the services you provide? What problems do they have in areas where you can help them?*

You probably have many stakeholders that rely on you: senior management, your supervisor, colleagues, direct reports, etc. Your approach to working with them will change when you think about serving them as customers.

3) **Identify your "product".**

Here you want to identify "what you are selling". Your product is much more than the functions you perform. It's more about the solutions you provide; the value you add to the organization.

You may calculate reserves, re-price a product or conduct experience studies. You need to ask the question, *"So what?"*. Drill down to the value you add to the organization. *What problems are you solving?*

4) **Craft your impactful marketing message.**

Having a good product is necessary, but far from sufficient when it comes to being successful in business. I have worked with brilliant business owners with tremendous product offerings, yet they struggle because no one knows about them.

You need to be a good marketer to be successful in business.

You might be cringing as you read that last sentence. To many actuaries the word "marketing" means "shameless self-promotion."

The good news is that you don't need to be arrogant or conceited to market yourself. People just need to

CONTINUED ON **PAGE 24**

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

know what you do. You must know what to say to people when you are at your next SOA networking session and they ask you *"What you do?"*

The good news is that if you know your target market and your product, you have the beginnings of a strong marketing message.

The key to making your message impactful is to really drill down to the essence of where your value is.

A simple formula is:

"I help ____________(fill in your target market) _______________(fill in your value add).

For example:

"I help chief actuaries identify and resolve financial surprises before they reach senior management's attention."

This formula is just the beginning of your message. I will cover this in more detail in a future article.

5) **Master internal networking.**
Once you have identified your message, you need to get that message out in front of your target market. Business owners and consultants do this through traditional marketing methods such as speaking, writing, direct calling, etc.

As a company actuary your key marketing method is networking. Remember, you don't want to be the best-kept secret in the company. The best way to increase your customer base is to develop relationships with "prospects" in your company.

Think of 10 people in the company with whom it would be valuable for you to have a relationship. Invite them to lunch and get to know them. Find out about their goals and challenges. Look for ways to help them. This will increase your worth in the company.

6) **Consistently create value for your customers.**
As more people know you and rely on the value you bring, you want to make sure you execute with excellence. Always look for ways to go the extra mile.

It is much easier to keep an existing customer than to go out and find a new one, especially when you are in an environment where your target market is limited. If you disappoint your CEO there are no more CEOs to market to in your company!

As you over-deliver, your reputation grows. Keep working on developing your skills, both technical and interpersonal. Think outside the box about solutions you can provide.

7) **Monitor your stock value.**
You need to stay aware of how you are adding value and, more importantly, how that value is being recognized. I don't mean being a "recognition hound" always looking to be rewarded directly for everything you do. You need to keep your finger on the pulse that the company in general sees, and ensure critical players understand the contributions you make.

If they don't, you can easily become a casualty of downsizing. Even more importantly, you won't be getting greater opportunities to make impact and won't realize the goals you set in critical element #1.

Just like any company wants to enhance its stock value, what are all the ways you can grow yours? Start thinking like a business owner when it comes to managing your career and you will start making things happen. Want help with this? Drop me a line at Dave@LeadershipGrowthStrategies.com and we can have a complimentary consultation.

You need to stay aware of how you are adding value and, more importantly, how that value is being recognized.

How and When to Just Say No

by John West Hadley

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*.

During your career, career search, home life, etc., you will often be faced with a plethora of possible actions and requests far beyond what you can, should or are currently willing to handle.

Those who are busiest or most in demand tend to be viewed as most capable or willing, or able to juggle the additional responsibilities, and therefore find themselves called on to do even more. When my son was in kindergarten, I volunteered to replace the retiring secretary of our Parent Teachers Organization. Little did I realize that would lead to over a decade as a PTO officer, and a real challenge finding anyone willing to take over for me as president!

How do you decide where to focus your energies? And how do you keep from getting distracted and sucked into bottomless pits of less productive activities?

First, keep your eye on the prize. Examine your goals, and make sure that the initiatives with which you are getting involved or the activities you are making a core of your strategy feed those. It's OK for some to be personal interests vs. professional goals, and it's OK for some to be not directly leading toward your short term goals if they feed your soul, just make sure they are truly doing that.

I'm reminded of a conversation I had a few months ago with an actuary who had been looking for a new job for over a year. He mentioned the variety of things he was doing, and when I suggested he might benefit from a more focused goal, he said that all of these things he was looking at were interesting.

He talked about things he was doing to keep current in the industry, and mentioned a highly specialized committee he had recently joined *"because it was interesting"*. (The committee was in a totally new product area in which he had no prior expertise.) When I challenged him on how that particular committee would help him in his search, he said that companies operating in that space might then consider him. When I asked how many companies that was, he admitted it was a very small pool.

I'm not suggesting that you not get involved in various initiatives—after all, that can both feed your soul and provide outstanding networking opportunities. Volunteering is a great option to move your career forward on many levels—for a discussion of how, read this article:
Volunteer ... To Be Marketable at www.JHACareers.com/Volunteer.htm

What I am going to suggest is to manage your activities carefully. It is easy to have a modest commitment morph into a major drain on your limited time and energy, and particularly if you are in an active job search, this can be devastating.

Next examine the level to which you can afford the involvement or focus.

Finally, one of the most important strategies is learning the art of saying "No."

There are two extremes here. One is the sharp, brusque "NO!" that has others start to view you as being negative, unhelpful or only in it for yourself. This contributes to a poor professional image that can harm you just as much (or more) than having gone ahead and gotten involved.

The other extreme is the excuse-filled "No." This is where you provide all sorts of justifications for why you are saying "No", and they come across as overkill, just a series of excuses rather than valid reasons. And again, this damages your professional reputation.

So how do you navigate between this Scylla and Charybdis? Let me present three principles to help you.

1. Give yourself permission to say no.
This sounds obvious, but it's very powerful. I recall a board I had been sitting on since its inception

that was progressively getting less interesting and more demanding (since some of us were much more active than others). Something else came up in my professional life that made it difficult to continue that level of involvement, but I felt guilty about stepping back, particularly since I was one of the founding members.

My natural inclination would have been to simply step back a little bit, take on less, but stay involved to a substantial degree. I instead told the chair that I needed to step back, and offered the choice for me to contribute as I could (without attending meetings) over the next several months until my term expired, or to resign my seat immediately if they wanted it freed up for someone else to serve.

I can't tell you how liberated I felt leaving that meeting!

2. Listen to your inner voice.
In the instance above, I was progressively getting less excited about our mission (or at least whether we were making meaningful progress toward achieving it). When the outside event came up that prompted me to re-examine my commitment, rather than simply looking at how I could manage the two activities together, I listened to my inner voice. I felt some guilt about stepping back, but that inner voice was warning me that this board no longer fed my soul in a meaningful way, so I gave myself permission to say no.

To tune your inner voice so you can even hear it, you need to give some serious thought to your goals. Carefully examine them, so that when these choices arise you are able to clearly establish for each initiative how central it is to what you are trying to achieve.

Some can be focused on personal interests and others on professional goals (such as getting that next job or promotion), though you will find the most fulfillment when even those are aligned.

3. Like Nancy Reagan admonished, "Just Say No."
What I mean by this is to **follow the KISS principle (Keep It Simple, Stupid) and avoid lengthy explanations.** The more you explain why you can't do something, the more you either:
- Start to look whiny *("Oh, woe is me, I could help you if only I didn't have all of these other things going on."),* or
- Provide the requester ammunition for a continued discussion on how to change your mind. And going down this road makes it that much more difficult to stick with your "No" and still retain a positive, professional image.

I attended a seminar years ago where a similar principle was applied to apologies, and it was a very powerful concept. (For more on this, read "**Watch Your Buts!"** at ***www.JHACareers.com/WatchYourButs.htm.)***

There's a huge difference between a simple reason and an excuse. When you cross the boundary into excuse territory, you both lose credibility and seem less professional.

There's a huge difference between a simple reason and an excuse. When you cross the boundary into excuse territory, you both lose credibility and seem less professional.

CONTINUED ON **PAGE 28**

Just be sure to put some work into practicing these techniques so that they become natural for you.

For example, if someone in another department comes to you for help on a project, and you say *"I'm sorry, but I've got three other critical issues I'm working on right now, and I promised my family I wouldn't work late this week because we have friends visiting from out of town, and ..."* you've crossed into the land of excuses.

What if instead, you simply said, *"I'm sorry, I have critical deadlines this week."*?

Now how about a more subtle example of how you might *"Just Say No"* in a job search?

How many times have you had a discussion with a networking contact, and that person suggested that they send your résumé to HR? This tends to happen a lot, because it's something easy for them to do. However, it generally isn't very helpful to me as a job seeker, and it lets the contact off the hook, so they feel less pressure to do anything else. What I really want is to get a chance to talk to someone else, ideally someone who is in a position to hire me or to introduce me to the person who could.

So here's how I might deal with that suggestion.

"Jim, I really appreciate that. You know what would be really helpful to me? I would love the chance to talk to someone in the finance area, so I could start to get a feel for their issues. Who do you know in that area to whom you could introduce me?"

What I've done is deflect the request a bit, without directly saying no. If Jim still wants to take my résumé to HR, that's fine—it's not going to do me any harm. But I've taken the question as an opportunity to lead Jim toward the referrals that will really move me forward.

You can apply this to almost any suggestion Jim might make that you don't believe will be particularly helpful. Don't tell him that it won't be helpful, as that is a criticism that can hurt the relationship and shut down further suggestions. Just deflect it a bit like I did above...

"Jim, thanks for the idea, and I've actually done something along that line already. You know what would really help me move forward..."

Just be sure to put some work into practicing these techniques so that they become natural for you. As one colleague advises regarding job interviews, *"You should have at least five hours of role play before your first interview. After all, you don't want the interview for the job you want to be your practice interview!"*

I'd love to hear your own techniques for saying "No" professionally, to include in a future issue of *The Stepping Stone* (anonymously, of course, unless you specifically tell me you would like attribution). Just drop me a note with your suggestions at *SteppingStone@JHACareers.com.*

What's So Good about Setting Goals?

by Doreen Stern, Ph.D.

Actuaries are good at setting goals, right? After all, you set the goals of earning a degree, landing a job, passing rigorous tests and perhaps getting promoted. Yet if you're like most of us, your mojo sometimes gets depleted and you may languish on the vine.

Most everyone runs into a brick wall at some point in their lives. Even more perilous, though, is not having a dream you're aching to realize.

WHAT'S SO GOOD ABOUT SETTING GOALS?

There are six benefits associated with setting and achieving goals, whether it's improving your golf swing or losing weight so you can look better in your bathing suit:

1. Setting a goal and taking small steps makes you happier, pure and simple. It gives you something to look forward to and work toward. With each step you take, your brain secretes dopamine, a powerful neurotransmitter linked to joy.

2. Pursuing a meaningful goal improves your self-esteem. Every time you move toward your goal, you feel prouder and more self-confident. As a result, you feel more in control of your life—that you're steering the boat, rather than being buffeted by stiff winds

3. Goals add structure and meaning to your daily life. You have things to accomplish ***for yourself,*** not just what your boss, spouse, siblings, kids and friends require of you.

4. Setting and achieving a goal helps with time management, too. Pursuing your personal goal helps you throw overboard many of the time wasters we all engage in.

5. Goal commitment also helps defuse stressful situations, like illness, job loss and unpredicted life events. Your goal provides ballast in these difficult times, even if the situation may temporarily require you to scale back your lofty aspirations.

6. Finally, goals broaden social networks, since goals are rarely accomplished in a vacuum. As a result, when you're pursuing a goal, you feel more "connected," with a greater sense of belonging.

WHAT KINDS OF GOALS PROVIDE THE BIGGEST BENEFIT?

It turns out that not all goals are created equal. There are two kinds that provide the biggest bang. They are intrinsic and activity goals.

Intrinsic goals are ones that are personally rewarding to you. They are freely chosen and matter to you on a deep level. They might include writing a book that you've been hungering to begin, lowering your golf handicap or sailing around the world. Maybe planting a garden or learning to swim. The common element is that you're pursuing them for yourself—and yourself only.

These kinds of goals satisfy your most basic needs, particularly, your desire for:

Goals add structure and meaning to your daily life.

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

- autonomy, a sense that you're in control of your behavior;
- competence, a feeling that you're effective in dealing with your circumstances; and
- relatedness, a sense of satisfaction concerning your interpersonal relationships.

Extrinsic goals, on the other hand, reflect what others expect of you: they're based on gaining the social approval of your boss, parents, spouse, friend or neighbor. In the long run, they rarely feel good when you're either pursuing or accomplishing them. Instead, when you cross the finish line, you may ask, *"Is this all there is?"*

Similarly, **activity goals** supersede goals which involve changing your circumstances or acquiring something new. Buying a high definition TV may have felt great the day you took it out of the box, but if you're like most of us, you quickly became accustomed to its big screen and bright picture.

On the other hand, when you set a goal that requires you to keep taking steps toward a clear objective, you keep reaping the rewards. For example, every night that you cracked open the books when you were studying for your FSA, your brain applauded your efforts and secreted dopamine.

WHAT STOPS YOU FROM SETTING AND ACHIEVING GOALS?

"If goals are so good, what stops me from setting and achieving them?" you may ask.

Stress is high on the list. Your brain becomes overloaded and thus runs more slowly. You might tell yourself, *"I'll think about this tomorrow, when I have more time."* But that day never comes.

Fear is another impediment. *"What if I fail?"* you may ask, not wanting to embarrass yourself.

And surprisingly, folks often say they don't know what they want.

I've come to recognize that not knowing what you want is merely a mirage. Deep down, we ALL know what we want. It's usually something that's been within us for years, just waiting to come out. Just waiting for a supportive environment and a smiling face.

You are much more likely to tackle tough goals when you have support. Indeed, mountains often become molehills.

In a study published in the *Journal of Experimental Social Psychology,* researchers asked participants to stand at the base of a steep hill and estimate how tough it would be to climb. Those standing with a friend gauged the ascent to be less steep compared with those who were alone.

So when you start considering your goals, talk your ideas over with a friend. Ask your buddies about their dreams, too. Set goals. Take small steps.

You'll become happier, more confident and more engaged in life.

If I can help, don't hesitate to holler.

More Larks than Owls at New Orleans
Book Review Session

Frank Grossman

Once again the M&PD section sponsored a Breakfast Book Review session, this time at the 2011 Life and Annuity Symposium in New Orleans (May 15-17). Though the city was besieged—by the big brown Mississippi river—a small flock of brave actuaries found their way to this 7:00 AM gathering. Not surprisingly, the larks outnumbered the owls in attendance (by show of hands) at this early hour by at least a 4:1 ratio.

Four books, all with long titles, were reviewed during this session:

- *WE: How to Increase Performance and Profits Through Full Engagement,* by Rudy Karsan and Kevin Kruse;
- *How Great Decisions Get Made: 10 Easy Steps for Reaching Agreement on Even the Toughest Issues,* by Don Maruska;
- *Analytics at Work: Smarter Decisions/Better Results,* (reviewed by Meg Weber on pg. 15 of this issue) by Thomas H. Davenport, Jeanne G. Harris and Robert Morison; and
- *The Influential Actuary: How Actuaries & Other Technically Oriented Professionals Set Themselves Apart,* by David C. Miller

SOA Staff Partner, Meg Weber, was a returning panelist and tackled the first three books on the list, and I reviewed the fourth book. (Editor's Note: Meg's review of *WE* appeared in the February 2011 issue of *The Stepping Stone.*) Once again, copies of the books were raffled off to the session attendees. Ryan Fleming won *The Influential Actuary*; William Leung won *WE*; Amrit Jadnanansing (all the way from the Netherlands!) won *How Great Decisions Get Made*; and Michelle Lindo won *Analytics at Work.*

Frank Grossman, FSA, FCIA, is a senior actuary at AEGON USA who, when working under the shadow of a newsletter deadline, recalls Pascal's wise words: "The last thing one knows in constructing a work is what to put first." He can be reached at *fgrossman@aegonusa.com* or 319.355.3963.

SOCIETY OF ACTUARIES Management & Personal Development Section

the stepping.stone

475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
p: 847.706.3500 f: 847.706.3599
w: www.soa.org