

The Actuarial Ethicist: Responses to “Jam Sandwich”

by Frank Grossman



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THE CASE STUDY

Briefly summarized¹, 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

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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 ‘blindness 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.

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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 not 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

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

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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 *The Stepping Stone* for the complete description of this case study.