SOCIETY OF ACTUARIES Management & Personal Development Section

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the stepping stone

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The Actuarial Ethicist: Ahead of the Curve

by Frank Grossman and John Hadley

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

The past year has been a whirlwind for Neil the FSA. Since becoming the chief actuary of his insurance company four years ago, Neil invested considerable time and resources in the development of his staff and the improvement of their models—and their hard work was just beginning to pay off. But everything changed a little over a year ago, when his company was purchased by a larger competitor, and a new CEO, Roger, was transferred from the parent company and became Neil's boss.

The parent company has considerable expertise with long-term disability products and in markets similar to Neil's LTD lines. Following the acquisition, its claims experts conducted a detailed review of all large outstanding LTD claims at Neil's company. And their final report highlighted substantial opportunities to close, reduce or settle a sizeable number of claims with long tails.

Neil met with Roger to discuss plans for the upcoming financial reporting year-end, during which Roger brought up the LTD claims analysis. Roger observed that the LTD reserves appeared to be overly conservative, and asked what could be done about that. Neil eventually agreed to revise his LTD claim assumptions for the cohort of claimants targeted by the review, partially reflecting the anticipated impact of the parent company's more efficient claims management practice. This meant that Neil's year-end claim reserves for the LTD lines in question decreased by approximately 10 percent on average.

Following year-end, Neil received a routine telephone call from Bruce the auditor, and they discussed the year-end valuation process. Bruce challenged the appropriateness of the reduction in LTD reserves, and asked Neil, "How can you defend your change in assumptions?"

WHAT SHOULD NEIL DO?

Send your suggestions before Feb. 15, 2011, to Craigmore54@aol.com. The discussion of Neil's dilemma will be published in the May 2011 issue of The Stepping Stone.

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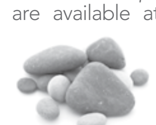

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Groundhog Goals

by Kristen Walter Wright

Happy 2011! I trust you are quite rested from your holiday festivities and have already charged headfirst into this new year.

While New Year's resolutions are a fond notion of several people in my life, I've always had a difficult time with them. On New Year's Eves past, I would excitedly make a list of a few changes I'd make with the dawn of the new year. While some of my goals worked out well, most goals worked out poorly and several goals crashed and burned. After recognizing this personal pattern, I opted out of resolutions for a while.

Over the last few years, I have found a better solution that has worked for me—Groundhog's Day goals. My February goals (I make two) allow me to take stock during a time with a representative day-to-day routine, rather than a holiday-influenced schedule. The month of January grants time to review where I am in my life personally (relative to my pending early February birthday) and where I am professionally (you guessed it—I receive my performance review in January).

SMART (Specific, Measurable, Attainable, Relevant and Time-Based) goals are a familiar concept and a strong starting point. Even better is to ensure that I can execute on my resolutions. As I set my Groundhog's Day goals, I maximize the effectiveness of my goals by taking the following factors into close consideration:

1) Relevance. A key attribute of the SMART goals concept, I hadn't taken the relevance criterion to heart in the past. Why is this particular goal important? What are the consequences if I do not follow through? Is this change for my own sake, rather than due to external pressure? Am I ready to make this change?

2) Share Your Goal. Create accountability beyond yourself. Is there a trusted colleague or partner with whom I can share my personal (and perhaps fragile) goal? What advice do others have to assist me in making this change?

3) Identify Obstacles. What stands between me and my goal? What do I have the power to change and what is beyond my control? What actions will I take to overcome or work around these obstacles? What are potential pitfalls, and how do I prepare to address them so I am ready in the face of a challenge?

4) Prioritize and Stop Doing. In order to make a change in my habits and approaches, I need to prioritize my finite schedule. If I want to change, how do I make my goal a high priority? What are my competing priorities? What will I allow myself to stop doing in order to move forward?

5) Act. While I can analyze and admire a goal to paralysis, contemplation alone will not get the job done. Action may drive thinking, though the reverse does not always work. What steps will I take to advance the ball?

6) Reassess and Renew. As New Year's Day falls on 1/1 and Groundhog's Day falls on 2/2, I make it a point to assess my progress toward my goals on 3/3, 4/4, and so on. Am I on the path that I had foreseen? Am I closer to my goal? If I am not closer, how can I change my approach to reach my goal in a different way? When I have been discouraged, I've found the act of revisiting the relevance of my goal to be a powerful motivator.

While my Groundhog's Day approach has not proven perfect, I've experienced far fewer crashes and burns and have been able to stick more closely to my personal goals.

Have you set new goals for yourself recently? How will you maximize the effectiveness of your own goals in 2011?

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Responses to "DAC Expectations"

by Frank Grossman

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THE CASE STUDY

Briefly summarized,[1] Mary the FSA rotated into corporate actuarial just before year-end, reporting to Irwin the FSA and chief actuary. After year-end, Irwin asked Mary to: i) review and update the mortality and (dynamic) lapse rate assumptions within the valuation models; and ii) update the financial plan projections for Philip the CFO.

Irwin approved Mary's assumption changes, which were incorporated into her models along with sundry model "fixes." These revisions caused the projected expected gross profits (EGPs) for one product line to change such that the deferred acquisition cost (DAC) asset had a negative unlocking of $25 million (i.e., the DAC balance would be written down by this amount).

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

READER RESPONSES

Your comments and suggestions about Mary's next move ranged from adopting tighter process control to improve confidence in her model projections, to building a stronger working relationship with the CFO. Responses have been edited for space considerations.

Flying Blind

Several readers expressed concern that Mary learned about the positive unlocking built into last year's work *after* she handed off her revised projections. Becoming familiar with her predecessor's working papers before beginning work would definitely have been good practice. Given that the year-end crush had passed, there should have been time to attend to this preliminary step. Fair to say that being put in the position of breaking the news to Mary was unlikely to enhance Philip's opinion of Mary and of the corporate actuarial department.

One respondent summarized the hole Mary dug for herself: "*Mary didn't bother looking at the old projections first, and didn't know what other people were expecting. She didn't quantify the impact of the assumption changes before signing them off. And Mary didn't write up the model fixes.*" A veritable triple threat.

You Say Prah-sess; I Say Pro-cess

Several actuaries advised Mary not to revise her assumption changes "*just to manage the DAC impact*." (All good actuaries to the fore!) But how to go about managing the assumption change process? One wondered whether Mary has the necessary training and experience to set assumptions and prepare projections. "*She is new to the area and even as an FSA may not have an appropriate background to do this work. People tend to underestimate what it takes to correctly analyze and revise assumptions*." The same actuary noted that there are experience analysis and assumption-setting papers published by the Society of Actuaries (SOA) and the Canadian Institute of Actuaries (CIA), as well as an American Academy of Actuaries (AAA) credibility practice note, which might be helpful to Mary. This was a handy segue to the keen observation made by another actuary: "*While the new assumptions seem to be carefully prepared based on 'relevant experience studies,' there is no mention (in the case) whether the experience itself was credible*."

A third recommended, "*The standard for changing a very material assumption should be somewhat higher than the standard for changing a less mate-*

FOOTNOTES

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

rial assumption. So, it is very useful to run the new assumptions through projections before passing them along. It is too easy to conclude that a small change in mortality or lapses is immaterial until you confirm its actual impact. When you know which assumption changes are material to projections, they can be analyzed more carefully." There is, of course, a world of difference between "*analyzed* more carefully" and "*managed* more carefully" to arrive at a desired income effect—which is a definite actuarial no-no.

One reader cautioned, "*Mary should be careful to assess and explain the significance of the experience studies that led to the change in assumptions, and should beware of changing assumptions to reflect the full difference between recent experience and earlier assumptions. Such practice often leads to wildly fluctuating financial results as the actuary first capitalizes a long series of future losses and later capitalizes a long series of future gains*." A second observed that "*sometimes recent experience is not the best indicator of long-term experience*." The first reader's follow-on, "*Conclusions from experience analysis are rarely hard, almost always soft,*" underscored the importance of exercising professional judgment when setting actuarial assumptions.

The Art of the Modeler

While experience analysis can occasionally lead actuaries down the rabbit hole, a number of respondents offered practical suggestions. Regarding the rubber-stamp risk: "*I tend to find that chief actuaries are too busy to supervise people and their work closely*." Another actuary added, "*Irwin should have recognized the potential for a major change in results (even if Mary didn't) and worked with her to prepare themselves better—and not have left Mary high and dry.*"

One actuary neatly observed that "*there is no mention that anyone other than Mary signed off on the model fixes or that they were ever written up. Mary implemented the assumption changes and the model fixes that resulted in a large negative unlocking; Mary should back up and quantify the impact of each model change one at a time. Even a careful actuary can make a mistake when implementing an assumption change or a coding fix*." Another pointed out that "*fixes should be done all at once and thoroughly tested and peer-reviewed before implementation. Otherwise, you may have DAC balances and income bouncing around whenever Mary has the inclination to 'fix' her model. It's a model—there are always things that could be improved. Improvements need to be made according to a structured process.*"

Mary was also tasked with assessing the dynamic lapse rates. Scenario-dependent assumptions often defy experience analysis simply because "past results are not necessarily indicative of future performance." As long as we continue to transit economic terra incognita, the actuary may have no better recourse than to rely upon his/her judgment—and lots of sensitivity testing—when revising dynamic assumptions.

Nelson Eddy on Line One

A perennial challenge is that electronic media is inherently impersonal, so that while telephone and e-mail offer convenience and immediacy, one ought to be ever alert to the possibility of inadvertent *mis*-communication. One reader wondered, "*What does Philip mean by 'That's not good enough.'? Is he challenging the current answer? Is he complaining that once again the actuaries are changing their projections? Is he saying that Mary's explanation is not good enough?*" It was easy to zip past Philip's comment without considering its apparent ambiguity, as many readers did.

The same reader pointed out that Mary has no absolute way of knowing why Philip was short with her: "*Philip might have just had an uncomfortable meeting with his boss or a spat with his wife. Best to ignore the one atypical incident and assume it was nothing to do with her*." By taking this possibility into account when planning her next move, Mary might evince a more positive attitude toward Philip and find him not so difficult next time.

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There is, of course, a world of difference between "*analyzed* more carefully" and "*managed* more carefully" to arrive at a desired income effect—which is a definite actuarial no-no.

On a different tack, another actuary opined, "*She made a mistake in calling him. Explaining a $40 million swing could never be appropriately addressed over the phone. Mary needs to regroup, gather more information, and re-approach Philip with a better presentation*."

One More Time, with Enthusiasm

Several respondents described Mary's need to apprise Irwin of Philip's reaction. "*They need to look into the assumptions used in the planning process, and reconcile and explain the difference in the model assumptions and projected results*." One reader plainly stated a key strategic objective: "*Once Philip feels comfortable that he doesn't have to do all the thinking for Mary and Irwin, his confidence in their results will improve*." A different kind of credibility rating.

A trio of readers noted Mary's immediate need to return to her valuation models. Mary's first task should be to replicate last year's planning projections as performed by her predecessor, to confirm her understanding of her new valuation models and their effective operation. Then Mary needs to "*rerun the old projections with the model fixes in them, and restate last year's $15 million write-up if necessary*." At this point, "*Mary should review her analysis and ensure that her revised assumptions are well supported by the analyzed experience trends*." The final model step should be to "*rerun the projections with both the model fixes and assumption changes, addressing one category at a time—mortality, lapses, expenses and interest rates—to determine which assumptions have a material impact, and revisit them most carefully*."

The goal of this model work is to "*produce a presentation that 'walks' down from the $15 million DAC write-up to the $25 million DAC write-down, explaining the dollar effect of each major change in assumption and model update. Until Mary can adequately explain the drivers underlying the change, she will continue to receive the 'not good enough' message*." One respondent summed up, "*If, after all of this, Mary and Irwin are comfortable with the negative $25 million result, then Mary is back to where we found her—but now management should have a much better understanding of why. This should make the ensuing conversation with Philip easier.*" And having a written document to share with the CFO couldn't hurt either.

One actuary outlined an alternate scenario: "*It appears that last year's planning assumptions must not have been based on any recent studies, and were too rosy. If that's the case, Mary and Irwin need to explain this situation to Philip, and emphasize that should the current best estimate assumptions change, they would need to reflect them*." This precludes the ability of an additional year's experience to materially influence Mary's assumptions, and begs the question: "Where was Irwin during the plan assumption approval process last year?"

Mindful that recent data is not always indicative, another respondent suggested: "*New experience rarely justifies a credibility factor of more than one-half, and often taking only a third of the variation (between emerging experience and the prior assumption) into account is more responsible. Mary should discuss this with Irwin; there may be room here to reduce the scale of Philip's problem with-*

out departing from actuarially accepted practice or compromising either actuary's integrity."

Take Two, with the CFO

With her ducks finally in order, Mary needs to address Philip's concerns about her recast planning projections. One actuary outlined an approach.

"*First, set up a meeting with the CFO, ideally in person. Mary should lay out the ground rules beforehand: that they agree to respectfully listen to all points of view and have a dialogue—before deciding on the next steps. Mary should make it clear that she respects Philip regardless of the meeting's outcome and final decision*." Mary should aim to facilitate a constructive dialogue based on identifying how their mutual "safety" is at risk. "*Mary needs to describe what she really wants, and what she doesn't want, to happen. Philip needs to also state the same*."

"*Then Mary should lay out the facts, as well as their shared goals and purpose: achieving financial accuracy is important; maintaining investor trust is also important; so is following established guidance. Mary is there to help Philip make an informed financial reporting decision. Ultimately, the decision may be Philip's, but Mary needs to make sure he understands all the facts.*" Mary should "*allow the CFO (and any others) to dispute or add information to these assumptions in order to have everyone's buy in and agreement that the assumptions, and thus the results of the assumptions, are appropriate*."

During their meeting, Mary "*would tell a story about adding $15 million of DAC instead of releasing $25 million of DAC, and what might happen down the road—about how they could potentially get audited, that financial results in the future might be worse, and it might look like they weren't diligent, or worse. Mary would then tentatively suggest that it might be in everyone's best interest to be open and up-front about the financials, so as to increase public confidence in them over the long run*."

"*Mary should ask Philip to 'tell me where I'm wrong,' and then ask for his story. By comparing both of their views, the discussion would lead toward a fair solution: reflective of the financial facts; including all parties' points of view; and, ideally, representing a consensus about the appropriate actions to be taken*."

On a slightly different tack, a veteran actuary mentioned that Irwin and Mary should bear in mind: "*... many senior managers challenge unexpected answers, and to a degree that is only right and proper. Sometimes, however, they get frustrated with the messenger rather than addressing the problem and then things can get difficult.*" This view was echoed by another respondent: "*Top management will often put their foot down, bang their fist on the table, and declare what must be so—but cave in completely when presented with the facts and why things are what they are. The key is clear, open communication.*"

The Other Side of the Hill

A canny actuary suggested that "*Philip seems to be struggling with a classic conflict of interest (viz. less unlocking today, higher net income tomorrow, larger pay packet soon) somewhat disguised by an ostensibly objective financial reporting process which in point of fact has an element of subjectivity.*" Such is the way of the world for some.

Another reader wrote: "*Mary should remember that Philip now has a problem, possibly a big problem. If he changes the financial plan by $40 million he has to explain it to his superiors (presumably the CEO and board). Further, if the company is publicly traded, he has to satisfactorily explain it to analysts or there is a risk they may make comments and recommendations that could significantly affect the firm's stock price. Strategically, Mary should not view her task here as convincing Philip of the need for a change. Mary should see her task as helping Philip to explain to others the need for a change*." Mary's natural ally is Irwin, and the authority of his office is a valuable asset. "*Tactically, Mary should make a recommendation to Irwin and ask him to endorse her recommendation. Endorsed recommendations*

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Yet, there are few guarantees should the assumption changes not be clear-cut, as is often the case when adjudging the credibility and relevance of the supporting data.

always carry more weight than original recommendations."

An empathetic third actuary suggested it was important that Mary tell Philip she "*respected his dilemma and understood his situation*."

The Best Surprise

Some respondents mentioned that Mary's experience was eerily familiar, and several suggested ways to improve the DAC calculation process at Mary's insurance company. Here is one real-world example. "*Each year, we convene a committee of stakeholders who have a strong interest in the effect of any DAC unlocking. Facts about experience and how this compares to our assumptions are presented, plus any concerns about the existing models. We lay out what is in scope for the year's analysis and what we expect may happen. There are weekly updates about where we are in the process and what the emerging DAC results are. By the end of third quarter, management knows what the impact is and exactly where the changes came from. It is truly amazing how much more smoothly things have gone since we put this in place*." And the best surprise? No surprise, naturally.

"*The only catch is that senior management is better informed now than they used to be. So, when I mention a concern about a mortality curve's slope or lapse rates in front of the chief actuary and the controller, both the CFO and the chief risk officer (CRO) start digging in with questions*." Care has to be taken that a mere "concern" doesn't translate into a major project. "*On the upside: they are listening. On the downside: they still haven't approved enough resources to answer all their questions*."

A Card from the Deck

One reader recommended: "*If the CFO still says 'not good enough,' Mary and Irwin should suggest getting their external auditor's opinion; after all, their financial statements have to be audited and signed off by the external auditor. Hopefully, with the auditor's help, Philip will accept the changes.*" Hopefully.

An auditor's response would most likely reflect their confidence in Irwin and his staff, based in part on the quality of their current analysis and their past working relationship. Yet, there are few guarantees should the assumption changes not be clear-cut, as is often the case when adjudging the credibility and relevance of the supporting data. And appealing to a third party, while retaining the option to disregard their opinion if inconvenient, is not quite cricket. Even if done discreetly, there's every chance that details would eventually find their way back to Philip.

Notwithstanding the potential benefit of peer review, a particular example of "drawing a card from the deck" was described by one reader. "*We once updated DAC assumptions to reflect credible mortality experience for an acquired block. The auditors formally objected to the change simply because it made a big earnings impact, as they thought the effect should have been phased in.*" Such is the dogged faith (even at this late date) in "trends" and "trendlines"—and perhaps even the tooth fairy too—in the face of tipping points and biweekly perfect storms. The reader continued, "*This was despite the fact that the underlying data was statistically credible, and other areas of our company had independently recommended the same assumption changes*." Another actuary simply observed, "*You need to be aware of the existence of other perspectives*." Roger that.

CONCLUDING THOUGHTS

Kudos to the three sharp-eyed actuaries who noticed a triple typographical error in the DAC Expectations case published in the October newsletter. Though a *fillip* may provide stimulus at arm's length, it shouldn't be confused with a *Phillip*, its phonetic equivalent. But, more importantly, both of these words ought never to be substituted for the genuine article, namely Philip—a name fit for an apostle and a king (or three), as well as a CFO.

Thank you to all who contributed to The Actuarial Ethicist this past year—with ideas for, or responses to, the four case studies. It's been suggested that "discretion is the better part of valor" and several contributors opted for anonymity. But each of the following contributors played a vital part in this column's success: Cindy Chen, Stephen Cheng, Mike Dorsel, Eric Janecek, Kevin Leavey, Jerry Loterman, Muhammad Haris Nazir, Joe Nunes, Bill Osenton, Amy Rosenberg, David Ruiz, Mary Simmons, J. Eddie Smith IV, Jeff Stock, DeVon Workman and the members of the UnitedHealthcare Actuarial Pricing Team. All these names went into the drum and the winners of $25 bookstore gift certificates are Mike, Eric, Joe and Mary. Congratulations!

Special thanks to Kevin Leavey, who gave the concept for the column a green light following the October 2009 Management & Personal Development Section Council meeting, and John West Hadley for his optimism and encouragement.

This hypothetical case study and its discussion are intended for the personal use and (possible) edification of members of the Management & Personal Development Section.

Managing in the 21st Century

Part 1: The Undercover Boss

by John Dante

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In the book Built to Last*, authors Jim Collins and Jerry Porras relate the story of an acquaintance who once had lunch with Sam Walton (the founder of Wal-Mart) in a local diner. In the story, Sam points to an individual across the room and says, "That is Joe. I admire Joe. He used to drive a truck and now he owns his own business selling chickens." Sam went on to say, "I could learn a lot from Joe." This was a very interesting comment coming from a man who was already one of the most successful retailers in the world, having amassed a fortune that made him the richest man in the United States from 1982 to 1988.*

This article is the first in a two-part series on managing in the 21st century. The purpose of the two articles is to provide guidance to those who are relatively new to management positions and want to understand the behaviors that make one a successful manager. It is also for those experienced managers who, like Sam Walton, believe that no matter how successful one is, there is always more to learn. Part 1 focuses on communication and technology.

Beginning in February 2010, the CBS network aired a TV show called "Undercover Boss." Each episode documented the experiences of a chief executive who went undercover at his or her own company—prominent companies such as 1-800-Flowers, Waste Management and White Castle. The unsuspecting employees who interacted with them were only told that they were to train a new worker who was being filmed as part of a documentary on breaking into entry-level jobs.

While each episode featured a chief executive at a different company, their experiences followed a similar pattern. In many instances, they struggled to perform the entry-level job. The executives were frequently told by unsuspecting supervisors that they were not cut out for the business. In fact, one chief executive was actually fired after his first day on the job. This provided a very amusing twist as many of these chief executives were instrumental in either starting or bringing their companies to prominence. The executives also experienced other unpleasant surprises. They saw how inefficient some of their companies' procedures were. They also saw first-hand how some of their new policies, that were meant to make improvements, had gone awry. From time to time, they would come across underperforming employees who needed additional training.

Fortunately, the good experiences outweighed the unpleasant ones for most of the executives. Frequently, they would come across dedicated employees and realize that it was the passion of these employees that contributed to the success of their company. There were many inspirational stories involving these dedicated employees as some faced extreme challenges in their life, but this did not dampen their passion for their job.

At the end of the show, the executives would reveal their identities and make changes in their companies based on what they saw. They might correct some of the flawed policies or implement an employee's suggestion. Most of the dedicated employees were provided additional opportunities for growth, including becoming managers or trainers. The bottom line is that the executives very much valued these "undercover experiences" because they learned a great deal about their companies and as a result, they were able to make them stronger and more successful.

I believe that many of today's managers take for granted that the simple and timeless concept of communication can make companies more successful. Perhaps it is because we think that we are already advanced in the area of communication as a result of today's technologies such as e-mail, BlackBerrys and automated call centers. However, I don't think that this is happening in all instances. In fact, I believe that when we do not manage technology correctly, we can actually make companies less productive. As managers, it is our responsibility to make sure that this doesn't happen.

Let's start with e-mail communication. Most companies are heavily reliant on it these days. Sometimes we become too reliant. Take, for example, employees who sit in cubicles next to each other who choose to e-mail rather than just talk to each other. That doesn't appear to me to be a more efficient way to communicate. Another aspect that seems inefficient is when someone chooses "Reply to All" to respond to a message when it is not appropriate. Sometimes these e-mail strings become an inefficient discussion as many participants don't have the ability to contribute fully and in a timely fashion. Perhaps there should be logic in a company's e-mail system that sends the fourth responder into the conference room scheduler with all the CCs loaded as meeting attendees.

One of the problems with the proliferation of unnecessary e-mails is that it becomes easy to miss the ones that we need to act on. If you were to ask me about the greatest problem with e-mails, I would have to say that it is the frequent miscommunication that results from them. There have been many instances where I either unintentionally offended someone by an e-mail I sent or was offended by an e-mail someone else sent to me, only to find out later that it was not what the person meant. Some of these misunderstandings can be avoided by not sending e-mails that are too large and/or realizing that e-mail may not be the appropriate communication format for certain subject matter.

The real issue boils down to what communication experts say about face-to-face communication. They say that 93 percent of it is conveyed through body language and tone of voice. The remaining 7 percent is through words. Therefore, it is easy to see why e-mail communication can be challenging. I am not advocating that we do away with e-mail, only that it just needs to be used properly to make it an efficient means of communication. A manager is in a position to correct this by monitoring usage and setting protocols to ensure that it is working efficiently.

BlackBerrys can also threaten communication and productivity. Clearly, these devices were a great leap forward in creating a virtual office by enabling one to be more accessible to colleagues and clients. However, they seem to have become the new addiction. As a result of this, the BlackBerry was nicknamed "CrackBerry," a reference to crack cocaine. In fact, the word "CrackBerry" became so popular that *Webster's New World College Dictionary* named it the new word of the year in 2006.

The issue with BlackBerrys is that we cannot seem to put them down or resist picking them up. Does one really need to stare at a BlackBerry constantly? Don't the time management experts tell us that we should allot time to specific tasks and focus only on those tasks for that time period? To me, it is akin to someone holding a Magic 8-Ball all the time because they cannot manage their lives without its advice. I also believe that it is disrespectful to pick it up and look at it when you are in a meeting or having a conversation with someone.

Employees at one company told me about an executive who stares at it all throughout the lunchroom line. They believe he does this so he doesn't have to talk to anyone, particularly those at levels lower than him. While this is an extreme example, it makes me wonder how many more subtle examples occur in companies throughout the country today. In these instances, the BlackBerry is no longer a technology

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… many of today's managers take for granted that the simple and timeless concept of communication can make companies more successful.

that facilitates communication or improves productivity. As managers, we should be careful not to let the BlackBerry drive a wedge between us and our employees. This is likely to result in a communication breakdown, which is the antithesis of the goal of the "Undercover Boss."

Automated call centers are another technology that can impede efficiency when not properly structured. I remember working under a CEO who felt strongly that every phone call to the company should be answered by a live person. While this may not be practical today, I understand where he was coming from and believe that a compromise is possible. Perhaps it is as simple as always offering the choice to talk to a representative in every menu option.

When I called a health insurer recently, I found the navigation difficult for just a simple address change. I could only think of what the experience might be for a person with a serious health condition. It is in the insurer's best interest to make it easy for the person with a serious health condition to connect with a representative so that improper and costly treatments can be avoided.

As managers, it is our responsibility to suggest more productive alternatives for ineffective workflows. I heard a story of one company where managers were successful in changing the company's practice of letting people go. Instead of escorting the employees out immediately as they previously did, they let them stay a few hours to say their goodbyes. While downsizing is a necessary evil in today's business environment, the new procedure helped minimize the resentment that both the downsized and remaining employees felt with the previous process.

Being a successful company isn't so much about whether you have the latest technology or not. It is more about using common sense. We should be leveraging technology to help make our companies more successful, and more importantly, we should also make sure that technology isn't becoming an obstacle to our success. Managers are in the best position to accomplish this for the company. Communication is a key element of success. One doesn't have to go undercover to find out what is happening with the frontline employees in a company. The executives in "Undercover Boss" were looking for honesty from the employees about their work situation and felt that the employees wouldn't open up to them if they knew they were executives. There are other tools to accomplish the same thing, such as surveys, focus groups, suggestion boxes, etc. Many times the key is just a willingness to listen and make changes or just try something different to see how it works.

Employing these techniques can help you become a more successful manager. Keep the lines of communication open with your employees and make sure that they know that you're approachable. Be careful not to be too ambitious with this, as many employees may have gotten used to being more self-reliant and could feel as if they were being imposed upon. It is even more critical that you keep the lines of communication open when you are put in charge of a department that you never worked in previously. It is more challenging when you are not familiar with the work to understand what needs to be done to make or keep the department successful.

I applaud the executives of the companies that went through the undercover process. They really demonstrated their passion for improving their companies. They were able to take the following actions as a result of going undercover:

- Identify and correct flawed workflows.
- Recognize and create career paths for high-performing individuals.
- Improve working conditions for the employees.
- Provide additional training for underperforming employees.
- Provide additional assistance so that personal hardships would not interfere with employees' ability to do their jobs.

Assuming that these occurred without an unreasonable amount of additional expense, it was a win-win-

win for the companies, their employees and their customers. As a result of increased employee satisfaction, they should experience increased productivity. By providing career paths for high performers, they should experience reduced employee turnover. These two efforts should also help in attracting high-quality employees to the company.

Lack of communication and lack of awareness about what is going on at your company is like getting a cut and not realizing it. If you knew about it, you would treat it and it would heal. Not knowing and leaving it untreated leads to infection and possibly further complications. When you keep the lines of communication open and make the workplace one employees look forward to coming to each day, your business should run like a finely tuned engine.

So the next time that you are asked to train that new employee, you might do well to pull out the company's annual statement and look at the photos of the chief executives to see if you notice any similarities.

… Communication is a key element of success.

Manage Tension in Interviews

by John Hadley

Tension management is a critical element in any influential meeting—job interviews, meetings about a potential promotion or new assignment, career discussions, consultant meetings with potential clients, sales meetings with prospects, etc. Although for this article we will look at how it can play out in the first—the job interview—you should think about how you might then apply the principles I will lay out here to any of those other situations you may encounter.

Candidates tend to come into an interview with a single-minded agenda, "getting the offer." In the process of working hard to achieve that goal, they often completely miss the subtle changes in tension that can make or break their success in the interview.

The other extreme is the candidate who has virtually no agenda, who simply follows the interviewer's lead on everything and hopes this will ultimately lead to an offer. While this might seem like following the interviewer's tension (something I will talk about shortly), it also abdicates any responsibility for the outcome of the interview. This is a recipe for disaster, especially if leadership potential is at all part of the hiring decision.

Let's look at three levels of tension you (as the candidate) want to manage in the interview.

1. Your own personal tension. **Few situations are as tense as a job interview. This is where the rubber hits the road—a make-or-break situation for landing the job that will end what may have been a protracted search.**

You need to harness that tension, both reducing it to a manageable level and converting it from high stress to empowerment, confidence and engagement.

With lots of preparation, including several hours of serious role play to hone your interview skills, you should be able to reach the required level of confidence in your abilities. Additional role play on specific areas with which you are uncomfortable, or that haven't gone well in past interviews, is also valuable.

Visualization exercises immediately prior to a specific interview can help you reach a state of calm that can carry you through the initial stress of walking into unfamiliar territory.

One caveat—don't over-prepare. If you carefully craft and memorize the "best" answers to interview questions, they cease to even be "good" answers, because they become rehearsed and artificial rather than conversational. Focus more on technique and psychology than the exact words you might use.

In fact, if you find yourself getting a bit cocky about your ability to land this particular opportunity, you might want to think about ways you can raise the bar for yourself—how you could actually raise your own tension level a bit to get you re-engaged and re-energized.

2. Relationship tension. **You want to minimize this as quickly as you can. You want me (as the interviewer) to see you as someone I want to be working with every day, someone I will enjoy having on my team, and in whom I have confidence and can always rely on to be watching out for my best interests.**

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When you see the interviewer getting excited about the conversation and showing a lot of passion, you are headed in the right direction.

The little things you do at the start of the interview to build rapport and create a connection are vital—even just walking in smiling and giving a firm handshake. (I'm still shocked at how many people fail even this simple test!)

You need to reduce the relationship tension quickly so that the interviewer can focus on the bigger question of whether you are the person he/she wants to hire. As long as this tension is high, it will be a serious distraction for both of you, and you won't be fully engaged in the critical conversation you need to have.

3. The interviewer's tension. **Most candidates fail to recognize this, or to respond properly to it if they do.**

A core principle of tension management is that people pay attention to their tension. You want this working in your favor.

You might think at this point that the best approach is to try to reduce the interviewer's tension. Absolutely not!

There are actually two dimensions to interviewer tension that you are trying to manage. You *do* want the interviewer's tension about *whether you can do this job* to be as low as possible, but you want tension relating to the decision to hire you to stay high enough that they want to act right away!

So how do you manage this latter "hiring" tension?

Follow the interviewer's tension (and observe it). When you see the interviewer getting excited about the conversation and showing a lot of passion, you are headed in the right direction. When you sense he/she is backing off and showing less interest, you've made a wrong turn and need to find ways to get back to riper areas.

To uncover (and accentuate) this positive tension, explore challenges. That is where you are most likely to uncover what is really important to the interviewer and the drivers that will lead to a hiring decision. For more on this, see the two articles here:

http://www.JHACareers.com/ArticlesChallenges.htm

Here's a concrete example to illustrate what I'm talking about.

Suppose at some stage in the interview you are asked how you would solve a key problem faced by the company. This may also take the form of asking you to come in prepared to present a marketing plan or to make a presentation on your solutions to that problem.

WHAT DO YOU DO?

Most would tend to do exactly what was requested, and would try to provide as detailed a plan or solution as possible to demonstrate that you can solve their problem. This is a big mistake.

By providing me a detailed road map to solve the problem, you reduce both my tension about your ability to do the job AND my hiring tension. The problem I presented no longer seems so insurmountable, because you have just given me the road map to its solution. Now I can see ways to solve it that don't have to include you.

Instead, you want to show me that a solution exists, that you HAVE or CAN EASILY DEVELOP a road map without actually giving me the critical details that would let me feel I can follow it without you. Navigating the challenge that way will reduce my tension about your ability to do the job while INCREASING my hiring tension. I need to 'buy' you to get the actual solution!

For more on this, see this article on "Interview or Free Consulting" at http://www.JHACareers.com/FreeConsulting.htm

So, for your next interview, or meeting with a potential client, I want you to **ask yourself this question:** ***"Am I properly managing the interviewer's tension?"***

If not, and you need support through coaching and role play to master this, maybe we should talk ... just fill out my Career Search Assessment survey, and we'll set up a time to chat: *http://tinyurl.com/CareerSearch2010*

The Actuarial Leadership Conundrum, Part 3

by Jeanne Hollister Lebens

Editor's Note: This article is the third in a series that deals with the challenges and opportunities actuaries face as leaders. Parts 1 and 2 were published in the July 2010 and October 2010 issues of The Stepping Stone*, respectively. This article focuses on the third tenet of the so-called "actuarial leadership conundrum" and suggests how thinking about your professional and personal development in a different light can help you take your career to a new level.*

A LOOK AT ACTUARIAL TRAINING PROGRAMS

Companies today that aim to attract aspiring actuaries often pitch themselves as having "Actuarial Leadership Development" programs. In addition to providing paid study time and incentives for passing exams, these programs typically offer actuarial trainees a series of job rotations that expose them to a wide variety of actuarial projects in different businesses and product lines. They also provide classroom training on business and supervisory skills. Some assign more senior actuaries as mentors or advisors to assist trainees with career development.

Companies dedicate considerable money and resources to the design and administration of their actuarial training programs. We might even say that the actuarial profession is in a league by itself when it comes to the size of investment companies are willing to make in those of us who have chosen this vocation. But billing these as leadership development programs may give participants the false impression that completion of the exams and the resulting graduation from one of these training programs automatically qualifies them as "actuarial leaders." What we are, in fact, upon achieving this important milestone, is credentialed actuaries who are competent technicians, have some solid work experience under our belts, and have been given an opportunity to learn some basic tools for managing ourselves and others. So, at best, we are now actuarial *managers*, not actuarial *leaders*. This is an important, yet sometimes overlooked, distinction.

MANAGING VS. LEADING: AN IMPORTANT DISTINCTION

Look up the term *manage* in the dictionary and you will find phrases such as "to be in charge of something and to be responsible for its smooth running" and "to handle and keep control of something or someone." As suggested by the definition, managers are focused on the completion of tasks. They work with a finite level of resources (e.g., people, money, technology) to get things done on time and on budget.

In contrast, the term *lead* is associated with phrases such as: "to show the way to others, usually by going ahead of them," "to cause somebody to think or act in a particular way," and "to bring about a particular outcome." These phrases emphasize the need to have a vision of the future and motivate others to work together toward its achievement. The focus of leaders is, therefore, more on relationships than on tasks, and rather than exerting control, one relies on influence to achieve a desired end state. Furthermore, the orientation of leaders is on "what can be," rather than purely on "what is."

Although frequently used interchangeably, the terms *managing* and *leading* involve markedly different activities and skills. Appreciating this distinction is a critical first step in recognizing where we need to spend our time and how we need to relate to other people if we want to transform from being managers to serving as leaders. However, even if we understand *in concept* how managing differs from leading, exactly what to do and how to do it isn't necessarily obvious. Some companies have tried to make the mechanics of leadership development more transparent by introducing competency frameworks that describe skills and behaviors people need to demonstrate as they progress through the ranks. While helpful, these lists don't necessarily make

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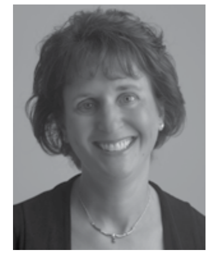

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Although frequently used interchangeably, the terms *managing* and *leading* involve markedly different activities and skills.

it clear how these competencies fit together to create leadership traits.

BRINGING LEADERSHIP DEVELOPMENT INTO FOCUS

Rather than thinking of our career development in terms of lists of discrete requirements, we might benefit from viewing it through different "lenses," each with its own area of focus. We then have the opportunity to examine our actions and experiences from different perspectives. Together, these lenses shed light on how we can grow as leaders while developing our technical abilities and gaining business experience.

"Connecting ideas and people is a hallmark of effective leadership."
– Jeanne Hollister Lebens

Lens #1: Mastering the Business

This is the lens that is clearest to us as we move through our actuarial training, achieve fellowship, and assume a variety of positions over the course of our careers. Its focus is on mastery and application of actuarial concepts and developing general business skills so that we can perform our job duties competently.

The steps to achieving business mastery are laid out fairly clearly for us early in our actuarial careers. As we progress through the actuarial exams and rotate into a variety of roles of one-to-two years in duration, we learn a great deal about the insurance business and the theory and application of actuarial science. During each rotation, much of our time and attention is on understanding the duties of the job and learning how to carry them out effectively. On-the-job and book learning may be supplemented with classroom training in general business competencies such as project management, oral and written communications, business acumen and teamwork.

Learning these foundational skills is time-consuming, and even more so given the compressed time period in which the learning must occur, given the relatively short length of the typical job rotation. Between performing our job duties and studying for exams, we no doubt have plenty on our plates.

Once we have completed our exams, we can continue to attain greater technical and general business mastery as we gain experience and are called upon to take on larger and/or different areas of responsibilities.

Lens #2: Making Connections

A second lens through which we can view our career development is one focused on bringing a broader perspective to the work we do and the way that we do it. The emphasis shifts from *doing*—which requires task-based skills—to *connecting*, which is about recognizing patterns and building relationships.

Recognizing patterns can be described as the ability to systematize our thought processes, i.e., understanding how our collective experiences relate to one another and connecting them in such a way that we can see the bigger picture. Each project we do and each job position we hold presents us with the opportunity to develop solutions to specific business problems. Over time, we should be able to connect what we have seen and learned in one context to a new set of issues and challenges facing us. While the specific techniques and tools we use may differ, we can look for commonalities and linkages in the types of business challenges that exist and the types of solutions they demand. This is what allows us to think more broadly and strategically, which is a critically important leadership trait.

While recognizing patterns is focused on connecting concepts, building relationships is about connecting with people, which gives us access to the other perspectives that we can then integrate into our own thinking.

Establishing mutually beneficial relationships with a broad network of people is an essential component of effective leadership. It requires us to listen well, to understand someone else's point of view, and to share and learn from one each other. This, in turn, allows us to approach business challenges in a richer, more multi-faceted way. Recognizing the value of having multiple perspectives encourages us to work more effectively with others to identify and implement solutions.

Recognizing patterns and building relationships are abilities that work hand-in-hand to expand and deepen our thinking about potential solutions to complex business problems. Connecting ideas and people is a hallmark of effective leadership.

There are a number of ways we can develop and hone our ability to make connections:

- **Set a goal to leave each position you hold better than the way you found it.** Setting our sights on making improvements in any job we hold forces us to think more broadly and strategically than we might otherwise do if we get overly mired in detailed job tasks. We seek to add value by finding ways to do the work faster, cheaper or more effectively. We may rely on prior job experiences to identify improvements. We might need to supplement our own experience with that of other people, which causes us to reach out and learn from them. We might supplement internal knowledge and perspectives with research on approaches used by other companies in our industry or in other industries. All of these initiatives cause us to be more forward-thinking, which is the orientation of effective leaders.
- **Seek roles that are outside your comfort zone.** One of the ways to experience exponential growth in the way we approach business issues is to take on roles outside the actuarial arena. This may entail serving as the sole actuary in a non-actuarial department, or performing in a non-actuarial capacity altogether for a period of time. It can also come from participating in special company-wide projects. These types of experiences help us develop in a variety of ways. They put us in situations where we have to explain different concepts to different audiences in ways that they can understand. They expose us to entirely different ways of approaching business problems. Respecting what people with different training and experience bring to the table and appreciating the benefits of approaching business problems from a variety of perspectives help us think in a more holistic, strategic way. And this, in turn, is what allows us to envision new and different ways of approaching opportunities and challenges, which, as discussed previously, is an important aspect of leading.

- **Make networking beyond the actuarial community a priority.** As actuaries, we have ample opportunities to establish a broad network. We can focus on building relationships in each job rotation we hold. We have access to other actuaries outside our own company through our professional organizations. Ideally, our network will

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have a healthy mix of people from within the actuarial profession and outside of it. Looking for opportunities to build relationships through activities outside the workplace is another avenue for broadening our network. Making an effort to meet new people and to get to know them well is the first step. Keeping those relationships active by reaching out and reconnecting periodically is an equally important aspect of cultivating a network.

- **Find mentors.** Another important type of relationship to cultivate in your network is one built around mentoring. Having someone more experienced than yourself offer guidance and advice, provide candid feedback and introduce you to other, more experienced people is invaluable.

  When seeking mentors, it is important to cast a wide net. Some companies have formal mentorship programs in place within their actuarial departments. Having a more experienced actuary serve as your mentor can be very useful, especially early in your career. However, as you move into broader leadership roles, non-actuarial mentors are likely to push you to stretch in different ways.

  Since people have different perspectives to offer, you shouldn't necessarily limit yourself to having just one mentor. Some people develop a mentoring relationship with multiple people who they think of as their personal "Board of Directors." They rely on these individuals to act as a sounding board to help them think through options and consider a variety of perspectives as they make decisions.

Lens #3: Understanding Ourselves
The focus of this lens is on identifying the types of activities we enjoy most, having a realistic sense of our strengths and limitations, and using this self-knowledge to bring the best of who we are to our professional lives.

As we gain experience in the workplace, we are exposed to a variety of tasks, some of which we enjoy and others that we would prefer to avoid. Although we don't necessarily get to pick and choose what we do, it is important to pay attention to those aspects of our work that are truly exciting to us and to understand what it is about them that we find enjoyable. As we navigate our careers, we can evaluate opportunities from this perspective and look for roles that give us ample time to do the kinds of work that we most enjoy.

Recognizing our strengths and weaknesses is important from several perspectives. First, it helps us identify opportunities for personal development. Although we don't necessarily have to turn all weaknesses into strengths, we need to develop a basic level of competence in those areas so that our weaker spots don't become career-killing characteristics. Second, if we are willing to accept our limitations, we can surround ourselves with people who excel in areas where we do not or tap into our network to find appropriate resources with the necessary skill sets.

Suggestions for ways to develop greater self-understanding are:

- **Identify your motivators, drivers and values.** There are a variety of commercially available assessments and books that help you hone in on the aspects of your work that are most satisfying to you. Although we may be able to identify what we enjoy doing without taking an assessment, these tools give us a vocabulary for describing the nature of these activities and give us a richer understanding of ourselves. Giving a voice to these preferences can help us articulate them to others in an effective way so that we can influence our career progression in a way that best suits us.

- **Seek and embrace regular feedback**. There are a number of feedback mechanisms available to us, and if we want to learn and grow, we should avail ourselves of all of them. First, there is the annual performance evaluation, administered by our boss. Sometimes, smart, hard-working people may view the evaluation as they would a report card, and they strive to get straight A's. This misses the point. While accolades may stroke our egos and help to confirm areas of strength, our real learning and growth comes from feedback around areas for improvement. Rather than assuming your boss doesn't like you if he or she is critical of some aspect of your performance, accept the feedback as a gift and strive to learn from it. Rather than taking offense at any particular piece of advice or critical feedback you receive that feels off-base to you, view it as a data point and look for trends.

  Some companies also offer periodic 360° performance feedback, which gives us the benefit of input from people who see us from all perspectives (e.g., as a boss, as a subordinate, as a peer). These assessments summarize the perceptions of people who work with us in different ways. Whether we agree with those perceptions or not is beside the point. Faced with perceptions we don't like, we have to accept that perceptions are other people's reality, that they can be difficult to change, and to do so requires that we consistently demonstrate behaviors that are counter to those perceptions.

  In addition to formal written feedback, we should seek informal feedback regularly, especially in areas where we are committed to making improvements. Asking for feedback from a trusted source after a meeting where you have made a presentation, for example, can provide you with an important learning opportunity.

- **Avail yourself of behavioral assessments.** Beyond feedback focused on performance, it is also beneficial to take advantage of assessments that focus on preferred behaviors and personality traits. These assessments can help us understand our preferred methods of communicating, our natural strengths, our leadership style, emotional intelligence and other aspects of our character makeup. These types of assessments are sometimes used in conjunction with classroom training. They may also be available on request through the company's human resources department. Others are available commercially online. Any one of these assessments contributes to a better understanding of ourselves and offers insights into how we interact with others.

- **Make the most of classroom training.** As technical professionals, we may have a tendency to dismiss "soft skills" as less important to our career development than technical proficiency. As discussed in

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While accolades may stroke our egos and help to confirm areas of strength, our real learning and growth comes from feedback around areas for improvement.

previous articles in this series, this is a serious misperception. In fact, the farther we move up in a company hierarchy, the more important these skills are to our success.

The soft skills training that occurs in a classroom setting tends have only a short-term effect unless we commit ourselves to actively practicing new behaviors until they become second-nature to us. After taking such a course, it is important to identify just one or two behavior changes that you are committed to making. Back on the job, identify an accountability partner to help ensure you follow through on your commitment to practice these new skills until they are fully engrained in the way you operate.

BECOME THE CEO OF YOUR OWN CAREER

As we examine our careers through these three lenses, it should be clear that advancing to leadership positions requires more than simply earning actuarial credentials and performing competently in technical and managerial roles. We have access to a wide variety of resources that can support our career growth, but it is ultimately up to us to avail ourselves of those resources and to commit ourselves to the type of transformational learning required of aspiring leaders.

The Actuarial Rhetorist

by Nick Jacobi

"You know, college isn't for everybody," 'Paul' was told by his adult education advisor.

Paul had a rough time in college. Having failed out after two semesters, Paul thought about going back to school in his early 30s and made appointments at two local colleges. It was fortunate that the appointment he had with the Dean of Continuing Studies at school number two went better.

She was admittedly an optimist. Seeing Paul's transcript, which contained almost exclusively Fs, she noted that "well, you did slightly better in classes that involved writing." She gave him sound advice. "Just take a class," she said. "Don't worry about a major or a degree. Just see if you like it."

In five years Paul had a bachelor's degree. In 10 he held a master's. The funny thing is that it never should have happened. He was going to give up after the first interview. He only went to the second appointment because he would have felt bad backing out. He had it in him to get an advanced degree, yet those first words he heard, "college isn't for everybody," could have decided his fate.

We don't realize how the words we say impact those around us. Whenever you speak or write something, you are changing the world. That is the social world, the world of human beings. Can't we at least agree that becoming better speakers and writers will make us better actuaries? Maybe even make the world better?

The science of communication is called rhetoric. Although this science is ancient and ever-changing, there are themes we can use when we communicate in our professional lives.

YOUR AUDIENCE IS ALWAYS A FICTION

You should know your audience, right? But once your audience gets larger than five or 10 people, you are no longer capable of knowing it. It becomes so diverse that it is impossible to understand it.

You can know some things. Perhaps that you are speaking mostly to actuaries or business executives, but beyond that it may be impossible to know more. Ultimately you as the speaker or writer have to create your audience. You do this by forming a connection with them, usually by referencing shared experiences.

The minds of human beings are hard-wired to be interested in the lives of other human beings, and we communicate this through story. This can take many forms:

- If you're writing a short paper to an executive committee you can start off with, "As we all know the last few quarters have been …"
- For longer papers, a short tale may be an appropriate opening.
- Making this connection takes some degree of balance. You don't want to start off with a rude joke or a highly controversial statement. On the other hand, you don't want to milk a single story and make it your focus. The first extreme is well understood and usually avoided. The latter has many examples in political stump speeches. Remember "Joe the Plumber"? Now, do you remember what message we were supposed to get from that story?
- The more you overdo it, the more people's attention spans will lapse. A few thoughts or sometimes just a single sentence are enough to connect you with your audience.

Once you've made a connection, it becomes easier to address your audience in a specific way. You can make them into the people you need them to be in order to understand you. You could turn them all into an audience of company employees or SOA members or accountants as needed.

STRUCTURE

Have you ever read a complicated paper with poor grammar? Often the author knows about the prob-

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Whenever you speak or write something, you are changing the world.

The more organized your thoughts are, the more logical they will sound to your audience.

lem but cannot change his or her bad habits. When the human mind is working on a complicated idea or calculation it tends to completely focus on it and disregard all else. Because of this, many technically proficient acts of communication have poor grammar or delivery.

The solution to this is to add structure to your presentation so that you don't have to expend a lot of thought on the little stuff. The five-paragraph essay, something we learned in grade school, is still highly relevant. It includes an introduction with thesis, three paragraphs for the body, and a concluding paragraph—that's it. It's short, can convey a lot of information, and is easily recognized, making this structure good for an executive summary or specific business case.

The other structure you typically see in business writing is the inverted pyramid. This is where you get to the point in your first sentence then support it with subsequent evidence. A structure like this is perfect for e-mails.

The other advantage to structured communication is that it tends to be highly organized. The more organized your thoughts are, the more logical they will sound to your audience. Logic and organization are two things that center people's attention and limit confusion, so structure should be a priority.

WHAT'S YOUR ENTHYMEME?

The most important thing in rhetoric is creating an argument your audience understands.

The simplest logical argument goes as follows: If A then B, A is true, thus B is true. You can chain as many of these together as you like, If A then B, and If B then C, therefore If A then C. Using this logic, you can lead your audience wherever you want.

The only problem is that you need a place to start. The foundation of your logic argument, the A in your chain of logic, is called the enthymeme. It's the point where you say to your audience "can't we at least agree that A is true?"

Martin Luther King was a master at this. He had a great enthymeme. "Can't we at least agree that all men are created equal?" He was more effective than our modern politicians because he understood that the people he needed to convince were those who disagreed with him, and he came up with shared enthymemes to do that.

Take his letter from the Birmingham jail, for example. He was writing to a group of clergy who were condemning him for going to Birmingham and criticizing his disregard of the law:

- "I am in Birmingham because injustice is here."
- "Freedom is never voluntarily given by the oppressor."
- "There are two types of laws: just and unjust."

Each of these formed the basis of an argument. Some laws are unjust; I am in jail because I broke an unjust law, and therefore I'm not guilty of anything. He wasn't trying to sell you a used car—this is polished, classical rhetoric in which he uses enthymemes to persuade his audience to see his point of view.

A shared enthymeme is so important, in fact, that without one it's almost impossible to get a hostile audience to understand your position. Think about the social problems we've been dealing with for generations: taxes, social security, the size of government, etc. They all share the fact that there is no shared enthymeme.

Most of us fear the term "rhetoric." The use of "rhetoric" suggests that its author might be dishonest or deceptive. But great rhetoric is anything but; it is great because it is honest and effective and appeals to our sense of reason.

As actuaries we have to deal with some controversial issues. We have a voice on health care, the economy and the financial sector, and we are often in a rare position to be able to see both sides of a problem. If we, collectively, can learn how to communicate scientifically in the most effective way possible, then there's no reason why we cannot change the world.

From Boring to Beautiful:
The Skipwith Radar

by Thomas Skipwith

Successful business leaders are powerful presenters. I once attended a presentation as a member of an audience of 3,000. The first presenter was extremely boring—no energy, no enthusiasm. Most of the audience was checking the time and hoping the break would come soon.

The second presenter was a completely different story. He exuded confidence. He was able to convince and inspire the audience. Maybe it was not a coincidence that he was from the United States, where good public speaking is much more emphasized than in other countries. Either way, the second presenter understood the most important rule of public speaking: "Don't bore your audience."

The key question is: "Where should I start to improve my presentations?"

The answer: "Look at your strengths and your weaknesses." One way of doing so is to use the Skipwith Radar. The Skipwith Radar lists the most important aspects of a powerful presentation.

The following are the recommended dimensions of how to check for the power of your presentation. The shaded fields have been filled with sample data (from 0: worst - 10: best). The numbers in bold are the arithmetic averages of the numbers of each category.

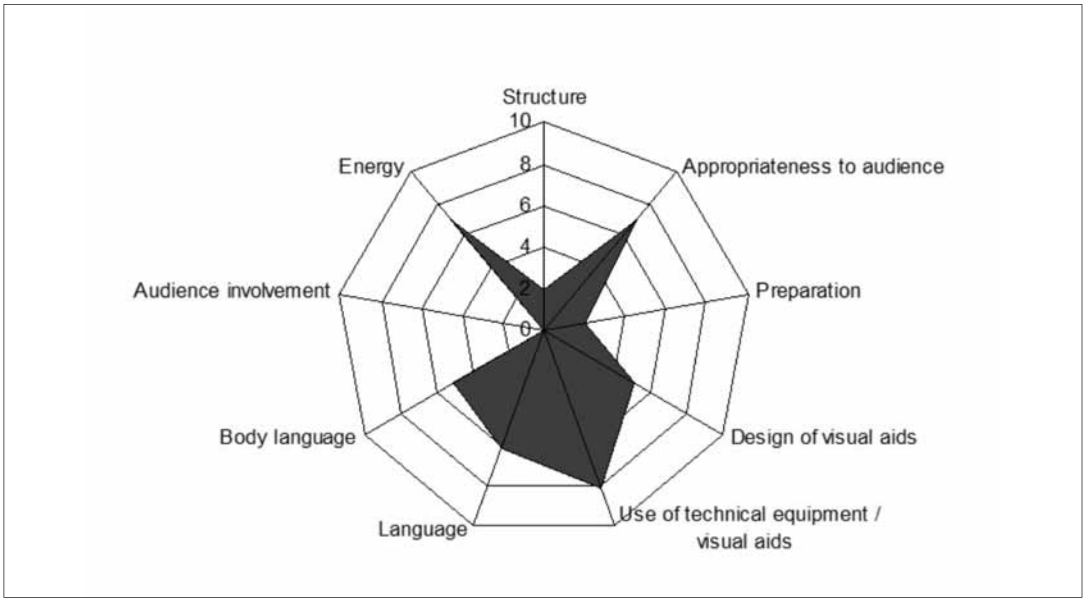
Structure	**2**
Title	5
Opening	0
Stories	0
Thesis statement	3
Body	5
Closing	2
Call for action	0
Appropriateness to audience	**7**
Language	5
Content	8
Preparation	**2**
Overall	4
Rehearsed	0
Design of visual aids	**5**
Use of technical equipment / visual aids	**8**
Language	**6**
Pleasant voice	8
Volume	10
Filler words	5
Grammar	10
Pronunciation	5
Voice variation	5
Tempo	10
Change of tempo	5
Pauses	3
Figures of speech	0
Body language	**5**
Posture	9
Eye contact	5
Gestures	6
Facial expressions	3
Movement	1
Use of lectern	3
Audience involvement	**0**
Energy	**7**
Emotions	4
Authenticity	9

The following Skipwith Radar was created using the numbers in bold from the above sample data.

CONTINUED ON **PAGE 26**

Thomas Skipwith, MBA, is the CEO of DESCUBRIS Training for Public Speaking. He is a professional speaker, coach, trainer and author on the subject of public speaking based in Switzerland. More info at www.descubris.ch.

The key question is: "Where should I start to improve my presentations?"



One short look at the Skipwith Radar shows that the presenter used the technical equipment very well. However, he could do additional work on involving the audience. He should definitely attempt to improve his score for preparation and structure.

You too can use the Skipwith Radar to identify your strengths and weaknesses. Go to www.descubris.ch and download the Skipwith Radar from the English download section. It's an Excel sheet that you can use over and over again. (You will find more information about the Skipwith Radar in the author's book: "Die packende betriebsinterne Präsentation," 2009. For now only available in German on www.amazon.de.)

Score yourself for your next presentation. And find out immediately where your strengths and areas for improvement are. Your presentations will move from boring to beautiful!

Taking Your Actuarial Student Program to Another Level Through Mentoring

by Paula Hodges

Actuarial students spend much of their training days with their noses buried deep in books or staring at computer learning modules and working out what seems like a billion mathematical problems. This technical training is paramount to our ability to be successful in the workplace. However, for high-potential students, it is also vital to find ways to help them navigate the corporate landscape as well, to start grooming them for management roles. Mentoring can be an effective means to provide managerial education in your actuarial student program.

It's likely that during your internships and first job experiences, you had a particular actuary (or non-actuary) who told you how "it really is," or how to get things done in your company. Maybe your boss was able to give you that extra coaching that went beyond the technical. You might have even been assigned a more senior actuary who was there to provide you with guidance when needed. If so, you were lucky enough to have a mentor.

Mentors can be informal—someone whom you call when you need to vent or when you need advice on handling a tough situation. Ideally, the mentor is not your manager, as some of the guidance you seek may involve situations with your boss. Sometimes it's even helpful to have a mentor outside your company, to eliminate some of the political aspects of the problem that you're dealing with.

Formal mentoring is provided through a work-sponsored program, with a goal of developing high-potential individuals. It involves assigning a senior leader to a more junior staff member, and providing an opportunity for them to interact on a regular basis. By having this one-on-one time, the mentee can internalize how leaders think and work on a day-to-day basis. This prepares the mentee for dealing with these types of issues more effectively when they are faced with them on their own.

INCORPORATING MENTORING INTO YOUR ACTUARIAL PROGRAM

Your actuarial program may already have some components of a mentoring program. Here are some keys to a successful mentoring program:

- The mentee/mentor match should not be random. When setting up the matches, spend time to ensure that there are competencies in the senior leader that are areas of interest to the actuarial student.
- Set expectations at the beginning of the program.
  - Does the mentor or the mentee set up the meetings? The more successful programs put the burden on the mentee, ensuring that they are driving their own success.
  - What is the frequency of the meetings?
  - Does the formal mentoring program have a specific end date?
- Provide sample discussion topics that can be brought to mentor/mentee meetings.
- Have mentors and mentees provide feedback at the end of the program, or at specific time intervals if the program has an indefinite end-date.
- The mentor should guide the mentee to experiment with new behaviors, and provide feedback during the next meeting. A big component of growth is working outside our comfort zones. The mentee should be challenged to do this.

We are all continually influenced by those around us. By providing positive growth through mentoring, we provide greater opportunity for our students to succeed. Mentoring is a proven way to help high- potential individuals grow. By leveraging your existing actuarial student program, you can substantially enhance the performance of your future leaders.

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By having this one-on-one time, the mentee can internalize how leaders think and work on a day-to-day basis.

Leading for Results

by Meredith Lilley

Meredith Lilley, FSA, MAAA, is an AVP of annuities valuation at Sun Life Financial. She can be reached at meredith.lilley@sunlife.com.

My management career started in 2002, and over the years I have been told that, in general, I am a good manager. In the beginning, I believe I succeeded at management due to my average technical skills. Now don't get me wrong, I have solid actuarial training, can run a model, use Excel and even do a little programming. However, I often found that while I was good at these things, some of my employees were better at them. I used this knowledge as a manager to empower my employees to take their own approaches to deliver results. If they ran into issues, I could suggest how I would attack the problem or give them a suggestion to get over an obstacle. Together we would reach the desired result.

After spending most of my career as a pricing actuary, I was persuaded to move into a valuation role. I have to admit that I wasn't excited about it, but thought that it would probably make me a better actuary. I went into it thinking that I'd try it for a couple of years and then go back to pricing. And anyway, this was going to be piece of cake. Don't valuation actuaries just do the same thing month after month? In hindsight, my naïveté was laughable.

My valuation career started off smoothly until a new employee came into my office to tell me that there was a problem with the booked financial results. He described what seemed to be a small oversight which amounted to what appeared to be an immaterial change. I didn't treat it as a big deal until I had to go to the SOX committee to report the problem. For those of you unexposed to this type of committee, I liken it to a trial. You go there to testify that a problem occurred, why it happened, why it wasn't caught and why it will not happen again. Then you get handed your punishment, which could include more controls, having to improve your analytics or possibly something more serious.

After just one visit to the SOX committee, my attitude about reporting issues changed and I realized that my management style needed to evolve as well. My knee-jerk reaction was to become a micromanager. I had been relying on my actuarial judgment to determine if a result was reasonable, but that method was not capable of stopping all errors. It was infeasible and irrational for me to continue down this path very long. I had managers and their staff to depend on, and somehow I needed to continue to rely on their abilities, yet achieve different results.

In the end I decided not to change my management style, but instead my leadership style. I was encouraging productivity just as I had in my pricing days, but I was not equally encouraging peer review and oversight. In my previous role it was sufficient to rely on one person to produce the results and another person to oversee the work. Now I realized that peer review needed to play a much larger role in the production work. My employees were responding to my attitude to deliver results. I praised my team for achieving our deliverables; now I needed to praise them for achieving deliverables and for peer reviewing deliverables. Mistakes would be made, but my intent was to motivate my team to have the right process in place to ensure that they didn't go beyond the peer review process.

I would like to say that the adjustment in my leadership style has kept me from returning to the SOX committee, but unfortunately that is not true. Mistakes do happen and every once in a while they are not caught prior to booking financial results. I believe these occurrences are less frequent than they would have been if I had not altered my style. As a manager, I am still not pleased to testify to the SOX committee, yet I am confident that my team members have performed to the best of their ability and am happy to defend the quality of their work when necessary, as I am sure that they have done all that they could to perform to the best of their abilities.

My advice to managers and future managers from this experience is simple, but sometimes difficult to do. Your employees will follow the example or priorities you set out for them. Make sure that you recognize what you are portraying and adapt as needed to the job at hand.

Use the Scoreboard Strategy for More Success

by David C. Miller

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).

As the new year approaches, my mind goes to goals I have for 2011. One of my personal goals is to lose some weight. For some reason losing weight has been a struggle for me this year. Welcome to the mid-40s!

But now I've found the secret that works for me. Not only is it helping me shed the pounds I want to lose, but I've found it works with virtually any goal you want to achieve.

This secret strategy is so simple, part of me feels like it's overkill to write an article about it. But success isn't about employing the *complex*; it's about implementing what's *effective*.

Now I must point out that you need specific tools for this strategy to work: a pencil and paper (or the more technical equivalent: smart phone or computer).

AND THE SECRET STRATEGY IS…

So, enough suspense, this strategy can be summarized in five words … WRITE IT DOWN EVERY DAY. I named this method "The Scoreboard Strategy." Specifically, once you set a goal, you need to create a scoring system to get there and measure it regularly. In my weight loss journey, I have developed a calorie budget that I need to stick to every day. When I started keeping track of what I ate, I found a pathway to power.

Let me explain. First by setting a calorie goal, I had a scoreboard to keep my focus. I guess I'm competitive and am motivated by trying to "win the game." Second, when I took inventory of what I was eating, I started making better choices and realized I didn't need all the food I was consuming.

Some of you may be wondering why I couldn't do this without measuring daily. Good question. My best answer is that when one is working to instill new habits, he or she needs to develop awareness and conscious competence. In other words, I need to really pay attention to what I'm doing, because I found I developed some habits that were working against me. I'm in the process of changing these habits.

When I stick to the plan, the pounds come off. There have been a few days (especially around Thanksgiving) where I went over my budget and I could see the consequences.

IT'S FOR MORE THAN WEIGHT LOSS

This simple strategy of developing a scoreboard and then keeping score daily works in other areas of life, career and business. You can follow the same principle with money (do you know where it's going?) or with time (do you know exactly how you are spending it?).

This can also be done with revenue goals. For example, figure out how many prospects you need to get in front of to make a sale or sell an engagement. How many calls do you need to make to get a meeting? Commit to making so many calls per day, and there's your scoreboard! The most important step: make sure you write down exactly what you do each day.

Here are the basic steps to this strategy:

1. Identify the area in which you want to make progress.

2. Set a measurable goal of where you want to be at the end of a certain time period (three or six months, for example). In my case, I wanted to lose 15 pounds in seven weeks.

3. Design a daily scoring system that will maximize the likelihood of achieving this goal. In my case, it was a daily calorie budget.

4. Measure how you are doing each and every day. Make sure you are recording enough detail

to see what's working and what's not working. I am keeping track of everything I eat and the associated calories. Sounds tedious, but I am using a cool iPhone app that makes it very easy.

Adjust your behavior as necessary to get your goal. If you are diligently following your plan over time and you are not making fast enough progress, then recalibrate your scoreboard.

YOUR SCOREBOARD CHALLENGE

Here's a challenge: for the next three months develop a scoreboard for at least one goal you want to make massive progress on. Develop a scoring system and make sure to record your "score" daily. This strategy is so simple, but requires commitment and discipline. If you are courageous enough to dive in, you will find that after a few weeks, you will have a ton of momentum and will be on your way to reaching that once-elusive goal!

If you are diligently following your plan over time and you are not making fast enough progress, then recalibrate your scoreboard.

Dance Your Way to Success, While Eliminating One Thing Each Day

by Doreen Stern

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

Do you want to get ahead at work? Be on the fast track? If so, I have two counter-intuitive suggestions to offer you.

I warn you: you won't find these suggestions in any of the formal leadership books most folks will recommend to you. Yet both are based on solid research. (Remember, I'm trained as a researcher and hold a doctorate in public policy.)

My first recommendation is to take dancing lessons, and my second is to finish things you start.

"Dancing lessons?" you're probably asking incredulously. How can dancing lessons *possibly* help you get ahead in a career focused on calculating risk?

I admit it; it does seem far-fetched, but stay with me for a moment . . .

Recent research at the University of Derby in England found that dancing lessons improve people's social skills, lift their spirits and increase their self-confidence.

"Really?" you might be saying. "How can that be?"

In order to learn the "fancy footwork" dancing requires, one applies extreme focus—"mindfulness." This focus interrupts the negative thoughts that often plague us and contribute to anxiety and depression.

In a recent study conducted at the University of New England, participants who spent six weeks learning tango's fancy footwork recorded significantly lower levels of depression than a control group who took no lessons. In fact, the results were similar to those who took meditation lessons for the same six weeks. Think of dancing, then, as meditation: a meditation involving your partner, the music and yourself.

Then there's how you feel about yourself: In a recent German study of music and partner dancing, not only did tango dancers have lower levels of stress hormones, they also had higher levels of testosterone after dancing with partners. They felt more relaxed—and sexier.

Dancing also introduces you to an open, optimistic posture: When dancing, you stand erect, head held high, arms wide, while connecting with your partner.

Is dancing starting to sound any better to you now?

Harvard psychologists Daniel Gilbert and Matthew Killingsworth provide a rationale for the findings I've included: "Focusing on an activity makes you feel happier." In a study Gilbert and Killingsworth recently conducted of 250,000 subjects, they found that immersing your mind in a challenging activity—what psychologists call flow—prevents the mind-wandering that frequently makes people feel miserable.

In addition to uplifted spirits, debonair social skills and positive self-esteem, there's an additional benefit to be reaped from dancing: reconnecting with your partner and/or making new connections.

Are you sold now? Will you be brave enough to step outside your comfort zone and try something new? Will you Google dance lessons this very minute, including the name of your community? (Full disclosure: Writing this article has convinced *me* to take dance lessons, too.)

Before I sign off, I want to offer another recommendation for you to consider: Eliminate one thing each day. What do I mean?

You know the "thing" you've been walking by three times every day thinking, "I really should do something about that." Nevertheless, you continue to walk by it.

Yet, that unaddressed "thing" is taking up space in your mind, weighing you down. It contributes to an "I can't" mentality.

Sure, you can't get to everything *today.* None of us can. Each of us can, however, do *one* thing every day.

In October, I became aware of the many uncompleted "things" in my life and decided to address one each day. Like dancing, eliminating impediments both lifts your spirits and improves your self-confidence.

What kinds of "things" am I referring to?

Today, I took a photograph of a stain on the carpet in my hallway, in the condominium complex in which I live. When I finish this article, I plan to send an e-mail with the photograph attached to the management company asking that either the stain be removed or the carpet replaced.

Yes, I *have* walked over the stain at least 877 times and twice spoken to a representative of the management company. An e-mail with a picture will tell a more compelling story, don't you think?

Does my story resonate with you? What small thing have you been avoiding for months now?

I invite you to eliminate one thing today. And then one thing each and every day. For 170 days. And to post what you eliminate on my Facebook fan page titled: "Doreen Stern's 170 Days of Change." Every day I post what I eliminate, as do others. It's fun, invigorating and contributes to a "Yes, I CAN!" attitude.

Let me know how your dancing goes, too: Docktor@DoreenStern.com.

Sure, you can't get to everything *today.* None of us can. Each of us can, however, do *one* thing every day.

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