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# A Change Will Do You Good

By Mitchell Stephenson

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**D**uring my time at Prudential Financial, I was fortunate to work with Jim O'Connor. Up until his recent retirement, Jim was a vice president and the domestic chief actuary for the company. Over his four-decade-long professional career, he was part of a leadership team that took the organization through demutualization, acquisitions, historically high interest rates, market crashes and significant advancements in technology. Jim is an advocate for embracing change effectively. He was gracious enough to sit down with me to discuss that topic.

There is a cartoon going around social media. It features a presenter asking a group of professionals, "Who wants change?" Every person in the room raises their hand. Then the presenter asks, "Who wants to change?" Not a single hand goes up.<sup>1</sup> This human inclination to resist change is natural. Recent research on the brain shows that resistance to change is not only psychological, but physiological.<sup>2</sup> This means that confronting change can make us feel physically uncomfortable. Our natural way to combat this response is to resist change, and to revert to what we have always done. It is human nature.

Yet, drastic change is coming, especially in technology. The Institute of Electrical and Electronics Engineers estimates that by 2040, 75 percent of all vehicles will be driverless.<sup>3</sup> NASA has recently revealed a plan for the first humans to live on Mars within a few decades. Artificial intelligence is already in use today, and the capabilities are growing. The future can seem scary if we are unwilling to embrace change. As French poet André Gide wrote, "Man cannot discover new oceans unless he has the courage to lose sight of the shore."

To think about how best to overcome our natural resistance to change in the future, it helps to first look backward in time. There have been significant changes that we've already weathered in the past few years and decades. O'Connor recently reflected on the workplace technology that was in use when he began work in the 1970s. While they were no longer used, he

recalls seeing Friden calculators on his floor. These machines resembled those that NASA used to perform the calculations necessary to send the first astronauts into space.

Through the late 1970s, users fed 80-hole-punch cards into what would be considered massive computers by today's standards. To get output from these large machines, users would input lines of code and data characteristics onto the punch cards. They would need to wait, sometimes for hours, to see if the code executed successfully before they could see output. As technology progressed, people still relied heavily on basic four-function calculators to perform manual calculations, as well as to check computer output, until the mid- to late-1980s. It wasn't until then that personal computers first appeared in the workplace.

Fast forward to the present. The amount of data in the entire world is doubling every two years.<sup>4</sup> Most cars today possess more computing power than the entire system that guided those first astronauts to the moon in 1969.<sup>5</sup> In fact, the phone in your pocket is millions of times more powerful than all of NASA's combined computing technology at the time of the moon launch.<sup>6</sup> These changes have had significant impact on the way that we live, communicate and work.

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The rapid change in technology is not the only drastic change in the financial industry. The entire Fortune 500 competitive landscape has almost completely turned over in the last six decades. Of the 500 companies listed in 1955, only 60 remained on the list in 2016.<sup>7</sup> Companies disappeared for various reasons, one of which was the failure to embrace change.

Why were companies that were once so successful unable to carry that success forward with them decades into the future? Sometimes, O'Connor said, the reason for companies failing to keep up with change is simple: "They get attached to success. It's a type of hubris that suggests they know best."

Fortunately, there are some specific things that individuals and organizations can do to prepare for, guide and embrace change into the future.

- **Be solution-oriented.** How do you solve any problem? Identify three basic things: where you are now, where you want to get to, and how you're going to get there. "When you get right down to it, every problem and every project all follow that simple model," said O'Connor. It seems

straightforward. Yet, many of us don't take the time to clearly identify these three critical components of any problem on which we are working. Over the decades, this process of thinking through a problem and being solution-oriented has remained the most effective way to problem-solve. "Our technology is different. What we can do is different, but the way we should be thinking about what we're doing, that really hasn't changed," he added.

- **Have a vision and know how to implement it.** Some companies that have had tremendous success over the last few decades owe it to a few individuals with a concrete and executable vision. An obvious example to point to is Apple, the world's most valuable publicly traded company. When it started out in the late 1970s, Apple sold personal computers. Because of the vision of Steve Jobs and others, the products and the company evolved into something entirely new and different. It set the trend for the whole industry as opposed to following trends set by other companies. "Vision is great. You need it," said O'Connor. However, it's not enough. You need a plan of attack. The rubber hits the road as you implement the vision. That's where the execution comes in. "We can design the greatest whiz-bang ever," he said. "If it doesn't sell, it doesn't matter."
- **Balance matters.** When it comes to embracing change, there are the extremes, and there is everything else. On one extreme are individuals and organizations that resist change at all costs. On the other, there are those that follow all trends without remaining focused on their original vision. "Neither one of them is a very successful strategy," said O'Connor. Individuals and organizations need to find a sweet spot between these extremes that works for them. A company that resists change at all costs will eventually get overwhelmed by the world around it, go out of business, or lose significant market share. Some recent examples of this are Blockbuster, Kodak and Borders. On the flip side, it's important not to follow every trend just because it's there. You lose your vision if you do this, and spread yourself too thin. This is another recipe for failure.
- **Use your judgment.** As actuaries and technical professionals, no matter what happens in the future, we will need to rely on our judgment, and our ability to communicate the implications of modeled results. This will become especially true as automation and artificial intelligence become more prevalent in the insurance and financial industries. "Judgment is one of the things that we bring to the table that is unique," said O'Connor. "When you think about what are the core things that we as a profession provide, it is that understanding. It is the judgment. It is how the world

of insurance works." We will also need to always keep in perspective that doing the right thing should rise above all others as the primary reason for making business decisions. When it comes to making the right decisions, he said, "In our profession, we've got lots of things that help us. We have a code of professional conduct, Standards of Practice, study notes, peers and resources all the way up to—and including—the ABCD (Actuarial Board for Counseling and Discipline), which can help counsel, or if it needs to, discipline," he said. "All of that structure is there to enable those of us in the profession to do the right thing."

It's a certainty that the world around us is going to change, and that we're going to have to deal with it. It's something that we've all dealt with before. All of us experience change in our lives, at one time or another. In recent decades, we've gone through significant changes in the ways that we live, communicate and work. Sometimes we don't give ourselves enough credit for how rapidly we've adapted.

"We have so many examples where people say they don't like to change, and then they pull their cellphone out of their pocket," said O'Connor. "We change all the time. Let's just recognize the fact. We're more talented at this change thing than we believe." ■



Mitchell Stephenson, FSA, MAAA, is vice chairperson of the Leadership & Development Section Council and can be reached at [mitchell.stephenson@prudential.com](mailto:mitchell.stephenson@prudential.com).

#### ENDNOTES

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