



SOCIETY OF ACTUARIES

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# The Stepping Stone

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# What Would You Do?

## Responses to "Demote or Not Demote?"

By John West Hadley

In the May issue of *The Stepping Stone*, I posed the question “What would you do?” to a business situation. Below is a brief summary of the situation, the thoughtful (and lightly edited) responses I received, and the real-life conclusion of the situation. And of course, given the actuarial audience, one of the responses presents a mathematical approach to solving the problem!

For the full unedited business situation, see the May issue of *The Stepping Stone*. Feel free to submit additional thoughts on this case, and your own ideas for situations to pose in upcoming issues, to [SteppingStone@JHACareers.com](mailto:SteppingStone@JHACareers.com).

### DEMOTE OR NOT DEMOTE?

Jim received his first assignment that included indirect reports. His boss confided that he might have issues with the unit's manager, Bruce, although Jim found that his boss had consistently rated Bruce as “meets all expectations.”

Jim interviewed every analyst, and quickly found a consistent theme: Everyone felt frustrated with Bruce, feeling that he resisted any suggested changes and did not pull his weight. Over the course of the next year, Jim made substantial improvements, but was unable to make much headway in correcting Bruce’s behavior. A couple of senior analysts confided that they were considering leaving.

Coincidentally, a manager Jim knew and respected became available. However, Bruce also had a great deal of compliance and institutional knowledge that was extremely valuable to the operation, particularly in a time of such rapid growth, and Jim didn’t think he could afford to lose that.

Should Jim fire Bruce? Demote him? Find some other option to retain his expertise?

### WHAT WOULD YOU DO?

#### Actuary #1

It looks like no one set expectations with Bruce:

Jim’s boss had problems with Bruce but there’s no indication that any negative feedback was given.

Jim interviewed everyone on the team but didn’t give any feedback to Bruce even though everyone was frustrated with him.

Without any specific feedback, there’s no reason for Bruce to think he is doing a bad job.

Jim’s boss got away from the problem by using Jim as the intermediary. The plan fails because Jim is also avoiding the situation.

#### *What would I do?*

I don’t have explicit grounds for firing Bruce. Expectations weren’t set and explicitly described. I haven’t given any feedback to Bruce. Before replacing Bruce or bringing in someone new, I need to have a one-on-one conversation with Bruce to get his side of the story:

- How does he think everything is going?
- What are his thoughts on team trust?
- Are there any barriers he is encountering?
- What are his thoughts on goals, role description, etc.?

After getting Bruce’s perspective, I will tell him my story and how some of his behavior is affecting team performance. Based on his reactions, I will then look for a way to set clear goals and behavioral expectations and maybe give him a second chance. If Bruce responds defensively or denies everything, I will then be explicit about how his behaviors need to change, set some goals, and let him decide if he wants to join my bus or not.

#### Actuary #2

From a purely managerial perspective, the options are limited due to Bruce’s prior performance reviews. Although Jim may not agree with that assessment, up until this point, Bruce’s performance was considered OK. Without significant cause,



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## Firing someone can be really rough on the manager as well as the employee.

Jim's option is to communicate to Bruce the expectations of the role (based on job description and general company expectations).

Jim and Bruce should work together to create a development plan for the coming months, and Bruce should be made aware his next performance review will be based on the communicated expectations and development plan. If both prior managers and Jim were unwilling to take a firm stand on expected behavior, Jim is now challenged with "performance grade" inflation, where the review does not mirror actual performance. After Jim takes a firm stand on the expected performance, he can then take stronger steps with Bruce, after Bruce has had a chance to modify his behavior.

Given the lack of coaching that appears to be present in Bruce's past, Jim now needs to play a little catch-up on Bruce's development.

### Actuary #3

The basic issue is that Bruce is a subject matter expert, but not a good manager. It is a no-brainer that Jim should try to put in a good manager, but also keep Bruce's expertise if he can. However,

Jim's manager was not supportive in this.

Jim has given this time (over the course of a year) and has tried to work with Bruce (unable to correct Bruce's behavior), but Jim is still an inexperienced manager.

My first recommendation is to consult with HR or a mentor. Jim's boss is not the one to play mentor (he gave Bruce "meets expectations" ratings). Jim needs someone he respects to help him think through this. Some HR people are really knowledgeable and insightful about how to deal with challenges like this. Also, a manager who has been through a similar situation—or at least a manager who has reluctantly fired someone—might have some good insights.

I say "reluctantly fired," because I do think that someone who has struggled with the decision, but made it anyway, gains insights from that. It changes the way you approach things.

Reorganization might be an option. Moving the people to a new manager, but leaving Bruce with some level of visible responsibility, might be something that Bruce would actually prefer. This could be a win-win—seek some way that everyone wins. The problem is that there isn't always the budget for that extra manager.

Firing someone can be really rough on the manager as well as the employee. If Jim hasn't done this before, he doesn't know what he is in for. Someone to coach him through it—or coach him through avoiding it—could be really helpful.

### *OK ... what would I personally do?*

1. Talk to Bruce. What would be your ideal job? Do you like being a manager? Why do you say that? (There is a reason people pay big bucks to talk to shrinks ... open-ended questions can be revealing. Sometimes being a manager is like being a shrink. Ask questions and let people talk. Sometimes they answer your questions.)
2. If Bruce doesn't really want to be a manager, look at the budget. Can I keep Bruce and bring in a real manager? Bruce could still be well paid as a subject matter expert, but let the good manager run the team.



3. If Bruce wants to be a manager, but doesn't know how, then I have to lay it on the line. Truth can hurt, but it is also powerful. Bruce needs it. If a conversation doesn't work, a documented conversation comes next: an off-cycle review or a talk with HR. Truth is, sometimes you are better off without someone.

#### Actuary #4

Jim should have a talk with Bruce—does he want to be a manager? Perhaps he doesn't like the extra responsibilities involved with managing and would be happier as an individual contributor.

If so, and if Jim has sufficient budget, he could move Bruce into an individual contributor role reporting directly to Jim, and hire the other manager to manage Bruce's staff.

If Bruce doesn't like that idea, or Jim has insufficient budget, he should begin Bruce on a performance management plan. This plan must clearly lay out expectations and check-in dates. If expectations aren't met within the stated time frame, Bruce should be fired.

Holding on to people who refuse to change is a great way to force out all the good employees.

#### Actuary #5

My first suggestion would be to bring in the new manager for the compliance unit, while keeping Bruce in an alternate role that allows the company to take advantage of his product and institutional knowledge.

Since Jim's boss consistently rated Bruce as "meets all expectations," firing Bruce will be long and painful, and lose access to the knowledge he has. Conversely, with the large number of new filings, Jim does not want to lose his experienced analysts if he keeps Bruce in his current position.

Bruce has good product knowledge and company experience, so there are easily explained reasons for wanting to take advantage of his availability. Given his past ratings, it will probably make sense to give him a parallel title (i.e., no demotion in title) and change his emphasis from a managerial to a technical or "consulting" type role.

Jim can push for Bruce's demotion if he thinks it is necessary, but from the narrative it sounds like Jim's boss will resist this, especially since Bruce can provide value to the company.

Certainly, I've seen several cases where managers were promoted from VP to senior VP while losing two-thirds of their direct reports and responsibility, or being "promoted" from CFO to chief accounting officer yet reporting to the new CFO.

#### Actuary #6

I would make Bruce a senior executive analyst, relieve him of his managerial responsibilities, and ask him to mentor the other analysts to help them to succeed. I would then tie his rewards to the success of the new manager and let Bruce know that his evaluation, his compensation, and his performance would be tied with the new manager, so that if the manager succeeded, Bruce would succeed and vice versa.

I would try to persuade Bruce that his new assignment was a better use of his talents and would effectively make him the intellectual leader of the unit. With the increased volume of work, Bruce would be critical to the timely completion of the workload and he could be encouraged to jump in to assist a junior analyst if that analyst was having trouble keeping up.

Bruce would be the educational catalyst who would make the unit succeed and he could claim credit for the success of the new manager as well. This requires a delicate interpersonal dance to be sure that the stature of all is enhanced by the moves, so that they all feel that they are being recognized for the team success and that their own individual performance is both recognized and valued.

Bruce would be neither promoted nor demoted; he would be reassigned and motivated to make the best use of his abilities so that he could shine in the eyes of those he works with and could go home with pride concerning his position within the organization.

#### Actuary #7

Jim needs to man up—it's his department. Demote

**Holding on to people  
who refuse to change  
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good employees.**

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Bruce to a non-supervisory role and bring in the other guy. As part of Bruce's demotion, look for other opportunities to increase his non-managerial responsibilities to make use of his positive skills.

#### Actuary #8

Be explicit with Bruce as to what needs to be changed and give a time frame (approximately six weeks) in which those changes need to be demonstrated. Be clear that without demonstration of those changes, he will no longer be in his current role. Ascertain if he's open to a more immediate change.

If those changes are not demonstrated, or if Bruce requests a more immediate change, have him transferred to another unit (non-managerial role) that could capitalize on his expertise. If no such unit exists—or it's not feasible to do so—then “demote” him to a senior analyst type position, one where he can serve to help advise the new manager.

#### Actuary #9

First find out why Bruce has been working there for so long. Does he have some inside connection? Then find out how much it will cost (possible lawsuit?) and do a cost-benefit analysis. Then fire him.

#### Actuary #10

I would lean toward firing or transferring Bruce, but there is another point that should be considered: What are Jim's options?

He has a terminal credential, a year of increased managerial responsibility under his belt in which he “has made substantial improvements,” and seems to be networking effectively enough that good people want to work for him. It sounds like his résumé and connections should look pretty good. What does the job market look like for Jim?

That's not to say he should just avoid the hard decision, but in this case he happens to be presented with this particular hard decision—which has significant risks—at a time when his own stock might be at a local maximum. He should at least consider it.

#### Actuary #11

Do what companies always do with obsolete or

useless executives: Create a new position that gets them out of the way but still allows access to their knowledge or history on the project.

#### Actuary #12

Let  $x$  = Bruce's knowledge

Let  $y$  = New guy's knowledge

Let  $f()$  = value of Bruce's current position

Let  $g()$  = value of Bruce's new position

Let  $h()$  = indirect value of Bruce's presence

These values are net of expenses.

So,  $f(x)$  is the current value of what Bruce is contributing to the position. A proposed solution so far is to replace him with the other guy such that the value of the position is  $f(y)$ . It is believed that  $f(y) > f(x)$ .

It could even be possible that the optimal solution would be to both promote Bruce and replace his current role with the new guy:

#### **Solution 1:**

Current value =  $f(x) + h(x)$

Step 1: Replace Bruce with the other guy. The value of role  $f$  is now  $f(y)$ .

Step 2: Move Bruce to new position. The new position is now valued  $g(x)$ .

Now the current total value is  $f(y) + g(x) + h(x)$ .

#### **Solution 2:**

Maybe they should just get rid of Bruce altogether.

Current value =  $f(x) + h(x)$

Step 1: Replace Bruce with the other guy. The value of role  $f$  is now  $f(y)$ .

Step 2: Get rid of Bruce.

Now the current total value is  $f(y)$ .

Pick solution 1 if  $f(y) + g(x) + h(x) > f(y)$ .

Pick solution 2 if  $f(y) > f(y) + g(x) + h(x)$ .

If  $g(x) > f(x)$  AND  $g(x) > f(y)$ , Bruce deserves a promotion.

If  $g(x) > f(x)$  AND  $g(x) = f(y)$ , Bruce deserves a lateral motion.

If  $f(y) + g(x) + h(x) > f(y)$  AND  $g(x) < f(y)$ , Bruce deserves a demotion, but is still deemed valuable enough to the organization.

### WHAT DID JIM ACTUALLY DO?

Jim chose to demote Bruce to an analyst role in his former unit. Bruce immediately complained to the SVP over HR, who called Jim in to review his

handling of the situation. He disagreed with Jim's decision to demote instead of fire Bruce, stating that demotion almost always led to a disgruntled employee, but agreed that Jim had taken all of the steps necessary to make the demotion stick.

The new manager did a terrific job of rehabilitating Bruce, and within a couple of years was able to promote Bruce (but not as a manager) in recognition of his improved performance. ●

SOCIETY OF ACTUARIES

# YOUR VOTE COUNTS



## CALLING ALL ELIGIBLE VOTERS

Elections open **August 19** and will close **September 6 at 5**

**p.m. CDT.** Complete election information can be found at [www.soa.org/elections](http://www.soa.org/elections). Any questions can be sent to [elections@soa.org](mailto:elections@soa.org).

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