



SOCIETY OF ACTUARIES

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The complete actuary

Empowerment is the tool of freedom

by William C. Cutlip

I dreamed that I was five people and that each of us was accomplishing wonderful feats at the same time. We were building a new health product, creating a projection model, strengthening field relationships, streamlining an old computer system, and making plans to carry us into the future.

Suddenly I woke up and looked around. I was at the office. I was five people, and we were getting all that done. Empowerment had made it possible.

One of the most exciting methods emerging from management science in the past few years has been the practice of empowerment. It is a results-based approach that puts the power of process in the hands of the people who work for you. You set expectations — the "what." You tell them "why." Your staff can then act on their own — on "how" the results will be met.

Evolution of the revolution

Empowerment can be scary, for those giving it and for those receiving it. Most members of management operate under the classic approach of "I'm boss and you're not." Power usually rests at the top of the pyramid. Pieces of it may trickle down to sub-pyramids below, but those at the bottom of the pyramid — the ones on the front line where the action is — never have had the power.

Empowerment is, quite literally, a transfer of power. It is a sense of control. It is the ability to take charge of your own destiny. It gives each human a sense of self-esteem.

What does it look like?

Empowerment means taking on the responsibility and authority for getting a job done. Upfront, the job has to be well-defined, and expectations must be set for results and timing.

You could empower someone by:

- Turning over the pricing of a product to one of your actuaries. Tell him or her what profit goals you're seeking, what the



competition is, what regulatory guidelines to follow, and when you expect the completed project. Don't tell your actuary what assumptions to use. Let him or her decide that, do the pricing that fits the needs, and sit down and review it together.

- Letting your secretary set up your filing system, do all your filing, and teach you how to use the system. Give him or her a deadline, and then let the secretary loose.

How do you make it work?

Two tools, training and measurement, must be solidly under your belt for empowerment to be successful.

Training includes both you and your staff. You have to learn how to pass on the authority, and your staff has to learn how to pick up that authority and the responsibility. They have to learn what tools are available, how to use those tools, and how to do the work. They have to be trained in communicating with others, teamwork, leadership, and the technical skills needed to accomplish the task.

Measurement sometimes is the forgotten tool of empowerment. Because empowerment is results-based, you first have to identify the desired results and determine how to monitor that the results are being met. This monitoring may take the form of periodic reports or meetings. It might mean making sure that a certain number of units are processed during a day or week. Whatever the measurement is, make sure it is appropriate to the results you expect and that you track those measurements.

Traps, pitfalls, other issues

Knowing what hazards may get in your way helps you deal with them when they arise. Some common challenges include:

- In a move to empower people, your greatest support will come from the frontline workers. Your greatest resistance will come from middle management. For supervisors and managers, it is a role change from directing activities to coaching, supporting, and monitoring other's activities. This may leave some managers a little adrift. Although they are getting more power from others, they are giving up power to those who work for them.
- Don't second-guess your people. It is terrible to tell someone they have the authority and responsibility to do a job, have them make a decision, and then you swoop in and change it. If you have set the right expectations in the beginning and done your monitoring along the way, they will make good decisions.
- Sometimes training is ignored. We get so excited about taking on the new idea and trying it out, we don't give people enough information and enough tools to accomplish the job successfully. Then they really do feel all at sea.
- Remember follow-up. You have set the measures; now monitor them to make sure expectations are being met. Do it early and often, so you have a chance to do a mid-course correction, rather than suddenly finding your boat beached.
- You may find yourself out in front of others in the organization. Empowered people may find themselves running up against unempowered people who won't recognize or respect their decision-making authority. Prepare your people for that.
- Some people or groups may misunderstand authority and assume it means autonomy. They may believe they are free to act without taking anyone else's needs or concerns into

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E & E CORNER

- As mentioned in "E&E Corner" in the *May Actuary*, the Society of Actuaries and the Casualty Actuarial Society have agreed to grant credits in each organization for specified examinations given by the other body. One CAS examination eligible for SOA credit is the CAS Part 4B examination on Credibility Theory and Loss Distributions. It earns 20 elective credits toward the ASA. For the May 1992 examination session, 101 candidates who passed the CAS Part 4B examination have requested the elective credit from the SOA.
- The CIA's Council determined at its June meeting that CIA students taking SOA examinations will be required to pass CAS Part 4B. The resolution's exact wording is, "That a person seeking admission as a student of the CIA through SOA examinations and who has not passed at least 35 elective Associateship credits by September 1, 1993, must present credit for CAS examination Part 4B as a required element."
- Photo IDs will be required of all candidates at all centers starting with the November examination session. In May, the SOA experimented with requiring photo IDs of candidates writing examinations. The supervisors at the three centers participating in the experiment were very supportive of the requirement and did an excellent job. They reported no major problems. Anyone having questions about the photo ID requirement should call the Examination Department at 708-706-3583.
- The new Intensive Seminar on Risk Theory was given in two sessions in August. Stuart Klugman and Harry Panjer, developers of the seminar, served as academic faculty for both sessions. Anthony J. Zeppetella

acted as business faculty. There were 82 eligible applicants for the seminar, 60 of whom were accommodated at the August session. We are considering offering a session in January for the applicants who were not accommodated in August.

- Starting with the May 1992 examination results, candidates failing a multi-topic examination (as indicated in the Fellowship catalog) automatically receive an analysis of their performance shortly after the grades are released.
- The examination hotline has been retired. Instead, candidates may obtain their examination results (pass vs. fail) through a voice-activated system. This will allow candidates to get their examination results any time after the grades have been released. The system is not yet in place but will be up and running in time for the November 1992 examination results.
- The Course 150 examination (Actuarial Mathematics) returns to being an all multiple-choice examination in November. This format change makes it possible for the SOA to schedule some Fellowship-level examinations earlier in the session. It also gives the volunteers grading those examinations more time to complete the grading. Clip and save the notice on this page that lists changes in the November examination schedule.

Empowerment cont'd

account. If that happens, go back to the basic expectations and measurements, so they'll know this is not appropriate decision-making.

Using empowerment to free you
If you're interested in empowerment, study the subject in depth. Read books, look at articles, watch videos, and talk to people who have had the experience. Some recommended sources are:

- Zapp: The Lightning of Empowerment* by William C. Byham, Ph.D., with Jeff Cox
- Video series on empowerment by Tom Peters, author of *In Search of Excellence*. My favorite is *The Leadership Alliance*.
- Harvard Business Review* often has good articles and case studies on empowerment.

Make sure you get training. Look for seminars, university extension programs, or in-house training programs with titles that include empowerment, teamwork, team building, coaching, or quality management.

Don't try to do it all by yourself. Actuaries tend to act like the Lone Ranger occasionally, but successful empowerment is dependent on the team spirit. Make sure you have people who are willing to work on this with you — peers, human resources people, or your boss.

Most of all, have fun. It is an exciting and challenging way to manage with a good personal payoff for you. It frees you to get at those broader issues that you don't have time to address on a day-to-day basis.

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November Exam Schedule Changes

To help process examination results, it was necessary to change the dates of some examinations from the dates listed in the catalogs. The dates listed here are correct, and notices are being sent to the appropriate candidates. The correct dates and times are listed in the "Instructions to Candidates."

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| Exam 150 | November 13 | Exam G523 | November 6 |
| Exam I342C | November 6 | Exam G527 | November 13 |
| Exam I343U | November 6 | Exam I542 | November 6 |
| Exam I445 | November 6 | Exam P565C | November 6 |