



THE STEPPING STONE

The Newsletter of the Society of Actuaries
Management & Personal Development Section

NUMBER 2

NOVEMBER 1999



UPCOMING 2000 SESSIONS

Society of Actuaries Meeting in Las Vegas

- Focusing on What Really Matters
- Knowing When and How to Say No
- Negotiation - Win-Win?
- Marketing Yourself within Your Own Organization
- Does my Style Increase my Likelihood of Success
- Project Management for Actuaries
- Learning to Listen
- Appropriate/Inappropriate Communications: "What Did I Say?"

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Message from the Chairperson

by Gregory R. Childs

Since this is the last newsletter that will be published during my term as Chairperson of the Management and Personal Development Section, I would like to use this column to recognize several people who are involved with our section.

Ed Martin and Dean Taylor are Council members whose terms expire at the annual meeting in San Francisco and I thank them for their many contributions to our new Section and for their work in the years before we gained section status.

To replace Ed and Dean, the Council welcomes Chris Ruckman and Ty Wooldridge who were recently elected to serve terms of three years. Thank you to Chris and Ty for volunteering their time and talents and we look forward to working with you. The third person elected to a three-year term is current Council member Michael Braunstein who was elected last year to the first Council for a one-year term. Michael is a past chairperson of the Management and Personal Development Committee, the predecessor to this Section, and has served our cause for many years. In addition he is the editor of this newsletter. I appreciate Michael's willingness to continue serving our members.

I would like to thank all the members of this year's Council. They have done excellent work preparing sessions for SOA meetings, serving on meeting program committees, and speaking at meetings. All Council members have contributed their time and ideas to the purpose of the Section. It has been a true team effort and I thank you all.

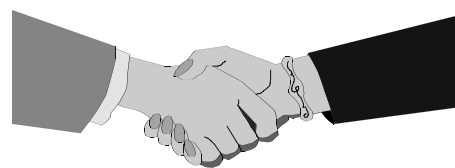
Lois Chinnock, SOA Section coordinator, has done a wonderful job supporting the operation of the Section and has been invaluable in helping us through our first year and breaking us in to how the SOA runs its Sections. Thank you, Lois, for your patience and your assistance.

Finally, Vice-Chairperson Lisa Tourville will assume the duties of chairperson of the Section at the San



Francisco meeting. Lisa has brought great enthusiasm and many good ideas to the Council and I thank her for her efforts during my term as chairperson. I have great confidence in her ability to lead the Management and Personal Development Section forward in the next year.

Gregory R. Childs, FSA, is second vice president & actuary, Lincoln National Life Insurance Company in Fort Wayne, IN.



Congratulations and Thanks Are in Order

Congratulations to our new Council members:

- **Chris Ruckman**
- **Ty Wooldridge**
- **Michael Braunstein** (Re-elected)

Thanks to those who terms have expired:

- **Edward Martin**
- **Dean Taylor**

THE COMPLETE ACTUARY

Mentoring: Is It All What It's Cracked Up to Be?

by Cindy Forbes

Editor's Note: This article is reprinted with permission from the March 1991 issue of The Actuary.

Over the past several years, mentoring has become a hot topic in literature. Having a mentor during the early part of a person's career has been heralded by some authors as one of the keys to becoming a success. Many companies, in an attempt to develop future managers as well as to integrate an increasingly diverse work force into their corporate culture, have adopted formal mentoring programs.

Mentoring—a key to success?

Research has found that mentored people are more successful in organizations. However, it is not clear whether the mentoring causes the success or whether successful people attract mentors.

A mentor means different things to different people. A mentor can be seen as a sponsor, guru, counselor, teacher, advisor, guide, tutor, or coach. The role the mentor plays depends on the mentor's style, the goal of the mentoring program (if a formal program is in place) and the needs or desires of the person being mentored. The mentor may serve as an added source of information, encouragement, career counseling, and as someone with whom to discuss problems.

On the surface, it appears that in such a relationship all the benefits flow to the one being mentored. Research shows, however, that mentors derive many benefits as well. The mentor gains access to the protégé's energy and creativity. In addition, the protégé can offer the mentor vital information about other parts of the company, serve as a sounding board for ideas, or help the mentor finish a project. Mentors also may experience a sense of

completion from sharing their knowledge and experience to help others get started in the company.

Companies recognize that mentoring is beneficial to the organization as well. Mentoring often contributes to the development of managers, increases productivity, reduces turnover, and



enhances communications between all levels and sectors of the organization. Additionally, mentors help integrate new employees into the organization and build a sense of belonging for their protégés. More corporations are using formal mentoring programs to help them deal with emerging social and economic trends. Specifically they expect mentoring programs to:

- Help attract and retain workers during the coming labor shortage
- Help integrate the percentage of females, blacks, and other minorities into their corporate culture
- After an acquisition, integrate the managers of the acquired company into its culture

Potential problems

Corporate-sponsored mentoring programs are increasing. But are mentoring programs and relationships a panacea? Problems can develop that diminish their effectiveness. First, mentoring relationships, like any others, can go sour, leaving protégés exposed if they haven't developed other ties in the organization. Second, they can lead to a continuation of the "old boy" network and to over-protection. Finally in an ad hoc mentoring system, mentors tend to adopt protégés who seem most likeable and similar to themselves, which may lead to discriminatory behavior.

Of course, one of the biggest obstacles to mentoring, unless you're part of a formal mentoring program, is developing these relationships.

Mentoring experiences

ManuLife Financial began a formal mentoring program for actuarial students and new Fellows about a year ago. The mentors are senior actuaries and each has a group of about four individuals. The group approach allowed every student and new Fellow to be included in the program. The goal was to foster our historically strong actuarial community within the company.

Without the structure of a formal program I'm not sure if I would have volunteered to be a mentor. I've given advice when asked and I had considered mentoring students and staff with whom I felt a natural affinity. Given the press of daily demands, however, these altruistic ideas usually were placed on the back burner. Also, I always experience some trepidation at the idea of giving other people advice, asking myself, "Who am I?" and "Do I really know what is best for this individual?" After all, I live or die by the advice I give myself, but not the advice I give to others.

While a formal program ensures
(continued on page 8, column 1)

BOOK REVIEW.....by Dean Taylor

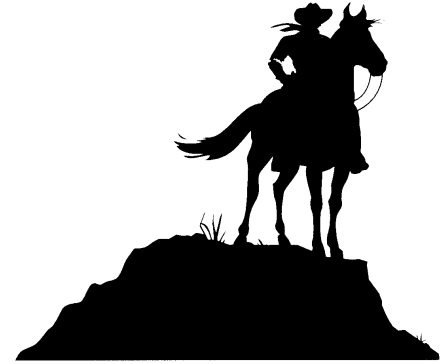
The Lone Ranger's Code of the West

“But, aren't you afraid?” she asked him. “My father once told me that courage, true courage is the ability to see things through, no matter what. It is standing up for one's principles, even if you must stand alone.” “You're not alone, Kemo Sabay.”

The Lone Ranger smiled. “You're right, Tonto.” He could still see concern in her eyes.

“Yes,” he conceded, “I am

and his faithful companion Tonto into various escapades to illustrate eight values. These values, which make up the Lone Ranger's Code of the West, are honesty, fairness, caring, respect, loyalty, tolerance, duty, and moral courage. Each value is brought to life by way of an action-packed story with elements of intrigue, mystery, double-dealing, a bit of romance, and, of course, good triumphing over evil.



“Lichtman's book is very unique in the way it weaves the past with the present, by embedding modern-day expressions, products, and modes of transportation into conversations and story lines of the Lone Ranger, Tonto, and the author-narrator.”

afraid, Laura, but I cannot let that prevent me from doing what I know needs to be done. Do you understand, now?”

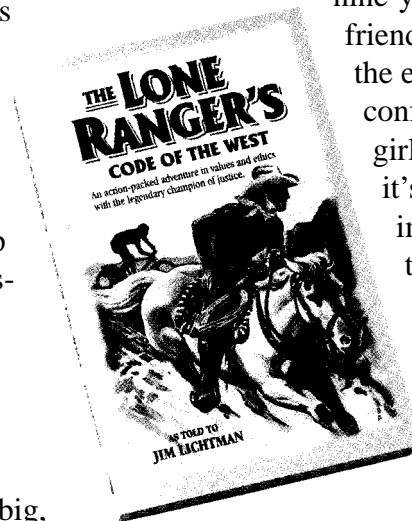
She just stared into this eyes. “I think I do.” Nothing else seemed to matter, for the moment. Right now, she felt more safe than she had in a long time. That's when she leaned closer to him. His eyes met hers and softly, gently, they kissed.

With that romantic prelude, the chiseled, stoic face of the masked man becomes a bit more human. In this book, Jim Lichtman lets us ride along with the Lone Ranger

Although each story is quite predictable in its outcome, Lichtman weaves in enough characters and subplots to keep the reader guessing.

The book begins with the author coming across the Lone Ranger and his big, snow-white stallion Silver one day as he was biking on a beach trail

near his home in Los Angeles. Lichtman has a moral dilemma on his mind and asks the Lone Ranger what to do about it. It seems the author had rationalized a lie for the welfare of a friend who needed emergency medical treatment but had no health insurance. Lichtman, in the story, justifies using his insurance card at the hospital's emergency room and having his friend assume his identity in order to receive medical attention. However, the nine-year-old daughter of his friend hears Lichtman lie in the emergency room and confronts him about it. The girl is told that “sometimes it's okay to lie for really important things.” Later, the girl is suspended from school for several days for helping a friend cheat on a test and then lying to cover it up. Her teacher was surprised at her behavior but even more so when the girl told the principal that a friend of her father





JIM LICHTMAN

had told her it was all right to lie for really important things.

And at this point Lichtman asks the Lone Ranger how he should have handled the situation and what he should do now. You will have to read the book for the answer, although each of us should, with our own ethical and professional “compass,” be able to supply the answer.

Lichtman’s book is very unique in the way it weaves the past with

the present, by embedding modern-day expressions, products, and modes of transportation into the conversations and story lines of the Lone Ranger, Tonto, and the author-narrator. On the down side, sometimes it was difficult to keep the characters straight, especially if I tried to pick the book up in the middle of a chapter and since both the Lone Ranger and Tonto refer to each other as Kemo Sabay.

Also, although the eight values are expounded upon nicely by virtue of the stories in the book, I considered several of the chapters a little long and the humor sometimes predictable. But to his credit, Lichtman winds up the book with a very suspenseful story that reads like a James Bond thriller and is what I consider the best part of the book.

If you were at the Society of Actuaries 50th Anniversary meeting in San Francisco in October, you had the opportunity

to hear and experience Jim Lichtman. The Management and Personal Development Section and the Actuary of the Future Section co-sponsored a luncheon with Lichtman as the guest speaker. He spoke about the values and ethics of the Lone Ranger as capably as he presented the action-packed adventures in his book. It was a lively and entertaining event indeed.

Jim Lichtman spoke at the recent 50th Anniversary meeting in San Francisco held in October.

Dean Taylor, is manager of Actuarial Services at Oxford Health Plans, and a Council Member of the Management and Personal Development Section.

Management and Personal Development Section Mission Statement and Objectives

The mission of the Management and Personal Development Section shall be to plan, implement and actively promote management and business skill development for members, using a variety of channels, including:

- Seminars, workshops, panel discussions and teaching sessions in conjunction with the Spring and Annual Meetings of the Society of Actuaries.
- Articles in *The Actuary* under “The Complete Actuary” byline.
- Resource materials, such as *The Actuary’s Career Planner*, *Actuarial Competencies*, and *Professional Actuarial Specialty Guides* for members.

The key objectives of the Section will be to:

- Provide tools to facilitate personal career development.
- Provide results-oriented skills and knowledge for current and developing managers.
- Build a bridge from technical knowledge to decision-making and its implementation.
- Develop educational opportunities and provide resources for all actuaries who strive to become more effective managing members within their business organizations.
- Offer opportunities to network, enhance management practice, and experience professional feedback.

Top Ten Mistakes in Business Planning

by Michael J. Prager

All companies engage in some planning activity, but many come up short on the bottom line. When new product or service lines fail to meet expectations, the obituaries begin. In hindsight, companies often rationalize the causes of failure, but are doomed to repeat it. Much is learned, but little is changed. The cycle repeats itself and another obituary is written. Here are my top ten mistakes in business planning:

- 1) Back of the Envelope
- 2) Close the Barn Door
- 3) S-U-C-C-E-S-S
- 4) Option, Options, and More Options
- 5) Enamored Visionary
- 6) Groupthink, Think Not
- 7) Find the Hidden Assumptions
- 8) Who's Minding The Store
- 9) Know When to Fold 'Em
- 10) Wave the White Flag

Back of the Envelope



The primary reason that 80% of new businesses fail within five years¹ is the lack of a well-conceived, documented business plan.

A plan is an essential tool that methodically thinks through the entire planning process. Planning and analysis yield strategies and implementation that are sound and completely "thought through." The latter is rarely accomplished.

Organizations spend plenty of time on ideas, but do not explore the side-effects, validate assumptions, identify risks, adequately plan for contingencies, or understand hidden assumptions. This causes a parochial view of the business and, consequently, a high failure rate.

Close the Barn Door

The lack of analytical and planning skills is prevalent in smaller companies and, to



a lesser extent, in larger ones. Those vested with the responsibility for planning are experts in their industry, field, product, or service, but they often miss the mark on financial and management skills required for planning. For example, the owner of a fitness chain knows about exercise equipment and the latest fads but lacks sufficient experience or training to develop a business plan and cash flow models, to prepare strategic analysis, to identify threats, and to plan for contingencies.

Planning for threats is essential for a sound business plan. Threats can emerge inside a company, through competitors, or from other industries. Companies may not properly identify or evaluate threats until they tangibly affect the bottom line. By then, companies have few options, and the goal becomes damage control.

S-U-C-C-E-S-S

It is important to know if a company's past projects were successful. While most companies say "yes," few can answer the question, "How do you know?" Success requires a common benchmark.

Otherwise, every person sets their own standard, which leads to different benchmarks and either premature abandonment of a great idea or the continuance of a bad one.

Clear benchmarks ensure that a project or business is viewed the same way by employees, owners, shareholders, and third parties, and avoids the confusion and ultimate confrontation of different yardsticks. Benchmarks must be reasonable and measurable.

Options, Options, and More Options

Companies have confidence in their products, services, and ideas. Failure is not often considered and companies

ignore alternative strategies and options. If results fail to meet expectations, a scramble ensues to find solutions, and companies get locked in crisis management.

A company that anticipates unforeseen events is a step ahead. If "Strategy A" fails, they have more options than a company that ignores failure. Contingency planning evaluates and sets strategies for potential outcomes and prepares to implement them with little notice. It is important to use a questioning style that quickly identifies risks, and a mentoring or collaborative style that helps solve them in a positive environment.

Enamored Visionary

Visionaries are often enamored with their ideas and sometimes fail to see faults or plan for contingencies. They would rather manage as they go, which may lead to wasting money and frustrating those around them. Enamored visionaries prefer people that agree with them and weed out contrarians.

Solving this problem requires an independent person who brings a fresh perspective and no pride of authorship to cloud the vision. By asking tough questions and probing strategic details, this person can identify flaws, help solve them, and turn a potential failure into a success.

Groupthink, Think Not

Related to the "enamored visionary" problem, Groupthink² is wider spread, but similarly resolved. It occurs when a group of people involved in the planning process are blinded by the objective.



They want an idea to succeed or are told it must succeed, so they fail to recognize threats, plan for them, or realistically evaluate alternative strategies or goals.



Groupthinks also occur with stagnant groups or cliques. Over time, independence evaporates and the group begins to think alike. People with adverse opinions are either removed or learn to remain silent. This process occurs quietly, with few people recognizing its existence. Groupthinks are very dangerous and can lead to disastrous decision making.

Find the Hidden Assumptions

Hidden assumptions lead to wrong decisions. They usually come out of hiding after an idea or business fails. A hidden assumption occurs when:

- A statement or conclusion critical to the planning process is not challenged. Nobody asks, "Why is that true?"
- Employees make assumptions to simplify their work or ease their work load.
- A project stops because information is needed and a well-intentioned employee makes a "best guess" for the project to continue.

Who's Minding The Store

Great ideas do not implement themselves. Poor implementation, rather than an inherent fault in the idea, usually causes failures. Companies and executives move on to the next idea after the last one is loosely defined, but forget to sweat the details. Sayings like, "nothing is impossible for those that don't have to do it,"



and "it's good to be the king," come to mind.

A special person is needed to manage implementation: to create a detailed project plan, manage finite company resources, identify and resolve problems, and champion the cause. Success depends upon those with financial and analytical skills and the ability to organize, document, negotiate, and mentor. Where the project manager is weak, additional knowledgeable people are essential.

Know When to Fold 'Em

People prefer not to think about failure and an exit strategy. When a plan fails, despite careful planning, it is time to exit.

budgets, or lack of knowledge, companies avoid outside assistance or "asking for directions." Companies fail to realize that advisors or consultants can add significant value by accomplishing the following tasks:

- Quickly completing the planning and analysis which can provide rapid market entry or implementation and reduce opportunity costs.
- Identifying future problems and eliminating or managing them in advance. Fewer emergencies mean reduced costs and improved revenue. Without proper planning, however, few options exist later on.
- Improving the skill set of company personnel. Learning the "how-to's" of planning and analysis increase an employee's value on other assignments.

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"Hidden assumptions lead to wrong decisions. They usually come out of hiding after an idea or business fails to make assumptions to simplify their work or ease their work load."

- A spreadsheet or model is being developed, but certain information is not known. Rather than research the answer or ask a question, an assumption is made.

Hidden assumptions are rarely disclosed. They are found by accident, when someone unintentionally asks the right question [or] after sub-par performance. A company needs an insightful and technically savvy person to filter out hidden assumptions and minimize the damage.

A deliberate exit strategy avoids a prolonged and expensive emotional retreat. Moreover, it manages the important litigation exposure.

Exit strategies are difficult to develop because nobody wants to think about defeat. An independent advisor is often needed to get the process started and can objectively evaluate exit strategies.

Wave the White Flag

Pride can get in the way of many things, including success. Whether it is ego, tight

Mentoring: Is It All What It's Cracked Up to Be?

continued from page 3

commitment, it creates other areas of concern for a new mentor: Will I get along with the individual in my group? Will they have the same interest and commitment that I must have?

After a year as a mentor, I have discovered that my fears were unfounded and that I have experienced many of the benefits cited by the research. My group has discussed diverse subjects, such as career development, strategic planning, and stress management. We've also had guests who discussed operations in other parts of the company. I believe I'm much more in touch with the concerns and issues facing our actuarial students than I was before.

A few months ago, we surveyed the students and new Fellows in the program to find out whether they believed the program was beneficial. With the exception of a couple of participants, the

program was viewed as worthwhile and something they wanted to continue.

On reflection, I realize I have had "friends" over my years at ManuLife to whom I could turn for advice and counsel. Until now, I had never thought of them as mentors. From this perspective, I offer the following advice to those of you in the early part of your careers:

- Having a "friend" or mentor who knows the company and has years of experience is very helpful.
- Don't be afraid to seek advice from senior employees whom you know and trust. They'll be flattered rather than offended.
- If you have mentoring-type relationships with individuals at your company, remember that the benefits will be proportionate with the effort you make in developing and sustaining them.



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