The Stepping Stone

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contents

Actuaries
The Best-Kept Secret in Business™

From the Editor

Passive, Aggressive or Assertive?

by David C. Miller

"I know I should be talking to more people about what I do, but I don't want to seem pushy."

"I need to confront my boss (or partner or employee) on this issue, but I keep avoiding it."

"It's not worth the hassle to deal with this person, time to move on."

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Do any of these comments sound familiar? They are examples of many that I hear when coaching professionals on how to succeed.

The tenor in which we approach our business or career can really make a difference. We all bring our personalities and relational styles to the table.

When it comes to promoting yourself, your practice, service or product and being who you are, are critical. However, there is another dynamic which overlays our personality. It's the way we communicate.

You can think of it as a spectrum spanning between being passive and being aggressive. In the middle somewhere is assertiveness.

You can be humorous or serious, concise or eloquent and come across in a way that's passive, aggressive or assertive.

It probably goes without saying that there's no room for passivity if you want to succeed. The world is not going to come knocking on your door just because you're qualified or competent. You must get your message out about the value you can provide. **Tentativeness will make you invisible!**

If you're toward the passive end of the spectrum when it comes to building your career, you probably feel that the alternative is to be obnoxious, self-promoting—in essence, aggressive.

But there is another choice (which happens to be the ideal choice)—assertiveness.

Assertiveness is vital whether you are promoting your business, impressing your superiors or dealing with a difficult customer.

What is Assertiveness?

In their book, *The EQ Edge*, authors Stein and Book define assertiveness as having three basic components:

1.   The ability to express feelings (anger, warmth, etc.)

2. The ability to express beliefs or thoughts openly. This means being able to voice opinions and take a stand, even if it's emotionally difficult to do so and even if you have something to lose by doing so.

3. The ability to stand up for personal rights. In other words, not allowing others to bother you or take advantage of you.

Assertiveness is Not Aggression

A very common mistake is to confuse assertive behavior with aggressive conduct. As a result, people shy away from the idea of assertiveness because they fear they'll seem pushy or even hurt others.

What's the distinction between assertiveness and aggression?

It really comes down to your regard for others. Assertiveness is characterized by a clear statement of one's beliefs (e.g., "I want to tell you about what I do because I believe it will help you"), accompanied by a consideration of the thoughts and feelings of others.

Aggression has no consideration for the dignity of others. By the way, it may surprise you that *passivity also lacks this same consideration!* So, remember that if you're tempted to "play it safe" by being passive.

Assertive people are positioned to attain their goals because they are willing to move out of their comfort zone for the benefit of others. They are masters at creating "win-win" results.

So, if you've been reluctant, be assertive about promoting your business or career and make sure you're not confusing assertiveness with aggression. Also, check your motives and find a way to advance professionally and help others (your customers, clients, colleagues, employer, etc.) win at the same time. ❑

A Unique Opportunity to Make an Impact

by Sudha Shenoy

There is a great discrepancy between the level of soft skills that actuaries currently possess and the level desired by employers. The changing nature of the business world demands a response from those of us in the profession, a response that has the potential to have a great impact.

The M & P D section has always been committed to providing you with tools and programs to assist you in your professional development at all stages of your career. Our section wishes to be a leader in the attempt to meet these new challenges. As with any problem, the first step toward a solution is awareness. Now that we have recognized the need for improvement, we must seek training in these skills. The good news is that many of these skills can be learned and developed through practice. What kinds of training do actuaries need? In an age where our technical work is constantly consuming bigger and bigger portions of our time, what are the best ways to provide this training? How can this training be tailored to the needs of actuaries? These are the issues that both our section and the SOA are trying to answer. The Business Skills Task Force appointed under the Knowledge Management Strategic Action Team made recommendations (approved by the Board) that the SOA develop and implement additional programs to enhance the business and communication skills of its members.

What can our section do to help? During the Section Council's recent meeting, its members revised the section mission and sketched out a strategic plan for 2006 and beyond that seeks to address these issues. We have a great team that is committed to making an impact and providing excellent programs. A good example of this is the "Coaching for Performance" sessions that are being offered by our section at the SOA Spring 2006 Meetings. The sessions will address the use of personal coaches as well as teach managers how to coach their employees for optimal performance.

What can you do to help? The very fact that you are a member of the section tells us a lot about your interest in your career and demonstrates a proactive approach to your personal development, both of which are steps in the right direction. We would love to hear your feedback regarding the assistance and tools that you might need. Feel free to contact any of the Section Council members, share your ideas and inform us if you would like to get involved with our initiatives.

In the meantime, we can all widen our sphere of influence and make an impact at work each day by being better team players, thought leaders and consensus-builders. We do indeed have an opportunity to make an impact in our profession! ❑

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> ... we can all widen our sphere of influence and make an impact at work each day by being team players.

Temptation, Obsession and Turf

by Steven J. Gaspar

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Editor's Note: This article is the second of a two-part series. The first was printed in the January 2006 issue of The Stepping Stone.

A Parable

As a technician, Jared Wilds had few peers. His work ethic and intellectual horsepower were unmatched. He personally produced volumes of actuarial analysis with an unrivaled depth of understanding. When the deadlines were unreasonable, Jared simply turned up the volume—all-nighters, all-weekenders—no obstacle stayed in his way for long. Shortly after becoming a Fellow of the Society of Actuaries, Jared landed his first significant leadership position.

As a director at ABC Insurance, Jared would lead a team of 13, including three managers. Jared approached his new assignment with zeal. What his team could not accomplish he did himself. Often working late, Jared handled every assignment thrown to his department. These successes brought more such opportunities that quickly piled up beyond his team's capabilities. Instead of adapting his approach, Jared simply worked harder. It seemed like a good idea at the time . . .

The transition from personal producer to manager/leader is a shift that can be difficult for many professionals, including actuaries. Appreciating and understanding the fundamental differences between the two roles is critical to success. Not understanding the differences can lead to failure, which can be frustrating to those who have enjoyed past successes, e.g., actuaries who quickly pass exams.

Leadership skills can be learned—usually by a combination of awareness, education and practice. Education can occur in the form of a class, work experience or mentoring. Books are also an important resource. In the previous issue of *The Stepping Stone*, I reviewed two books by Patrick Lencioni, a lecturer and the author of several best selling books on management and leadership. In this article I review two more of his texts and provide an early look at his latest publication, which arrived in bookstores only recently.

As mentioned in my prior article, Lencioni writes using a parable format. The parable features a business drama caused by a lack of leadership, which is usually resolved by the main character. The final section of each book provides a summary that outlines the reasons behind Lencioni's theory for that leadership principle.

Temptation

In "The Five Temptations of a CEO" we meet Andrew O'Brien, a Chief Executive Officer who is facing a difficult board meeting the next morning. Andrew works late that night lamenting over the meeting because he knows he has not done well in his first year as CEO. On his train ride home Andrew meets an unlikely mentor, Charlie the railroad employee. Charlie coaches Andrew on the five temptations of a CEO—the five areas of potential weakness for any leader, particularly for a CEO.

Each temptation entices a CEO to choose something desirable over something truly valuable—potentially to the point of failing as a leader. The temptations are: (1) choosing status

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over results, (2) choosing popularity over accountability, (3) choosing certainty over clarity, (4) choosing harmony over productive conflict and (5) choosing invulnerability over trust. Lencioni argues that nearly all CEOs fail, and when they do, the failure can be traced back to one of these temptations. In my reading of this text, I found it useful to translate each temptation into a fear of something. Let's look at each one:

Choosing status over results—This is a fear of losing face. It is sometimes manifested as greed and/or laziness after fighting ones way to the top. Those who are susceptible to this temptation allow key decisions to be affected by a desire to keep a good thing going instead of looking for better ways of doing things. Sound business decisions are sacrificed for decisions that make the CEO look good. Leaders who indulge in this temptation reward those who feed their egos rather than people who get results. They also take fewer risks—particularly risks for which failure would be easily traced back to them.

Choosing popularity over accountability—This is a fear of being disliked. Many successful business people spend more time at work interacting with people than they do in their personal lives. Strong personal relationships develop when executive teams work closely much of the time. These relationships can become unintended barriers to a CEO when it is time for him/her to hold his/her direct reports accountable. We have all seen this—Bob is not performing and everybody knows it, but Jane the CEO is blinded by her personal relationship with Bob. She repeatedly overlooks Bob's non-performance, often disclosing to everyone except Bob that he is not performing. Ultimately Jane either fires Bob, or Jane fails as CEO—neither outcome

being desirable. An alternative is to set clear goals and objectively hold each team member accountable to the same standard.

Choosing certainty over clarity—This is a fear of making mistakes. Leaders must make decisions with imperfect information. Many CEOs are analytical by nature and have significant intellectual horsepower. These attributes can tempt a CEO to wait for more complete information rather than act on partial data. For a new CEO this temptation is somewhat related to the first (maintaining status) in that he may be more tentative upon achieving the status of CEO—not wanting to make a big, bad mistake now that he is in the spotlight.

Choosing harmony over productive conflict—This is a fear of conflict. Some leaders regularly make the mistake of interpreting harmony as teamwork. What they view as "buy-in" is really "hold-in" as people hold-in the ideas and opinions that differ from the group-think that has momentum at the time. When a team—or worse yet a company culture—embraces harmony and disdains conflict, people learn to keep quiet even when the company bus is headed for a cliff. The dangers with this temptation are many. Fewer ideas are considered and fewer minds contribute to problem solving. CEOs bending to this temptation become dressed in the emperor's new clothes—embracing strategies and tactics that many on their team correctly, but quietly, recognize as doomed from the start.

Choosing invulnerability over trust—This is a fear of showing weakness. Some leaders believe that because they are at the top of the organization they must appear to be infallible. Leaders who give in to this temptation spend no time evaluating their own behavior and skills—ironically

> These relationships can become unintended barriers to a CEO when it is time for him/her to hold his/her direct reports accountable.

the opposite of the self-development practices that likely got them to the top. Lencioni believes that candid counsel from direct reports is an invaluable gift that is disregarded by those vulnerable to this temptation. Instead of seeking constructive criticism from subordinates, those weak in this area focus solely on the problems of others.

A read of Lencioni's books reveals some common themes, particularly in the area of creative conflict. In the first article of this series I reviewed Lencioni's "Death by Meeting" and "The Five Dysfunctions of a Team." Both texts identify trust and conflict as critical ingredients of any recipe for success. Conflict is explicitly called out in "The Five Temptations of a CEO." In listening to Lencioni at a lecture last year, it was clear to me that conflict is one of his favorite targets. "If we avoid creative conflict in our teams we are creating a petri dish for destructive conflict later on," said Lencioni. Regular creative conflict—steeped in trust—prevents problems from festering and keeps the team focused on execution.

Obsession

The Four Obsessions of an Extraordinary Executive details four distinct areas of focus for the successful leader. The premise of the book is that organizational health is a key differentiator for successful companies. Lencioni believes that the flattening of the world—and resulting information flows—have reduced the sustainability of advantages caused by focusing on strategy, technology, marketing, etc. He thinks that all successful organizations are both smart and healthy, and that most companies make the mistake of putting focus on the former at the expense of the latter. He defines a healthy organization as one with less politics, less confusion and more productivity. Healthy companies naturally get smarter, and rarely lose top talent. Finally, he believes that the leader is the only one who can make an organization healthy.

In "The Four Obsessions of an Extraordinary Executive," Rich O'Connor is a successful CEO whose company is infiltrated by an executive of questionable character. Jamie Bender joins O'Connor's senior team and immediately realizes that he is not a good fit with the organization. Instead of leaving, Bender sets his sights on learning O'Connor's secrets to success. These turn out to be the four obsessions: (1) build and maintain a cohesive leadership team, (2) create organizational clarity, (3) over-communicate organizational clarity and (4) reinforce organizational clarity through human systems. Once Bender has these secrets, he runs to O'Connor's competition to leverage his newfound treasure to his personal advantage.

The first obsession—build and maintain a cohesive leadership team—is an abbreviated form of Lencioni's "The Five Dysfunctions of a Team." But, in addition to serving as a summarized version of the other text, some self-assessment questions are provided. This allows the reader to grade his or her team against Lencioni's benchmark.

The second obsession—create organizational clarity—involves articulating a mission for an organization. To Lencioni, it does not matter whether it is called a mission, a vision or Steve's crazy idea. What matters is that every employee can quickly identify exactly what the company does, whom it serves and against whom it competes. This obsession shares concepts from "Built to Last," by Collins and Porras. The idea is to capture an organization's reason for being—its core ideology, in "Built to Last" vernacular. Lencioni sees organizational clarity as the galvanizing force that creates leverage in an organization. Just as working in unison

enables a rowing crew to win, an organization's mission keeps every employee focused in the same direction. Nimble organizations have action-oriented employees who make quick decisions that are aligned with the decisions made by the rest of the organization. A well-conceived and thoughtfully worded mission statement provides a decision compass for every person in an organization. This empowering step enables the transformation from "I did not know what you would have wanted me to do" to "I knew someone had to make the call so I took this action."

Obsession three—over-communicate organizational clarity—involves infecting an organization with its mission. Lencioni recommends three facets of over-communication: repetition, simple messages and multiple mediums. This approach is a recognition of two aspects of human communication and learning: (1) it takes many times of hearing something (some say six times) before a person believes it, and (2) different communication methods work for different people. Over-communicating is necessary to ensure that each member of a rowing crew hears the cadence directed by the coxswain–she does not cry out "stroke" one time and assume that the team can do the rest.

The final obsession—reinforce organizational clarity through human systems—means walking the talk (the company mission being the talk). Human systems include all hiring, firing, promoting, development and reward systems, and processes. Embracing this obsession means creating an interview process that is specifically designed to identify candidates with skills, behaviors and experience consistent with the company vision. It means providing positive reinforcement for behavior that is consistent with the company mission and giving negative reinforcement for mission-counter behavior. It means different pay for different performance relative to the company mission, and it includes removing individuals who perform in a way inconsistent with that mission. While this may seem like a logical approach, it is often not followed, resulting in less than optimal performance.

Turf

Lencioni's next book takes us to the corporate land of turf and silos—a land visited by more than one business leader. The following is a quote from the as yet unedited book, which has the potential of being another hit:

Lencioni's latest effort takes us to the corporate land of turf and silos—a place visited by more than one business leader. The following is an excerpt from "Silos, Politics and Turf Wars," which has the makings of another hit:

One week. That's all the time Jude had to make a breakthrough . . . He immediately became almost obsessed with figuring out the 'silo think,' . . . reading everything he could get his hands on having anything to do with organizational politics. But Jude would not find his answer in any book. It would find him, in a more frightening way that he could ever have imagined.

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Taking a Valuable Lesson from Sports

by Marilyn Lustgarten

The Super Bowl was upon us once again, right on the heels of college football bowl games, in the midst of tennis finals, Olympic trials, and hockey and basketball competition heating up in anticipation of upcoming playoffs. Yes, it's definitely the season for the serious sports fan!

Sports has become so important in our society that it permeates our language, even in the world of business. Winning, team player, rookie, coach, bench strength and big league are all commonly accepted sports metaphors to describe people, activities and accomplishments in the workplace.

Even as we admire their skills and record of achievements, we know that behind every successful athlete is someone who coached them. In sports, we understand and appreciate the value of good coaching. For some reason, however, in the business world, the idea that a talented key person could use a coach to help them excel doesn't always draw the same positive parallel as coaching a star or potential star athlete. "If I say I need a coach, others will think I'm flawed or not as good as I should be." What if that same logic was applied to competitive sports? Holy fumble, Batman, there goes the game!

How much more successful would organizations be if leaders, and those aspiring to leadership roles, had the benefit of someone in their corner? Leaders of companies, divisions, key functions or initiatives must be fully capable of successfully executing the plays in the high stakes game of market competition. If there is anything standing in the way of excellence, then it's time to **ACT**:

Acknowledge weak areas. Admit you don't know or know how to do everything. Otherwise, your lack of competence will quickly become apparent and seriously affect your credibility. (Jim Collins shows in *Good to Great*, that consistently successful companies are led by Level 5 Leaders who build enduring greatness through personal humility and professional will.) It is also far more likely that you'll be supported if what you need is something that is essential to your success and that of the organization.

Communicate your needs. Find a good coach and ask for a coaching program as part of your professional development. The cost of working with a coach to develop critical skills is a fraction of the resulting benefits to you and the organization. (In one study, conducted by Right Management, the results showed that of those participants who were able to estimate ROI, 70 percent valued coaching at $100K or more—almost six times the initial investment, with 28 percent valuing the coaching ROI between $500K and $1M!)

Tackle the tough issues. Throw yourself into the coaching process to identify and correct roadblocks. Knowing what you need to work on is half the battle. The right coach can help you build on strengths and develop capabilities necessary for achieving next level performance.

Experienced talent is scarce and getting scarcer. Investing in that talent is an essential business strategy. Competitive advantage on or off the court will go to those organizations with superior leadership. Take a lesson from sports for developing superstars—coaching is the key. ❑

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Challenge Your Assumptions

by Mark E. Green

Assumptions make our lives easier. That's both good news and bad. As creatures of habit, we seek efficiency through the use of assumptions in lieu of active thought to drive most of our behaviors. With few exceptions, what we do in any given 24-hour period demands little conscious thought because we've developed habits that help us accomplish all sorts of things.

For instance, while driving (even if you're doing the speed limit), it's quite common to pull your foot off the gas pedal when you see a police car ahead on the side of the road. In that instant, it seems like your foot has a mind of its own! What really happened is that you incorporated an assumption—that getting a ticket is a bad thing—to replace the thinking component of the stimulus-thought-response chain of events. In this example, no doubt, the assumption—or habit of thought—serves you well (this is the good news).

Unfortunately, however, that's often not the case (this is the bad news). In a business, assumptions might include any of the following statements or beliefs:

- "That won't work here."
- "Dedicated employees are difficult to find."
- "I've seen this situation before."
- "Change is risky."

While some of our assumptions are useful in preventing us from having to consciously figure out the mechanics each time we confront a familiar situation, many habits of thought keep us from stretching our capabilities and trying new and inventive, and possibly better ideas or techniques. Just like when you see a police car, these assumptions work silently, but powerfully to impact your behaviors and the behaviors of those around you.

Welcome to what I call the black box of business. Most people don't even know that it exists; yet it contains the keys to their own potential and their ability to get what they really want.

I once read that the definition of insanity is doing the same thing over and over again while expecting a different result each time. The inference here is that you've got to change what you're doing—your behavior—to get different/better results. And since so much of human behavior is driven by habit, you have to change your assumptions first. To arrange this more neatly, consider that assumptions drive thinking, thinking drives behavior, and behavior drives outcomes. Like so many other physical laws, the applications and implications of this are universal.

FORTUNE Magazine recently published a cover story about Andy Grove, one of Intel's founders and most accomplished leaders (*FORTUNE* Magazine, December 12, 2005, page 117). In describing one of the key characteristics that made Grove so successful, author Richard S. Tedlow wrote, "Forcibly adapting himself to a succession of new realities, [Grove] has left a trail of discarded assumptions in his wake." Grove's ability to challenge "conventional wisdom" (a euphemism for assumptions) paved the way for a number of seminal decisions at Intel including their move

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in the mid 1980s to exit the memory business and focus on processors, and their decision to spend millions on a ground-breaking branding campaign called "Intel Inside" to brand an internal component of a computer.

Grove is an engineer by training—someone, we assume, whose technical and career success is largely dependent upon embracing certain assumptions and beliefs about how the world works. As an actuarial professional, perhaps you can see how your technical and career advancement is similarly based on a set of operating assumptions that you hold to be true. This career inertia is expected to yield fairly predictable results; that is, if you correctly accomplish A, B, and C, then you'll see benefits/rewards D and E. It's also our comfort zone.

What made Grove different (and so successful at Intel) is that he actively sought ways to force himself to challenge his assumptions and beliefs—in effect continually pushing and expanding his comfort zone. It was the *modus operandi* of his personal growth and his ability to lead Intel so successfully for so long.

Can you identify the *modus operandi* of your own personal growth? When is the last time you consciously pushed to expand your comfort zone—by definition making yourself uncomfortable in the process? Can you find a way to regularly challenge your own assumptions and beliefs? If not, might it make sense to find someone who will?

You can help others with this too. For example, when was the last time that you called someone in your organization on the carpet and challenged one of their assumptions? It can be as simple as asking, "Why do you believe that to be true?" in response to a statement based upon an assumption. Your question could lead to a very productive dialogue for you both.

For sure, assumptions make our lives easier and more comfortable. It's up to you however, to decide what you'd like to do with them to make your business and your life better. ❏

The Integrated Advantage—Part II

Aligning Tasks to Gain Maximum Advantage

by Vincent J. Granieri

I magine you are a track coach. You attend a meet with your team and they begin the competition. There are no results announced or scores posted as the meet progresses. You are able to observe some of your athletes' performances and your team provides their impressions. At the end of the meet, the final score is posted and you discover that your team was beaten by the smallest of margins. What went wrong? What could the team have done differently? What have we learned that we can use in future meets? Very little.

This same situation sometimes occurs in companies. And it can be avoided. By integrating and aligning seemingly disparate activities, great gains ensue due to consistency of approach and economies of scale. This can occur at the personal level and at the organizational level. In the last issue of *The Stepping Stone*, we examined the benefits of linking personal goals, prioritization and performance management. In this second article, we will explore the benefits of aligning pricing, forecasting and financial reporting.

Corporate Alignment

Most managers have seen firsthand the effects of corporate misalignment at certain stages in their careers. Everyone knows that issues like these arise after results fall short of expectations. These postmortem analyses are frustrating for all involved parties as management sifts through the ruins of a bad quarter/month, trying to find the key information that explains what went wrong. Often, the true answer cannot be found because of limitations in data or the granularity of the available data. Let's use a simple example from statutory accounting: Suppose statutory profits fell in the most recent quarter—is that a good thing or a bad thing? If

the company sold higher than expected volumes of a very profitable product, it could be a good thing. If its expenses were well above expectations, however, it could be a bad thing. In the end, the ability to distinguish the difference is paramount to a company's success and the success of its managers.

Most companies' accounting systems go beyond statutory to GAAP and EVA, adding complexities to the task of figuring out what is going on. Add the complexities of corporate structure and the difficulties in measuring things such as direct expenses and overhead and the potential for misinformation multiplies. Finally, I have seen companies where different software or different and incompatible versions of the same software are used throughout the company, further hindering explainability. What's an actuary to do? If you read my last article, you will probably surmise that the key lies in the time spent well in advance of the quarter/month end.

If we go back to the beginning, before anything is sold, a clear vision can be established. During the pricing process, the company decides what to sell. In the forecasting process (sometimes called budgeting), the financial expectations are determined. After products are launched, the financial reporting process provides the scorecard that tells what happened.

The Process

Some important goals in pricing are to evaluate market opportunities, determine anticipated profit levels and predict the incidence of profits. This can be accomplished at many levels, thanks to the powerful software packages available. The simplest approach may be a financial spreadsheet or other policy year asset share model. While helpful in making a go/no-go

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How do we go about modifying the system to work for us as managers and not against us?

decision on a product launch, this analysis falls well short of the level needed to lay out expectations for a given year.

Fortunately, more sophisticated analyses are within our grasp. First, we can build statutory income statements and balance sheets that detail the incidence of statutory profits on a calendar year basis since corporate life is measured in calendar years, not policy years. GAAP adjustments can be incorporated as well, providing meaningful insights into the most commonly used profitability measures. However, the real key to future explainability is the isolation of first year versus renewal results. In pricing, this information is often readily available.

Forecasting

If calendar year pricing models are available on the appropriate accounting basis, the forecasting process can begin. In most companies, there is an in-force block to be modeled in addition to new sales. It is beyond the scope of this article to describe the process in detail, but it is important to note that the models need to be built on a plan/issue year basis. Counter intuitively; this means that three sets of models are built: new sales, first year models for last year's sales and in-force models for last year's sales and years prior. Most of us forget the second set of models. Since production occurs throughout the year, some issue year results straddle two calendar years.

Financial Reporting

As actuaries, many of us focus the bulk of our attention to pricing and forecasting. Even financial reporting actuaries shy away from the reporting process, save for delivering actuarial figures (reserves, DAC, etc.) to the accounting department. Likewise, our accounting brethren do not spend significant time studying the actuarial models. This is the main reason for the disconnect between pricing, forecasting and reporting. It is also the most difficult situation to remedy.

The key lies in the general ledger (GL) system. If companies would create accounts in the GL to match the pricing and forecasting models, it would be possible to compare actual results to those anticipated in the models. At this point, there is still work to do, splitting data for the non-actuarial items, such as expenses, into plan/issue year categories.

Having done this, the above scenario changes dramatically. Variations from plan can be isolated to products and issue years because the scorecard matches the game.

Conclusion

The benefits of aligning pricing, forecasting and reporting are clear. Yet it is much more difficult to implement this type of alignment versus the personal alignment from the prior article. An individual can align goal-setting, prioritization and performance evaluation without much help from others. In the typical company setting, it takes many more resources to align pricing, forecasting and reporting. The costs are greater as are the management skills needed to succeed, but the benefits are also commensurate with the costs in the form of understandable results and corporate insights gained. This is truly a journey because so many areas are impacted and it's not likely that one individual controls all the needed resources. With proper vision and attitude, a company can embark on this journey with confidence that it will reap increasing benefits over time. In the words of the philosopher Loren Eiseley, "The journey is difficult, immense, at times impossible, yet that will not deter some of us from attempting it." ❑

Review of Recent Literature:
Career Development Books We Recommend

by Donna K. Weninger

A t the 2005 SOA Annual Meeting the presentation "Review of Recent Literature" was given by Faisal Siddiqi and myself. The books discussed were categorized by the five focus topics of the Management and Personal Development Section: People Management, Business Management, Career Development, Communication Skills and Interpersonal Skills. Following is a brief synopsis of the books we highly recommend.

People Management

"The Feiner Points of Leadership—The Fifty Basic Laws that will Make People Want to Perform Better For You" by Michael Feiner. The book offers 50 insightful laws covering everything from managing tough bosses and difficult subordinates, to dealing with uncooperative colleagues, to overcoming resistance to corporate change. As the former chief people officer at PepsiCo, and now a management professor at the Columbia University School of Business, Feiner shares his solutions from his years of handling unexpected crises, mediating between warring corporate factions, and taking care of all the people problems that pop up on a routine basis in companies all over the world. Feiner's approach is based on common sense and practicality, and his book is full of examples that managers everywhere will identify with and relate to.

"The Manager's Guide to Performance Reviews" by Robert Bacal. For both managers and employees, performance reviews are too often viewed as negative and disciplinary. This book helps managers instead make reviews both positive and proactive. It provides a step-by-step process for administering an effective performance review, one that will meet the organization's needs for employee appraisal while giving employees an honest sense of how they are performing and where they could improve. Also examined are various approaches to performance reviews including different forms and techniques.

"Fish!: A Remarkable Way to Boost Morale and Improve Results" by Stephen Ludin. This fictional tale is set in Seattle's Pike Place Fish Market and centers around a fish monger helping a female executive that is currently struggling in her new position. The book has three key points that if followed will boost morale and improve results: choose your attitude, make their day and be present. This is a very quick read as it is only 112 pages and is very light hearted. Ludin followed the original book with "Fish! Sticks: A Remarkable Way to Adapt to Changing Times and Keep Your Work Fresh and Fish! Tales: Real-Life Stories to Help You Transform your Workplace and Your Life."

Business Management

"Good to Great: Why Some Companies Make the Leap… and Others Don't" by James Collins. This book explores the way good organizations can be turned into ones that produce great, sustained results. Through rigorous research, Collins and his 21-person team settled on 11 companies that had achieved good-to-great transitions—including Fannie Mae, Gillette, Walgreens and Wells Fargo. The book details the common traits necessary for a company to make the leap from good to great. Surprisingly, making the transition from good to great doesn't require a high-profile CEO, the latest technology, innovative change management or even a fine-tuned business strategy. At the heart of

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> With the references to goals embedded in the system, it is easy to measure progress made toward each goal and whether it has been accomplished.

those rare and truly great companies was a corporate culture that rigorously found and promoted disciplined people to think and act in a disciplined manner. Collins is also the author of "Built to Last: Successful Habits of Visionary Companies."

"Profitable Growth is Everyone's Business: 10 Tools You Can Use Monday Morning" by Ram Charan. This book provides the building blocks and tools that can put a business on the path to sustained, profitable growth. For many, growth is about home runs—the big bold idea, the next new thing, the product that will revolutionize the marketplace. While obviously attractive and lucrative, home runs don't happen every day and frequently come in cycles. A surer and more consistent path to profitable revenue growth is through singles and doubles—small day-to-day wins and adaptation to changes in the marketplace that build the foundation for substantially increasing revenues. Inherent in this way of thinking is the revolutionary idea that growth is everyone's business—not solely the concern of the sales force or top management.

Career Development

"Managerially Speaking: A Common Sese Approach to Business Leadership" by Marcel Gingras. Based on years of working a a major insurance company and his personal consulting business, Marcel Gingras has prepared a book on best practices to manage a business. The book is a guide on the practical aspects of implementing a cohesive strategy to help with the human resources side of any organization. The book goes over why organizations fail to realize their full potential, dealing with communication challenges, time management, teamwork, having a vision and empowering staff.

"The Actuarial Career Planner" prepared by the Management and Personal Development Section for members of the Society of Actuaries. This book is a working guide to help individuals realize that they have to plan their own careers as no one else will do it for them. It provides a step-by-step guide on how to set your goals, get feedback from your family, friends, and peers, and how to manage your career for particular milestones and long-term growth.

Communication Skills

"Crucial Conversations: Tools for Talking When Stakes are High" by Kerry Patterson. "Crucial"conversations are exchanges at work or at home that we dread having, but know we cannot avoid. When stakes are high, opinions vary, and emotions run strong, you have three choices: avoid a crucial conversation and suffer the consequences, handle the conversation badly and suffer the consequences, or read Crucial Conversations and discover how to communicate best when it matters most. This wise and witty guide gives you the tools you need to step up to life's most difficult and important conversations, say what's on your mind, and achieve positive outcomes that will amaze you.

"Fierce Conversations: Achieving Success at Work & in Life, One Conversation at a Time" by Susan Scott. Scott believes that interpersonal difficulties—at work and at home—are a direct result of our inability to communicate well. "Fierce Conversations" outlines an easy to follow method for conducting these exchanges more dynamically and ultimately more effectively, thereby improving relationships "one conversation at a time." The basic method consists of asking the following seven questions and statements: 1. What is the most important thing we should be talking about? 2. Describe the issue. 3. How is this currently impacting you and others? 4. If nothing changes, what are the implications? 5. How have you helped create this issue? 6. What is the ideal outcome?

7. What is the most potent step you can take to begin to resolve this issue?

Interpersonal Skills

"Women Don't Ask: Negotiation and the Gender Divide" by Linda Babcock. The book asks many questions including: Why do most women see a negotiation as an automatic fight instead of a chance to get what they deserve? Why are women afraid to ask for what they want in the workplace? And, perhaps most importantly, why don't women feel entitled to ask for it? The author cites numerous studies indicating that women are socialized to feel pushy and overbearing if they pursue their ideal situation when it spells potential conflict with employers or co-workers. The authors also use anecdotal evidence to support their claim that women are taught to feel like every negotiation is a monumental threat to a personal relationship, rather than a fact of business life (the view held by most men, they say). It is important to note this book is not just for women, as pointed out in the following excerpt from the book: "As a society, as managers and coworkers and clients and friends, we all need to examine our responses to women when they behave in ways more typically thought of as 'masculine.' Managers, in particular, need to recognize that stereotypes can influence how they evaluate people without their knowing it. They need to take strong steps to prevent this from happening when women are performing jobs that have traditionally been performed by men or when the proportion of women doing a particular job is very small."

"Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace" by Ron Zemke. This book is intended to help bridge the gap or, more accurately, gaps between people of different ages who work at your company. What's so difficult about today's workplace is that four different groups—he veterans, boomers, Xers, and nexters—are vying for roles and recognition. Each generation has a common set of views and goals that do not necessarily mesh with the views and goals of other generations. Thus, clashes could potentially arise. The book provides insight into what motivates each generation and teaches methods that can be used to reach across the generation gaps to make today's diversified work environment more efficient and positive.

Hopefully, the list of books mentioned in the article will inspire you to begin or increase your reading of executive books. One complaint often heard from many busy professionals is they simply don't have the time to commit to reading. However, many different research projects have proven reading is one of the determining factors for success in life. As a last resort, many Web sites exist that provide a summary of the "hot" new books, thus keeping the executive up-to-date on the latest and greatest while saving precious time.

The Management and Personal Development Section will be sponsoring a similar type session at the 2006 SOA Annual Meeting. Please plan on attending! Additionally, feel free to send me book recommendations as that will certainly make my preparation for the 2006 session more efficient. ❑

> **Each generation has a common set of views and goals that do not necessarily mesh with the views and goals of other generations.**

Professional Image in the Workplace:
Is it Important? Image Matters

by Maureen Costello

People often ask me, "Does a professional image at work really matter?"

In a word, yes. Although we don't like to think that appearances matter, the fact is that people react to us based on their perceptions. Research shows that people are more likely to hire, promote and do business with us if we look the part.

In fact, managing our personal presentation can be an effective leadership tool, the same as negotiation or strategic thinking. People make decisions about us based on their first impressions, so it's important to get the personal packaging right. Learning to visually express who we are—highlighting specific characteristics through wardrobe, fit, color and quality—can positively impact our careers. By the same token, presenting a less than professional image can hurt us.

In a business casual world—with an emphasis on casual—many people underestimate the importance of a professional image. People tend to blend in rather than stand out, dressing as casually as the people around them. However, business is emerging from the ultra-casual dot com era, and Generation Xers approaching their forties are seeking looks that reflect their new leadership status. Also, the interest in personal aesthetics is growing, as indicated by the popularity of shows like "What Not to Wear" and "Queer Eye for the Straight Guy."

This reemergence of interest in personal appearance couldn't come at a better time. As organizations grow savvier about managing their brands, they are becoming more sensitive to the ways employees impact their corporate images.

In my work as an image management professional, I often participate in closed-door conversations with organizational leaders about employees who are good performers, but who do not effectively represent the organization's identity or brand when it comes to their visual presentation.

In one case, the managing partner of a law firm was uncomfortable allowing one of his senior partners to represent the firm at public appearances because he felt that his "fuzzy sweaters" were too casual. Although the law firm had a business-casual policy and the senior partner's attire was perfectly acceptable at the office, he did not think the partner would present an image that would reflect well on the firm. As it turned out, the partner was open to changing his wardrobe, and, as a result, was given increasing responsibility for representing the company publicly. He was also personally happy with her new look.

In another case, the management of a prominent company wanted to promote a highly valued employee, who had extreme facial hair and a wardrobe filled with old, tattered clothing, to a high-profile position that would require contact with customers. The bottom line was simple: change or lose the otherwise-guaranteed promotion. In this case, the employee decided that he did not want to change his look—a perfectly valid choice. He was still valued by the company, but he did not receive the promotion.

I am frequently hired to work with highly paid, smart but introverted people—often engineers or IT geniuses—who have reached a point in their careers at which further promotions would require representing the corporate brand to the public. Usually, this is the crossroads at which they can decide to upgrade their look or stop moving up. I have had great success with these types of people, sometimes in

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collaboration with life coaches who address any underlying emotional issues as I deal with their outward manifestations.

Often, organizational leaders are uncomfortable addressing these issues with their employees. (And if the bosses are uncomfortable, imagine how the employees feel!) We're taught from the time we're small not to judge a book by its cover, that what matters is what's inside. Discussions about improving your clothing or appearance seem deeply personal, even insulting. But if you think about it, many organizations spend a huge amount of time, effort and expense on their visual brand, poring over paper stocks for their brochures, picking the perfect shade of blue for their logo and debating the tiniest of word choices for an ad or press release. If an organization's people are its greatest marketing tool, then obviously, the way employees come across to the outside world is of the greatest importance. It only makes sense.

If a company cares about the way its employees look, then, obviously, so should its employees—at least, the ones who care about moving up, or even keeping their jobs. Appearance impacts not only employees' promotional opportunities, but also their reputations. And, unfortunately, our appearance says something about who we are, whether or not we focus on it, and whether or not what it says about us is accurate. Given that, we may as well use it to our advantage.

One client of mine was a single mother with three children who planned to reenter the workforce after 10 years of not working outside the home. I worked with her to transform her image of herself and her presentation to reflect the mature, professional, attractive woman she truly was. She received a multitude of job offers, which helped to further build her confidence as she rejoined the professional world.

Another client was a highly intelligent, technical expert who independently realized that she needed to change her image to break out of the ranks of a lower-level manager at her company. I worked with her over several months, helping her affordably and gradually rebuild her wardrobe from scratch to be more updated and approachable. At the end of the year, she received a big promotion.

One of the most common issues facing many of my clients is dealing with extra pounds that have crept up over the years. As people's bodies change, they may not know how to dress to flatter their new shapes. Indeed, they often don't want to admit to themselves that their shapes have changed, and they certainly don't want to invest in new wardrobes that they hope are temporary. However, learning to adjust to the many physical changes we experience throughout our business careers is important in maintaining a professional image. Regardless of your size or shape, your wardrobe can say that you're strong, confident and stylish—or the opposite.

I help my male and female clients realize that to maintain their leadership positions through the years, they need to update their wardrobes, their hair and even their glasses. The goal is to find flattering ways to express who they are and to develop an image that is age-appropriate, but still fresh and modern enough to compete with the most ambitious up-and-comers.

I also encourage them to make incremental changes, as opposed to radical overhauls, to maintain consistency, which impression management research shows is crucial in building credibility in the workplace. Updating accessories, like briefcases, wallets or glasses, or even getting better haircuts may seem like small changes, but over time, these tweaks add up to a stylish, professional look—which often results in the added benefit of bolstering not only the client's image, but also their self-confidence.

I have also worked with clients whose looks have been considered to be too alluring. One client, whose work wardrobe included

> However, learning to adjust to the many physical changes we experience throughout our business careers is important in maintaining a professional image.

Get More From the People You Lead and Manage

by David C. Miller

One of the biggest struggles of any manager is how to inspire and motivate his or her team to perform at their best. Leaders attempt different approaches and styles with lackluster results.

There is one approach that delivers far superior results—COACHING.

Why?

Simply put, coaching is the most effective modality of growth, training and development available. Unlike "one-size-fits-all" training, ($200 B. expended annually according to the ASTD of which TRAINING MAGAZINE estimates 50 percent is "utterly wasted"), coaching engages a professional where they are, as a unique and accomplished individual. It focuses on what professionals most need to learn, and then keeps a structure of regular support so new knowledge, insight and perspective can become new behavior.

Several studies on executive coaching (Manchester 2001, MetrixGlobal 2001) have demonstrated that a well-executed coaching program can achieve between **500 and 700 percent** return on investment.

As a manager, you can learn to coach your team. You'll have a chance to learn how to do this at BOTH upcoming Spring meetings.

Make sure you don't miss the Coaching For Performance session. ❑

COACHING FOR PERFORMANCE

During this interactive session you will:

• Discover how to use a **coaching management style** to produce outstanding results
• Learn the **GROW model** of coaching
• See the GROW model **demonstrated**
• **Experience coaching first hand**, both as the coach and the coachee
• Work with a **coaching tool** that you can immediately apply to enhance employee development in your own company
• Learn to communicate in a way that gets your employees to become more self–aware, and to take ownership for their results.

This session is designed for attendees who want to become better managers, or who aspire to manage.

2006 Life Spring Meeting
Thursday, May 25th
8-9:30 am

2006 Health Spring Meeting
Wednesday, June 21st
8-9:30 am

Actuarial Careers—What Do We Need to Succeed?
An Interview with Steve Kelner

Steve Kelner has served as the Chief P&C Valuation Actuary at GE Insurance Solutions since 2002 and his career with General Electric and various businesses has spanned 17 years. He is a Fellow in the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

Q: To those who are still studying for the actuarial exams, what is the best piece of advice you can offer?
A: Study to pass, but also study to learn. Too many students focus on one or the other. We all know that career success is connected to both. One can pass without really learning the material. Similarly one can learn the material and still fail. Learning is a longer, slower process. It requires more repetitions if you want to learn for the long run. So start early, get ahead and retain more for later.

Q: What business and management topics are most appropriate for actuaries, and how does this best fit with an employer's profile?
A: I believe that actuaries are well suited to most business and management topics. We tend to have an affinity for the issues that demand strong quantification skills. Most employers tend to depend on actuaries more in the traditional "quant" areas both because of our strengths and experiences, but also the lack of competition. The greatest value that we often bring, though, is the ability to bridge our unique skills into the decision-making processes that we don't own.

Q: What are the key actuarial concepts and methodologies you might expect to see applied in everyday work?
A: The key concepts that I want to see more of are the application of informed reason and intellectual curiosity. Most actuarial work, without those two concepts, is simple arithmetic, easily performed by the untrained or inexperienced. Only when we dig into the issues to understand causes, drivers, trends, hidden patterns, etc. do we truly add value.

Q: What other working concepts would you like to see applied?
A: I'd like to see more effective leadership and more constructive open discussion. Communication is probably the most important working concept that we underemphasize.

Q: What are the three most important things every actuary needs to do to be successful?
A: *Listen, laugh and learn.* That's too easy of an answer.

First, I would encourage all actuaries (and all professionals) to invest more time in scoping of assignments to ensure that the product that is delivered meets the customer's needs instead of simply complying with their request. Understanding causes initially requires more time, effort and investment.

Second, I would encourage all actuaries to think like underwriters. We need to understand every aspect of the risk that we are analyzing to do our jobs exceptionally well. Understand causes, interrelationships, motivations, etc. Don't just look at the numbers.

Steve Kelner

> Most employers tend to depend on actuaries more in the traditional "quant" areas both because of our strengths and experiences, but also the lack of competition.

Lastly, remember how actuaries are perceived and be a model for how we should be perceived. Generally, we are "the math team." Others don't always understand what we are saying, how we think or what we mean to say. How you communicate is many times more important than what you mean to communicate. It's not just about our willingness to use PowerPoint, but our willingness to think about how the recipient of our product is inclined to hear what we are about to say. This helps us to determine how to build background slides, summarize key points and ask key questions to ensure that we are understood. We also need to be careful to fight against the stereotype that we are always conservative. We need to demonstrate the reasonability of what we present even though the answer is generally not what is expected.

Q: What is your idea of actuarial career success?
A: Actuarial career success means maximizing one's capabilities. To me, that involves constant learning, growth and challenge. It means making the company more profitable and a better place. It means representing the profession and industry well. And, it requires that we do the right stuff, make difficult decisions, deliver bad news, and be empathetic, caring and respectful of our professional responsibilities.

Q: To serve as an inspiration, what talents should an actuary have?
A: People are able to inspire others in many ways. People who surprise me with what they accomplish or how they accomplish it inspire me. When someone does something that I did not think of or did not realize was possible, it encourages me to challenge how I do things. When someone is exceptionally graceful in handling a difficult situation or individual, it encourages me to try to act similarly. Generally, the accomplishment of others beyond what we would have expected drives us to be more than what we expect of ourselves. (Too idealistic of me? I hope not.)

Q: What did you have to learn the hard way and why?
A: What have I not had to learn the hard way? We learn best from our mistakes; hence I am a great learner.

Learning how to learn in public is possibly the best career skill that I have developed. It requires trusting that others don't think less of you for not knowing the answers to all the questions, the humility to understand that you are not expected to know everything, but the confidence to ask (what feels like) stupid questions.

Q: Who has been your biggest influence in your career?
A: There have been several very strong influences in my career. The first is my wife. She has counseled me on many fronts, especially how to be better at being who I am, not just at what I do. Within the workforce, my initial boss was my biggest influence. He encouraged me to join the actuarial profession and to take exams. He had a quiet, but very effective leadership style, while demonstrating unyielding integrity and teaching how to be a model actuary.

Q: What is your favorite number?
A: When I was younger (and an almost athlete) my favorite numbers were related to jerseys that I'd worn in hockey or basketball.

Today my favorite number is 0, of course! :--) ❏

The Killer Engagement Bio

by John West Hadley

What is an "Engagement Bio?" This is a personal services version of a résumé; what a consultant might refer to as a Consulting Engagement Bio. It should be the compelling picture of what that consultant brings to the table that helps sell him or her as the right person for the assignment. I specifically said, "should be," because more often than not, it isn't. Just as many people have a difficult time creating a résumé that is an outstanding sales brochure for their candidacy, consultants (and consulting firms) generally have the same trouble with their engagement bios.

Think of your engagement bio like you would a compelling résumé. It should have the same key elements:
- Contact info.
- A biographical summary of your work history, education and other professional activities that point to relevant experience and skills.
- Compelling bullet points that describe accomplishments.

The difference is in the emphasis. The biographical portion is going to be very much summarized, perhaps even reduced to a couple of paragraphs, while the descriptions of past engagements will often be longer than typical résumé bullet points, more along the lines of three- to five-sentence paragraphs for each.

Let's put ourselves in the shoes of the prospective client who is reviewing whatever materials you have sent in hopes of securing a meeting, or left behind after the initial meeting. There are three critical questions your engagement bio must answer to be truly effective:

1. *Does it have a strong, professional appearance?*
2. *Does it pass the 10-second test?*
3. *Does it answer my primary question, "Will this consultant deliver?"*

Let's look at each of these in turn.

Does it Have a Strong, Professional Appearance?

Your engagement bio should have a look that says you are a professional who cares about making a strong presentation. This is one of the first work products you are showing me. It shows me how you choose to represent yourself and your work, and I'm going to reach an initial conclusion about the likely quality of the work product you will ultimately produce for me based on what I see. I know that your engagement bio wasn't (or shouldn't have been) just thrown together on the fly—it's something you (or your firm) have invested significant time and thought into producing. If it doesn't look highly professional, what can I expect from your efforts once you have the assignment?

Here are some basic rules for creating that strong, professional image:
- Make it the right length. Typically limit it to one page, unless you have critical qualifications and engagements that absolutely require it to be longer.

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Just as many people have a difficult time creating a résumé that is an outstanding sales brochure for their candidacy, consultants generally have the same trouble with their engagement bios.

- All sections, indentations and bullet marks should be perfectly aligned, nicely spaced, with good, even margins. Use plenty of white space to make it easy to read.

- Use a professional, easy-to-read font like Arial, Times New Roman, Garamond or Verdana, and never use a font size smaller than 10 point anywhere on it--that would look like fine print. (Increasing the basic text to 11 or 12 point--but not larger—is a good idea.)

- Have *ZERO* tolerance for grammar and spelling mistakes, including varied tenses. This is a work product from which a client will draw conclusions about the quality of your work! What does it imply about your normal work product if you have errors in something you gave that level of attention to?

- Use strong words: generated, created, etc., avoiding passive tenses. Then try to start your sentences with them. And don't just use the same words over and over again.

Does It Pass the 10-Second Test?

Unless you grab a client's attention in the first five to 10 seconds of reviewing the bio, he or she probably won't do more than glance at the document. In that case, it's just wasted paper and a lost opportunity to enhance your presentation.

What's the key to passing the 10-second test? It's to give a quick (and engaging) picture of the "package" you have to offer. Make it really easy to figure out the essence of what a client would be "buying" if he or she hired you, instead of making them dig through the rest of the materials to figure it out.

I find the best way to pass this test is through an opening executive summary of your "package." Particularly effective is a marketing headline followed by bullet points covering the broader summary of what you bring to the table.

Does it Prove You Will Deliver?

This is about showing the client how you've delivered in the past—communicating those past engagements in a way that creates visualization of the results you can produce for the client.

Coming up with powerful engagement bullets essentially involves first writing case studies of past engagements that clearly express:

- The essence of the assignment, especially what made it a particular challenge.
- Actions you took to address it.
- The results you achieved for your client.

Then you need to boil that story down to just a few sentences. The bullets need to be very focused and clearly communicate a result. They are particularly powerful when those results are expressed with metrics.

To get the client really interested and wanting to know more, think of the bullets as teasers. Don't try to give the client all the details, save that for when you meet with him or her—when he or she asks you to tell them more. And shy away from bullets strictly about what "the firm" did. The client is buying you and your expertise, not the firm. The firm will support you, and a client understands that, but first he or she needs to be convinced that YOU will deliver.

By the way, people often make the mistake of trying to

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tailor their résumés to every opening to which they are applying. This is another place where your approach to an engagement bio is different. You do want to tailor your engagement bio to different opportunities.

Come up with a laundry list of engagement bullets you can draw upon for different potential assignments and prospects. Then customize that section of the bio to fit the perceived hot buttons of the particular prospect. However, be careful when customizing the summary or bio section; in fact, generally avoid doing that. There is a great advantage to including the complete (short summary) description of what you bring to the table, even if you only include engagement bullets that address the client's current, specific needs. An client's needs will evolve, and he or she may have other needs you have yet to uncover. If you don't include the more complete summary, the client may never realize you have those additional skills.

So that even after he or she has hired you for a particular project, the client may go ahead and approach someone else for additional work of which he or she doesn't realize you are capable. Plus, if you do a great job for the client, he or she will become a testimonial to your work. You want the client to say to some other prospect, "Jim did a great job for me, and as I recall he has expertise in the issues you are looking at. You should talk to him." ❑

> **Come up with a laundry list of engagement bullets you can draw upon for different potential assignments and prospects.**

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suggestive clothing, never got the exposure she needed to move up because her senior manager kept her out of high visibility meetings. She had become an object of intrigue rather than of substance. With some simple changes, we developed a look for her that was professional and attractive—as well as perfectly appropriate for meetings at the highest level.

Women who do business internationally need to be sensitive to other cultures, while cultivating an authoritative presence. I worked with one younger-looking client whose tight fitting, high fashion garb disqualified her from high-level meetings abroad. By making better color selections, choosing high quality fabrics, and wearing clothes with a tailored but not tight fit, she developed a more sophisticated look and was soon asked to represent her company with key business contacts overseas.

While having to focus on appearance may seem unfair, it can also be empowering and fun. And, best of all, maintaining a professional image can help us achieve what we deserve in our careers—success! ❑

Maintaining Your Sanity (and Your Actuarial Credentials) Under Pressure to Compromise

by Joel Kabala

"The work of science is to substitute facts for appearances, and demonstrations for impressions."
– John Ruskin

In so many ways, we as actuaries face the need to go back to our roots, to the basic principles that are the foundation of our experience and our profession. Never does that ring truer than when our analysis, results and reports are used by others in unscrupulous ways to tell stories we never intended when we put the information together. Not only this, but overcoming the end justifies the means mentality among some of our contacts takes a special degree of discernment in our communication methods, an area we must consistently improve throughout our careers.

So What Do You Do When ...

- Your boss wants you to excessively pad the reserves to reduce taxes.
- To shrink a poorly performing block of business. You are instructed to use specific assumptions that you are not comfortable with or supporting data that you believe is not credible, just to get a higher rate approved.
- A regulator, as a condition of approval, wants you to make several changes to a product or rate filing, then sign a certification using prescribed certification language, and you determine that you are unable to comfortably make such a certification because of those changes.
- You are asked by a member of a legislative body to produce a report that validates their proposal, or that excludes important information so as to give the appearance that their proposal is supported by your research, when it is fairly clear to you that the use of complete information would not support that proposal.

- You are consistently expected to manage funding according to an extreme end of the range that you feel is plausible, instead of focusing on what is more likely, simply to make the bottom line numbers look better to ratings agencies or stock market analysts.

You get the idea. You can fill this in with any area where you are expected to make an unreasonable compromise of your actuarial judgment. This is not to quash legitimate strategies to use appropriate deviations from normal values based on specific circumstances, but instead those areas where you are asked to compromise your integrity.

Compromise. Just Don't Do It.

Simply stated, you must maintain your integrity, because once you compromise, you may never get it back. Your reputation precedes you everywhere. Either the expectations or the problems will only get worse. Consider the following actual case.

An Australian actuary was disqualified from holding any appointment as an actuary of a general insurer under the Insurance Act because of his use of unrealistic assumptions in his capacity as a consulting actuary to a company to arrive at an unreasonably low estimate of the Group's claims liabilities. The insurance group subsequently collapsed in what would be one of the largest corporate failures in Australia.

Principles That You Must Decide Ahead of Time

Surveys of the strengths of the actuarial profession have consistently rated actuaries high on integrity issues. Nonetheless, each of us will be

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challenged in this area throughout our careers, and the manner in which we deal with the issues we face will say a lot about our character.

We must decide in advance on the following to protect our reputations:
- Always use appropriate assumptions and credible, quality data.
- Tell the truth in the information you include and in what you omit.
- Keep it simple—Do only what the client truly needs.
- Document, document, document.

Use Appropriate Assumptions and Credible, Quality Data

The notion that we must use appropriate assumptions and credible, quality data should be obvious. Whenever we are working in an area that is not new, where much data exists, we should heed the data. We can still make appropriate adjustments for changes in assumptions versus the underwriting, claims processing, and the like.

Tell the Truth

Also obvious is the idea of telling the truth. The dilemma comes in deciding what to tell and what not to tell. If what you omit is a material fact that is likely to mislead because of the omission, it is not enough to say that you have told the truth. Facts that are not material need not always be disclosed. It depends on the situation.

Keep it Simple

A good illustration of keeping it simple is the consultant who refuses to pad his or her work or hours, doing meaningless additional things that were not part of the project. Much of this is alleviated through the use of a contract with deliverables, but when the project is less clear, do only what is necessary. It adds to your honest reputation that you did not seek additional personal gain at the expense of your client.

Document

An underlying necessity is that of documentation. When you document your evidence, it is much easier to stand behind your recommendations, as that evidence speaks volumes down the road. Suppose your client wants to use your information to draw a different conclusion than you presented. If you have provided a clear and concise message, no one can impute that your conclusion is the same as the image your client is trying to present. A good means of doing this is to state the acceptable uses of the information you provide.

Real Life, Real Problems

I recall once making a rate filing in which I put a great amount of care into what was actually filed based upon the data and assumptions that I felt were appropriate to our business, only to have a regulator tell me the assumptions were not justified. After a few communications back and forth, the regulator was able to provide some substitute information based upon "industry" data that I could use. I could see that I needed to incorporate this change into my calculations to obtain an approval, so I determined the expected impact on our business from a company standpoint, reported back to senior management and continued with the filing. There was just one problem. I was no longer comfortable signing the state's required certification, since I no longer agreed that the assumptions were my best estimates and consistent with our business plan. What should I do?

Use Disclaimers

When confronted with signing a certification with which you do not agree, you do not have to give up your integrity. Use your disclaimers wisely, then be prepared to follow up with people skills in dealing with the fallout.

There are good reasons for the "Deviation from Standard" clauses in those ASOPs. Let's review the newly revised ASOP Number 8, "Regulatory

> Nothing engages audiences like passionate, well-prepared, assured presenters who move in tandem with their narrative.

Filings for Health Plan Entities." Note the following items, taken directly from the ASOP.

3.2.9 ... The actuary should review the assumptions employed in the filing for reasonableness. The assumptions should be reasonable in the aggregate and for each assumption individually. The support for reasonableness should be determined based on the actuary's professional judgment, using relevant information available to the actuary. This information may include, but is not limited to, business plans; past experience of the health plan entity or the health benefit plan; and any relevant industry and government studies that are generally known and reasonably available to the actuary. The actuary should make a reasonable effort to become familiar with such studies.

4.3 ... The actuary must be prepared to justify to the actuarial profession's disciplinary bodies, or to explain to a principal, another actuary, or other intended users of the actuary's work, the use of any procedures that depart materially from those set forth in this standard.

If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this standard.

There it is, permission to deviate when you provide the answer to the "why" question. I actually used this in answer to the "what should I do" question that I posed earlier. I simply included a "deviation from standard" reference in my certification and then went on to sign it.

Please note, however, that the wording of ASOP number 8 at the time was different. Under the new wording, compliance with applicable law or regulation is not considered to be a deviation from standard, and use of data supplied by others is covered in ASOP 23. Either or both of these could be substituted for the "deviation from standard" disclaimer.

Needless to say, my response was not well received by the regulator.

What Happened Next

Shortly thereafter, I received a call from my company's chief actuary, and I was asked to explain why I included the deviation language. I discussed with him the discussions that had taken place earlier, and the final decision was that in order to get an approval, I would have to agree to their terms. I told him that I would not feel comfortable signing "their certification" when they were the ones making the assumptions, and I did not agree that those assumptions were appropriate. Guess what? My boss stood by me, and was happy that I took a stand for integrity. He knew that I was someone who could be trusted to do what was right, and I was rewarded for it down the road. We ended up having a more formal discussion with a higher-level regulatory individual, with both sides coming to a more formal agreement that would not have been reached had I not taken a stand. I would definitely not recommend using the disclaimer as a first course of action, but it is a way of moving an impasse up to the next level.

Leadership Skills

When you learn and use leadership skills, you become a people person and a great listener who is able to see the situation from the other person's point of view. Wait a minute. Isn't this changing the subject? Not really. You see, when challenging someone in authority, you had better have some good people skills to get the discussion on the business at hand and away from any defensiveness that may arise. There are several ways to go about this, depending on the circumstances.

Ask for the Source

One approach that I have used is a simple questioning method aimed at better understanding the requirements. Not all people read the same

language in the same way. If the person you are dealing with has the authority to overrule your interpretation and disapprove of your work, you had better understand the source of that authority. For instance, when an action is taken by a regulator that is not inherently obvious from the laws and regulations, I simply ask what standard they are applying. I mention that I want to work with them, that my goal is to file what is acceptable the first time, and I need his or her help so that I understand the rules and how they are being applied. After all, there are other avenues for getting new legislation passed and even for challenging rules. Actuaries involved in filings simply want to know what those rules are and how they will be consistently applied so as not to waste time doing activities that will not get an approval. This benefits the regulators as well.

Use People Skills

Use tact at all times, never taking an accusatory tone. The person on the other side is not necessarily against you. After all, how many people really want to stand in the way of getting things done? People skills are key to negotiations. When you find a way to connect with the person on the other side of the negotiations, it is much easier to come up with a win-win result. People generally appreciate your perspective when they know that you understand their perspective as well. This works in dealings both within and outside your organization, at all levels.

If You Must Refute Someone's Ideas, Provide Evidence and Fact-Based Information

I once heard about a state that used their "unreasonable" standard to deny aggregate benefit limits in a particular type of policy. Although I was not the actuary facing this situation, I would approach the problem by breaking down the total risk exposure into its component parts above and below the limits we were trying to establish, with each carrying its own risk and net premium. I would then demonstrate that insurer does not want to accept a certain portion of the risk, nor will the insurer charge for that risk. This proves that the use of the "unreasonable" standard is invalid. It doesn't mean that I will get an approval, but it does require a more appropriate reason for denial of the limits.

Another situation I have faced was when I re-priced a product that we had in place, but that was not generating much sales. With this particular product, if the rates were lowered, the in-force business would have to get the same rate. Since we had tightened our underwriting, I knew that we could bring in better business than what was on the books. I needed to know that by lowering the rate, our marketing area would be committed to bringing in enough new business to cover the higher loss ratio of the in-force business as well as cover a larger share of the fixed expenses. Working together, we came up with a production commitment that would make both sides happy.

A Good Reputation

When you take a stand for integrity, have a genuine interest in others and strive to do what is right for everyone, you develop rapport, become a powerful negotiator, work toward team solutions, gain trust in other people's eyes and gain confidence. Who wouldn't want a great reputation like that? It is a lot like Paul's charge to Timothy, in 1 Timothy 3:7 (NIV)

"He must also have a good reputation with outsiders, so that he will not fall into disgrace." ❏