WHAT WOULD YOU DO?
Responses to "Bad Grooming"

By John West Hadley

In the July 2019 issue of *The Stepping Stone*, I presented the following work situation faced by a new hire. Here are selected responses and excerpts, edited for space and clarity, followed by the real-life conclusion. (Please note that inclusion of responses should not be taken as an endorsement by either the Leadership & Development Section Council or the Society of Actuaries of the positions presented.) Send your own ideas for situations to pose in upcoming issues to *SteppingStone@JHACareers.com*.

BAD GROOMING

Franklin took a job at a new company. He was super excited, and they showed a lot of interest in grooming him for a management position. He joined with the understanding that the company would value his background in controls, but when he started making recommendations to improve existing processes, he found them generally unappreciative of the implication that they needed to change.

He then began noticing flaws in the way the company was keeping track of how they developed models, set assumptions and reported results. As he continued to press more on making process improvements, management began to ignore and shun him even more.

Franklin became concerned that the company could make a material error or misstatement because of the lack of adequate controls and appetite by management to address them. He began to think about his best course of action, including escalating the issues internally, pushing some of the changes through without management endorsement or looking externally for another position.

What would you do?

Most respondents suggested that Franklin might need to look for other employment at some stage, captured well in this response:

I suspect that Franklin has joined a company that does not ascribe to his personal values and philosophy of controls. As such, if escalation of the issues meets resistance, he should find a position outside the company. It's important to work for an ethical company that places importance on accuracy in reporting financial information, and I would not be comfortable participating any further in a company that did not share those values.

These two actuaries gave a clear path for Franklin to follow:

Take these three steps:

1. Franklin should allow for the possibility that he might be missing something. He should seek an open meeting with his manager to address why it felt like his ideas were being shut down—if he's missing something or misunderstanding something.

2. If he is unable to meet with his manager or can't get a clear understanding from doing so, he has a moral obligation to raise the issue further up in the organization.

3. Hopefully those steps make him realize there is no problem, or there is a specific plan to address it that he doesn't know about, or that the company now takes him seriously and makes appropriate changes. If not, he should probably look for other employment. I would not recommend pushing through changes that have been explicitly rejected by the company without authority to do so.

Franklin should consider a parallel path of escalating his concerns, while starting to explore other opportunities. Document concerns and suggestions of how to improve the controls, and offer to devote extra time to enhancement efforts. The person he is talking to now may be concerned for their own job and not want to bring bad news to higher levels of management. Approaching these concerns as positive enhancements without too strong a direct criticism on the current staff may provide the partnership needed to address the issues. If Franklin gets the same pushback from upper management, he should continue to document his findings and start looking for outside opportunities.

This respondent emphasized integrity:

One of the most important things actuaries (and people in general) can have is integrity. If one can't endorse a course of action, they should be compelled to say something, even though there may be career consequences. If they aren't willing to speak up in this situation, I'd be concerned about how many other things they would let slide. However, the actuary needs to make sure they are correct and don't have a misguided perspective. None of us is perfect, and they would need to confirm their concerns have merit.

These two raised the possibility of outside help:

Contacting the Actuarial Board for Counseling and Discipline for guidance could be justified. The appropriate individual on that team could provide guidance on what to consider and what actions might be warranted. It is also only guidance; it would be up to the actuary to determine their best course of action.

If this was an insurance company, a lack of adequate controls may be revealed in the company's quinquennial examination by the regulator. It is sometimes more effective to have an objective outsider make recommendations for change.

These responses emphasized the need to examine the sources of resistance:

Franklin should schedule a meeting with his direct manager to understand why his issues are not taken seriously. If the issue is how he communicates or presses for the changes, then he needs to change his approach.

It's odd that the messages to Franklin regarding his contribution to the company are inconsistent. I wonder if the folks resisting the changes and shunning Franklin were the business process owners instead of risk managers. Franklin should continue escalating the issues through internal channels, but maybe through a different channel. He should also have a dialogue with the folks resisting the changes to understand their perspective.

Franklin should explore the way in which he is making suggestions. Perhaps he's coming across as arrogant, criticizing, doing too much pre-framing of "how we did it at my past companies" or just not really exploring the deeper issues that might be some of the reason for the resistance.

Rather than telling them how to improve the process, Franklin should be collaborating. As a risk expert, he can help identify risks and design effective controls, but they understand the business better than he does at this point and may have valid reasons to reject his suggestions. In addition, you must have management buy-in for them to see the value in a risk framework, and the most effective approach I've seen is by highlighting:

- the many high-profile examples of companies that experience financial and statutory consequences from not implementing controls, and
- internal examples of how not following controls introduces hidden costs—resources pulled away to research and fix errors, project failures and so forth.

Making changes too fast can upset the team and may suggest a lack of respect for their work. Introducing change must be done with patience, investing time in sharing your vision. Also, proposing changes outside one's own function is fraught with peril. First, you must have a full appreciation for the culture and objectives of that function. In assessing how "the company was keeping track of how they developed models, set assumptions and reported results," it is possible that Franklin did not ensure that either he or his staff fully understood the other function, and proposing changes in that situation can be irksome. A comprehensive conversation with the subject function is critical.

This actuary suggested Franklin had made a fundamental mistake:

Franklin focused on self-satisfaction and forgot to focus on the customer, his peers.

One of the most common mistakes made by new hires is to assume they have influence because of their experience or ability to point out problems. Note these possibly mistaken assumptions made by Franklin:

- Their value for "controls" experience gave him a license to immediately point out problems.
- Because they had the intent to groom him, his voice will automatically have influence.
- His peers spoke the same language and valued the same things as him.
- Pointing out problems was sufficient to get others to act.
- The lack of action and appreciation meant he wasn't valued by his peers and supervisor.

I made that mistake.

People don't want to hear about more problems. They want to hear about solutions. Specifically, solutions to problems they are fixated on. Franklin forgot about learning the priorities of his peers and managers.

Franklin needs to start by fixing the pain points the decision makers are paying attention to, or simply show up with solutions to the problems he is identifying.

And finally, this respondent gave a particularly thorough analysis:

Franklin seems to want to bring scientific, reality-based management to a company that has been run by the seat of the pants and rules of thumb. His first obligation is to his employer. It takes courage to speak truth to power, but that's the ethical path here.

Franklin should put his ideas down in writing, developing his vision for what is needed so that it is compelling, lucid and readily understandable by people who don't want to hear what he has to say. This will discipline his thinking

- to be sure that his conclusions about the dire condition of the company are right (self-critique);
- to write and rewrite until he attains clarity (for this he should have an interlocutor, who may be his wife, etc.); and
- to shape a constructive message that goes beyond critique to propose a constructive action plan that can be implemented if his message is heeded (action vision).

Then, he needs to take some time to get comfortable with the message as he has written it and to develop how to articulate it orally. He has to have a short 50- to 100-word precis to grab attention. He then has to have a Board of Directors–style briefing to present compellingly the need for corporate redirection.

With those pieces in hand, it's time to go to those in management who have been ignoring, even shunning, him. It's understandable that they don't want to hear his message, and he has to accept that. His obligation is to give it his best shot. His role at this point is like that of the management consultant brought in by the board to turn the company around. If management heeds him, then the challenges that he foresees can be averted and the corporate situation salvaged. The alternative is that, despite his loyalty to his employer, his best shot is insufficient.

Anticipating that, and parallel with the above communication priority, Franklin should open discussions concerning alternative employment. He should also accept the possibility that his candor, which is his ethical obligation, may result in his termination. He can begin to put in place the structure to go freelance or to form his own business, so that he has a landing pad in place. Of course, he may get a job, but just in case no job is on his horizon, he needs to be prepared to scramble on his own to eke out a living for his family. If he is as wise as he appears to be, i.e., the person who sees and anticipates the need for corporate change, he'll be in demand.

While Franklin writes his pitch for management, he can begin to prepare a series of articles or videos or both to set forth his thinking for the kind of scientific management principles and practices that the industry needs. He will then have a stock in readiness, when and if needed, to get his name out in front of the industry as a thinker and valued consultant. He should also prepare to take every opportunity to appear at industry conferences and to make his voice heard beyond his current employer.

It takes great courage, sagacity and self-confidence to deal with the challenges that Franklin is facing. Still, with ingenuity he has many options, and the outcome is likely to be better than continuing to try to fit into an organization of people he doesn't respect. The danger if he takes no action is that his discomfiture may morph into contempt. The hope is that his clear articulation of the need resonates and that he gains a new respect that has heretofore eluded him from higher management and the board.

WHAT ACTUALLY HAPPENED?

Franklin continued to push on "doing the right thing" with his management, communicating openly with his boss and others about the need for improvements in the company risk and control framework. When he became convinced it was to no avail, he decided it was better to move on, externally.

He found a company that had an appreciation for the culture of embracing risk and control—well suited for his background—and has done well there. Meanwhile, his prior company encountered process and control issues that resulted in material errors and misstatements. Taking no joy in this, Franklin knew that a culture of awareness of risk and control issues, and a willingness to change to address them, could have prevented the problems. He was happy to be in a new firm that did embrace these principles, where he is able to encourage the right kind of practice around risk and controls. ■

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