

MANAGEMENT OF PROFESSIONAL PERSONNEL

I. *Recruiting*

What are the principal difficulties that must be overcome in recruiting professional people? What approaches have been found helpful?

New York Regional Meeting

CHAIRMAN JACK T. KVERNLAND: It is interesting that in the last couple of years we have had symposiums on management. We all recognize how competitive our society is today. The pressure, on our products, on our business, and on our need for manpower, cannot be avoided. People are what make us tick, and how interesting it is that we are going to be able to talk about it this morning.

MR. WILLIAM C. L. HSIAO: I would like to divide actuarial prospects into three major groups: (1) those recently graduating from actuarial colleges; (2) those recently graduating from liberal arts colleges; and (3) those who are more experienced, Associates or Fellows of the Society.

Let me dispose of the easy group first, the graduates from actuarial colleges. I believe that the primary difficulty in recruiting graduates is competition from other insurance companies. There are possibly seventy-five graduates from the undergraduate or graduate level. Meanwhile, the insurance industry is seeking four to five hundred actuarial students. As a result, the competition is very keen. For example, one major actuarial college had fifty-three recruiters on campus but only eleven graduates. If a company has something extra to offer these students, such as developmental opportunity, geographical location, or salary, they may be influenced to join that company.

In the liberal arts college the principal difficulty is the image of the insurance industry. To borrow a cliché from the Students for a Democratic Society, the insurance industry represents the epitome of the "Establishment." It is considered very stodgy and conservative, with a lack of dynamic competition in the market place. In my opinion, we have not done an adequate job to overcome this image. To recruit these students, our first job is to overcome this image and to try to convince them that there are opportunities and challenges in the insurance industry.

A second problem in recruiting the liberal arts student is providing an adequate description of an actuary and the kind of work that he does. This is quite difficult to do in a half-hour or forty-five minute interview.

To overcome that problem, many companies bring a prospective employee to the home office to show him, through an all-day interview, the kind of work that is being performed by actuaries.

Another difficulty in recruiting liberal arts students today is competition from the glamour professions, namely, systems analysis and operations research. These occupations have a certain glamour and are competing for the same people that we would like to attract.

The third group is composed of the Associates and the Fellows. Here the major difficulty is to discover who is interested in changing jobs and then get in touch with him. Possibly the Society of Actuaries has been remiss in its responsibilities here. I think that the Society tends to look at this problem from the employer's point of view rather than from each member's point of view. Medical doctors, lawyers, and CPA's have centralized registers that list available jobs and those who are interested in new positions. The Society of Actuaries does not have that kind of register, nor does it even allow want ads in the *Transactions* or in *The Actuary*.

Let me tell you about some of the approaches which various people have used and found successful in overcoming some of these difficulties.

With regard to recruiting at liberal arts colleges, if a young, dynamic actuary is sent to the campus, he immediately projects a certain image of the company, as well as the industry, and this seems to attract some of the prospects.

Another technique is to cultivate professors and placement directors and to give them a favorable image of your company. They will in turn pass this opinion on to their students.

Another successful approach is to identify clearly the career path to a prospective employee during the interview. For example, it can be said to him, "You will be assigned to group pensions work for two years and then to individual products for two years. When you attain your Associateship, we will give you supervisory responsibilities. When you become a Fellow, we will promote you, and you will be an officer of the company. Then ten years from now, you might have the opportunity to compete for the second vice-president's job." This kind of outline is very attractive and helpful, because a young man feels that there is a road map ahead of him with which he can plan his career.

Another effective approach is to be very candid, honest, and informal with the student. Usually he can see through the veneer, if you are trying to give him a high-pitched sales talk.

Finally, if a company wants to recruit an actuary, its chances improve immensely by sending out an actuary to do the recruiting. A personnel man cannot do an adequate job, and usually the students look down their

noses at a personnel man, because they feel that he is not fully knowledgeable about actuarial work.

MR. GEORGE RYRIE: In discussions with our personnel people I learned some points that greatly surprised me. In my discussions with them I dealt with the general category of technical and professional people, not only with actuaries.

One point that they made was that there seems to be a tendency on the part of young people to shy away from career descriptions which indicate people-involvement or which indicate that there will be supervisory responsibilities attached to some jobs. Perhaps they are afraid that they will have to supervise the kind of people that they are themselves, and they do not like the prospect. It would seem to me that this is a rather serious matter, because there is a shortage of middle management talent of the generalist type. When I use the word "generalist," I am talking about people who are capable of doing general management work. Whether they are specialists or technical people apart from that is irrelevant.

CHAIRMAN KVERNLAND: I am wondering whether we are having considerably more difficulty recruiting people into actuarial work because there are so many tremendous opportunities for people who have the same kinds of talents, for example, computer people, who could possibly become actuaries but who can succeed on an easier route and not have to go through the long, rigorous examination route.

MR. PAUL T. ROTTER: I have the impression that at some liberal arts colleges the graduates are all going on to graduate school. No comment has been made about whether or not we are going to have to recruit at a higher formal education level.

CHAIRMAN KVERNLAND: I think that part of the problem is that they may be getting tired of education about that time, and this may be a very hard level to recruit. My own company pays a little more money to somebody who has a Master's degree.

MR. DONALD J. VAN KEUREN: Recruiting at graduate school is something that we have had to face in recent years, because so many students (whom we otherwise would have recruited at the Bachelor level) have gone on to get a Master's degree. Metropolitan does pay an additional salary for those who come to us with advanced degrees.

The point that Mr. Ryrie made about people's seeming to object to a position that is going to require personal involvement is something which

I had not encountered. In fact, I had felt that, if it was presented in the right way, it might be an attraction to actuarial work.

MR. HSIAO: In the past few years, because of the draft situation, many students have gone on to graduate school. However, we have found the situation has changed because the draft deferment has been eliminated.

Atlanta Regional Meeting

MR. HENRY C. UNRUH: My only experience in dealing with professional employees has been in my present company connection. My company, Provident Life and Accident Insurance Company, is located in the Southeast, and perhaps it is appropriate at a Southeastern Regional Meeting for me to comment on some of my company's experiences in these matters. Although the subject matter refers to professional employees in general, I am sure that I will be forgiven if I concentrate on the actuarial profession. Many of the remarks or comments that I make, I believe, will apply equally well to attorneys and other professional or semiprofessional people, such as underwriters, computer programmers, and the like.

When I first made the connection with my present company, the entire actuarial professional staff consisted of one Fellow and one Associate, both of whom were approximately fifty years of age. There was not a single student writing examinations. This was right after World War II, and the one or two former students had gone into the service and a complete new building job had to be done. Twenty-three years later we have five Fellows, seven Associates, and half a dozen students, having varying degrees of success with their examinations. In addition, I can think of eight or ten students who were with us for a while but who, for some reason or another, left us for other situations, mostly in the Southeast. I am happy to state that most of these men who left parted with us on friendly terms, and, in general, their reasons for leaving were those over which we had little or no control. Incidentally, at one time we were having a rash of situations in which our actuarial students and prospective students were going into the ministry; when I asked one of my associates about it, he said that it was probably because they knew what hell was like because they had been there. However, I am happy to state that we seem to have reversed the trend, because one of our latest recruits is a former student for the ministry who has switched to actuarial work. We must now be doing something right!

In the matter of recruitment, I think we should distinguish between a beginning professional, such as an actuarial student or someone right out of college or graduate school, and a person who is an experienced profes-

sional. It will be natural for me to think of a beginning professional as being typically an actuarial student. The draft, of course, has made recruitment straight out of college very difficult, since most of the students are either going into the armed forces or going on to graduate school. Either way, we seem to lose touch with them. In this connection, I read in the papers a few weeks ago that recruiters for industry were reducing their concentration on colleges and were looking among junior officers in the armed forces who were about to be separated from the service. The disruption on the campuses and the apparently changed attitudes of many students regarding business in general had a lot to do with it. Many recruiters feel that junior officers out of the armed forces would have greater maturity, and, besides, as one recruiter put it, "it is a pleasure to talk to someone without long hair."

One method used by us in the recruitment of actuarial students is our summer-employment program. During the summer months my company hires in the neighborhood of twenty-five male college students and puts them in various positions throughout the company. In order not to sour them on boring jobs, we try to make things interesting for them by such things as giving them lectures on various aspects of the business. Approximately five or six of these positions are earmarked for possible future actuarial employees, the prospects having been previously screened as to aptitudes and so forth before they are taken on as summer employees sponsored by the actuarial department. Our hope is, of course, that with, say, three summers of employment in our company, they will form an attachment to the work and the people in the company and will want to come back when they graduate. The probabilities that they will come to work on a full-time basis for the company are rather small, since not only may they change their minds about their future profession but also the events which take place in their lives in subsequent years or during their term of service with the armed forces may change the direction of their lives. Our feeling about this is that, even if we get one out of five to come back to the actuarial department as a full-time employee and pass his examinations, the whole project is worthwhile. Two of our men who have only two examinations to go to become Fellows and two others, who have one and two examinations, respectively, to become Associates, are the direct results of the summer-employment program at the company. Their attachment was such that, when they finished their military service, they returned to the company as if they were returning home.

Recruiting is primarily a sales job. I have a feeling from the comments made by some of our young men that we, as actuaries, have a tendency to be too cut and dried in our recruiting efforts. My first attempt at re-

cruiting actuarial students was at the University of Michigan in the spring of 1951, during the Korean War. Many of the men who were graduating from the actuarial program were headed for the armed forces, but there were still approximately twelve candidates who had been in the services or for other reasons were not eligible for military service and who were available for hire. However, there were many more than twelve companies looking for these men. As an interviewer, I was allowed half an hour with each man, and you cannot do much in half an hour. I realized also that I was in competition with companies which were much larger and much more sophisticated and which were located in ostensibly much more glamorous places than Chattanooga, Tennessee. I decided that I had better find a somewhat different story to tell than the usual salary-and-fringe-benefit routine. The first thing that I did was to go to the Chamber of Commerce and get all the literature that I could find about Chattanooga. I spent about twenty minutes of my allocated time with each man, telling him about the wonderful weather, the recreational facilities, the nearness to Florida beaches, the wide choice of football games on weekends, the relaxed way of life in the South, and the lower cost of living. I also told them some of the advantages of working for a smaller company by telling them of my own experience in a small company, which I would not have traded for anything. I told them that we were in a multiline business, offering ordinary life, group life, group accident and sickness, individual accident and sickness, and pension products, and with such a small actuarial staff that we felt that the climate for students would be ideal. I emphasized that the conditions in the company were such that, by the time they became Associates or Fellows of the Society, they would have had a very wide experience and that, if they became Fellows and did not want to stay with us, we would help them make a profitable connection elsewhere.

I was looking for two recruits. Out of the twelve available we not only got the two recruits but found a third man who also wanted to come to Chattanooga. Since we had the two that we needed, I referred the third man to another company in Chattanooga which took him on, and he is presently the vice-president and actuary of that company, doing very well. I will admit that my judgment was poor, in that I sent the wrong man to the other company, because one of ours subsequently left us. The point that I am trying to make is that we may have a tendency to think of professionals only in their professional capacity rather than thinking of them as human beings who also like to go to football games, enjoy the sunshine, enjoy the recreational facilities, and look forward to a generally pleasant family life.

When I was recruited as an actuarial student in the mid-thirties, conditions were quite different. A graduate in mathematics seemed to be able to do only two things—go into actuarial work or teach mathematics to someone else. In the present day of computer manufacturers, software houses, research groups, and the host of scientific disciplines which require some mathematical background, not to mention the higher salaries for college professors, we have a lot of competition, and it is indeed very difficult to get new recruits. However, there is the occasional person who is business-oriented rather than science-oriented and who can see the opportunities of an actuarial career and the application of the problem-solving disciplines to be learned in the course of actuarial study to other than purely actuarial work.

Incidentally, a tabulation of Fellows of the Society by type of position held is very impressive to a business-oriented recruit. If the Canadians, government actuaries, consultants, and those working for the three largest United States companies are deleted, the remainder will probably average less than half a Fellow per remaining United States life insurance company.

The recruitment of a ready-made actuary or other professional is a different matter. One has to be very careful here and attempt to assess the effect of such a recruitment on the other budding professionals who are presently in the company. I am personally a firm believer in promoting from within, but I recognize that occasionally there is a need for a professional in a special position that even the budding professionals will agree should be filled by someone from the outside. This usually happens when a company is growing very rapidly and is shorthanded. Even overworked, budding professionals will occasionally scream for help! One has to be very careful in the choice of a ready-made professional. In the actuarial profession it is not sufficient to have an F.S.A. or an A.S.A. after one's name. It may be a necessary condition for employment, but it is by no means a sufficient condition. Such a man may fail miserably in the position that you have in mind for him. Personality traits are exceedingly important at the higher management and professional levels, and, when you are counting on the man to help solve some of your problems, you may find to your utter dismay that the man you hired not only does not help solve your problems but creates additional ones.

At this level we prefer to use a professional "executive search" organization to do the finding and screening. First, if yours is not a very large company, the professional organization is probably better staffed to do the screening than your own personnel department, and, second, you do not get involved until the final stages. I do not want to imply that just

any executive search organization will do. On a recent occasion we used such an organization but only on the recommendation of a well-known management consulting firm in which we had great confidence. The man that such an organization finds will probably not be one who has his name on one or more actuarial or other professional registries or with one or more personnel consultants. Let me warn you, however, that any executive search organization worth its salt will visit you first, to get detailed specifications of the position for which it is to recruit a man. I think this is the area in which many of us fail. We have a tendency to see someone who is attractive to us and to bring him aboard without ever really deciding where his responsibilities begin and where they end or without defining the specific nature of the position. If he is a good man, he will get fed up with this situation in a very short time and be disgruntled. It is at this point that we are likely to lose him. Good, young, ambitious men are in too much of a hurry these days and are not willing to sit around for one, two, or three years waiting for somebody to tell them what they are supposed to do.

In summary, the complications of life generally, together with the rapid development of products and techniques in the business world, are such that competition for good, professional help is increasing rapidly, and more thought has to be given to recruiting techniques. Attention must be given to the appeal to the so-called whole man. A check list along the following lines may be helpful:

1. Determine the existence of and define the position and opportunity.
2. Avoid vague specifications—make them specific. Define responsibilities and determine the salary range consistent with the company's salary administration program. It is a waste of time to hire a man for \$25,000 and then realize that you have put him in a \$15,000 job.
3. Select sources of recruits, the source differing by type of recruit.
4. Give frank answers to the recruit or to one's self to questions likely to be asked, such as the following:
 - a) What are the company's objectives, and is there compatibility between the company's philosophy and those objectives?
 - b) Does management function as it should? Organization charts may be perfect, but the manner in which the organization is permitted to function may be quite different from what is apparent from the chart.
 - c) Are the company's plans and programs realistic, that is, do they have a good chance of being fulfilled, everything considered?
 - d) Is a recruit likely to be compatible with future co-workers? The recruit should have an opportunity to visit with future co-workers. In my company the future co-workers have a lot to say about whether we take him on or not!

- e) Does the community offer satisfactory facilities for the family, such as schools and colleges, recreation, cultural activities, etc.?
5. Build a list of qualified candidates and screen thoroughly.
6. Hire the best.

MR. JOHN M. LOFTIS: This is a fairly ordinary question in regard to your summer program for the students who are still in college. It has two parts. First, do you make any special effort to get the college students between their Junior and Senior years or do you take them all through their college program? Second, are these actuarial students accepted in the supervisory levels in departments other than the actuarial in which they work?

MR. UNRUH: First, our policy originally was that we would not take students until they had completed the Sophomore year. Now we take them after the Freshman year, if they seem to be outstanding candidates. With regard to the second part of your question, they seem to be accepted without any problems.

MR. CHARLES S. SCHNELLE: I, too, have two questions. Are the twenty-five to thirty students in your summer program over the ten-year period? Second, are all the students in your summer program actuarial prospects?

MR. UNRUH: No, the number of students refers to those we have each year. Some are repeaters. We do not have twenty-five new ones each year. Second, these are not all summer employees sponsored by the actuarial department. Only four or five will be actuarial prospects. The other twenty are nonactuarial-oriented college students.

UNIDENTIFIED SPEAKER: I would like to know how you acquaint these people with the program that is available. Do you go out to the colleges and look for them? I would also like to know how many of them have long hair.

MR. UNRUH: Not very many have long hair, but the number is increasing. We have so many applications for summer jobs that we really do not have to go out looking for them. We are fortunate in Chattanooga in having two very fine prep schools that accentuate mathematics. In addition, there are several colleges in the area. We usually get our students from these schools and occasionally from the high schools. We do watch the mathematical contests and so on. When they publish a list of

high school students who have done well on a mathematical contest, we invite the students in to talk to us on the possibilities of their going into actuarial training.

MR. JACK A. MARSHALL: In the actuarial-student area, what methods do you use to keep your students' salaries highly competitive? Is this a problem with the students, or where do you get your information?

MR. UNRUH: I try to stay a little ahead of the market, but we have to rely on the various surveys that are made on actuarial students. I sell our management on the basis that such students are hard to come by, we are a complicated company, and it would be terrible wheel-spinning to train a fellow for six, seven, or eight years and then lose him. You can decide, for example, that you want to stay about mid-range and then make sure that you do stay there; or, you can decide that you want to be the best or highest in the upper fourth.

MR. FREDERICK LIEF: When you find that there has been an increase in the starting scale for actuarial students, do you make adjustments in salaries for your entire actuarial staff?

MR. UNRUH: I would not know how to answer that, since we do not have a large staff. We usually deal with our men individually. When a company recruits at colleges, the salary range goes from one point to another. We will make an adjustment up to, say, \$10,000 or \$11,000. We try not to make it a simultaneous thing for everyone, but we just look at the individual and adjust appropriately.

MR. ROBERT E. HUNSTAD: Mr. Unruh, you indicated that you hoped you were successful in hiring permanently one out of five of the summer people, and I assume that you are shooting close to that in the actuarial area. How successful are you with the nonactuarial students?

MR. UNRUH: Somebody told me that approximately 100 per cent of our summer employees come back to work. I did not quote that figure because I would like to look at the basic data. I do think, however, the number is comparatively high.

MR. ROBERT K. DICKSON, JR.: I am wondering to what extent you differentiate in starting salaries among your students when you are first hiring them. Also, do you differentiate later on? Say that two individuals

offer the same level of experience and exams. Are you prepared to recognize any significant differences in performance potential?

MR. UNRUH: We do recognize these differences if several are bunching up. I try to separate them into different channels. It is very embarrassing to have triplets running along at the same time, because they are very conscious of one another. It is hard when they start out, but as they get to be Associates and further, they then look to see which way they can go. We do make distinctions, and we tell the individual why through our performance appraisal. We have five classifications, and each individual is supposed to be interviewed at the end of each year. His supervisor maps out with the individual what he is going to do next year and gets the individual's time schedule, making a quick diagram of it in an informal way. You must really talk turkey to these fellows. You can indicate where he can improve and how salaries will increase in view of this. However, it is a problem when you have twins or triplets.

MR. HENRY K. KNOWLTON: To what extent do any of you or all of you use consulting psychologists in this whole area of recruiting, evaluation of personnel, and so forth?

CHAIRMAN PAUL T. ROTTER: I can answer it for our company. We will use the consulting psychologists primarily for people that we have not met before. This goes down even to the college level. We have on occasion used them for our own people in the company. We make it very clear that our senior executives or senior management people are responsible for the selection of the individual. For our employees, we contend that we have lived with them long enough and, if we have not been fooling ourselves, we ought to know more about the individual than we are likely to get out of a one-day session with a consulting psychologist. This does mean that you have to be pretty objective about it. The fact that a man did a good job on one assignment does not mean that, when put in another job with a totally different environment and a totally different set of conditions and objectives, he will perform as well. If there is a vast difference, one must analyze the requirements of that job in terms of the man's personality and technical competence.

II. *Turnover*

Why is there such a heavy turnover among professional people? To what extent do these causes apply only during the first few years of employment? What steps have been found helpful in reducing turnover?

New York Regional Meeting

CHAIRMAN JACK T. KVERNLAND: Let us go on now to what we do with our young people when we get them, what we do well and what we do poorly. We know that turnover rates are very high among college-graduate personnel in general. In the general college level of turnover the Prudential loses about 60 per cent of them by the end of three years. With actuarial students we only lose about 20 per cent.

We are guilty of many things in college hiring. The people say we do not challenge them enough, there are not enough opportunities, and so on. Computer personnel are particularly hard to retain.

MR. WILLIAM C. L. HSIAO: I would segregate the turnover problem into three stages. First, there is the turnover during the first few years after a person joins a company. Usually this is due to poor selection or a poor match between the employee's interests and the company's interest. Most of us have encountered a person who might be interested in working in San Francisco, but somehow he has been induced to come to New York. After two years he decides to go back to the West. Another reason is the lack of meaningful work assignments already mentioned. If a company hires an actuary and places him in the data-processing department, he might look for a new job which has more direct actuarial work. It is extremely important, therefore, to match a student's interest and his job assignment. Still another reason for leaving is the lack of developmental opportunities in a variety of work. Many want to have a broad foundation in their professional training. Meanwhile, it is easier and more expedient for the company to train a person in one type of work and keep him in that work. Part of this is due to the shortage of personnel. Consequently, some actuarial students leave to join another employer because of better developmental programs.

Many of us tend to say that salary is one of the major factors. I do not think that many young people leave a company for salary alone. They might give that reason, since that is a factual thing.

Now let us consider the second stage, those who leave upon attaining their Associateship or Fellowship. It is natural for a person to take stock at these stages of his career. He might want to work in a small company rather than a large company, or he might be interested in consulting work

or government employment rather than in company work. This kind of turnover is very natural. However, many also leave for a better opportunity in another company. A company can minimize this kind of turnover by communicating his potential growth clearly to an employee rather than leaving him in the dark. A young person today wants to know the future opportunities in a company and what the company thinks of his potential.

As for the third stage, those who leave after a number of years are usually leaving because of better opportunities.

MR. DENNIS N. WARTERS: I have been working in Thailand, where I see a different approach to college education and to the business world. The University offers an elementary course in the *Mathematics of Life Insurance*. They do use the text written by Robert E. Larsen. About thirty people take the course each year, and of these 90 per cent are girls. A similar ratio holds in most courses leading to work in an office. The men want to be outside. They prefer engineering, sales management, or any course leading to work in the field. The girls excel at technical office jobs and fill most of them. Because household servants are plentiful, they do not have to run a house and therefore they work after marriage. I wonder whether we are missing an opportunity when we do not offer positions tailored to the needs of women.

MR. J. DICKSON CRAWFORD: I feel it is not sufficient simply to communicate with the Associates and new Fellows in terms of their future potential. When a job offer comes in, it is a natural reaction to look at where you are going. If you can look back on some personal accomplishments in this period of development, it can be a key factor in overcoming the feeling of loss of personal identity inside the large corporation. In addition, if the career pattern appears to have, or actually has, too much rigidity, you can begin to lose the feeling that the company you work for is a dynamic organization.

MR. GEORGE RYRIE: There is one point about the turnover that I would like to make. It would seem to me that turnover during the first three years represents a loss to the profession entirely, whereas turnover at the five- to seven-year level means that the employees have started to appraise their career opportunities in the spot in which they find themselves.

There is a tendency to isolate the actuarial students in order to help them get their examinations. I have had conversations with two or three

younger actuaries who have been quite vehement on this point, and they say this: "We have come to work with you. We understand the circumstances and that you are going to assist us in getting the examinations. From there on the examinations are our problem. Don't stop giving us challenging work just because we happen to be writing examinations."

The point is to keep the challenges going so that each year the student has something to remember that he accomplished.

MR. C. RONALD RILEY: I believe that the turnover problem should be viewed in two parts—under the Associateship level and above. This is necessary, because the reasons for turnover will differ significantly.

The early-turnover situation is probably due to inadequate follow-up after initial recruitment. During the early years of a career there are certain items which cause the student to be temporarily diverted from the profession—military service, marriage, and the like. Hence, it is necessary that at each new juncture in the student's life the company reaffirm the basic elements of a business career. Additionally, because the student is young, he will not have daily contacts with management and/or senior actuarial personnel. Basically, he will be directed by middle management, and the fact that senior management is "student-oriented" may not be visible to the young student. Thus it is incumbent upon senior management to transfer the concepts of being student-oriented to middle management.

Fundamentally, the turnover problem above the Associateship level stems from the fact that individual attributes may be ignored. For example, Associate A and Associate B both have seven exams and five years' experience. All too often, the conclusion is that A and B are equal or nearly equal with regard to salary, position, or level of responsibility. In fact, is this not exactly the manner in which most companies advertise for actuarial positions?

CHAIRMAN KVERNLAND: It occurred to me that we probably work in too narrow a fashion. We have our own elite little actuarial program in our companies. In my company, we have been trying to expand and to keep the knowledge of the actuarial program fairly general. As a result, we get a fair number of people coming into the actuarial program from college graduates in the company who were recruited for other purposes.

MR. DONALD J. VAN KEUREN: In the early years after recruitment, management must take the position that it is still in a recruiting period and that the people have to be helped over what Ron has described as

their "little crises." In general we must look upon this period as a period when a man must be attracted to a permanent career in the company.

I think that there is a position between jobs of a clerical nature and jobs handled by the actuarial student which is not being properly filled. There is a need for people who are technically trained but who are on a somewhat lower level than that of the actuarial students. This would relieve our students of some of the more rigid and routine kinds of work. It would also enhance our ability to rotate the students from one job to another.

MR. DONALD J. SEGAL: One thing that has not been mentioned so far is the summer program. The advantage of the summer program is that you get a student into your actuarial department and show him what the work is like. You have the advantage of having identified, before they graduate from college, students who have already made a decision that actuarial work is, or is not, for them. This is one way of reducing turnover.

Another problem area of recruiting is the lack of awareness of college students of the actuarial profession. You have to go out and try to sell a profession to someone who has not the faintest idea of what you are talking about.

Mr. Hsiao spoke of actuarial utilization. From my own experience it seems to be very important that the supervisor of the student be aware of the purpose of the student program. He should see that the student gets some meaningful and important job.

Atlanta Regional Meeting

MR. HENRY C. UNRUH: I am primarily responsible for our actuarial professional employees. I believe that we have had a reasonable amount of success in retaining our men in spite of the demand for them from the outside. Our Fellows have an average service of 19.4 years with the company; our Associates, 8.1 years; and our students, 4.8 years. The last two students who left us left four and five years ago, respectively, and they went into other lines of work. One of the policies that has helped us retain our men is the established one of not hiring anyone from the outside for any position which can be filled by one of the men already in the organization. The very fact that these men have stayed with us over the years has resulted in their very broad knowledge of a very complicated company, and the recognition of this broad knowledge by other executives in the company has put a demand on me to make them available in non-actuarial areas. One of our Fellows heads up the area of financial con-

trols, including corporate accounting, budgets, income tax, and the like; another is the executive in charge of our ordinary and pension departments, as well as our subsidiary broker-dealer; another is the administrative and underwriting head of our group department, which is our largest department; and another is in charge of our over-all corporate systems. My duties also include many which are not directly related to actuarial work. It is largely, I feel, the recognition on the part of each of our men that, although he is a professional actuary, his opportunities are not limited to a narrow field and that there are all kinds of other opportunities in the company that has enabled us to keep our men.

It is always good personnel practice to take a personal interest in your men, particularly so when actuaries are in very short supply. They were hard enough to get, and we do not want to lose them by default. We try to anticipate moods, to find out what is bothering the individual, and we encourage a frank discussion of the problems. We find, in many of the instances when this is done, that the problems go away. They may return, but I think that, if the individual feels that he can come to his superior and talk about his problem without feeling that his job is in jeopardy, it certainly helps to create a good relationship. Loyalty may be an old-fashioned term to some people today. Some old-timers feel that loyalty should be automatic when a man accepts a company paycheck. I think we have to be realistic. Today, loyalty does not come automatically, and, if people are going to be loyal, they are probably loyal first to key individuals, and as a result of this loyalty they become loyal to the company or organization. Loyalty comes out of fair treatment; if a person feels that he is being treated fairly and that his employer takes a personal interest in him and his problems, he is not likely to leave without second or third thoughts.

We have not yet solved the problem of retaining computer programmers. In spite of the fact that the company increases its compensation rapidly in the early months and years, the outside demands and salaries are such that the latter cannot be matched without disrupting our entire salary setup. As a result, the experienced ones who have stayed with us are overworked, since their assistants are always at the beginner stage. We need more lawyers, more actuaries, and certainly more accountants, to take care of the complications caused by current trends in our business. If we do not define the specifications for, and the responsibilities of, these positions, of the many that we hire we will find that the good ones drift away and the others remain, eventually to run the company. There is a spiraling demand for sound, effective managers and professional men—all this while the market grows tighter. I think that the inevitable conclusion

is that managers with professional backgrounds must be identified sooner, trained faster, tested more vigorously, *and* be gambled on. With regard to the retention of professional employees, this does not mean keeping everybody but rather keeping the good and separating the not-so-good. We should remember, however, that it is important for us to manage our affairs so that when we hire people we do everything to make them good and not let them drift. We should have the means of identifying those who are good. In our company we use the performance appraisal under our salary-administration system to identify the good supervisors and executives. We can make them good by giving them the incentive to improve their performance, which means more money and more opportunity for promotion. We recognize whether they are good or not by getting them to set objectives for themselves and by seeing how they perform in attaining those objectives.

I do not claim to be a personnel man, and there is nothing profound in what I have said. I have merely tried to relate approaches to these subjects that seem to work for us.

III. *Professional Development*

What methods are used or are available to enhance the growth and professionalism of personnel? What success has been achieved by these methods?

New York Regional Meeting

CHAIRMAN JACK T. KVERNLAND: Let us move along into development. Bill Hsiao, a little while ago, said that this relates to turnover, that often salary was not the problem. My own experience bears that out. In our company, the people who leave often put as one of the primary reasons their dissatisfaction with our management and supervision.

MR. GEORGE RYRIE: I think that the discussion of the general topic at last year's annual meeting was the first time such a matter ever came before the Society. It was covered by a panel of rather high-priced help representing the 3M Company, the Prudential, and McKinsey and Company.

Today the common herd has an opportunity to grapple with the topic. It seems to me that the majority of us, while we recognize that there is much of value to be learned from what might be called giant operations, must start to think about this in a context which is applicable to us and to the organizations with which we are associated.

First, may I say for the record, North American Life has an administrative staff of six-hundred in the home office and three-hundred in some fifty branch offices. We have a great number of people who possess particular professional or technical skills. We have recruited people for their professional or technical skills or have encouraged and assisted them to acquire such skills. We do not recruit with the objective of keeping the professional out of the generalist class.

We are beginning to recognize a few situations in which an advocate of the dual advancement system would suggest that his approach would help. We are not ready to agree with that formal an approach. We do feel that there is much opportunity for the application of some modern management principles which appear to give promise of better all-round results for our organization.

I guess what I am reporting is that you do not have to be very big to move into the area of possible problems with technical and professional personnel who may not have been recruited strictly as such. To the extent that we have on staff personnel with recognized professional degrees, we encourage continuing identification with the professional societies. This includes doctors, lawyers, accountants, investment analysts, and actu-

aries. Generally, only the doctors and lawyers were recruited after attainment of professional status.

With doctors we have found that a formal arrangement of limited time off for clinic and teaching work is important to the individual and provides continuing education which is of benefit to the company. Attendance at medical society meetings, as well as at industry medical section meetings, is scheduled. The other professionals are dealt with in a similar manner except for the items peculiar to the doctors in clinical and teaching work (e.g., actuaries and consulting).

The accountants, investment analysts, and actuaries generally were recruited with the objective of taking the necessary courses leading to professional status during employment. The company shares in the costs and grants time off for study—and rewards success. With this group, while there may be a tendency to try to avoid heavy work loads in the face of examination demands, we try to keep before the student the need for production and performance as a member of the organization.

To the extent that management and supervisory training is practiced, all such professional personnel are involved. However, since our activities in such training are relatively recent, it would be fair to say that there are some problem areas here which will require extraordinary efforts to overcome.

CHAIRMAN KVERNLAND: The point has been brought out several times that the training of an actuary is so completely bent toward getting him to Fellowship that he does not have much other type of training.

MR. WILLIAM C. L. HSIAO: The Connecticut General program involves rotating students through various departments so they can be exposed to different types of insurance products. They are also rotating them to do different types of work. One type of work might be very technical and research-oriented, while another type might be supervising a section. The latter gives him exposure to dealing with people, motivating them, and planning and managing work output.

This gives the company the opportunity to identify the interest and ability of the students at a very early stage. Also, if they find that a student has some weakness in a certain area, the company can try to overcome it by formal training. This exposure to different types of work allows a student to make his mistakes early and to identify his interests and his potential.

At Connecticut General the students are assigned to some of the non-traditional actuarial areas; data processing is one example. Also some

who have attained their Fellowship or are close to it have been assigned to marketing and investment areas. The actuaries are used throughout the company on various types of jobs not necessarily related to the technical phase of the business.

MR. DONALD A. RUMBALL: I do not think that there is much benefit from this rotation until you are in a position in which, having learned how things are done, you then have the responsibility to get those things done with scope to improve them and to change the personnel. Too often the exposure to various departments is carried to a point where you just get to know what is going on in a particular department and then you are off to another one before having had time to get experience and use your own initiative.

I would also like to point out that management should be primarily concerned with planning ahead and organizing people, so that the company is able to meet changes in the market and general economic conditions. Often you find actuaries who get immersed in a particular problem, the contents of which are very familiar to them, and they do not force themselves to face broader problems. I think that this is one of the primary reasons for turnover among the younger actuaries. If the senior actuaries allow themselves to get embroiled in the regular actuarial problems, you do not get the delegation of responsibility that will give younger actuaries a chance to really spread their wings and learn. At the same time, I think you often get poor direction from senior management.

MR. RYRIE: You either have participative management or you have not. If you try to draw the line between the senior people and the junior people with respect to meeting a market problem, you are not going to get such good answers as you would if you make it clear to your whole organization. We are in this together, and we had better all have ideas about it.

Atlanta Regional Meeting

MR. ROBERT S. YODER: The problem of professional development will vary by type of business, size of company, and the objectives of management. As far as the development of actuaries is concerned, it can run the gamut of the large mutual or stock life insurance companies needing highly specialized individuals, and managers of highly specialized individuals, to medium-sized companies needing well-rounded managers with technical skills, to the consultants needing a wide variety of technical skills. Whatever methods are employed for professional and manager de-

velopment, the keynote to success will be constantly to keep uppermost in the mind of the trainer and trainee that these individuals are vital to the continued existence of the organization and to instill the profit motive in these individuals very early in their development and keep it as an integral and continuing part of their development. The most important assets of any industry or business organization are the individuals that supply the motivation and stimulus to that organization. These particular individuals are vital in order that the organization may achieve tomorrow's profit objectives, and they will supply the necessary know-how and talent to meet competition in the years ahead. It is the job of today's management to develop them.

The professional and manager is vital, because he is necessary to develop new technology; he is necessary to understand, manage, and control today's complex organization; he is necessary to provide organizational direction in such diversified fields as market research planning, competitive analysis, product planning and scheduling, organization planning and financial analysis; and he is necessary and vital in an era of change. His talent must be used to innovate and establish new approaches and to break established patterns. The increasing emphasis on change injects severe strains on management. Not the least of the problems is the increasing complexity of doing business, the often high cost of installing and using new systems, and the rapid obsolescence of many of the processes, products, and personal skills associated with a new approach. In 1965 Mr. Henningsen referred in his presidential address to the half-life of an engineer as being about ten years and asked about the half-life of the actuary. We have no reason to believe our business is any different in this respect from any other business.

We in the actuarial profession are more apt to be classified as capable technical specialists than as effective managers. Mr. Dutter of McKinsey and Company explained last fall to the Society that among technically oriented people he suspects the desire for achievement tends to be stronger than it is among the rest of the population. He goes on to say, "These individuals have ranked high in their classes in academic achievement. Therefore, they have been conditioned at an early age to expect to attain a high level of achievement in whatever field they pursue. This desire for achievement is greater than any of the other motivational factors." We as actuaries have ranked high in achievement of technical and professional problem solving. Perhaps the greatest enhancement of our growth and professionalism lies in developing our management skills.

The second point of instilling the profit motive in these individuals cannot be overemphasized. The reason for the existence of any business is

to make a profit. If it does not, it is out of business. One of the keys to good management and the development of people is to keep everyone connected with an organization alert to this simple fact. We tend to forget or underplay or consciously ignore this simple fact. When people do not see how their work is related to the company's profit or loss—or think it really does not make much difference—a great deal of potential profits goes right down the drain. It is important that the actuary be exposed to the profit motive very early in his career. This should be true regardless of whether he is working for a mutual insurance company, a stock insurance company, a governmental agency, or a consulting firm. Because of early emphasis on actuarial exams and management-training programs, the individual may not receive the right emphasis on job assignment, with the resultant exposure to the profit motive. His training will be biased (with the bias being increasingly more difficult to overcome as time passes) if he does not get this exposure.

How do you sell this attitude about profits to actuaries and other subordinates? First, by being profit-minded yourself. Second, by constantly explaining the relationship of everything you and they do to company profits. Third, by recognizing and praising their co-operation in this direction. The message can be sold. It is perhaps most difficult to sell to actuaries because their work is frequently of the special-mission, problem-solving variety rather than of a regularly recurring nature. Also, the quality of their effort may not be capable of immediate evaluation. This does not mean that the profit motive cannot and should not be sold. It may take a little ingenuity and conscious effort, however. No organization will thrive and be a success unless the individuals running that organization have the profit motive thoroughly saturated in their everyday planning. This is true regardless of what type of organization it is. The proof of the success of this program is in the profit and loss statement.

Some of the standard points to keep in mind in developing professional personnel are the following: The professional man's work is governed by professional standards. He has deeply ingrained work habits and a tendency to work alone. He operates under a logic that differs from the businessman's reasoning. His value system and the value system of the world of commerce may be in contrast. He may feel that his talents are not being utilized, or that his freedom is restricted, and that there are wide discrepancies between the objectives of the company and his professional goals. The expert in a narrow field tends to lack flexibility in other fields. The level of management at the top requires some professional knowledge, but he must have a wide span of ability and a high degree of flexibility. Middle management will have a tendency toward highly talented special-

ists strongly identified with specific professional and functional areas. The higher-level manager functions as a co-ordinator of talent. The middle-level manager is encouraged to identify with a specific discipline or profession.

One method of training is to establish early a common objective between the individual and the company. Certainly the profit motive can be used for this purpose. Another approach is to play on the individual's creativity and originality in an attempt to give him the highest sense of personal worth at work. This requires real ingenuity and imagination for success but properly handled will lead to a high motivation and morale of the individual.

How do you determine whether your staff of professional personnel are being properly utilized? One way is to look for indications of under-utilization. Developing ratios of supporting staff to the professional may be informative, particularly if such ratios could be compared with other companies or other units within the company. A simple evaluation of the staff in proportion to the work load and completed jobs may be informative. A survey of the opinion of the individuals as to their utilization may be informative.

How do you go about induction of new professional employees? First, review the viewpoint of the new trainee. What is he looking for? What are his anxieties? What impressions will he likely obtain? These viewpoints should be reviewed in light of management's view of the new trainee. The orientation should include a specific assignment for the individual. Some varying viewpoints include a sink-or-swim program versus a full-time training program or a selective training program geared to the individual's personality and ability versus a shotgun program for everybody. It is best not to be oversold on any one approach as a panacea but to use elements of each.

IV. Development of Managers and Executives

What approaches can be used to develop professional personnel along management and executive lines? Is the "dual advancement system," described at the recent fall meeting by Dr. Krogh, applicable for actuaries? Has anyone used this system, and, if so, what is the experience with it?

New York Regional Meeting

CHAIRMAN JACK T. KVERNLAND: We have been talking quite a bit about the more junior members of our organization and how we can bring them in and develop and train them. Let us go on to the development of managers and executives. At the fall meeting last November in Washington, a gentleman from Minnesota Mining talked about the dual system. People who wanted to stay in technical work went up to quite high levels, almost comparable to the people who are managing them.

I wonder if this is applicable in our business, which is so different from Minnesota Mining.

MR. GEORGE RYRIE: I do not like ladders very well, so my comments here will suggest that we should not go to the dual career approach. It would be helpful also if we dropped that word "executive" from this topic, because it tends to clutter up our thinking. If we get enough managers and supervisors in our organization, we will get the executives when we want them.

A great many young people are shy; this may be part of the reason why the people that we are recruiting want to stay away from people-involvement. With regard to this question of dealing with people, if there is any confidence on the part of the individual about techniques or procedures or methods or recognized thinking about it, he is not going to shy away from dealing with people, because he will have confidence in being able to cope with it or in finding places where he can get assistance. I wonder whether the problem of converting technical and professional people to generalists stems from the fact that conversion was not begun soon enough.

The young actuary has spent six to eight years working hard on acquiring professional status. He may have used that as a crutch to excuse himself from too deep involvement in the organization of which he is a part. His study has been confined to matters described by recognized authorities. He has likely paid little or no attention to the growing mass of management-education material. He may not realize that there are recognized authorities in that field too. And, most unfortunately, upon the attainment of his professional degree, he may think that, having

reached Olympus, there are no further problems, such as applying his skills in a manner so as to involve the people around him in setting and achieving the goals for the organization.

I know there are some in the Society who feel that management education should not be a part of the actuarial syllabus at any time. I believe, however, that the Committee on Continuing Education is giving some consideration to the subject. My plea is for consideration of an introduction to the subject through the syllabus, so that the newly qualified young actuary is aware of the subject and its importance. If he chooses to ignore it at that point, he had better look for a dual advancement system. If he chooses to pursue it, both he and his organization will be fortunate, in that he will gain personal satisfaction from finding that he makes a greater impact on those around him and his organization will have a better-rounded actuary who, in case he works for a life insurance company, might even become popular with the field force.

Recently I read an interesting article on organizational integration which at first glance seems to be on the side of the specialists. It said in part:

Increasingly, we need specialists to run the ever more complex machinery of our institutions.

Increasingly, too, we need generalist managers to co-ordinate the growing multiplicity of disciplines and functional efforts that the specialist represents.

Both of these will be legitimate paths to positions of influence and leadership in the institutions of tomorrow—but both are confronted with new requirements.

To function effectively, the specialist must be dedicated to his specialty; yet he must share a common vision and common goals and must voluntarily engage in a common effort.

One of the major tasks of the generalist managers will be to bring about this internal integration of the organization.

These views suggest rather clearly that, in addition to his dedication, the specialist of tomorrow will at least have to learn something about goals, objectives, and common effort. It would be much better if he understood more clearly what the generalist is trying to do. And what better satisfaction open to the choice of some specialists than the opportunity to do himself what the generalist must do?

But, if he is ever going to do that sort of thing, he should start very early in his career to absorb some of the principles involved.

MR. C. RONALD RILEY: I object to Mr. Ryrie's statement. First, the training of an actuary involves three mediums—the Society, the com-

pany, and the individual. I believe that each of these three elements can and should make a unique contribution in the total training program. Each element is uniquely suited to contribute a specific item. All too often, we, as members of the Society, expect the Society to do work for which it is not best suited. We ask the Society to accommodate the needs of the industry—management in particular. This means that as a company or as an individual we are abdicating responsibilities which are unique to our situation. The company and the individual with a co-operative effort are best suited to contribute to the management training of the actuary.

Second, the kind of knowledge that is needed for managerial positions will not, by definition, result via the incorporation of such a subject in the actuarial syllabus.

MR. RYRIE: I am not talking about a thorough and widespread education; it seems to me that we must get the younger actuaries aware that there is a science of management, although some people prefer to call it an art. Some of them have talked to me and expressed regret that it took so long for them to get around to it.

Some of the problems that we are having with so-called hidebound young actuaries today are a result of the fact that the purely technical approach and the weight of the examinations have kept them developing on too narrow a horizon altogether.

MR. WILLIAM C. L. HSIAO: I do not think that management is a pure science. To become a good manager, a person needs some theoretical training, but even more important is practical experience. The company must identify a person's managerial potential early in his career and then give him some academic training, as well as practical exposure, where he can utilize what he has learned or what he can develop by intuition.

MR. LOWELL M. DORN: I am deeply concerned about some of the thoughts expressed here today.

We will do a serious disservice to our Society and our profession if we overstress the technical aspects of our work as actuaries at the expense of the managerial and administrative aspects.

We should not be looking for actuarial trainees who will make merely good technicians. While our trainees need a real mathematical aptitude in order to become actuaries, we are looking for people with imagination and leadership qualities, who can work and get along well with other people in our own and other departments. Our aim is to develop actuaries who can take a broad-gauge company position—who can become future officers

and executives of the company. Such men do not fear supervisory and management opportunities and responsibilities—they seek them.

Naturally, they will not all become chief actuaries or executive officers. Yet, because they are carefully selected for the qualities I mentioned and because our actuarial trainees get a very broad training in the life insurance business, it is no wonder that some of them have been given important management responsibilities outside the actuarial department. In our company, and other companies also, actuaries have become officers and executives in underwriting, electronics systems, accounting and cost control, group insurance, insurance operations as a whole, corporate planning and development—and, in some companies, even in marketing or investment operations.

Understandably, actuarial trainees concentrate on the Society's examinations until they become Fellows. Along the way, as they progress through the examinations and gain knowledge and experience, they should be given increasing responsibilities in supervision. After Fellowship, further management training and opportunities should be offered as appropriate. In our company, periodic meetings of supervisory and management personnel are held to facilitate communications and to give a broad company viewpoint on various matters. Personnel at levels of higher responsibility may be selected for a special management-training course (usually held outside the company), to highlight the latest concepts of management principles and practice and to improve management skills.

Finally, let us remember that our greatest satisfactions in our work come not alone from the money we receive but even more from the people with whom we work, the climate in which we work, and a sense of doing a worthwhile job.

MR. CHARLES A. YARDLEY: It is extremely important to develop actuaries who are generalists, and we should have training for this. But one aspect that has not been brought out is that there are some who do not have the ability to be generalists. It appears, and perhaps rightly so, to these actuaries that the only way to advance in the company is to be a generalist. So these men are placed erroneously in jobs that they are unable to handle. Recognition for strictly technical work is very important.

MR. RYRIE: The actuary who concludes that he does not have the ability to become a generalist should do so consciously. He should not make the decision that he is not going to become a generalist because he

wants to avoid certain things. It should be a decision based on knowing certain fundamentals of management that the generalist must practice.

I look, therefore, for a positive decision by the individual in this area rather than a negative decision.

Atlanta Regional Meeting

MR. ROBERT S. YODER: The question is asked whether the "dual advancement system" would be applicable for actuaries. Dr. Krogh defines the dual advancement or dual ladder system as "one in which the productive scientist or engineer may achieve recognition and reward for purely technical efforts as opposed to a combination of administrative and technical skills. Most dual ladder systems provide steps corresponding to the first two, three or four rungs on the corresponding administrative ladder." Because of the current supply and demand for actuaries, the beginning student will probably start at a higher level than his counterpart on the other side of the dual ladder system. Any normal actuarial student-training system program has a ready-made ladder scale. In no other profession or technical area or administrative area, for that matter, is it so clearly spelled out what the individual has to do to advance up the ladder. As he passes each actuarial exam, his increased knowledge is established and recognized, and his responsibility and pay are enhanced. Again, because of supply and demand, by the time he becomes an F.S.A. and for some years thereafter, he will probably be at a higher level than his counterpart on the other than technical side.

The tough job for the actuarial-trained or technical individual is to make the switch from technical to management skills. He has to learn to set aside the skill with which he identified himself for so many years and to develop a propensity for the total ability of the organization.

MR. CLAUDE Y. PAQUIN: I consider myself a businessman and actuary, and some time ago I came across an article written by a professor of management in a California university in relation to the shortage of technical personnel. We are here dealing with the recruiting and turnover of personnel and professional development of actuarial personnel. This article essentially propounded the position that technical personnel, no matter how good they are, find that certain positions of power, such as management positions, provide greater rewards and that, therefore, no matter how great the need for the technical talent, they were by the pull of the many available management positions moved toward the management function. This seems to be a quaintness of the actuarial profession. This might explain the move away from the technical areas to the

management areas. The man has ability, he could do either one, but he is pulled to the management area by the great attractiveness.

The shortage of personnel in the profession might be self-created, self-induced, because of an unbalance in the compensation levels. I also have the feeling, and this is personal and I suspect controversial also, that, since the demand is still there for technical talent, this has lent to the greater development of consultant firms and a greater number of consulting actuaries, since only as consultants could they be paid more than the president of the insurance companies that they advise.

Essentially, the article in question explained, for instance, how you can have a man of outstanding ability as a mere civics professor at a university. According to our current values of personnel, we would pay the president of Princeton University more than we would pay Einstein. Yet Einstein made a greater contribution to both Princeton and the world in general, I suspect, than the unknown president of Princeton University in those days.

MR. A. CHARLES HOWELL: I would like to relate to the turnover question and the comments of Mr. Paquin together in a rather broad kind of statement.

I have a feeling that in a developmental way you might do more with a task-force kind of approach, particularly on specific jobs in which the actuaries interreact with other people. This will help satisfy his need for power. Also it will develop him in a much broader way. This is the kind of thing aerospace industries have been doing with their technical people, and we might do more of it in the actuarial field.

