EMERGING THOUGHT

Thoughts on professionalism

By Paul Lewis*

For the last five years, in March and October, I have found myself standing in the conference room of a Stellenbosch wine farm or a Sandton hotel, looking out at 20 to 24 bright, young and expectant faces. I say expectant, but perhaps many of them are thinking "Really! Two days on Professionalism".

You see, the Actuarial Society of South Africa—that is you—have placed into these hands, and the six hands of my co-coordinators, and the ten hands of our guest presenters, the responsibility of turning these individuals into professionals.

And it is rather intimidating to be standing in front of you as "the face of ASSA Professionalism". I certainly don't want any of you to think that I am looking down on you, although that is what I am doing literally right now. To put you at ease, I have experienced something that I hope most of you have not: the dreaded email from the ASSA office reminding me that my CPD [Continuing Professional Development] was not up to date.

The opinions given in this speech are my own, but I will try to connect them to what I know is going on in ASSA, and globally, through the Professionalism course, and my involvement in the new normative skills process and in the IAA [International Actuarial Association].

I appreciate that this session will help you get those elusive Professionalism CPD points, but I am hoping that, in addition to CPD, you will find my story interesting, informative, and amusing. And who knows, maybe, together, we can start to solve the world's problems.

In the 22 minutes I have been given today I would like to cover three things. Firstly, I would like to give you a very brief overview of how the Professionalism course is currently run, and a couple of interesting findings from it. Secondly, I would like to meander off piste for ten minutes on integrity, leadership, obliquity, mid-life crises, and the meaning of life.

---

* This is the text of an address delivered by Paul Lewis to the Convention of the Actuarial Society of South Africa on 17 November 2015. It is presented, verbatim, in the form of a guest editorial.

And thirdly, I would like to end with a hypothesis that perhaps our view of professionalism, and our profession, could be profoundly expanded.

First, there are approximately 100 new qualifiers each year who have to attend a residential course held over two days and one night. The course covers:
– what it means to be a professional
– what is ASSA
– CPD and the disciplinary process
– some case studies
– volunteerism
– a 25 year old VHS video 'The Auditor in Court'
– presentations from industry experts to highlight their challenges and professionalism issues, and
– a presentation by the President or President-elect on "Issues facing the actuarial profession"

I have an interest in writing, and the process of writing, and when I am standing in front of the participants on day one I often think about a passage from Stephen King's book *On Writing*. He says:

> I can't lie and say there are no bad writers. Sorry, but there are lots of bad writers. Writers form themselves into the pyramid we see in all areas of human talent and human creativity. At the bottom are the bad ones. Above them is a group which is slightly smaller but still large and welcoming; …the competent writers. The next level is much smaller. These are the really good writers. Above them—above almost all of us—are the Shakespeares, the Faulkners, the Yeatses, Shaws, and Eudora Weltys. They are geniuses, divine accidents, gifted in a way which is beyond our ability to understand, let alone attain.

King goes on to say that there is nothing you can do for the bad writers, and the great writers don't need any help, but with some basic rules (or as he calls it, a toolbox), and a lot of practice, you *can* turn competent writers into good ones. I suspect that the actuarial profession is not too different, although more of a diamond shape than a pyramid. At the bottom you get the crooks, people who don't care about professionalism and who have a completely different ethical make-up to 99.47% of all actuaries. I have never met these people, but it would be naïve to think that they can't exist.

At the top you get actuaries who, for whatever reason, have a solid moral compass, an in-built understanding of what it means to be a professional actuary, and have, or quickly grasp, all the soft skills we try to teach through the normative education process. I am not sure if many are born into this, like a Shakespeare, but I suspect that quite a few get there. And in the middle, there are the competent and good actuaries (from a professionalism perspective). And I think that the purpose of the Professionalism course is to turn the competent actuaries into good actuaries and to give the good actuaries a framework of how they can continue to be good actuaries, through case studies and shared experiences.

The most enjoyable and thought-provoking session on the course is what is now termed

'The Word Game'. Through this process the group comes up with the four words that, for them, most accurately describe professionalism, or being a professional, or the profession. To date I have collected 142 unique words (631 in total), and it is remarkable how consistent the most often suggested words are. *Integrity* and *ethics* always make the list. *Skill*, *expertise, competence*, and *trust* are not far behind.

The game gives us an opportunity to discuss what the various words mean, and to understand that many of us have different interpretations of these everyday words. I think that the game plays a vital role in ensuring that we have a common language in terms of "professionalism", like we already have with "exposed to risk", "volatility", and "IBNRs". It also segues neatly into the concept that a profession consists of cognitive, normative and organisational elements, as set out in our Code of Conduct, and the IAA principles of Professionalism. And the game allows us to discuss words like "money" (a word that has surprisingly only appeared three times, and never makes it anywhere near the short list), "power", "prestige" and "elitist". Finally, I also get to make a list of my favourite suggested words: network, dynamic, humanity, leader, passion, empathy, and coffee … yes, coffee.

We also get to discuss various difficult or interesting situations, and we hope that on completing the course the actuaries are more attuned to thinking about whether something is an issue of professionalism or not. One of the concepts that one of my fellow-presenters often uses as an example is the "commercial insult". In our pure technical actuarial role we often raise concerns about a concept or a product design. And an accusation that is made back at us is that "you are not being commercial enough", or "you need to put your commercial hat on" or "don't be so naïve, it's a commercial world out there". This is quite a hard accusation to counter because, yes, we are technical. And the insult attacks us at our very core. It is like someone saying to us "oh, you are such an introvert, don't you realise that not all people think like you". So perhaps being a professional is having the inner strength to respond to the "commercial insult".

So that's the course. It happens. It gets good feedback. It serves a purpose.

However, for a while I have thought that there is something missing, and I will get to that later. Right now, I am going off piste.

Second, I have been working at my current company for 15 years and 289 days, and it is the only real job I have had. Reinsurance is a niche business, on the one hand quite narrowly focused but, paradoxically, where one gets a very broad view of the industry. By almost any (commercial) measure the company has been extremely successful. We win business, we make money, we develop our staff, we have good client relationships, we get well paid. So, if this is the case, why does it feel so difficult so much of the time? Why aren't we happy almost all of the time? Why do we feel terrible when we make a (rare) mistake, when we don't win business, when a client relationship turns bad, when an outcome is not as expected? I had been pondering this question for some time when I came across a book called *Obliquity* by John Kay. (The relevant definition of oblique is "not expressed or done in a direct way". The best way it has been described to me is a sailing boat that has to tack this way and that in order to go forward.) Kay explains that in a world where problems are getting more complex, if we

continue to try to solve them using direct rather than oblique methods the outcome is never optimal. I will try to illustrate this with a couple of examples from the book.

The first example helped me to understand why it is so difficult getting to grips with the concept of *happiness*. Kay uses the example of parenting:

> [studies show that]…people are happier when they are at work than when engaged in child care, and researchers observe that reported happiness increases sharply when children leave home. Yet many people also say that bringing up their children was the best experience of their life. Perhaps under social pressure to applaud the experience of child rearing, people say their children make them happy even though that is not what they really feel. But a more likely explanation is that people who say that bringing up their children has made them very happy are telling the truth. And when the same people say that much of the time they spent with their children was not happy, they are also telling the truth. …They are not contradicting themselves, because happiness is not simply the aggregate of happy moments. The determinants of happiness are evidently complicated.

There is a detailed analysis of happiness in the book and it has helped me contextualise my feelings in the work place, and it has actually made me happier with my work. But that is only part of it. Kay goes on to discuss individuals like Buffett, Soros, Gates and Jobs who did not go out to make money. They did things they were passionate about, and commercial success was merely a by-product. The same applies to Boeing, where the company was much more successful when the culture was an obsession with making the best aircraft in the world, rather than when employees were told to focus on expenses and to "manage the bottom line".

He raises the point that direct solutions like "maximise shareholder value" are meaningless. How do you know that different decisions during the year wouldn't have resulted in more shareholder value? And employees don't care about this. They want fair pay, they want challenging jobs, they want opportunities, and the latest generation of employees also seem to want to save the world. The problem lies in the fact that, if we try to solve complex problems with simple and direct solutions, we will never know if we have achieved the goal, and we will have less successful businesses than we could have had.

These arguments helped me realise that there is little point beating ourselves up about a problem that, with hindsight, could have been solved more optimally. The solution was not knowable at the beginning. And as long as you approach a problem with integrity, and passion, and with a desire to get the best outcome possible, what does it help to dwell on what you now realise were better solutions? That does not mean that we should not learn from our mistakes and apply our learnings going forward. We absolutely should. But don't be unhappy about what has gone before.

I am standing here as an actuary, not as a business person, but this concept of obliquity leads back to my earlier point about something being missing from the professionalism course. And I think that Kay has helped me with this on two counts. The first is that he has made me realise that you need a framework to be able to understand complex problems. Conflicts of interest and balancing stakeholder interests are very complex problems.

On the professionalism course we have never taught the actuaries what ethics are, and I am not sure that we can or should (as surely we are too late for that). But, what we can teach them are the processes and techniques of how to tackle ethical problems, many of which, I suspect, are oblique. And if that is the case, is it correct that ASSA relies so heavily on someone like me for the content and presentation of the course? I never studied philosophy, psychology or business ethics.

Kay has helped me understand why it is obvious to me that it is easy to teach the concepts of "what is ASSA?", "CPD", and "disciplinary processes". It is because these are concepts that can be solved by direct solutions. "ASSA is made up of Council, which acts like a Board. Under Council there are member committees and scientific committees, et cetera." But the concepts of "ethics" and "integrity", understanding right from wrong, dealing with nuanced issues that you have never seen before, these can only be solved using oblique solutions.

I only stumbled across this epiphany in the last year and I have not yet changed the course material. Part of my problem, besides the obvious time commitment, is that it is quite daunting to take the first step. So I am very pleased to be sharing the room today with one actuary who has written extensively on professionalism and the normative skills process (and I have made a commitment to re-read all of Mickey's rigorous academic literature), and another actuary who is interested in whether we are giving our actuaries adequate knowledge in terms of business ethics. So I will be watching the development of Francois's research with much interest. And when I get my head into it I am pretty sure that my problem won't be that there isn't enough material on this topic, but that there is too much.

I also want to make it clear that, in my opinion, there is no doubt that ASSA is a world leader in terms of actuarial normative skills education, including the move to outcomes-based CPD, and an extended "cohort" programme, starting as early as first-year varsity, which means that by the time the actuaries get to me, they have been already exposed to professionalism issues for several years. We are strengthening the existing modules and adding sessions on *leadership*, *strategic problem solving*, and *emotional intelligence*, taught by experts in these fields, often non-actuaries. And many other actuarial associations are eagerly following what we are doing.

So now I come to my third and final point. Is this it? Isn't there something more to be done? Or is it just a natural consequence that, because I am in my mid-forties, my mid-life crisis means that I look for extra meaning and purpose where there is none?

I am a proud actuary. I am proud to call myself an actuary. We form a good profession, we are progressive, and we are progressing. We are prepared to change, we are prepared to fail and improve ourselves. We have actuaries who are academics, researchers, regulators, technicians and leaders of companies. Actuaries who are prepared to go boldly where no actuary has gone before, into the worlds of banking, telecommunications, financial advice, IT and data analytics. We punch above our weight on the international stage. But is that enough? I don't think it is.

In his article "The caring leader—what followers expect of their leaders and why", Yiannis Gabriel has the following to say.

> In reflecting on the ethical standing of leadership, a useful starting point is to contrast leadership and management … The manager treats ends as given, as outside his scope; his concern is with effectiveness in transforming raw materials into final products …
>
> Managers … represent [a] profession uniquely in tune with our times, that is [a] profession that [has] attained considerable legitimacy on the back of technique alone, claiming the immunity of those exclusively concerned with means and maintaining a stubborn indifference to questions of morality, politics and ends.
>
> Leaders, however, are different. We expect our leaders to lead the way, to show moral courage and to embody and articulate values beyond that of efficiency. We expect leaders to talk to us, to address our concerns and to listen to us. Sometimes, we expect our leaders to see clearly, to possess a certain conviction and resoluteness represented by that overused and abused word, vision. We also expect our leaders to have moral courage—in other words, to be prepared to stand up for what they believe, against opposition and ridicule. We expect our leaders to care—not just in an impersonal manner 'about' a project or 'about' the bottom line, but 'for' the organization and its people, indeed for each and every follower. In these regards we expect leaders to care not as professionals, but as leaders.

As actuaries we have outstanding technical skills. We are machines that have been built to solve problems, and we do it well. Sometimes I think we forget just how privileged we are. It is because of this that my head feels like exploding when I think about the countless hours that we actuaries spend (because we want to or have to?) on issues like Solvency II. What an immense waste of intellectual capital. As a client said to me recently, if we develop products that people want, price them correctly, add a reasonable profit margin, and monitor and manage the risks appropriately, what on earth do we need a multi-million rand regulatory industry to check that we comply? We should want to comply. We should be leading companies that want to comply. We should always be trying to solve the complex problem of making the whole financial system work better for the end customer, and I am not sure we have always done this in the past.

In this regard, we should see ourselves as leaders, not just as professionals. But then we have to have moral courage, we have to stand up for what we believe, against opposition and ridicule.

If I had to summarise the strengths of the actuary into three points, they would be as follows. One, we are brilliant problem-solvers. Two, we think long-term. Three, we have been taught, and have an in-built belief, that we have a duty to help people in society who have less knowledge and power than us, which gives us a legitimate air of impartiality.

These strengths (even in South Africa, where we are way ahead of the curve on wider fields) are usually interpreted to apply to "Financial Services", and the public interest we serve is usually interpreted as "the policyholder". Why is this? A successful society is about solving problems. It is about thinking for the long term, and delaying gratification. It is about helping people who have less knowledge and power. So why shouldn't we apply our skills to solving the problems in education, and energy, and governance, and woman-and-child abuse, and corruption, and crime.

I mentioned earlier that one of the insults that is often thrown at us is that "we are not commercial enough". The words may be correct, but the implication is wrong. This isn't our kryptonite. It is our light sabre. It is because we are not always commercial that we have the power to help society make enormous changes. Most actuaries I know did not become actuaries with money as the sole motivator (we get well paid, but there are easier ways of making money), and they did not go into it for a power trip. I think that as a group of individuals, as this society, as this profession, we are in a wonderful place to take on the mantle of servant leadership.

There are so many things that we do well, as a profession, including our ongoing evolution and willingness to improve through self-reflection. And I would never want to change this. So most of us have to carry on doing what we are doing most of the time.

But I have a hypothesis that, with the input and guidance of a few people and by redirecting less than five percent of our energy, our profession could fundamentally change the way we see ourselves, and the role that we play in society. We could use our strengths to solve more and different problems than we currently do.

I don't have the answers on how we do this. I am not even sure what all the questions are. I do know that it is a journey that I would like to walk, but I don't want to walk it alone.