

A report detailing the research findings of a project among HR Directors in the UK to assess whether the actuarial skill set is perceived to be of value and where it might fit within an organization.

Skill Set Research Report



Institute
and Faculty
of Actuaries

January 2016



Charterhouse Research



Contents

1.	Introduction and objectives	Page 2
2.	Research Methodology	Page 3
3.	Executive Summary	Page 4
4.	Main Findings	Page 5
	4.1 Skill set blind test	Page 5
	4.2 Reaction to 'actuarial' skill set	Page 8
	4.3 Communicating to HR Directors	Page 12
5.	Conclusions	Page 13
6.	Appendix – Respondent level details	Page 14
7.	About Charterhouse Research	Page 16

1 INTRODUCTION AND OBJECTIVES

Actuarial skills are in great demand across the financial sector but presently just a small minority of actuaries work in non-traditional markets. The Institute and Faculty of Actuaries (IFoA) believes that the actuarial skill set could be of significant value in non-traditional markets and in September 2015 launched a twitter campaign (#whatactuariesdo) and a marketing campaign to promote actuarial skills to employers.

In November 2015, the IFoA commissioned Charterhouse Research to undertake an in-depth qualitative research project to explore with non-traditional industries whether the actuarial skill set is perceived to be of value and where it might fit within an organization. The objectives of the research were to answer:

1. Could the actuarial skill set add value to your business and are they skills you look for when employing staff?
2. What kind of roles in your business would rely on these skills or a sub set of these skills?

Skill set tested in the research is below:

Skill:	Information/Example:
Technical	
Analytical skills	Solving complex problems, for example, the ability to examine complicated information or data and evaluate trends or produce results.
Understanding risk and the balance of risk/reward	Able to identify current and emerging risks, assess the exposure to these risks and the way in which risks interact. For example, being able to identify a range of potential outcomes associated with areas of uncertainty and able to form a view regarding the likelihood of each of these outcomes and the impact they would have (e.g. on a business or a project).
Financial acumen and business sense	Knowledge and understanding of factors that affect economic conditions and performance. Able to apply this understanding to the business and business strategies.
Expert judgement	Expression of opinion or arrival at conclusions based on experience and knowledge.
Professional	
Professional judgement and accountability	Willing and able to provide solutions or advice and be prepared to stand by decisions.
Honesty/Integrity	Being honest and principled, for example being able to provide independent advice and participate in Board discussions without exerting undue influence.
Strategic	
Long-term and strategic thinking	For example, being able to consider the impact that the level of required capital, amount of reserves or funding position will have on the strategic objectives, business plan or commercial position of the firm.

2 RESEARCH METHODOLOGY

A total of **50 in depth telephone interviews** were conducted with **HR Directors of UK businesses**. Interviews were spread across different size companies in terms of number of employees:

# employees:	50-99	100-199	200-499	500-1000	1000+
# interviews:	7	7	12	11	13

All businesses were 'non-traditional' in terms of employing actuaries. A wide range of different industry sectors were included in the research as follows:

- Manufacturing – 8
- Retail and distribution – 6
- Construction – 4
- Health and social work – 4
- Financial intermediation and Banking – 4
- Other business activities – 3
- Public administration and defence – 3
- Hotels and restaurants – 3
- Education – 3
- Land transport – 2
- Mining and quarrying – 2
- Computer and related activities – 2
- Real estate – 1
- Recreational, cultural and sporting – 1
- Electricity, gas and water – 1
- Post and telecommunications – 1
- Water transport – 1
- Research and development – 1

A full breakdown of respondent companies is in Appendix 1.

Each interview lasted 25-30 minutes and were conducted by directors and senior associates of Charterhouse Research. As a thank you for taking part, respondents were offered a charity donation of £40 (donated to a charity of their choice). The interview flow was as follows:

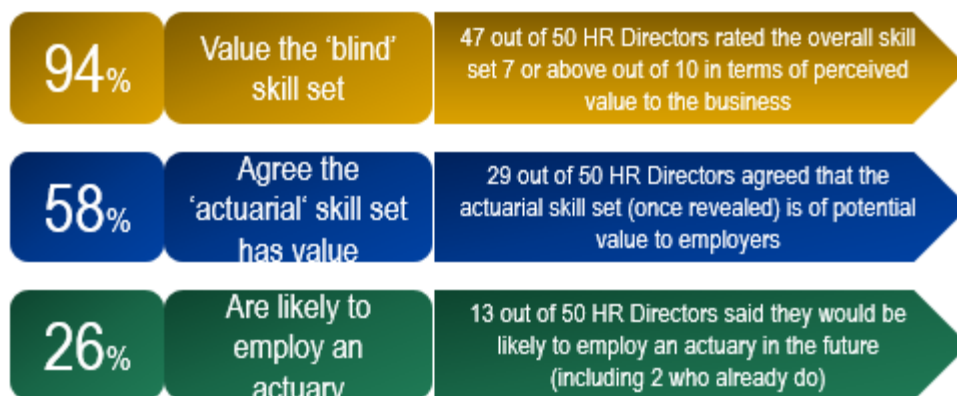


1. Background, introduction, company information, respondent information
2. Blind test of actuarial skill set (show skill set without revealing it's an Actuarial skill set). Funnel technique – discuss as a whole and then drill down into individual elements.
3. Reveal 'Actuarial' skill set – questioning as 'revealed' skill set. What kind of roles within your business would rely on these skills or a sub set of them?

Interviews were conducted between 23rd November 2015 and 11th January 2016.

3 EXECUTIVE SUMMARY

Most HR Directors included in the research see value in the anonymized skill set. Almost six in ten say the actuarial skill set has potential value to non-traditional employers and around a quarter say they are likely to employ an actuary in the future. The topline key findings are as follows:



The skill set was typically seen as a strong and balanced skill set of core competencies that are valuable to most employers alongside some more specific industry or technical skills. All skills on the skill set are considered valuable – most at a senior level. Honesty and integrity is considered the most valuable, followed by professional judgement and accountability.

While the skill set was valued and typically seen as being relevant at a high level, management position, it was also seen as generic and not all-encompassing. Key gaps perceived were:

1. Interpersonal/ people skills
2. Leadership skills
3. Industry knowledge/ technical skills

When revealed as an 'actuarial' skill set there were mixed reactions. Among HR Directors in non-traditional industries, there is a narrow view of what actuaries do based on experience and/ or perception. The majority (58%) agree that actuarial skills are transferable and potentially useful to a range of non-traditional employers. However, although there is high agreement that actuarial skills can be transferable and there are perceived advantages/ benefits, there are also considerable concerns and barriers to employing actuaries in the future and employers are unlikely to go out and specifically look for an actuary.

Profile raising is important and a multi-channel approach to communicating with HR Directors is necessary. The IFoA needs to demonstrate examples of where actuaries have added value to non-traditional industries. Actuaries themselves will be instrumental in shifting perceptions.

4 MAIN FINDINGS

4.1 SKILL SET – BLIND TEST

4.1.1 Overall rating

Overall conclusion: The skill set was typically seen as a strong and balanced skill set of core competencies that are valuable to most employers alongside some more specific industry or technical skills.

When the skill set was shown ‘blind’ (i.e. without revealing it was an Actuarial skill set), almost all HR Directors interviewed perceived value in the skill set as a whole. It was typically perceived as a ‘senior management or board level’ skill set – in particular skills such as:

- Assessing risk/ reward
- Solving complex problems
- Financial acumen and business sense
- Strategic thinking

Although the FD role was mentioned specifically by a minority, most saw it as a generic senior or board level skill set

However, some specific skills such as honesty, integrity and accountability are perceived to be applicable at all levels and for all staff in that there is an expectation that all staff would be honest, show integrity and be accountable for their own role within the business.

Although value is perceived, the skill set was also seen as relatively ‘generic’ – a list of core competencies that could be applied to many senior roles **alongside other skills**. The skill set was seen as insufficient on its own and that additional skills would be needed for specific roles.

It ticks an awful lot of the boxes that we need for a balanced manager and the more balanced managers we have the better our business will be... we need people out there within our management team to be able to see where we are at risk in the future and how we can provide solutions.

They're all relevant to varying degrees depending upon jobs. They are generic skills – they do apply to director and management roles but even some of them apply to more junior roles.

4.1.2 Rating of the specific skills

Overall conclusion: All skills are considered valuable – most at a senior level. Honesty and integrity is considered the most valuable, followed by professional judgement and accountability.

Technical skills are mostly perceived as senior level although some of the sub skills such as business sense are potentially applicable at all levels.

Technical skills:	Importance rating:		Comments:
Analytical skills	8	****	Management level, often internally focused. Seen as most relevant in finance team but also applicable across functions.
Understanding risk and the balance of risk/reward	8.1	****	Strategic; management or board level decision makers across different functions. Understanding what the risks are and making balanced decisions.
Financial acumen and business sense	8.2	****	At a strategic level, perceived as senior management however business sense important throughout the business down to junior/ shop floor positions.
Expert judgement	8.2	****	Slightly more ambiguous than other skills – interpreted in different ways according to the different organisations. Expert judgement comes from experience in the field and specialist qualifications.

Professional skills considered applicable across the organization from the shop floor up to senior management. These are seen as core competencies and necessary for all members of staff:

Professional skills:	Importance rating:		Comments:
Professional judgement and accountability	8.6	****	Highly valued – accountability considered a core competency for all staff but professional judgement and advice considered more senior.
Honesty/Integrity	9.4	*****	Honesty and integrity considered a hygiene factor for all employees. 'Participating in board discussions considered more senior.

Strategic skills perceived as very senior level skills:

Strategic skills:	Importance rating:		Comments:
Long-term and strategic thinking	8.1	****	Restricted to a limited number of people – very senior management/ board level decision making on the long term commercial strategy.

4.1.3 Key perceived gaps

Overall conclusion: The biggest gap in the skill set is interpersonal and communication skills followed by leadership skills/ qualities and specific industry experience.

The skill set is very much considered just ‘part of the picture’ and many other factors would come into play when recruiting high level senior personnel. HR Directors identified three key generic gaps in the skill set:

1

Interpersonal Skills

People skills. Common sense. Ability to communicate.
Team working skills.

Interpersonal skills is the biggest gap identified by HR Directors at this stage of the interview. This is a skill that comes into play when recruiting for all roles within the company:

- *“People skills. Often it’s about how we deal with our staff as well so things like people skills or the softer skills I suppose if you think of it like that.”*

2

Leadership Skills

Being able to manage a team of people.
Decision making skills.

Leadership skills are critical at a higher level and always come into play when recruiting senior or board level personnel:

- *“Line management skills – that inherent ability to be able to communicate and manage people.”*
- *“The ability to be able to manage people is important. Referring back to this ‘emotional intelligence’ topic of being able to inspire and lead and have people want to follow you. Because at the end of the day people work for people and I think that’s most important.”*

3

Industry or sector knowledge

Sector knowledge and experience. Technical knowledge (e.g. engineering, oil and gas)

There is an expectation that those applying for a role in a particular industry will bring some knowledge of working within the industry or sector or have some technical knowledge. While there was a minority of HR Directors who did believe that skills could be transferable across sectors, they were more likely to feel sector knowledge was a requirement or, at the very least, an advantage.

- *“Sector knowledge. There’s something about the specific knowledge of the subject matter.”*

4.2 REACTION TO 'ACTUARIAL' SKILL SET

4.2.1 Overall reaction

Overall conclusion: Mixed reactions – there is a narrow view of what actuaries do. This view is based on experience and/ or perception.

Most smaller companies had very little knowledge of actuaries and what they do *“What is an actuary? Is it financial?”* Around one in four of all HR Directors used or have had dealings with actuaries in association with their company pension scheme although haven't directly employed an actuary. Experience of dealing with actuaries has varied – some see actuaries as very formulaic, analytical and unlikely to express opinion or offer guidance, others express that actuaries are very risk averse which is contrary to commercial growth.

A significant minority expressed surprise at it being an actuarial skill set:

- ✓ Opened eyes – *“wouldn't have thought that's what they do”*
- ✓ *“Made me think about it differently.”*
- ✓ *“Wouldn't have thought actuaries express opinion – I thought it was very formulaic, like accounting.”*

The majority didn't express surprise but for a variety of different reasons:

Actuaries perceived as having:

- ✓ Analytical skills
- ✓ Financial acumen
- ✓ Expert, professional judgement

Lack of interpersonal skills on skill set:

- x It now makes sense *“they have no personality, no interpersonal skills, just as I'd expect from an actuary”*

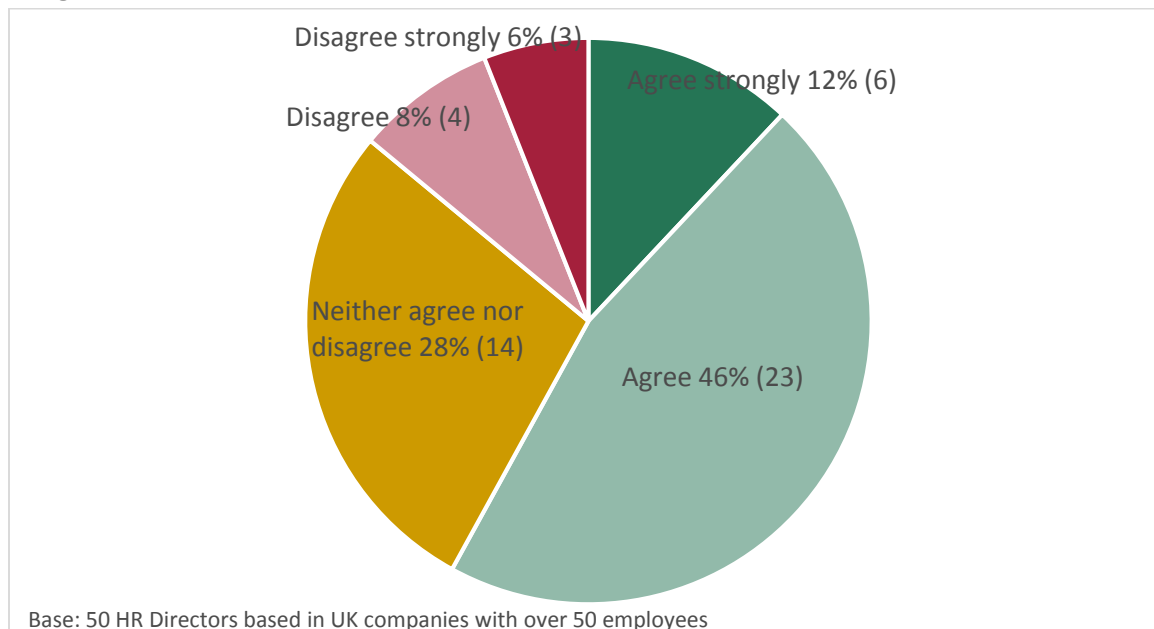
Two of the 50 HR Directors interviewed (both building societies) have actually employed actuaries in the past in the finance division of the company and are likely to continue to do so in the future.

4.2.2 Level of agreement that Actuarial skills are transferable

Overall conclusion: The majority (58%) agree that actuarial skills are transferable and potentially useful to a range of non-traditional employers.

All HR Directors were asked whether they agreed with the following statement: *The Institute and Faculty of Actuaries believes that the skills that actuaries acquire of the course of their education and subsequent industry experience are valuable and relevant to a range of sectors and industries. They believe that these skills would be useful to employers looking for candidates who have the ability to transfer technical, professional and strategic skills to their business. On a scale of 1 to 5, how strongly do you agree or disagree with this statement?*

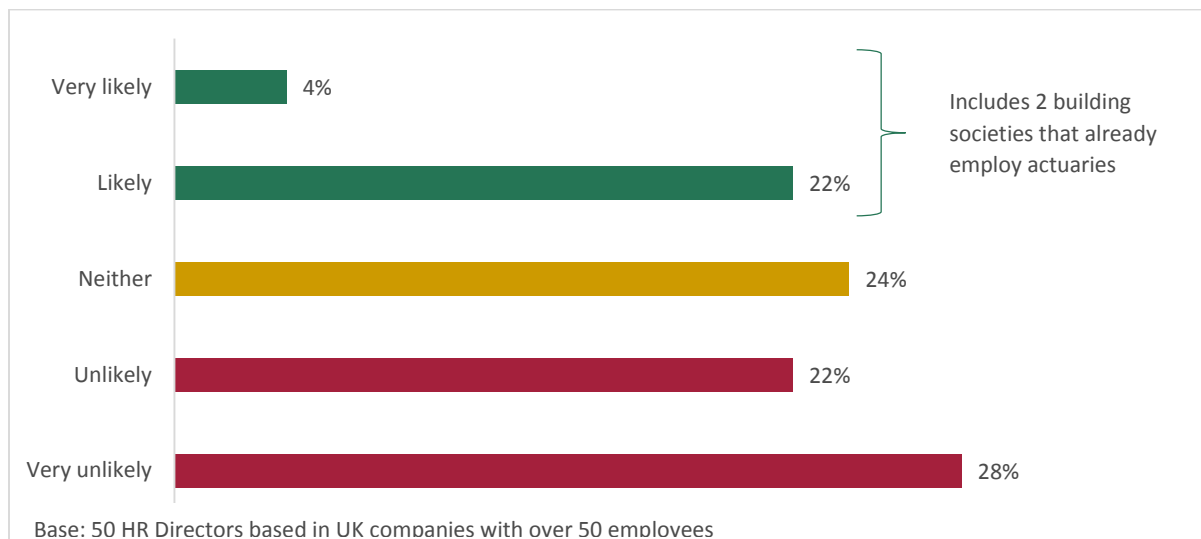
As can be seen on the following chart, HR Directors are most likely to agree or be neutral and just 14% disagree:



4.2.3 Likelihood of employing an actuary in the future

Overall conclusion: Although most agree that the skills are transferable, a far lower proportion (26%) say they are likely to employ an actuary in the future.

The following chart shows the likelihood of HR Directors to employ actuaries in the future:



Those likely to employ an actuary represent a range of different types and sizes of company:

Although larger companies were slightly more likely to consider employing actuaries, the 13 who said they'd be likely did cover a spread according to size from 56 employees up to 110,000.

Consideration of employing an actuary typically more to do with attitude and culture rather than size or industry sector. Those likely to consider were typically:

- More open to doing things differently, a culture of continually challenging the way things are done and questioning if there is a better way.
- More open to consider an actuary for a number of senior roles IF other boxes were ticked in terms of missing skills (interpersonal, leadership or sector knowledge).
- Unlikely to have had any adverse experience of dealing with actuaries.

Although there is a significant proportion *willing* to employ an actuary, they are unlikely to go out specifically looking for an actuary. The 'willing' is more likely to mean they wouldn't be averse to employing an actuary if they applied for a relevant position and showed that they had transferable, relevant skills.

With this skill set then it would be likely but you wouldn't tailor an advert and seek that person out... because awareness out in the business of these actuarial skills is low – it's not a qualification that you align to most industry settings.

I think with this as a backdrop they can probably acquire the other skills they need. ... If they can demonstrate a solid understanding then I think they are in with a chance. We have employed people with a wide range of different skills.

4.2.4 Benefits and concerns/ barriers to employing actuaries

Overall conclusion: Although there is high agreement that actuarial skills can be transferable and there are perceived advantages/ benefits, there are also considerable concerns and barriers to employing actuaries in the future.

The table below shows both concerns and benefits of employing an actuary expressed by HR Directors in the research:

Concerns/ barriers	Advantages/ benefits
<p>x Perceived as irrelevant to the business(e.g. fashion sector, care sector); insufficient sector knowledge</p> <p>x Too many missing skills – e.g. interpersonal, leadership</p> <p>x Cost (expensive person to employ, high salary)</p> <p>x Perceived over qualified for some businesses (especially at the smaller end); company potentially too small to be able to utilise actuarial skills</p> <p>x Perceived as typically risk averse “<i>blinkered</i>” – potentially a clash with commercial growth</p> <p>x Historic and cultural barriers – “<i>always done it this way, why change?</i>”</p>	<p>✓ Transferable skills</p> <p>✓ Professional qualification</p> <p>✓ Open to different opportunities - always looking at what we’re doing and how we’re doing it and if there are ways that we can improve</p> <p>✓ Potentially complementary skills to help the business e.g. grow, expand to new sectors</p> <p>Most suitable potential roles:</p> <ul style="list-style-type: none"> • Finance Director/ Finance team • Logistics Manager/ Director • Commercial Manager/ Director • Operational Manager/ Director • Board/ executive level

The big issue is whether they understand the industry. When we recruit, we always look for industry-based experience.

If someone has got those core skills and can demonstrate those skills on a day-to-day basis then they’re going to add value to your business. They would just need to learn about the industry.

4.3 COMMUNICATING TO HR DIRECTORS

Overall conclusion: A multi-channel approach to communicating with HR Directors is necessary. The IFoA needs to demonstrate examples of where actuaries have added value to non-traditional industries. Actuaries themselves will be instrumental in shifting perceptions.

Three distinct steps to communication were identified in the research:

STEP ONE: PROFILE RAISING

Although many have experience of actuaries, there is little real knowledge about what actuaries do and the specific skill set. Therefore the first step is to raise the profile and get HR Directors thinking about actuaries as having transferable skills. Multi-channel approach is ideal including:

- Social media campaign – LinkedIn, Twitter
- Email; telephone (bearing in mind that HR Directors do get a lot of speculative emails and telephone calls so this needs to be backed up with other channels)
- CIPD – or other professional bodies
- Specific industry events, conferences, sponsorship
- Specialist recruitment agencies
- Internships, placements

STEP TWO: WHAT TO COMMUNICATE

Even when there is knowledge, there is often a narrow perception of what actuaries do and very few would actually go out to recruit an actuary outside of the traditional industries. Demonstrating transferability of skills is critical and use of case studies where actuaries have added value to non-traditional industries are often very powerful.

STEP THREE: INVOLVING THE ACTUARIES

Much of the convincing, information and educating will need to come from actuaries themselves:

- When someone is applying for a role, how those skills could be interpreted for specific roles needed. *“I would like to see how their skills could be interpreted into the role as well.”*
- Actuaries themselves convincing non-traditional industries in recruitment that they can add value and what they might be able to do to help.

There needs to be examples of actuaries in industries who are in a management role. Case studies. If they were members of the CMI and preferably chartered managers then that gives the industry recognition that this is a manager of potential.

They need to work on promoting their interpersonal qualities as the image of actuaries is geeky.

5 CONCLUSIONS

The actuarial skill set, when tested ‘blind’ was considered of value to almost all organisations included in the research.

- All seven skills tested were valuable – especially honesty and integrity and professional judgement and accountability.
- Technical and strategic skills were typically considered senior management/ board level skills while professional skills were perceived to span the organisation across different levels.

As a ‘whole’ skill set, it was perceived to lack key skills so wouldn’t be sufficient on its own to fulfil a role.

- Key gaps perceived as:
 - Interpersonal skills – communication, people skills ‘emotional intelligence’
 - Leadership skills
 - Industry/ sector/ market knowledge and experience

When revealed as ‘actuarial’, reactions were mixed. It is clear there is a lack of understanding of what actuaries do.

- Although a significant minority have dealings with actuaries on their pension scheme and two actually employ actuaries, there is a narrow interpretation of what they do and some surprise was noted when the skill set was revealed.
- A significant proportion (typically at the smaller end) had no knowledge at all.

Despite over half perceiving the skill set as transferable, there are significant barriers to employing actuaries in the future.

- Biggest barriers are perceived cost, potentially being over-qualified, lack of industry knowledge, skill set too narrow, no interpersonal skills and historic and cultural barriers within an organisation.
- Even those who say they are open to employing actuaries are highly unlikely to go out and recruit an actuary – it will have to be sold by the candidate!

The IFoA has a role in communicating both to non-traditional industries and to actuaries.

- Raising the profile of actuaries to non traditional industries via a variety of different channels will be important however it is clear that much of the push will come from the candidates. Actuaries will also need support on how their skills can be transferred successfully to non traditional industries and how to overcome barriers they may face.

6 APPENDIX – RESPONDENT LEVEL DETAILS

#	# employees	Industry sector	Overall reaction	Value of Actuarial skill set	Likelihood to employ
11	59	Manufacturing	Very positive (10/10)	Very low	Very unlikely
12	65	Manufacturing	Very positive (9/10)	High	Very unlikely
13	50	Construction	Very positive (10/10)	Low	Unlikely
14	95	Other business activities	Positive (8/10)	Very high	Neutral
17	96	Construction	Positive (8/10)	High	Very unlikely
16	56	Manufacturing	Very positive (10/10)	Very high	Likely
17(2)	90	Manufacturing	Positive (8/10)	High	Very unlikely
21	120	Other business activities	Quite positive (7/10)	Very low	Very unlikely
22	175	Manufacturing	Positive (8/10)	High	Neutral
23	140	Retail and distribution	Very positive (10/10)	High	Neutral
24	199	Retail and distribution	Quite positive (7/10)	Neutral	Very unlikely
25	150	Construction	Very positive (9/10)	Neutral	Very unlikely
27	200	Water transport	Positive (8/10)	Neutral	Likely
26	100	Retail and distribution	Very positive (10/10)	Very high	Very unlikely
31	388	Manufacturing	Very positive (9/10)	High	Likely
32	365	Education	Positive (8/10)	Neutral	Neutral
33	260	Health and social work	Positive (8/10)	High	Neutral
35	430	Research and development	Very positive (9/10)	High	Likely
37	280	Health and social work	Very positive (10/10)	High	Neutral
39	240	Hotels and restaurants	Quite positive (7/10)	Low	Neutral
47	500	Manufacturing	Quite positive (7/10)	Neutral	Unlikely
48	500	Health and social work	Quite positive (7/10)	High	Neutral
3(12)	250	Education	Very positive (9/10)	Neutral	Very unlikely
3(10)	300	Health and social work	Very positive (9/10)	Neutral	Very unlikely
3(11)	350	Retail and distribution	Negative (4/10)	High	Very unlikely
18	200	Retail and distribution	Positive (8/10)	Neutral	Likely

41	600	Manufacturing	Very positive (9/10)	High	Unlikely
42	580	Computer and related activities	Very positive (10/10)	High	Likely
4(10)	800	Public administration and defence	Positive (8/10)	High	Neutral
4(11)	600	Public administration and defence	Very positive (10/10)	High	Likely
4(12)	950	Hotels and restaurants	Positive (8/10)	Neutral	Neutral
4(13)	800	Construction	Neutral (6/10)	Low	Very unlikely
43	700	Retail and distribution	Positive (8/10)	High	Likely
44	550	Other business activities	Quite positive (7/10)	Neutral	Unlikely
45	690	Land transport	Positive (8/10)	Neutral	Unlikely
49	800	Recreational, cultural and sporting	Very positive (9/10)	Neutral	Unlikely
4(14)	950	Financial (banking)	Very positive (9/10)	High	Likely
51	2,000	Computer and related activities	Positive (8/10)	Neutral	Unlikely
52	110,000	Land transport	Positive (8/10)	Very high	Very likely
53	1,200	Mining and quarrying	Very positive (10/10)	High	Unlikely
54	2,000	Hotels and restaurants	Very positive (10/10)	High	Very likely
58	1,300	Electricity, gas, water	Very positive (10/10)	Very high	Neutral
56	5000	Real estate	Very positive (9/10)	Low	Very unlikely
5(11)	1700	Financial (building society)	Very positive (9/10)	High	Likely
59	3500	Public administration/defence	Very positive (9/10)	High	Unlikely
57	3000	Mining and quarrying	Very positive (10/10)	Neutral	Unlikely
55	11000	Post and telecommunications	Very positive (10/10)	Low	Very unlikely
5(10)	2000	Financial intermediation	Very positive (10/10)	Neutral	Very unlikely
5(12)	3200	Education	Very positive (10/10)	High	Likely
5(13)	16,000	Financial intermediation	Neutral (6/10)	High	Unlikely

7 ABOUT CHARTERHOUSE RESEARCH

Charterhouse Research is a research company specialising in financial markets, established by a research team with over 60 years' combined experience of conducting market research specifically in the financial sector. The four founder directors of Charterhouse, Julie Irwin, Mark Dennis, Sara McFadzean and Mervyn Flack, previously worked together as directors of City Research Group Plc. Together with Sharon Rees, Kate Turner, Kathy Ellison, Teresa McGarry and Associate Directors Sue Lewis, Philippa Whitham and Julie Cooper they form the Charterhouse Research management team.

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