Institute and Faculty of Actuaries

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Group think: a public interest issue for actuaries?

This seminar explores the issue of group think in the context of today's actuarial working environment. It introduces the subject by defining what is meant. Group think was defined widely by the IFoA's, Herd Like Behaviour Working Party, as "*the tendency for one's own judgment to be influenced by the apparent consensus view of assumptions, methods, processes or approaches leading to a reduction in the variety of ideas in the market*". An illustration of the concept can be found at **http://channel.nationalgeographic.com/wild/how-human-are-you/videos/group-think/.**

We look at this issue in its broadest sense, to cover both the positive and negative effects of group behaviour. To illustrate, we consider the potential for regulation to have a "group think" impact. This reflects the IFoA review of group think in 2015/6 on behalf of a group of UK regulators who meet to discuss public interest issues relevant to actuarial work. The Joint Forum on Actuarial Regulation (FRC, IFoA, tPR, PRA and the FCA) focuses on matters that it collectively and individually considers to have the potential to be a risk impacting on actuaries. The IFoA's own regulatory strategy is also risk focused and was refreshed in 2016. The IFoA Risk Outlook also provides detail about this risk based approach.

Group think can arise for a variety of reasons. It can occur when external practices or assumptions are adopted without critique. Workplace or geographical cultures can also create group think. Individuals can have varying degrees of resilience to group think. The circumstances of particular projects could increase the propensity to group think if the issue is complex, urgent, or where there is market volatility.

Sources of Group Think: Ask yourself:

- How can you identify group think in your practice area at an early stage?
- What type of cultural environment do you work in? What influence does this have on the propensity to group think?
- To what extent do regulators, as an external force, exert influence on actuaries in this context?
- Does regulation foster common thinking in actuaries, and is this positive?
- Is it in the public interest for regulators to intervene where other sources give rise to a risk of group think?

Our examination concluded that principle based regulation reduces the propensity to group think. It notes that while consultants have a strong influence on current practice, it is employer cultures which exert the strongest influence. Good practice management can be used to manage this risk.

Day to day exposure to Group Think: Ask yourself:

- Are you aware of any examples of group think in your practice area?
- Where group think occurs, to what extent is it a good thing?
- Does the scale of group think within your practice area amount to a public interest risk? How is this quantified?

Different strategies can be employed to manage group think once it is identified.

Management Strategies: Ask yourself:

- Who has the primary role in managing group think? Individuals? The profession? Employers? Regulators? Others?
- What effective measures are you aware of which help?

Our work concluded that the most effective way to address this issue is awareness of the issue itself. Action is not always necessary or proportionate, and understanding of both the risk and your own propensity to behave in this fashion may be enough. Healthy workplace cultures are essential to create robust internal challenge cultures, to innovate and to stay competitive. Practical tips include:

- Effective resourcing
- Realistic timescales
- Accepting the limits of your skill base
- Knowledge sharing
- Encouragement of views from bottom to top
- Structured brainstorming
- Documented decision making processes
- Informed use of benchmarks
- IFoA Quality Assurance Scheme

Further reading:

https://www.frc.org.uk/Home.aspx
https://www.actuaries.org.uk/upholding-standards/our-role-regulator
https://www.actuaries.org.uk/upholding-standards/regulatory-communications-and-consultations