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News Release: How Should an Insurance Company Select a President?

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News Release

How should an insurance company select a president?

While the boss' son will probably always receive prime consideration, indications are that presidential selection methods in the future may be far more scientific than they have been in the past.

Support for such a theory was advanced this week during a panel of four prominent non-insurance educators, held in Philadelphia as part of the C.L.U. National Seminar and dedication of Huebner Hall (in Bryn Mawr) as a national center of insurance education.

The standing-room-only sign was out as nearly 400 field and home office executives packed the management session, which featured the widely publicized selection of a president for Zenith Life, a hypothetical company. Author of the case and panel moderator was Abram T. Collier, senior vice president and general counsel for John Hancock Mutual Life Insurance Company. To heighten the interest, more than a score of company presidents were in attendance.

Candidates in the mythical presidential sweepstakes were four Zenith vice presidents: Clifton Aaron, financial; F. DuMont Blaine, agency; Irwin Close, legal; and Frank Darmody, actuarial. In the case, each candidate was interviewed separately and asked the same questions. From answers, recorded on tape, the company's board of directors was presumably to make a selection.

In a mail ballot prior to the session, seminar participants were asked to read the case and send in their choice for president. With a fairly light vote, the winner was the actuary, Frank Darmody.

At the conclusion of the panel discussion, however, this decision was reversed with forty percent indicating a preference for the agency vice president, Blaine. Panel members also expressed themselves, with two voting for Blaine; one for Darmody, and one for Close. Thus a plurality of both businessmen and educators would up in agreement.

There were two write-in votes for the author, Mr. Collier.

The thesis of the psychological testing approach in the case was that from well-structured interviews, it is possible to obtain an "image analysis" of each candidate, including personality strengths and weaknesses. In choosing a president, proponents of this theory said, there is need to find out a lot more than "just what a man says the policies and objectives of the company ought to be." It is more important to know what the man himself is like.

But even among psychologists, it was pointed out, the theory that a man's personality can be clearly analyzed and classified is highly debatable. And among management experts, there are equally diverging views as to what personality traits are important to executive and managerial success.

Panel members who animatedly discussed the pros and cons of Zenith candidates for nearly three hours were Edward C. Bursk, professor of business administration at Harvard Business School and editor of the Harvard Business Review; Howard W. Johnson, dean of the School of Industrial Management at Massachusetts Institute of Technology; Harold J. Leavitt, professor of industrial administration and psychology at the Graduate School of Industrial Administration, Carnegie Institute of Technology; and Willis J. Winn, dean of the Wharton School of Finance and Commerce and vice provost of the University of Pennsylvania.

Early in the discussion, Professor Leavitt pointed out that research into what makes leaders effective emphasizes two qualities, among others: (1) intelligence, and (2) sensitivity to subordinates. The winning candidate, Blaine, was rated by the psychologist in the case as unusually high in sociability, high in cooperativeness and sensitivity, normally aggressive, and reasonably stable.

Professor Bursk explained his vote for Blaine by pointing out that he seemed to be "a man who can meet new situations and make decisions." He said he was also high on this candidate because Blaine had a feel for "good communications," in contrast to Aaron and Close, who both seemed lacking in sensitivity.

Mr. Bursk struck a responsive chord in his audience when he expanded on the comment that "Blaine is probably brighter than he sounds." He said: "From my experience, most successful salesmen, especially those in the difficult and intangible field of insurance, are usually endowed with a high degree of intelligence of the most practical sort."

In contrast to these views on Blaine, the psychologist on the panel, Harold Leavitt, said he felt Blaine was a lightweight and that his relationships with people were "mostly superficial."

On one questions panel members were in agreement. All four expressed the feeling that most boards of directors are not close enough to people in their companies to make sound judgments about candidates for the presidency or other high positions. This is a particularly critical situation if, as the case suggested, personality traits are important in the selection of a top executive.

Should psychologists be employed to help a board of directors assess the personality traits of executives? Opinion was divided on this, with several members expressing the caution that "there is a danger of putting too much stress on information gathered by outside psychologists." In any event, consensus was reached that while psychologists may be helpful in obtaining information, the final decision must be left to the directors and must be based "on many other factors, as well."

Professor Leavitt cited several research projects indicating that great value can come from the "judgment of a man by his peers." He said this worked well in "buddy ratings" in the military service, but that it is more difficult to implement such a system in a home office situation.

Dean Winn cautioned against placing too much stress on factors that promise to foretell qualities of leadership. He suggested that much good leadership is "largely situational."

Many men respond to the times and the conditions of the times in a way that it seems one could never have foretold.

Dean Johnson observed that none of the four candidates had the all-around management experience that a company might like to see in its chief executive. He called this the "problem of overspecialization" and said it is a critical one today for all industries, and particularly so for insurance.

"Management's aim," said Johnson, "should be to try to avoid keeping a good man in too narrow an area. Efforts should be made to move him around and give him breadth of management experience."

Observing that two of the candidates, Close and Aaron, participated in virtually no community activities, Dean Johnson said this prejudiced him against both. "Community activities are excellent training for an executive," he said. "Entirely apart from the motive of one's responsibility to society, participation in such activities broaden a man and give him an insight into people's feeling and viewpoints outside his narrow company world."

A member of the audience asked: "Why all the fuss...won't the present president's nephew get the job?" Mr. Collier smilingly replied that if there were such a nephew and he were a contestant, a pragmatic solution might well be in his favor.

In a discussion of "how presidents are really picked," the panelists differed. One viewpoint was that the present president "should be taken to task because the board of directors apparently knew so little about the obvious candidates for succession." Another panelist said that in most companies the president is "too close to the situation to pick his own successor and needs help from the board in making the selection." Another viewpoint: "Whenever a president picks his successor, it is usually the wrong man."

Earlier Dean Winn observed that before any intelligent decision could be made on a candidate for president, the jury should know more about the company's problems of the moment and its objectives for the future.

The case touched on this in the psychological findings when it was suggested that "if the directors want to expand the company further, then perhaps the job ought to go to Aaron."

Of if "the company wants to improve its public relations...then the job should go to Blaine."

Close was favored "if the company thinks it has already expanded enough, so that during the next ten years it ought to digest what it has already acquired." Darmody was recommended "only if the company is prepared to do things differently, tackle novel and non-conforming ways of handling business."

Moderator Collier asked panel members how they would rate discovered traits of "instinctive reactive behavior" for the job of company president. Professor Leavitt suggested that within certain limits of intelligence and the absence of some extreme neurosis, different candidates with different traits could all make good presidents.

Mr. Leavitt mentioned three general traits that in his opinion are important for a chief executive to possess: (1) he must be intelligent and compatible with the processes of logic, (2) he must be sensitive to other people, and (3) he must be curious about the world and responsive to change.

Professor Bursk argued that most people do not possess all of these admirable traits. "Therefore," he said, "what a company really wants in a chief executive is a man who can harness these and other abilities in other people."

But the payoff question was: "Is the Zenith system of selection sound?" While opinions varied, the concensus seemed to be that this system offers a technique from which there can be a gain. One panelist said: "Any system that encourages objectivity in such an important decision is better than no system at all."

Further agreement was reached on the belief that most boards of directors need to obtain more real knowledge and insight into the people who may be candidates for the top job. At the same time, caution was voiced against placing too much emphasis on personality traits alone.

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