| By Jeff Jenkins |

MAKING PRODUCER RECRUITMENT WORK

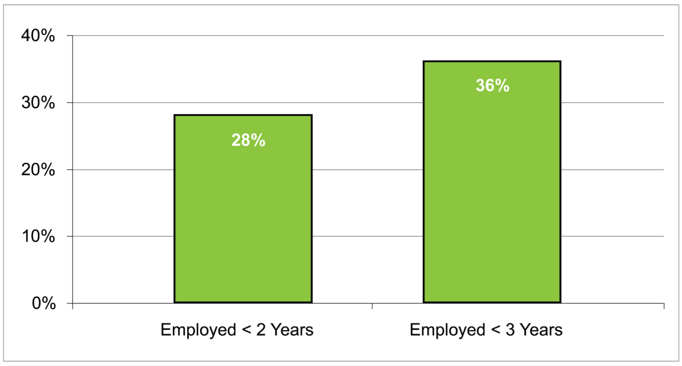
High-growth agencies are successful recruiters of producers

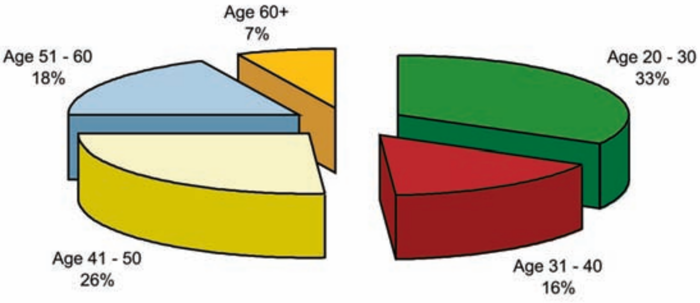
"I have not failed. I've just found 10,000 ways that won't work."

—Thomas Edison

Anyone who has tried to recruit even one producer, experienced or neophyte, may not find Mr. Edison's statement reassuring. Employers take care of proven producers, leaving only the "herd of the unproven" to choose from, many of whom will tell you about everything that's wrong with their current agency—marketing, support, leadership, etc. Everything that is, but them! For some strange reason when they come aboard after a six-figure guarantee, the production never seems to follow.

High-Growth Agencies % of Production Staff Hired Within Past 3 Years





Source: MarshBerry

Because most agency owners can't afford a Thomas Edison approach, many have simply quit trying or have become so cautious in their approach that most candidates are never given a chance. That is not to say that most started out this way, but rather they reached that point after the above scenario played out several times over a period of months or years.

The problem with throwing in the towel is that it doesn't solve the problem. High-performing, high-growth agencies share one trait that can't be overlooked—they are very good at recruiting and training new producers. In this article, I will outline a recruiting process that should produce better results in your quest to hire new producers to help your agency grow.

Although these techniques will improve your chances of hiring a winner, this is not an exact science. We can eliminate candidates who are obviously wrong for the job and then use better techniques to select a candidate who is right for the job. However, what is less predictable is how to gauge work ethic, heart, enthusiasm, persistence, call reluctance, cultural fit, etc., in an interview process that lasts about as long as one work day. Although testing is important, it is only one piece of a larger puzzle.

The graph at the top left illustrates the relationship between recent recruiting and high growth. In the high-growth agencies more than 35% of the producers have been hired within the last three years. The graph at the bottom indicates the ages of the producers being hired in these firms.

It is no surprise that high-growth agencies reflect the above statistics. Take an agency where most producers have become very complacent, then hire two or three aggressive (and probably young) producers, and watch what happens to the culture. First of all, a little thing called "Prospecting" starts to happen again. People begin to talk about training again. Discussions at sales meetings include new concepts and ideas. In short, a new culture is born. "New business" discussions surface where talk of "renewal" once reigned.

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Here is the first premise I would like for you to embrace regarding recruiting: *Agency owners place far too much emphasis on industry experience when looking for producer candidates.* I understand that this is a technical business and that it can be quite an undertaking to teach anyone the ins and outs of various policies; however, let me illustrate my point.

If you drove a bus to a local Wal-Mart and loaded up a random group of 100 people, how many of those could you teach coverages, policy forms, and customer service skills? Question number two: How many of those same people could you teach to sell? Most people answer something like 50-75 for the first group and 3-10 for the second. What accounts for the large variance? The ability to *hunt.*

If you accept this first premise, then you should start your recruiting process with the idea that you are looking for hunters. If you are lucky enough to find someone who will give this industry a try, then you can teach the insurance industry. Otherwise, your choice is to hire *experience* and try to teach that person to sell. That is a very tall order because selling is more a natural talent than a learned skill.

What happens if you decide to recruit the right type of sales candidates and then train them in insurance specifics? Assuming that your agency does not have its own internal training department, we are lucky that our industry has several very good options that I'm aware of and more than likely several that I'm not. Here are a few examples: Chubb New Producer Program, Hartford New Producer Program, designation programs through The National Alliance for Insurance Education & Research.

If you are able to invest a little more money and time, Chubb or Hartford will provide extensive technical training as well as some sales training. If the investment of time and money has to be minimal, the other programs are good options. Consider all the things a producer could learn from attending (and hopefully passing) the Casualty section of the CIC program. Pick the one that best suits your budget and commitment tolerance and make it a mandatory component of your producer training program.

Now, assume that you've found someone who you think can sell, or who has at least tested well on the Omnia Profile or similar test, and you've sent them to the best training program you can afford. Now what? Typically agencies have given this candidate 18 months to prove that he or she can't hunt. The truth is that it is probably obvious much sooner if you look closely for the signs.

Most agency owners are willing to invest heavily in people who can actually produce. The object is to invest as much as possible in the producers who have promise, and less in those who can already produce. To achieve that goal, the agency's compensation plan is critical.

Hire the candidates outlined above and put them through the training of your choice. While exposure to agency operations is great, do not have them work in every department in your agency learning everything there is to know about insurance before having them start their real training—prospecting.

Compensation plan

Next, for a set period of time (say 60 to 90 days) make their pay a gift, not a draw. We don't want to create a big hole that they can't crawl out of. Once the time is up, move them to a draw, although an enhanced version. Their draw is based upon the number of appointments they need to validate their pay.

Let's say a candidate wants $3k per month for a producer position. The $3k is a gift for 90 days, but after that the candidate has to earn it by setting quality new business appointments. Why is this the criterion candidates are judged on? First, this is all they are capable of at this point. They are not ready from a technical standpoint to sell on their own. Second, most producers fail in this business because they can't set quality new business appointments, not because they can't learn to close.

To illustrate, let's say that you would be happy if the producer discussed above could sell $50k in gross new business commissions in the first year. Let's also assume that you want this person to average $5k in gross commission per account. That would require 10 new accounts to make the plan work. Let's also assume a 50% closing ratio (I'll explain why momentarily). Now 20 appointments are needed to reach the $50k gross commission number and make the plan work.

On-the-job-training

Here's the next part of the plan. You must assign a "closer" or senior producer to accompany the new producer on appointments to help close accounts (thus the 50% closing ratio above). By doing this, we can let the new producer learn in real-time, in real-world conditions. Remember, nothing gets sold in a classroom. If the producer doesn't make it in the business, his or her accounts can be assigned to the mentor, since the people at the accounts are already familiar with that inidviual. The best person to accompany the new producer is an owner who takes no compensation as the "closer," because a non-owner has to be compensated, driving the number of appointments needed by the new producer up in the first year.

This method allows you to put producers on the phone prospecting very early in their training and should be emphasized during the interview.

Now, let's revisit the 20 appointments threshold (or 2 per month). The candidate in this scenario would get paid $3k in months 4 through 12 only if he did set 2 appointments per month. If he obtained only one appointment in month 4, then he would be paid only $1,500, and if no appointments were made, then he would receive no wages (subject to any wage regulations).

The previous example is a simplistic example of how an activity-based compensation plan can work. Don't get hung up on the small number of appointments used in the example. You can do the math based on closing percentages, number accounts, etc., or you can simply set an arbitrary amount of first-time new business appointments, such as 8 per month that you expect for the dollars you are paying out.

The concept becomes very simple. If new producers can't get high-quality appointments, then they will make much less money or fire themselves. If they can get appointments of the variety you want, then you should create revenue from those appointments, since a high performer is involved in the process. A bonus plan can also be created based on revenue. If the new producer produces more than the targeted goal, then a bonus of some percentage of the commission over that amount should be paid to the producer.

Finally, ensure that your culture helps new producers get up and running fast enough to allow for enough success to reach that tipping point so that they make a firm commitment to the business. A good sales culture can make a tremendous difference, and it is often the greatest determining factor of how many will or won't make it. ■

MARSH-BERRY
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