

## Personnel Matters

# Steps for agencies to take in 2012

By Mark Shlien



**Shlien** is the principal of iPeople LLC and can be reached by e-mail at [mark.shlien@thepeople.com](mailto:mark.shlien@thepeople.com), or by phone at (202) 544-7675.

As we enter 2012, the economy remains sluggish and many businesses are operating with fewer employees and no plans for expansion. Experts predict that the industry soft market has reached its low point, but they do not believe we will see the return of the hard market in the near future. This is not good news for agents and brokers since the prolonged soft market and poor economy have taken their toll on them. Not only have industry premiums declined, but businesses exposures have declined. This double whammy has reduced commissions and the contingent income that has been so important to agency profit.

As profits percentages have declined,

professional insurance agencies have been forced to take steps to reduce their operating costs by revising compensation and finding ways to operate with fewer people. When developing their business plans, agencies have focused on how to increase revenue per employee. They have closed or merged offices or considered not replacing retiree positions. They have experimented with outsourcing back shop work or other functions (e.g., automation support to outside vendors). But, while these actions can improve short-term profits, they are not enough for the long term. The real key to sustaining profit lies in reviewing and revising management practices. Here are some of the ways that agencies are strengthening their businesses.



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## Hire producers

It seems counterintuitive to hire sales people when profits are strained, but this actually is the best time to bring on sales talent. Commission growth is flat or even negative for many agencies. Without new accounts, revenues only will decline further. It also is a time of great change in the industry when agencies are being sold or are merging into much larger organizations. In some cases, the new environment is not appealing to the producers or they may believe they have lost an opportunity for ownership. When producers are unhappy, they are more interested in leaving.

## Identify "A" players

A strong agency depends on the production of its employees. There usually is a significant difference in the output of "B" and "C" employees versus "A" players. Many agencies are using various qualification tools (e.g., behavioral interviewing, personality and skills tests, reference checks and even asking for work samples). These techniques are important to qualify sales

people who will need to validate their costs quickly.

## Add specialists

To differentiate themselves or expand product areas, agencies are adding specialists for which there are fewer qualified applicants. For example, a bond specialist may add to a construction practice or an employee benefits producer with large accounts experience may help with cross-selling efforts. Recruiting these people may require the services of a search firm or creative networking approaches. Attractive compensation plans with long-term incentives are important to these candidates, as well as help with relocation.

## Hire managers

Although adding management positions creates an additional expense, a strong operations manager can maintain high productivity by hiring "A" players, implement new technologies and procedures, and maintain good morale. An effective sales manager can implement a sales system and coach

producers to close more accounts. Their salaries can be offset by the new accounts the producers will sell.

## Buy agencies


An acquisition strategy is critical for organizations that want to grow, and there are many smaller agencies with no perpetuation plan. The key to finding them is to have a clear definition of an ideal target. Key considerations when evaluating an agency you would like to buy include: geographic location, mix of business, size and carriers. The difficulty in finding the target usually is in finding the time to prospect. As with recruiting, using an outside firm to make calls can be well worth the cost.

## Manage diversity

Managing today's workforce means managing several generations. Older workers may be taking care of aging parents and want to have more time off to visit grandchildren. With dwindling returns on investments, they may need to work years longer than expected. Younger workers will have their own set of challenges. They will need management's frequent attention, regular training and accommodations for work-life balance. Managers will need to be creative in finding growth opportunities for these employees, even when they cannot be promoted. Mentoring by senior workers may give them more job satisfaction and allow junior workers to benefit from their years of experience.

## Use technology for sales

Although agency operations have implemented good automation tools, sales has not benefited from technology. Using a central prospect database can allow for gathering information on potential accounts, reviewing hit ratios and planning activities and strategies. When producers analyze their actions, they can benefit from what they learn.

Although the current outlook is not ideal, it does encourage agencies to become stronger and more effective sales and service operations. Making changes now can prepare your agency to excel the market is more favorable. 

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