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B. H. Burke & Co., Inc., 36 Westbrook Place, PO Box 702, Westbrook, CT 06498 • 860-399-8288 • fax 860-399-8188

Sales Management in the Independent Agency

When I started consulting to independent p/c insurance agencies back in the 1980s, I began to observe that sales management was the most poorly performed of all the management functions. This inadequacy, as I saw it, was not universal but widespread.

Almost 30 years later I see that I was right in some ways and wrong in others. The general observation was on the mark, and still is today, to some extent. What I was wrong about was thinking that the fix involved the naming of a sales manager — properly selected, trained, and compensated. As it turns out, appointing a sales manager is the solution in only a small fraction of independent p/c agencies.

Virtually all agencies need, and really benefit from, effective sales management. Few of them, however, will get that by naming a single sales manager.

To sharpen their sales-management performance, most agencies will need first to view the function as having two main parts: Sales Admin and Sales Leadership.

The most important responsibility of the Sales Admin part of the function is information production. Information about the activity and results of new and veteran producers; new and lost business; hit ratios; business mix; retention rates; carrier placements; carrier programs and specialties; marketplace and competitor intelligence; and more.

I've seen a lot of so-called sales management conducted with really thin data and faulty assumptions. I have a lot of respect for the principals in our client agencies, and I am not worried about their making good decisions for their own firms if they have good information. But there is plenty of reason to be concerned about faulty management caused by lousy information and bad assumptions. Think of how crazy most agency principals would get if you took away their phone or their car! Well, to those with sales-management responsibility, their info should be just as important. It's an attitude thing. And where that attitude is lacking, it's usually explained by a legacy of not having good data and just not expecting to have it. (This is intertwined with a decades-long habit of accepting the standard menu of reports generated by the dominant vendors

of agency management systems — a big subject that goes beyond the scope of this piece.)

The Sales Leadership part of the sales-management function has a few sub-parts:

- Setting direction — elementary but critical
- Setting standards — for activity, results, and conduct
- Exhibiting versatility — knowing who needs what (like mentoring for some, technical help for others, and a kick in the pants for still others).
- Fostering teamwork — particularly between sales and service

Most agencies do not have, and should not seek, a single person who can do both the Admin and Leadership pieces well. For one thing, there

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What We've Been Up To ...

Lots of valuations, for advice, deals, tax, ownership agreements, financial reporting, and litigation.

Recently we advised on the sale and purchase of two employee-benefits agencies, and have another underway.

We are now advising the sellers of two p/c agencies and have another just starting.

We are helping a bank-owned agency build an environment of Admin Excellence, to replace two accounting and IT silos.

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is usually not enough time in the day, but also those skills don't usually reside in the same human body.

So, how should most agencies re-bundle the Sales Leadership and Sales Admin parts of the sales management function? First, we recommend that you embrace the idea that sales management in the independent agency is a team sport.

For the Sales Admin piece, someone in the agency, preferably not a principal with a large book of business, has to own the function of providing good and timely sales-management information to the sales leader(s) and producers. This person should not decide like a czar what the information content is. That's developed over time in conjunction with the sales leaders and some consulting help. And it will take time to get it right because it requires a change of attitude and a change of expectations. The person tasked with the Sales Admin duties will be responsible for delivering the info on time, accurately, and in useful format.

Who performs this function will differ with agency size and make-up. Ideally, it's not the bookkeeper or the IT person, but instead an insurance type who relates well with producers and "gets it" in terms of the agency's sales and service culture. The Sales Admin job will typically not be a full-time job. The person will have other duties and might even handle a small book of

business. But it needs to be someone who is not afraid to be demanding of the IT staff, IT vendors, and IT consultants.

The Sales Leadership piece can be a team sport within a team sport. In larger organizations there can be a producer council, designated mentors, a new-producer coordinator, line-of-business leaders, and a variety of players. In smaller firms Leadership

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might be shared by two or three players. If you are seeking our input on who should be the capo di tutti capi (the boss of all bosses), it would be an agency principal (i.e., an owner) with demonstrated success and credibility in insurance sales. If you want a fancy title, I like to call it the Chief Business Development Officer. But if that leader is burdened with the Sales Admin piece too, either explicitly or by default, something is not going to be done well.

A pertinent story. A few years ago we represented an agency owner in the Southwest who was thinking about selling to a vibrant agency in the region with a track record of outstanding organic growth year after year. My client, a few years from retirement, inquired about his post-sale role. After expressing how he would like to help his prospective new boss (Sam) with sales management, Sam answered, "We don't have that." Puzzled, our client responded with something like, "Well, who is responsible for motivating all your producers?"

Sam asked him to imagine a mother duck waddling along with her brood of little ducklings, quacking away as she made her way to the pond. "She's teaching them a lot, but one thing she is not teaching them is how to swim. Because they're freakin' ducks!"

Trying to motivate non-ducks is a bad idea. And, because it's ill-conceived in the first place, it leads to bad sales-management practices. The main job of sales leaders is to provide a formula for success for already motivated people. There are a lot of ways to structure the effort, but all the effective arrangements will involve good information; direction, inspired by a vision; and lots of teamwork-building communication.

Compensation, you ask? Incentive compensation is usually part of the picture too. We have a lot of experience on that score. But it works only if it accompanies good management (Leadership and Admin). It cannot replace it. — *BHB*

What We've Been Up To ... cont'd

We are in Stage II planning for two agencies that completed *BHBCoVisioningSM* projects last year.

We advised a nine-location agency converting from several different systems to Applied Epic, and did the accompanying workflows and training.

We helped three agencies form a cluster.

We are part of an advising team for an agency adopting an ESOP for perpetuation.

We are advising two agencies using *BHBCoVisioningSM* to facilitate a merger.

We have helped two agencies convert producer deferred comp to agency stock.

Ink Spot 

***Time is a great healer
but a terrible beautician.***