



## **10 Questions You Must Answer Before Your Agency Hires a New Producer**

**By Jim Caragher**

When I take on a client for a new producer recruiting engagement, I look for the three critical elements: cooperation, marketability (not only the producer position - also the firm and the hiring manager), and a sense of urgency. I use a checklist of questions to make sure that an agency meets our standards for a successful new producer recruiting search engagement. Agents need to be ruthless when assessing their readiness for a new producer. An agency should be sure that they have the capability to effectively recruit and hire a new producer and also to effectively train, develop, mentor, and manage a new producer. These ten questions are based on lessons learned from new producer recruiting and development, including the mistakes and bad producer hires that we and our clients have made. Answering these ten questions honestly will help an agency determine their new producer readiness.

### **1) *Can we afford to invest in a successful new producer and can we afford to absorb the cost of a new producer failure?***

An agency needs to be large enough to afford the investment in a new producer for a 3-year validation plan and also be in a financial position to absorb and tolerate a lost investment if the producer fails. The minimum agency size is ~\$2+ Million revenue (~15-20+ employees or \$15+ Million total agency premium volume). Ideally, the agency is \$5+ Million in revenue (~\$40+ Million total agency premium volume).

A growth agency does not shy away from new producer recruiting because of the fear or cost of failure; they understand that failure cannot be eliminated in new producer recruiting but that it can be mitigated. The key is to stack the odds for success in an agency's favor is to (1) recruit and select top sales talent; (2) invest in producer mentoring, development and management after the hire; and (3) recognize what producer failure looks like and cut off the investment as soon as possible. In other words, a growth agency plans for - and builds in the cost of - failure in their new producer strategy.

### **2) *Is our agency an attractive place to work and does our agency's social media reputation reflect this?***

An attractive agency has generally satisfied employees and low employee turnover. A new producer candidate will conduct due diligence on an agency as a prospective employer, including talking to current and past employees, agency clients and even the agency's

competitors. Candidates will research the agency's workplace reputation and employer brand on websites such as Glassdoor ([www.glassdoor.com](http://www.glassdoor.com)) and Indeed ([www.indeed.com](http://www.indeed.com)). The agency's website, LinkedIn company page and Facebook company page should be up-to-date and show a candidate that the agency is an attractive employer with a clear brand message and competitive advantages.

**3) *Are we growing and do we have a clear sales and marketing plan?***

A new producer candidate wants to join a healthy, growing agency. Ideally, an agency has industry niche expertise or unique product specialties that a new producer can target to become successful more quickly. Candidates want to know that an agency can demonstrate an ability to differentiate itself from other agents on the basis of unique value-added services.

**4) *Does our agency have a track record of investing in and developing new producers?***

An agency needs to be prepared for a new producer candidate to ask about the agency's current producer staff and its history of producer hires. If the agency has a strong history of investing in and developing new producers, this is clearly a big selling point. If the agency has either no history of producer hiring and development or a spotty record with many producer failures, the agency will need to be prepared with a cogent and convincing sales pitch for how they are going to support a new producer. Beyond this candidate sales pitch, the agency needs to actually be prepared with an effective plan for developing and managing a new producer!

**5) *Are we enthusiastic about bringing on a new producer and do we view and treat a new producer as a valuable investment in the firm's future?***

An agency's owners should be emotionally committed to and genuinely excited about hiring and developing a new producer. If the agency's owners are not all on board, the agency should not hire a new producer. The right agency environment has a culture where a new producer is welcomed and supported by the owners, producers, marketers and CSRs as a critical member of a productive agency team. While the agency environment starts at the top with the owners, the harsh reality for some agents is that the inside staff and existing producers will not build respectful, productive relationships with a new producer and lack the ownership's commitment to helping a new producer succeed. Strong communication and management by the agency's leaders are critical.

**6) *Do we have a sales manager and experienced producers available as mentors?***

A new producer – even one with significant sales experience – is not going to succeed if an agency expects them to self-manage. A management plan and active, day-to-day sales management is required. For truly “green” new producers, experienced producers are needed to provide encouragement, guidance, and mentoring support. Ideally, an agency has a staff of 5+ commercial producers; these experienced producers can share the mentoring responsibility to guide and support a new producer and take turns accompanying the new

producer on early sales appointments. Your support system for a new producer is as important as hiring the right person.

**7) *Do we have demanding, but realistic early expectations for a new producer's prospecting and sales results?***

An agency should have clear expectations and milestones for a new producer's first year, particularly for prospecting call activity and getting new business appointments. An agency has to recognize that a new producer is typically starting from a cold start without a prospecting pipeline and therefore it's not realistic to expect robust first year sales results. The first year is mainly about pipeline-building and consistently generating 2-4 qualified prospect first appointments per week. A good thumb rule for first year sales is that a producer should aim to sell enough in first year total agency commission revenue to approximately cover their starting salary.

**8) *Are we willing to commit to a reasonable starting compensation plan to attract and retain a new producer?***

Depending on both the candidate's and agent's situations, we suggest a first-year compensation budget of \$50,000 to \$80,000, and recommend that an agency has to commit to paying most of this compensation in the form of a guaranteed salary. Candidates simply need a base salary to meet their cash flow requirements as they start to build a book of business. Like most things in life, you will get what you pay for in terms of sales skills and experience.

**9) *Do we have a realistic plan and time line to validate a new producer?***

An agency needs to understand that hiring and developing a new producer is a "long play" in that it typically takes approximately 3 years to grow a validated producer. The idea is to build a bridge to validation by the 3<sup>rd</sup> year that balances the cost/risk between the candidate and the agency; however, the reality of new producer economics is that the agency will always absorb more of the cost and risk in the early years, but also will earn the lion's share of the upside once a producer successfully validates.

**10) *Are we prepared to effectively recruit a new producer?***

An agency needs to create a recruiting process that's effective - in terms of finding and attracting top sales talent and tactfully and efficiently screening out people that don't fit. The recruiting process needs to be repeatable so that it's consistent, reliable and easy to do. An agency needs to balance the need to be thorough and deliberate in hiring with a need for speed and a sense of urgency. Agents compete with other agents and other industry employers for the top sales talent and responsiveness and quickness trump indecisiveness

and slowness. Agents need a candidate sourcing plan to continuously find top sales talent and an effective multiple stage interview process.

### **Summary**

Before an agency decides to make a new producer hire, they need to candidly answer these ten questions to make sure that they are ready. An agency doesn't need a perfect score on these ten questions, but they should seriously pause and reconsider if they answer "no" to several questions or can't find a way to change a few "no" answers to "yes." While recruiting new producers is a core ingredient in a successful agency's plan to grow organically, increase valuation, and perpetuate, it's not a strategy that every agency can or should deploy.

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