

Dedicated Agency Management

By Chris Burand

Agencies are usually managed in one of two ways. Either by a “seat of your pants” philosophy, which in many agencies is more successful than anyone at the Harvard Business School would ever believe, or by dedicated management. Dedicated management is almost always required once an agency reaches a certain size. The point at which an agency needs a dedicated manager varies significantly, but once an agency reaches that point, 95% of agencies find a manager with experience from one of two sources: an agency (usually their own) or a company.

There are pluses and minuses to hiring from either source. Important accommodations specific to each must be made for either choice to be successful. Agencies facing this decision will find greater success by understanding these issues.

Managers with Company Experience

Ex-company employees are potentially a good option because many have lost their jobs in the last few years and they often have formal management experience/training. When hiring a company person though, the agency has to recognize the cultural differences between companies and agencies are gigantic. Agents often recognize these differences but company people often do not. They rarely understand or accept they may not have the right personality characteristics for running an agency.

Understanding and handling these differences from the beginning can help diminish problems down the road. Here are a few issues I've seen when fitting a manager with company experience in an agency.

Sales Ability

A significant issue with former company people as agency managers is that most are not salespeople. At best, some can take over books and even keep those books intact, but maintaining renewals versus making sales are two very different things. The problem with having an agency President that cannot sell is that the President is disconnected from the lifeblood of what makes a successful agency. Simply increasing profits by cutting expenses is not a sustainable business strategy.

Additionally, it has been my experience that producers do not respond really well to management that cannot sell. People like to follow “can-do” leaders, leaders that don't ask others to do things they themselves cannot do. When a person that cannot sell puts pressure on the producers for not selling, the tendency is to not give the person or the message nearly as much respect.

Building Relationships

Another common trait I find among former company people is they are much more “numbers” oriented than “people” oriented. This is certainly a benefit in the right position, but it has its limitations and it behooves agency owners/partners to recognize this early. Either help the person understand the importance of forming relationships with company people, clients, staff,

advisors or place them in positions where personal warmth is not as important. For example, have someone else attend company functions or always have someone attend social settings with them.

Successful agency owners have the ability to easily make friends, make strangers and acquaintances feel welcome, and build relationships quickly. These agency owners understand just how important being proactive at constantly building relationships is to their success. If you hire an ex-company person, be sure they too have this talent and are proactive using it, or do not place them in positions where such a personality is a necessity.

Ban the Red Tape

Agencies, even large ones, often operate adequately without excessive paperwork and “red tape.” Companies, as all readers know, tend to deluge themselves in paperwork and red tape, so when hiring an ex-company person to run your agency, do not let them bring this attitude with them. It will bog them down and keep them from taking action quickly. Ex-company people are used to complete documentation to protect their jobs if something goes wrong. Complete documentation is great, but agencies do not have enough extra fat to always cover the extra time and energy required. Just make the right decision, document it adequately, and get on with it.

Managers with Agency Experience

Another alternative is the dedicated manager with years of agency experience, typically from within the agency. They tend to have strong leadership skills and personality traits that fit the agency. They rarely get bogged down in paperwork (since many refuse to do anything but the minimum).

Desire to Manage

Managers with agency experience are usually very adept at developing relationships and selling. In fact, most prefer those activities to managing and this can be a key weakness for a manager. For an owner or producer to become a successful manager, they need to have a desire to manage. An alternative worth considering is pairing them with an office manager to manage the agency.

Producer Accountability

One huge weakness that cannot be adequately overcome with a good office manager is having too much empathy for the producers. Whereas an ex-company person will not usually have enough empathy, agency principals almost universally have too much empathy.

For example, agencies with long time producers who are still producing less than \$150,000 in commissions are most likely over-empathetic with their producers. And, agencies paying their producers more than the producers are supposed to be paid are most likely over-empathetic with their producers. (This is a subject worthy of another article but if you want to make a quick calculation for your agency, divide what your producers were paid in total last year by their book of business last year and reconcile it to what they were supposed to be paid. For a split new/renewal commission, 40%/30% for example, experienced producers should have earned approximately 31%-32% given normal growth and retention rates.)

Managing producer accountability is absolutely the most critical daily management hurdle for most agency principals to successfully manage. For this, a detailed plan is critical and must

include some extra paperwork in the form of making producers follow agency procedures.

When an agency gets to a certain size, dedicated agency management is essential for continued success. Almost all agencies will choose an ex-company person or an internal producer/partner for this position. They both have their strengths and they both have their weaknesses. Regardless of which person an agency chooses, the other partners/principals will need to modify their roles and responsibilities to compliment the strengths and minimize or even obviate the effect of the manager's weaknesses.

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