

GAMA Foundation

Executive Summary

Systems for Success: Finding the Right People

Traditional Life Insurance and Fee-Based Financial Planning Version

Sponsored by the GAMA Foundation

Study Conducted by The University Team

Participating Companies

The GAMA Foundation wishes to thank the field leaders who participated in this study. They represented the following 21 companies:

Allstate Life Insurance Company
AIG American General (Agency Building Group)
American National Insurance Company
AmerUs Life Insurance Company
Farm Bureau Financial Services
Farmers Insurance Group
GenAmerica Financial Corp.
Guardian Life Insurance Company of America
The Horace Mann Companies
MassMutual Financial Group
MetLife
Missouri Farm Bureau Insurance Services
National Life Group
New England Financial, A MetLife Company
New York Life Insurance Company
Northwestern Mutual
The Principal Financial Group
Prudential Financial
Securian Financial Group
State Farm Insurance Companies
Thrivent Financial for Lutherans

We also thank the anonymous respondents from all of our Partners in Management Growth companies who participated in the survey portion of this study.

Copyright ©2006 by the GAMA Foundation. All rights reserved. Printed in the United States of America.

Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without prior written permission of the publisher.

Executive Summary – Traditional Life Insurance and Fee-Based Financial Planning Version

Systems for Success: Finding the Right People

Project Overview

The life insurance and related financial services industry is facing a gathering storm. Declining numbers of new agents being recruited into the business and a dismal four-year retention rate have contributed to a significant loss of face-to-face distribution presence and capacity.

According to LIMRA statistics, the number of full-time agents has declined 46 percent since 1975. The industry's four-year retention rate is a dismal 13 percent. Fewer companies are focused on growing the size of their field force—the number of companies that engage in recruiting declined from 136 in 1980 to only 39 in 2004. And only 10 companies account for 74 percent of the new recruits who entered the business in 2003. Recruiting is down, and fewer new recruits are surviving.

At a recent meeting of the Task Force for the Future, an industry-wide collaboration to identify and evaluate the most critical challenges facing the insurance-based financial services industry, the participants identified the shrinking number of advisors entering the industry as one the primary threats to our industry.

In 2005, the GAMA Foundation commissioned The University Team to conduct the *Systems for Success: Finding the*

Right People research study. The purpose of this research was to identify tangible, applications-oriented practices, support and systems that differentiate the recruiting and selection practices of high-performing field leaders from their lower-performing peers. The resulting Guidebook provides a road map for enhancing the effectiveness of agency recruiting and selection practices.

AN UPDATE OF THE 1995 STUDY

This study builds on the success of the GAMA Foundation's popular study, *Agency Recruiting & Selection Practices*, which was released in 1995. While groundbreaking at the time, the findings of the original study needed to be updated to reflect the operating environment of field organizations today.

Updates to the research take into consideration changes that have taken place in the industry in the past decade—most notably, expansion of the industry's recruiting and selection toolkit, changes in the role of the associate and diversification of the distribution system.

WHAT SETS THE MORE PRODUCTIVE FIRMS APART

High-performing field leaders *manage and implement* recruiting and selection sources and techniques in a way that is

more effective than their lower-performing peers. High performers do the following:

- **Maintain high standards.** High performers don't compromise their candidate profile or selection process just to meet their recruiting goals.
- **Create a candidate profile** that focuses on personality and interpersonal traits, and they develop a selection process that allows them to evaluate candidates on those traits at each step of the process.
- **Implement their recruiting and selection processes systematically**, allowing them to increase the efficiency and effectiveness of each step of the process, which is an integral part of an overall system designed to select the right candidates.
- **Use a longer pre-contract period and require more job-sampling activities** during selection. Top performers focus their candidates' pre-contract training and job-sampling activities on prospecting and referral gathering.
- **Track and measure all recruiting and selection activities.** Top field leaders continually adjust their process to ensure continuous improvement.

We hope that you will benefit from this Executive Summary of the strategies, sources and tools that high-performing field leaders use to identify recruits and select the candidates who have the best chance of thriving in their professional culture.

The Candidate Profile

“When we get away from our profile and accept what we know we shouldn't, we make mistakes that cost us, our companies and our industry an enormous amount of money.”

To guide their recruiting and selection activities, successful field leaders rely on a *candidate profile* that's based on their organization's actual experience and the qualities of its successful associates. There is no single “right” profile that is successful in all agencies. Each successful profile is unique to the firm's culture, demographics and leadership and management styles.

All candidate traits can be grouped into five categories: personality traits, product belief, interpersonal traits, motivational traits and demographics. High-performing field leaders were distinguished in this research by their greater emphasis on *personality and interpersonal traits*, especially those traits that reveal the character and integrity of the candidate.

Recruiting Overview

“We do the same things that everyone else does. It's just a question of doing those things more often, with a greater number of people. It's the intensity with which we recruit that makes us different.”

All field leaders have access to the same recruiting toolkits and a finite number of recruiting sources in the industry. What makes the high performers more successful is how effectively they *manage* the recruiting sources and process.

High-performing field leaders cultivate a *recruiting mindset* that all members of the management team embrace and accept as their personal responsibility. These field leaders also *track* the effectiveness of specific recruiting sources and use that data to increase their recruiting efficiency.

Primary recruiting sources include warm sources such as agent referrals, personal observation and centers of influence. Most field leaders also rely on secondary recruiting sources to provide a sufficient pool of candidates. As expected, the *quality* of candidates received from primary sources is superior to that of secondary sources; however, secondary sources typically result in a higher *quantity* of candidates.

The *Internet* has replaced newspaper ads as the most frequently used cold source. But its efficiency has not been proven. Nonetheless, 81 percent of the high-performing field leaders in this study indicated that they plan to use Internet recruiting to the same or greater extent in the next three to five years.

At least 50 percent of the top field leaders in this study *target specific groups* of candidates—including real estate and marketing professionals from outside the industry. In contrast, lower-performing field leaders tend to *avoid* certain groups of candidates, including attorneys and CPAs/accountants. High-performing organizations focus more on the traits indicated in their candidate profile and less on superficial identifiers such as profession.

GAMA International and the GAMA Foundation feel strongly that proselytizing, the active recruitment of experienced associates, is detrimental to the health of the industry. For that reason, *Finding the Right People* does not include results that relate to proselytizing activities.

PRIMARY RECRUITING SOURCES

“We have eliminated cold sources. It is all warm recruiting. Before, we always had a busy recruiting flow, but not the people we wanted. When we cut off the other sources, it was scary at first. But the other day, I was talking with a member of the management team. He said it was his fifteenth straight day of getting an agent referral. That’s exciting.”

Obtaining *referrals from agents* is the recruiting source most frequently used by top field leaders and generates the highest-quality candidates. In high-performing agencies, nearly 50 percent of all associate referrals are obtained without prompting. Top field leaders provide incentives to both staff members and agents to underscore their recruiting focus.

In this study, 81 percent of high-performing field leaders reported that they ask *prospective* associates for referrals directly. Many of them also get referrals from their candidates indirectly, such as from a Project 100 list.

Personal observation is second nature to many top field leaders, who also train their management team members to be experts in personal observation.

Warm nominators—people the field

leader had a relationship with before working with them as nominators—are the second most frequently used source by high-performing field leaders, and the quality of candidates that they generate is second only to those generated by agent referrals.

High-productivity firms use a network of approximately 44 *centers of influence/nominators*. Top field leaders make it a priority to contact their nominators monthly or quarterly, state that the purpose of their nominator meetings is to gather referrals, communicate the agency's candidate profile and provide them with feedback on previous referrals.

SECONDARY RECRUITING SOURCES

"We use more sources than we ever did. Our company is requiring so many hires, we need more sources."

To supplement the three most effective candidate sources—agent referrals, nominators and personal observation—many field leaders use *secondary* recruiting sources, which can be effective at obtaining a high quantity of recruits.

Secondary recruiting sources include *Internet recruiting*, which has replaced newspaper advertising as the most frequently used cold source. It's easy to use, inexpensive and can generate a high volume of candidates. High-performing field leaders manage the sometimes unwieldy volume of résumés through effective front-end screening.

Both high-performing field leaders and their lower-performing peers recruit

from an average of five college campuses. But three activities differentiate the top performers: (1) They spend more time on campus—an average of six days during a typical reporting period, as opposed to three days for their lower-performing peers; (2) they nurture relationships with college administrators; and (3) they link college recruiting with internships.

Almost half of all high-performing field leaders use *job fairs* to recruit, but they screen their candidates by telephone to offset the lower average quality of candidates from this source.

Newspaper advertising is the most frequently used advertising source, second to the Internet. This method is not highly effective. In contrast, advertising in *professional journals* is used infrequently but yields higher-quality candidates than traditional *newspaper* advertising does.

Only 21 percent of all field leaders report using *employment agencies*, but this method yields an average of 3.6 candidates each year. Again, top field leaders ensure that the agency understands their candidate profile, and they provide feedback about previous candidates.

Selection Overview

"It is much easier to filter candidates out than to put them on board and have them fail. I use a deliberate, complex, involved selection process. It is a building process—one step builds on top of the other. If you eliminate any one step, it weakens the entire process."

High-performing field leaders trust their *process*, not their gut. They also *manage* the selection process better than their peers and communicate their recruiting and selection standards clearly.

The industry offers a finite number of selection tools, and most field leaders use three types—candidate interviews, selection tests and screeners and pre-contract work. Both high- and low-performing field leaders have an average of seven steps, require candidates to visit the agency an average of five times and require candidates to initiate 2.5 steps of the selection process.

The primary difference is that the top performers use each tool *for multiple purposes* and use each step of the process in a more *detailed manner*. The more successful field leaders use more selection tests (two vs. one), more job-sampling activities (5.9 for top performers vs. 3.5) and involve more people in the interview process (four vs. three).

Screening Tools

*“We used to be on and off with reference checking. We got better after a bad experience. We hired a crook, and they stole money from the agency. That’s when I turned to our team and said, ‘We **must** check references.’”*

Screening tools are designed to select people out of the career. High-performing field leaders are four times more likely than their lower-performing peers to use a *background information booklet*—which provides information about the agency, the company and the career—to screen out

unsuitable candidates. Their peers use the booklet primarily to *inform* candidates.

High performers are also more likely to conduct *background checks*, and they’re twice as likely to use recruiting *seminars* as their lower-performing peers are. Plus, top performers use two selection tests for each candidate, while lower performers use only one. In addition, top-performing field leaders use *reference checking* in a more detailed way than their peers, and they use *credit checks* to screen candidates out of the business.

Tools Used to Assess Fit

“Every year I get deeper in this business, it becomes more important for me to have people who fit. I’m not about to change people. They are who they are. Either they fit and they care about people, or they don’t.”

The more successful field leaders are more likely to use *written job descriptions* as a screening tool, and they do so earlier in the process than their lower-performing peers. These top performers also invite candidates to *attend agency meetings and social events* to give them ample opportunities to determine if the firm’s culture matches their values.

During candidate interviews, top field leaders are more likely to have an *agency trainer* involved than their lower-performing peers are. They’re also more likely to use compensation interviews as an opportunity to describe their culture as entrepreneurial and to assess the candidate’s ability to thrive in a commission-based environment.

Tools Used to Select Winners

“To assess if a recruit can and will do the job, we use a combination of all we know of their past history plus how they deal with what they run into in the field when they are out with an agent.”

High-performing field leaders put a higher emphasis on *job-sampling activities* and use them earlier in the process than their lower-performing counterparts do.

The *pre-contract period* required by top performers is almost double that of their lower-performing peers (13.1 weeks compared with 6.7), and they use this period to focus on *prospecting* and *generating referrals*. Lower performers use this period to focus on *sales*.

The *validation* process includes activities that candidates must complete to retain their financing and to maintain their contract. High-performing field leaders begin validation earlier in the selection process than their peers do.

Additional Tools for Field Leaders

The GAMA Foundation is committed to providing a body of knowledge to advance the art and science of field management. In addition to *Systems for Success: Finding the Right People*, the GAMA Foundation and GAMA International provide the following tools for recruiting and selection.

For more information about these tools, please visit www.gamaweb.com.

- *A Study of Recruiting and Selection*

Practices, which the GAMA Foundation released in 1995, was the framework for the new *Finding the Right People* study. It outlines specific steps that field leaders noted as most useful in providing recruits with a realistic picture of the career. The study shows that more-productive agencies were more focused on *assessing fit* during the selection process than their less-productive counterparts.

- In 2005, GAMA International developed **GAMA eReference**, a low-cost, high-impact and fully confidential Web-based reference-checking tool that’s based on the agent/advisor profile that the 1995 research report identified. This tool helps field leaders ensure the appropriateness of the references provided by the candidate, assures confidentiality by consolidating responses and provides a validity check on the employment history of the candidate.
- *Building the Right People*—Based on hundreds of hours of in-depth interviews with top-performing field leaders and producers, this study reveals proven strategies for getting new associates off to a fast, productive start in the career. This was the first study in the GAMA Foundation’s *Systems for Success* research series.
- *Keeping the Right People*—The second study in the *Systems for Success* series reveals proven tactics for building value into an organization so that top-performing associates want to stay on board. The results are based on interviews with field leaders from the industry’s top-ranked firms and

agencies, which have retention rates that are many times the industry norm.

- *Great Recruiting Ideas*, the first volume in GAMA International's Great Ideas book series, features the favorite recruiting ideas of some of the industry's most respected and successful field leaders. Based on personal interviews, the book reveals transferable recruiting ideas and the personal story behind each idea.

Summary of Survey Methods

The GAMA Foundation believes that our contributors benefit most fully from the sharing of best practices. Therefore, with the new *Systems for Success* series of studies, the Foundation has made a strategic decision to invest not only in quantitative research but also in qualitative, in-depth research.

DEFINING "MORE PRODUCTIVE" AGENCIES

In *Finding the Right People*, a "more productive" agency is one that was in the upper 75th percentile of the data sample and in which FYC averaged \$66,670 per associate. A "less productive" agency was one in which FYC was in the lower 25th percentile of the data sample and averaged \$19,000 per associate.

THREE RESEARCH PHASES

Finding the Right People incorporated a three-pronged research approach that

included a variety of organization sizes and representatives from traditional life, multiline and financial services organizations.

- **Phase One—Qualitative Interviews.** The research team conducted nine qualitative telephone interviews to gain insights on current industry practices and changes since the original survey was conducted in 1995. These interviews revealed details about the recruiting and selection systems and processes used by highly successful field leaders and provided the basis for a revised survey questionnaire.
- **Phase Two—Quantitative Survey.** This phase involved a large-scale Web-based survey to test specific hypotheses developed in Phase One and to identify specific recruiting and selection systems being used by successful field leaders. In total, 307 surveys were completed.
- **Phase Three—Qualitative Interviews.** The research team completed 18 in-depth interviews, 10 of them face-to-face. These interviews allowed the researchers to frame the recruiting and selection processes and systems that the quantitative research identified and to confirm the transferable application of these practices.

Acknowledgments

We extend a special thanks to the GAMA Foundation Task Force members, GAMA International members and The University Team research team:

GAMA Foundation Research and Special Projects Committee (2005–06)

Richard R. McCloskey, CLU ChFC CFP, Chairman
John E. Brooks, CLF
Luis G. Chiappy, CLU ChFC CFP LUTCF
Robert J. Fashano, CLU ChFC MSFS
Dan Filla, CLU CFP CASL LUTCF
Harry P. Hoopis, CLU ChFC
Peter S. Novak
Reginald N. Rabjohns, CLU ChFC
William H. Reichwald, CLU ChFC
Debora A. White, CLU LUTCF
Kathryn L. Kellam, Senior VP–Professional Development, GAMA International

GAMA Foundation Board of Trustees (2005–06)

Wayne Swenson, Chair
Harry P. Hoopis, CLU ChFC, Vice-Chairman
Robert C. Savage, CLU ChFC, Immediate Past Chairman
Reginald N. Rabjohns, CLU ChFC, Treasurer
Paul Blanco, LUTCF
John E. Brooks, CLF
Luis G. Chiappy, CLU ChFC CFP LUTCF
Richard T. Cleary, LUTCF
Robert J. Fashano, CLU ChFC MSFS
Dan Filla, CLU CFP CASL LUTCF
Richard R. McCloskey, CLU ChFC CFP
Peter S. Novak
William H. Reichwald, CLU ChFC
Frank J. Scarpa
Athanasios P. Vorilas, CLU CLTC CMFC
Debora A. White, CLU LUTCF
Robert H. Baccigalupi, CLU ChFC CLTC, 2005–06 President, GAMA International
Jeffrey Hughes, CEO, GAMA International

The University Team (www.universityteam.com)

Andrea Dixon, Ph.D., University of Cincinnati
Carol Walsh, Principal, WalshWorks Consulting



GAMA Foundation
2901 Telestar Court, Suite 140
Falls Church, VA 22042-1205
703-770-8169
Fax: 703-770-8447
www.gamaweb.com