



Holding Producers Accountable to Success

By Frank Pennachio, Co-Founder of The WorkComp Advisory Group

Leading Indicators of Success

The first Quarter of 2011 is history and in the books. It is a good time for agencies and Producers to assess their progress and compare their 1st Quarter production with their annual sales and organic growth objectives. With three Quarters to go in 2011, it is not too late to make up for lost ground, or revise sales objectives to a higher level.

Producer underperformance continues to be an ongoing challenge for too many agencies. Part of this problem stems from inconsistent Producer accountability measures. Producer accountability is a weekly, monthly, and quarterly exercise, not just something that happens at the end of the year.

As we often say, revenue is a lagging, not a leading, indicator of success. If the right leading indicators are executed and measured, then revenue will follow. Agencies and Producers must be able to identify early indicators of underperformance so they can react quickly and get back on track.

A critical leading indicator is an honest assessment of Producer Pipelines. When you got out of bed this morning, did you know how much potential revenue is "client ready" within 90 days? In other words, which employers will make decisions to engage in a business relationship with you, or not, within 90 days and how much revenue do those decisions represent?

A Formula for Success

Let's do the math. If a Producer's goal is to write \$120,000 in new business revenue in 2011, then the Producer needs to average \$30,000 in new production per Quarter. Assuming a 30% closing

ratio, the Producer must have \$90,000 in their 90-day ready Pipeline at all times. You can use this formula and adjust the numbers up or down. However, we do not encourage moving the numbers downward unless your demographics don't allow for an average revenue per account of at least \$10,000.

An insufficient Pipeline creates numerous problems for the agency and its Producers. The most obvious is the likelihood the Producer will not meet their objectives. In addition, Producers with inadequate Pipelines tend to work on low probability prospects. Low probability prospects create additional costs and stress to the agency with little to no return. The cost to submit and follow up on applications is increasing daily and also erodes Carrier relationships. In these challenging economic times agencies cannot afford to waste valuable resources chasing accounts that have little to no interest in doing business with you.

The Canary in the Mineshaft

Thus, the first level of Producer accountability is their 90-day ready Pipeline. If the Pipeline is insufficient, then the next step is to identify additional necessary metrics to meet Pipeline objectives. Producers can't start a new business relationship without starting the sales process with a first meeting. Are Producers being held accountable to a certain number of first meetings with the "right fit" prospects per week, per month and per quarter?

If Producers are not gaining enough first meetings, then it is most likely either their new business development activity is too low or their message is flawed, or both. Measurement and accountability will assist in identifying where to focus additional training or

management. How many calls, emails, letters, or Centers of Influence meetings were conducted last week or month? How many first meetings were created?

Let's do some more math. Let's say Producers are being held accountable to 80 first meetings per year with right fit prospects. That's just 2 per week for 40 out of 52 weeks. Let's assume that half of the prospects are commodity buyers and not a good fit for a consultative sales approach. Then, Producers have 40 prospects that are willing to engage with an effective next step. Back to our 30% closing ratio, we have 12 new accounts. With average revenue per account of \$10,000, Producers meet their goals.

New business development is a learned skill and process. Every step is measurable and the numbers will illuminate where interventions or corrections are necessary. In addition, studies have concluded that behavior changes occur by simply measuring and documenting activities.

In summary, Producers and their leaders must implement metrics and accountability measures to create predictable streams of revenue. A healthy Pipeline is the first "canary in the mineshaft." If it is sickly, then actions must be taken or agencies and Producers are at risk of failure. The most critical step is to commit to the right measurements and instill accountability as a key element of your corporate culture.

About the Author



Pennachio is Co-Founder of The WorkComp Advisory Group, a sales training and consulting organization that works with agencies to leverage technical knowledge and sales strategy into successful new business development.

Pennachio brings nearly 20 years of agency ownership/ management, sales training and workers' compensation expertise to his topics. He can be reached at frank@mywcadvisor.com.

About The WorkComp Advisory Group

The WorkComp Advisory Group provides leadership, training and processes to producers and agencies so they may achieve exceptional results in meeting the following business objectives:

- ◆ Increased Organic Growth
- ◆ Agency Differentiation through Sales and Technical Capabilities
- ◆ Revenue Diversification with Fee-Based Strategies
- ◆ Increased Success Among Their Young Producers