That's Talent

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Successful reps have reason to be proud. Consider these facts: Brokerage firms hire just 4 percent to 5 percent of the candidates who apply, and fewer than 20 percent of the new hires survive three years, a point at which they may be considered "established." Among established producers, only an estimated 5 percent to 10 percent become truly outstanding producers (defined as grossing over $1 million a year).

The odds are just as grim in the life insurance business: Companies hire 5 percent to 10 percent of the candidates they interview, and only 10 percent to 20 percent of the new hires survive four years. Among the approximately 300,000 life insurance producers in the U.S., only 14,000 (less than 5 percent) qualify for the Million Dollar Round Table, (although the honor may be misnamed since one needs just $70,000 in annual commissions to qualify). Only 700, or 5 percent, of the Million Dollar Round Table members are "Top of the Table" with annual commissions above $417,000.

For the average candidate, the odds of "making it" as a rep or life insurance salesmen are discouragingly small. This is one reason why securities firms have been busy poaching successful reps from other firms over the last few years: The upfront cost seems big, but the new hire is proven. When hiring a new rep, what are the "key success factors," the characteristics that enable a new producer to succeed? Is it even possible to anticipate how a particular candidate or trainee will do? Can you pick winners?

The answer is: Yes, you can pick winners. There are several telltale signs to look for, and there is a science to selecting potential producers (using "psychometric" tests). It may sound underwhelming, but, in our experience, the successful candidate has to not only have the right personality (be aggressive), but also come from the right background. There are ways to quantify these characteristics to develop rational selection methods that significantly improve a firm's ability to pick winners.

The Right Background

To be successful, the candidate must be the right age, have the right education, come from the right socio-economic background, have had previous professional experience and — this is the tough one — be of the right "vintage" (you can be all things; but if you launch a career in a bear market, good luck). While people of various ages may be attracted to a career as a producer in brokerage or life insurance, there is definitely an optimal age bracket to get started: between 30 to 40 years old. People under 30 usually do not inspire trust in clients and, even if they did, they are unlikely to have a suitable social network. But "older" candidates tend not to succeed either, since we have found that they have neither the patience nor the energy to build a business.

Better-educated producers, by and large, do better. College graduates do better than high school graduates; people with post-graduate degrees (MBAs, for example) do better than college graduates.

The individual's major or specific area of study matter little, but people who study "numerate" curricula are in a stronger position. Not surprisingly, socio-economic background is also important. Let's face it: People who come from affluent or upper-middle-class family backgrounds have the advantage of the right connections. The candidate would more likely have existing relationships with actual or potential investors and other professionals (like accountants and lawyers in a position to refer business).

The producer's previous professional experience is very important. A minimum requirement? Any candidate should demonstrate a fairly continuous employment track record — unemployed people do not make promising candidates, in our experience. Not surprisingly, previous experience in sales helps. It provides candidates with some basic skills and a realistic expectation of what being a producer entails.

Of course, whatever the candidate did, it's important that he was good at it. Achievement is difficult to define, but usually obvious. A good proxy is previous compensation, adjusted for age and profession. Willingness (or ability to accept) variable compensation is also important. Having prior experience in a variable compensation setting (in sales, as we noted) is a major positive. Having a spouse's income to rely on also helps.

Alas, all that may come to nothing if a candidate is hired in a bear market. In our work with financial product sales forces, we have discovered a universal phenomenon that we dubbed the "vintage effect." Simply put, a candidate who gets started in a favorable market has much better chances of making it. Why? In a favorable market, the new producer is more likely to find clients. Clients are more likely to "make money." Bonds are forged, and happy clients are likely to invest more with the advisor who "helped," or who is perceived as smart. Happy clients refer their friends to the producer. The producer's book of business benefits from the "virtuous circle" and grows. In an unfavorable market, new clients are tough to find. Existing clients tend to lose money and many are likely to blame the advisor. A "vicious circle" sets in as clients reduce their level of activity and/or defect. A new producer is highly vulnerable and likely to drop out. Our research shows that just 10 percent of those hired in a bear market make it to four years; 25 percent of those who start in a bull market will make the four-year mark.

Finally, the way in which the candidate is "sourced" is usually very important. Eschew walk-in candidates or those who respond to newspaper ads (often the unemployed); they are much less likely to succeed than candidates who are referred or recommended by someone reliable.

"Warm referrals" from a knowledgeable person — another producer, a supervisor or an important previous customer — are always best.

The Right Disposition

A "laid back" person will never make it as a sales person. Sales jobs, especially in highly competitive fields, in which a trainee must invest several years of relentless effort and overcome a lot of rejection, require an abundance of self-confidence, energy and persistence.

The successful producer needs to be an enterprising, ambitious, motivated and high-energy person. Successful producers generally are "driven individuals" who constantly seek to do more, to perform better and to achieve. According to Zig Ziglar, possibly the keenest observer of the sales process, the high-performing, successful producer "constantly suffers from a case of mild discontent which he/she instinctively transforms into inspirational dissatisfaction."

Integrity, trustworthiness and sincerity are also key factors. "Selling is transference of feeling," says Ziglar. High-performance producers must generally be client-oriented, that is, putting the clients' interests ahead of their own or the firm's.

A strong desire to "prove" one's self is another frequent characteristic of the successful producer. In many cases, we have found that top producers are people who have overcome some difficult early circumstances or personal setback in their previous career or personal life and are determined to seize the "second chance" in their sales career.

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