

A New Approach for Motivating Mediocre Agents

Wanted: entrepreneurial minded individuals who want to be their own boss, own their own business, and control their own destiny. No limit on how much money you can earn. No experience or specific education required. No requirement of capital investment or loans. No franchise or territorial limitations. Training and support provided. Apply at your local life insurance company or agency.

Considering how attractive we make it for someone to become a life insurance agent, it's curious that the challenge of recruiting and retaining a successful field force is one of the most persistent problems facing our industry. This is even more perplexing since our training tools have been tested, honed, and documented over more than a century. From highly sophisticated assessment tools that adeptly predict the aptitude of a prospective recruit, to time tested sales tracks and telephone techniques that turn potentially problematic interactions into routine exchanges and rout responses, all aspects of the sales cycle have been refined to a science and captured and conveyed in interactive multi-media technology.

We rationalize our results with the justification that selling life insurance is just hard – and that's certainly true. But most successful agents will tell you that selling insurance is not difficult if you're disciplined. Successful people just do more of the unpleasant things that unsuccessful people don't want to do. Anyone who has ever persisted through a weight loss program, an exercise regime, or has quit smoking understands this simple truth.

Why then, is it so difficult to get many of our agents to succeed?

Assuming that our assessment and training tactics are effective (and that's a topic for a future article), one obvious place to consider is whether our incentives are aligned with our objectives. At first glance, it's difficult to argue that the direct cause and effect of commissions is anything but perfectly aligned. You want your agents to sell new policies? Offer them five to ten times more compensation in the first year than you do in subsequent years and you have certainly provided adequate incentive. Combine that with the ability to qualify for lavish trips to exotic locations and report their status on a weekly, monthly, and quarterly basis to their peers as well as to their spouses and you've expanded the motivation well beyond the agent's bank account.

The effectiveness of this approach is evident from the number of perennial top producers that dominate sales for every carrier or agency. This rare breed of agent combines the discipline and competitiveness of a world class athlete with the dedication and practiced effectiveness of a virtuoso musician. Every aspect of our support structure is geared toward identifying, motivating, and rewarding this unique individual.

Yet our industry is littered with the "also ran" agents. The more mundane minions who eventually settle for mediocrity in return for the freedom that comes from being self-employed. Often times, they are the beneficiary of a working spouse with access to affordable health care, and are able to indulge in the illusion of full-time employment by occupying themselves with busy work that passes for customer service, prospecting, or continuing education. These agents rarely qualify for conventions, are content to cover their expenses, and maintain their dignity by the sheer fact that they have survived in this business while so many others have failed. Although not highly motivated for sales, these agents are often the most technically knowledgeable and have the most loyal and well serviced – albeit small -- customer base.

Given the different priorities, it's easy to see why no amount of first year commissions or alluring conventions are going to profoundly impact the behavior of the mediocre agent. Yet there are far more agents who fall into this category than industry superstars. The challenge of finding a means to leverage this significant, yet largely idle resource has important implications for all companies.

Author Dan Pink's new book titled "Drive: the Surprising Truth about What Motivates Us" uses 50 years of behavioral science to overturn the conventional wisdom about human motivation. In an MIT study with economists from the Federal Reserve Bank, the University of Chicago, and Carnegie Mellon, three levels of rewards were offered for performance of a variety of different tasks. Similar to the life insurance commission system, people who performed fairly well received a small reward, those who performed "medium" well got a medium reward, and those who performed exceptionally well received a large cash prize. Not surprisingly, for simple, straight forward tasks such as those involving mechanical skills or memorizing strings of digits, this reward structure worked very well. However, for tasks requiring even the most rudimentary cognitive skills, conceptual thinking, or creativity, the reward structure actually seemed to have the opposite effect – the highest performers actually performed worse. An excellent ten minute animated video summarizing the research was created by RSA.org <http://www.youtube.com/watch?v=u6XAPnuFjJc>.

These results ran so contrary to accepted economic theory that they repeated the study in Madurai India where they could afford to offer top performers a substantial large reward. The results were the same. Eventually, similar studies were conducted for economists, psychologists, and sociologists with the same outcome – for more complex tasks the traditional "carrot and stick" approach de-motivated rather than motivated.

Although the reasons behind these surprising results are subject to debate, there seems to be a rather simple explanation for why this bizarre behavior occurs: once people are paid enough to take the issue of money off the table, they become motivated by things other than more money. This certainly explains the behavior of the typical mediocre agent who is comfortable with just covering expenses. It's also consistent with the behavior of the top performer, whose motivation is a complex combination of ego, professional pride, competitiveness, and lifestyle, and so money remains an important factor.

So how do you motivate the monetarily content? According to Pink, there are three key motivators – autonomy, mastery, and purpose. Autonomy is the desire to be self-directed – to have control over one's time and destiny. Mastery is simply the desire to continually improve one's abilities and to execute at a higher level. Purpose is the desire to make a contribution – to be a part of something bigger than oneself.

Coincidentally, these same three factors are the same features that make a life insurance career so attractive, and are undoubtedly key drivers (in addition to commissions) for top producers. It's also interesting to note how closely aligned these factors are with the activities of the typical mediocre agent, who often compromise the time they should be spending prospecting and selling with the pursuit of professional degrees, community service, and participation in industry association boards and events.

However, what's missing in the insurance industry is how other industries have been able to leverage the motivating aspects of these factors. For example, Google allows their employees to spend 20% of their time working on whatever they want to work on. This gift of autonomy wasn't just generosity on the part of Google management – half of their new products were created as a result of allowing their employees to work on these completely self-directed projects.

The success of Linux and Wikipedia are two other examples of what is possible when people pursue activities based upon autonomy, mastery, and purpose. No economist would have predicted that highly successful people would voluntarily commit their very limited free time to unmanaged projects with the sole purpose of creating free resources to benefit the world. Yet that's exactly what happened, and the results were much better, much faster, and more comprehensive than similar efforts by well managed, highly paid professionals.

Part of the problem with the insurance industry is our complete reliance on commissions as a motivator. In an article titled "Forget Carrots and Sticks, They Don't Always Work" <http://www.telegraph.co.uk/finance/yourbusiness/business-thinking/7752986/Forget-carrots-and-sticks-they-dont-always-work.html> Dan Pink shares an extreme example of pushing these conclusions to their most extreme end. The management of Red Gate Software eliminated sales commissions for their entire sales force -- and sales actually increased. The reason for this drastic step was because their salespeople were constantly finding ways to game the commission structure. As a result, Red Gate management was spending increasing amounts of time developing more complex compensation structures, and their sales force spent more time finding ways to work the system to their advantage. Both parties became less focused on their primary purpose -- making great software and selling it to customers who needed it.

Sound familiar?

Pink wasn't advocating for the elimination of commissions. However, Red Gate's CEO Neil Davidson makes an interesting observation about the contradictory behavior that can be inspired by this form of compensation by asking "Imagine you could construct a sales robot, programmed solely by the rules of any sales structure. How would it behave? It would steal deals off other salespeople, sell customers software they didn't need, argue with its boss over its commission and backstab its colleagues".

Although his conclusions may be debatable, it would be interesting to consider what behavior a life insurance sales robot would exhibit if it were guided solely by your own company's compensation system. Although many companies add quality of business elements such as persistency and mortality to their compensation plans, most commission systems unequivocally reward new sales more than any other activity. Is it any wonder that an insurance carrier can sometimes be at odds with their distribution?

What if we expected more from our agents than just sales and service? What would mastery and purpose look like in the context of working in partnership with an insurance carrier in order to provide the best experience possible for consumers?

Netflix provides an excellent example of what this concept looks like in a 128 slide presentation that discusses the company's culture as a means of attracting new employees <http://www.netflix.com/Jobs?lnkceData=22&lnkce=ftrlnk&trkid=921401>. One section covers nine behaviors and skills that are critical elements for any new hire: judgment, communication, impact, innovation, curiosity, courage, passion, honesty, and selflessness. The Netflix presentation goes into detail describing their interpretation of these behaviors and how they translate into every day job performance, but the message is clear that the expectations for a Netflix employee go well beyond merely collecting a pay check.

For most companies, the opportunity for their agents to contribute to the common good of their carrier is limited to a small number of top producers' participation on an Advisory Council. But what could be possible if insurance carriers were able to tap into the combined expertise of their entire field force in a similar manner as Wikipedia or Linux? What would your training manual look like if it were written by the ultimate end users – the field? Would your new business procedures be any different if your producers were motivated more by autonomy, mastery, and purpose rather than compensation? Would producers complete your applications more thoroughly, accurately, and legibly if there was a mutual expectation of professionalism and integrity as the primary motivator? And how much more time would your staff have to identify and develop that next million dollar producer if they were able to harness the energy that your agents are already spending in their personal pursuit of autonomy, mastery, and purpose and redirect it for the mutual benefit of your agents, your company, and your policyholders?

Commissions are highly motivating to top agents, yet the majority of agents seem to be more interested in maintaining a comfortable rather than an exceptionally profitable professionalism – or at the very least, they are unwilling or unable to produce at a high enough level to do both. Yet we keep beating them with the same impotent stick that rewards new sales while ignoring the more altruistic elements that seem to be driving their behavior. Smart companies can benefit greatly by leveraging these non-monetary motivators as a means to better align agent behavior, access a wealth of additional resources, and inspire a partnership with their field force that can redefine the life insurance experience for the consumer.

Perhaps when that day arrives, we'll begin seeing ads for new agents that look more like this instead:
Wanted: entrepreneurial minded individuals desiring to create an autonomous career for themselves. Must be passionate, selfless, and honest, with the curiosity and courage to make an impact on the lives of others. Significant support available through a partnership with an insurance company. And by the way -- there is also a potential for unlimited compensation.