



Cookson Walker Consulting

Selecting Insurance Professionals

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The significance of hiring the right people

The inability to hire good employees who stick around for some time has to count as the biggest frustration of managers of insurance brokerages. At Cookson Walker's national broker consulting practice it is an often-heard complaint from all parts of Canada.

Both rural and urban locations experience a shortage of skilled, experienced insurance professionals. Whether it is CSRs or producers, most brokerages struggle with finding and keeping good employees. In small town settings, brokers are faced with hiring individuals with no insurance experience and then experiencing great frustration when those same employees leave after much was invested in their training. In larger centres the talent pool is greater, but so are the employment opportunities. Retention is an issue, as employees know there is a ready job down the street at your competition.

This is not merely something to be shrugged off. For those who get it right, selecting better employees and maintaining an optimal level of employee retention is a source of significant competitive advantage as well as productivity. All brokers are familiar with the high cost of training a new employee. Some may not realize that there is often a direct correlation between employee turnover and client retention. Factor in the costs of terminating poor employees, headhunter fees, help wanted ads, and all the lost time and frustration in dealing with this issue and its importance becomes clear.

Our research indicates that for most organizations, a fifteen-percent increase in the effectiveness of the selection of employees will result in a forty-percent increase in overall performance. This dramatic leveraging of performance is possible as a result of the reduction or elimination of the costs noted above, and also because better employee retention means managers can spend more time on more productive endeavours, which for brokers are often sales related activities. Good selection leads to improved performance whether measured in sales or service. Further, high performing organizations tend to attract high performing individuals in a self-reinforcing cycle.

The selection process

The purpose of this article is to focus on selection techniques used for hiring CSRs and producers including interviews and the use of profiling instruments. Profiling instruments (commonly called "personality tests" but more properly termed "psychometric instruments") are an under-utilized tool by insurance brokers and one that could have a significant positive impact on their staffing.

There really is no excuse for brokers not to use profiles in their hiring decisions. Modern profiles are simple to administer, relatively inexpensive and when used properly, have a high degree of reliability. There are several companies offering a variety of profiles to the insurance industry and some offer training on how to use and interpret the profile results.

The first step in using profiles is to recognize that profiles work best as part of a properly planned employee selection and retention process. That process includes the recruiting, selection, hiring, training, and coaching of your employees. Recruitment involves creating a pool of qualified candidates for a position. Selection means choosing the best candidate from the recruitment pool. Hiring includes structuring the offer of employment and the employment agreement and the orientation of new employees to the organization. Training new employees imparts to them the skills and knowledge necessary to perform at high levels. Coaching is the ongoing process of reinforcing effort and performance.

All aspects of this process impact employee retention rates. The best selection techniques will not compensate for a small or poorly qualified recruitment pool. During the first few months of employment, a new employee's perceptions of their place in the organization is coloured by promises made during the employment agreement negotiations and their orientation to their new employer. After the first year, inadequate training and coaching becomes a major cause of employee turnover. In other words, do any one part wrong and you run the risk of employee turnover.

Most brokers right now are thinking "sure, we do all that", but look at this list of observations from recent Cookson Walker reports to brokers. In all cases the brokerage principal was unaware of the issue or had not appreciated its impact.

- When a brokerage found itself short of staff, it hired three people in rapid succession without properly creating a recruitment pool. In eighteen months all three employees were gone.
- A new employee arrives on her first day to find that no one has prepared a desk or telephone for her and no one has set aside the time to train her on the computer system. Poor orientation and training led to turnover.
- At one brokerage, performance appraisals had not been conducted in two years. During interviews with the staff, they report to Cookson Walker that management does not appreciate them and does not seem to care. A number of the staff were gone within months because of this poor coaching.

The interview

After using various recruitment techniques (ads in newspaper, headhunters etc.) most brokers select their employees by the traditional interview process. Questions are asked about former employers, what was liked best about the former job, and where does the individual "want to be in five years". We are all familiar with this sort of interview- the vast majority of managers and brokers use these kinds of questions while interviewing prospective employees.

The problem with this typical interview scenario is that considerable research shows that it is little better than random chance in selecting the best (i.e. the individual who is more likely to be a high performer and remain with the organization) candidate between similarly qualified candidates. In other words it tends to be a waste of time when an equally effective option would be to flip a coin when choosing between individuals who have similar qualifications on their resumes.

Many brokers compound this problem by indulging in an increasingly popular practice of having either first or second interviews conducted by front-line staff who often have had little or no experience or training in interview techniques. This approach has the tendency to reduce the

interview process to a sort of popularity contest, i.e. “did we like them” based on how well they spoke.

Personal chemistry or compatibility can play an important role in selecting employees, however if it is the only consideration (beyond a cursory check of technical qualifications) than it is likely that important information about the prospective employee is being missed. This is where a properly structured interview and profiles can play an important role.

A properly structured interview, referred to as a “behavioural description interview” begins with the premise that past behaviour is the best predictor of future behaviour. It then includes a pattern of questions designed to illicit information about past behaviours that are indicative of success at your brokerage.

For example, if it is critical that your CSRs can handle customer files on their own with little supervision then an appropriate pattern of questions might include “Tell me about how much supervision you had at your former employers”, “tell me about a specific problem on a client file and how you handled it”, “ tell me about a specific technical problem that you did not know the answer to” and so forth. These questions asked in a logical pattern are far more likely to determine if the candidate exhibited the kind of behaviour in the past that you need at your organization. The goal is to find out what really happened in considerable detail and not just what the candidate said they liked or disliked about their former position.

Proper interviewing takes preparation and discipline. There are books, consultants, and a wide variety of courses available to assist brokers in the preparation of behavioural description interviewing.

Use of profiles

The main objective of psychometric profiles is to assist in the assessment of a candidate’s potential career fit and to predict future performance, based on current skills, abilities, and competencies. Good profiles have objectivity as a main feature, that is, their use helps to control bias and subjectivity that everyone has to some degree when evaluating others.

Profile results usually consist of “self-description” assessments: candidates are asked to describe themselves by making choices among various prescribed words or phrases. The design of the instrument is critical: the best psychometric assessment tools have little or no “face validity”; that is, applicants should not be able to guess how they should answer to present themselves in a favourable light. They are not fully aware of what each individual item contributes to the overall picture they are building. One should be skeptical for example of profiles that rely on a limited number of questions to paint a picture of an individual. The typical profile developed by the Self Management Group has some 160 carefully structured questions , which makes it nearly impossible for someone to “fool” the profile without creating significant inconsistencies in the profile results.

Brokers often ask, “how accurate are profiles” even after being told that it is extremely improbable that a candidate can fool the profile. The answer is that a well-designed profile should be almost 100% accurate, as measured by *descriptive validity*, or how well the profile describes the candidate. *Predictive validity* is an attribute of the larger process in which profile results are used to help judge a candidate’s fit to the opportunity and environment. In this larger process, the applicant is compared to other successful and unsuccessful performers in specific corporate cultures and work environments.

Brokers can increase the predictive validity of their selection process by carefully examining and describing their current work environment and looking for clues in the interview and the profile

results for a fit. If strict discipline and structured processes are valued at your organization as opposed to strong self-management skills in an unstructured entrepreneurial environment, the interview and profile results should be interpreted in different ways.

This is not as difficult as it might seem. The key is an objective assessment of what your culture is really like. We often see a disconnect here, as many broker principals are successful commercial lines producers while the rest of the organization may not live up to their self-image as sales driven entrepreneurs. Sometimes it is hard to see the forest for the trees, when assessing what your own organization is really like, especially in terms of your CSRs' and other producers' value.

Other techniques

It is important to use a variety of techniques to increase the predictive validity of your selection process. The results of each technique can reinforce the others. The table below, based on the analysis of hundreds of validity studies, shows the average validity of several typical indicators of future performance.

Average Validities of Performance Predictors

<i>Technique</i>	<i>Prediction Strength</i>
Profiles	High
Job Try-out	High
Reference Checks	Medium
Scholastic Results	Low
Experience	Low
Unstructured Interviews	Low
Amount of Education	Low
Interests	Low

There are a variety of other written tests available such as variations of intelligence and honesty tests. The accuracy of honesty tests remains controversial and brokers should use care when choosing tests to evaluate the integrity or honesty of candidates. Intelligence tests are still used although due to the ground breaking work of Daniel Goleman we now know that *emotional* intelligence is often a better predictor of future performance than intellectual ability alone. The better profiles now include emotional intelligence aspects to them.

Whether it is for CSRs or producers, best practices brokerages use a variety of selection techniques to choose high performing staff that will remain with the firm for many years. Properly structured interviews and profiling instruments should be at the centre of any selection process.

John Marshal is the President of Self Management Resources Corporation and a PhD. in psychology from York University. He became interested in the psychology of performance as a player in the Philadelphia Flyers organization and as a coach at York University. He has designed several psychometric profiles, which are used by leading organizations throughout North America.

Bruce Rabik is a partner at Cookson Walker and has a graduate degree in human resource management. He is the former Chief Operating Officer of a major regional brokerage and has sat on the board of directors of several insurance operations in Ontario and Alberta. Cookson Walker provides the profiles developed by Dr. Marshal to the insurance industry in Canada.