

PRODUCING MANAGERS: Time for a Change?



It wasn't that long ago that retail branches were all run by non-producing managers. It changed for most companies in the early 1990s, when the financial markets had credit problems and companies stripped out a layer of management to save expenses. ■ The rationale for the decision was part survival and part practical, as an effort to support producers. What once was an appropriate response to changing market conditions no longer works today, because of the general failure of producing managers to be effective managers.

■ In my view, the increase in fraudulent loans, skyrocketing delinquency and early payment default (EPD) problems can be linked to the lack of quality, first-line managers in mortgage lending. ■ Should anyone be a manager just because he or she can produce? The answer is no. Who should be a branch manager? The focus of this article is what the competencies of branch managers should be and what tactical practices they should master.

Has the concept of the producing branch manager outlived its usefulness?

BY PATRICIA M. SHERLOCK

What is the difference between a top producer and a top manager?

For top producers, selling to loan customers appears similar to selling to team members what you want done, and who better to tell the origination team what to do than someone who has been a successful producer. Shouldn't the top producer's track record command the employee's attention? Shouldn't the best producer be able to coach the average producer into being a better originator? Isn't it a lot like sports—if you had a chance to have either Tiger Woods or Hank Haney, a former head pro at PGA West in California, instructing you on how to win in golf, wouldn't you pick Woods?

It seems reasonable to believe that spending time with Tiger Woods would be more beneficial to your game. Woods' number of tournament wins, his march toward beating Jack Nicklaus' record for wins in majors and his career earnings are all impressive. However, if you are serious about lowering your handicap, it is more likely that improvement will occur under Haney because he has a talent for developing and improving golfers as a coach. In fact, he has been recognized as a top-50 golf coach for a number of years.

While being with Woods would make for a memorable time, Haney would be the better choice. How can that be? An average player such as Haney can be a great coach. But what does all this have to do with producing managers, anyway?

Actually, a lot.

The point is, just because a top producer is a superstar doesn't mean he or she can teach or coach another salesperson on how to be a better originator.

John Settin, senior vice president of BB&T Home Mortgage Direct, Winston-Salem, North Carolina, says, "The producing manager is really in a no-win position. Either the manager is spending too much time producing or too much time managing. When faced with the choice of what is most important, the pay plan wins more often than not. That will leave either a poorly developed team or an underproducing manager as a direct result."

The question remains: Does the inherent design of the position of a producing branch manager pose an impossible situation for the person and the company?

After nine years of nationwide research on top sales producers and managers in mortgage banking, it is clear that a superstar sales producer and a top manager have completely different talent sets. The drivers that make a producer a star salesperson are defined by nine personality characteristics that predict sales success. A manager, on the other hand, has 10 competencies that are significantly different from those needed to be a successful producer. Producing and managing could not be more different. It is a matter of day and night.

My firm, QFS consulting Group, found top producers are fundamentally great task achievers with a high-empathy talent. The task-mentality a top producer has is apparent in how he or she masters the sales process when handling customers or

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referral sources. A top producer sets personal standards of performance that are higher than what his or her own company requires for its sales staff. Top producers are excellent widget-movers, in other words.

What about top managers? Top managers, on the other hand, are basically people-movers. They see each employee who is part of their team as a component of a Rubik's Cube puzzle they are challenged to solve.

Top managers are driven to make their employees better sales performers. They try to raise their employees' performance from one level to the next—which is extremely challenging, as any manager will tell you, because people have different personalities and needs.

"It would be so easy to manage if everyone was just like me," is the response you often hear from many average managers. The best managers realize that the uniqueness of each person is a fact of life they must accept. They know their job is to tap into what makes someone special, and apply that person's particular strength as part of a winning sales process.

From a psychological perspective, the difference between producers and managers can be described in fairly straightforward terms. The top producer shares a strong ego drive and is achievement-oriented. Successful managers tend to be selfless and more interested in others achieving rather than themselves. One is not better than the other—just different.

The truth is, sales organizations need both types of individuals if they are to have sustainable success. Selling requires both task-experts and managing professionals. But it is rare that one person can do both positions well. This is especially true if he or she has not been schooled in what is required to manage well (a training issue) and what is needed to improve personally (a coaching issue). Without training and coaching, managing becomes a trial-and-error process that results in retention and turnover problems.

Are great managers born or made?

The good news is top managers are not born with a perfect set of manager's DNA. If it were a matter of having the right gene pool, great managers would run in families—something we know does not occur.

Instead, what QFS research shows is top managers are successful because they possess a certain set of competencies and learning behaviors that are more commonly called good coaching and communication skill sets. It should be no surprise, then, that communication and coaching abilities are what defines good managing.

The best managers may have been good sales professionals, but they are not necessarily all top producers. They are great managers because of their ability to influence others to achieve their full potential. What is often called "motivating the sales staff" is really about making the most of an employee's natural talent, or what is also called managing to the individual's strengths.

Great managers understand there are many ways to win in selling, and their own particular sales approach is not the only way. Top producers can be focused on imposing their way of selling on their employees, which does not always work for every employee. The best managers have the lowest turnover, highest market share and most profitable teams for a reason. It is a

combination of their competencies and practices.

What are the 10 competencies of great managers?

Competencies are a combination of innate and learned behaviors. The fact that a component of it is learned is critical, because this supports the notion that all managers can improve their competencies and day-to-day managing practices.

The 10 competencies of the most successful sales managers are:

- Driving for results
- Coaching and developing others
- Influencing and persuading
- Decisive judgment
- Managing a team
- Interpersonal communication
- Resilience
- Relationship management
- Continuous learning
- Integrity

The competencies are defined by a set of personality characteristics—typically, anywhere between three or more per competency. For example, the competency for “coaching and developing others” has four personality characteristics commonly associated with the competency. They are: need to be liked; need for recognition; positive about people; and insight.

In the “managing a team” competency, there are seven personality traits associated with that ability. They are: assertiveness; optimism; need to be liked; work pace; positive about people; sociability; and self-reliance. (If you would like to receive a complete list of the competencies, e-mail the author to receive a sample report.)

There are a total of 38 personality characteristics that are linked to the best manager’s 10 competencies. It is important to recognize that some personal characteristics can be an asset in one competency but a liability in another. A hiring manager should look at the totality of the competencies when selecting an individual to be a manager. When candidates are evaluated from a competency standpoint, it removes misguided hiring factors such as their production volume, length of time in the industry, and whether they are product experts.

What are the best practices of top managers?

Competency evaluations involve managers identifying what they need to improve personally. Companies can provide guidance in this area to help managers access their skill sets, or managers can seek third-party assistance. Likewise, companies should educate managers about tactics that translate into being more effective managers by offering training based on the best practices of top managers.

In my firm’s research, we found that the best managers are masters of five critical tactical practices. These are: hiring well, expectation-setting, leading by example and leveraging, positive reinforcement and showing a sales success model (coaching/teaching). We have identified the five as the HELPS management success model.

It is not surprising that *hiring well* is the first of these best practices. It is clear that having the right talent in positions that match their strengths is what determines success. Top managers recognize this and consider making the correct hiring deci-

sions their most important responsibility. Everything else pales in comparison.

There is a set of nine personality characteristics a candidate must possess to succeed in commissioned sales. Top mortgage production managers look for these internal personality characteristics to determine if a person is a match for the hard task of originating loans.

These managers understand the pool of candidates possessing the characteristics is small (roughly 25 percent of the total population, according to Hank Greenberg, president of consulting company Caliper, Princeton, New Jersey). Because the pool of good candidates is relatively narrow, top managers are in the market for sales professionals constantly. Casting a wide net is one of their key strategies when looking for talent.

Top managers see the interviewing process as an opportunity to prevent hiring mistakes—not a time to sell a job candidate on their company. They have a multiple-step process through which they present candidates with opportunities to show their true selves. Interestingly, top managers are also the most likely to train rookies in the mortgage business, because they believe finding an individual with a suitable mentality for being self-employed is harder than teaching the business.

Expectation-setting is a critical practice that lays the foundation for the employee’s accountability. Why are the manager’s expectations so important? Because people have a propensity to achieve what is expected of them. What is noteworthy regarding the practice of expectation-setting is that we are not talking about a manager having high expectations of the employee, but simply having a positive expectation.

A positive expectation is truly believing an employee can achieve, and then communicating that to the individual. It is how the manager’s expectation-setting is communicated to the employee that is all-important. QFS Consulting Group’s research has found communications skills are fundamental to what makes top managers successful, and such skills are even more important than a manager’s ability to reward an employee with money.

When managers complain that employees today are not accountable, the manager is pointing the finger at the wrong person. The real issue is that the manager has failed to communicate his or her expectations by not

giving direction and/or feedback. Accountability is always a two-way conversation between the manager and the employee; it is not just the employee’s responsibility to be accountable. The manager plays an important role in establishing what the employee should be accountable for.

Leading by example is a vital leadership component that employees are looking for in a manager. Being willing to do the same work that the employee is asked to do is part of it, but leading by example requires much more. Top managers realize that talking the talk is not enough; employees want managers to walk the walk in all that is being asked of employees.

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Employees discount the good intentions of their manager; they look for a manager to show the way on what is right in sales both from an ethical and technique standpoint. Top managers know they are role models for their team, and they set the tone for how business is conducted.

Leveraging is at the heart of how top managers achieve excellence because it is how these managers find a way to use their time more effectively. Great managers do not treat all requests for their time equally, even if these requests come from the corporate level. Leveraging can best be seen in how top managers handle how they set their priorities with their producers.

The best managers spend their time with their top producers. Poor producers are identified early and terminated. Holding on to an underperformer is not an efficient use of the managers' time, nor does it set the right tone for the office by tolerating poor performance. The leveraging principle is applied to all of the top managers' responsibilities, including their use of e-mail. They view e-mail as a tool that should not be their top priority. That cannot be said of poor managers who typically would rather e-mail than coach.

Positive reinforcement is a technique that top managers use to ensure sales professionals repeat a valued or new behavior. The most-used reinforcement technique is motivational or developmental feedback given by the manager. The feedback provides a consequence that leads to the behavior being continued until it is adopted or becomes second nature. Top managers recognize that giving personal, frequent and immediate feedback increases the likelihood that a behavior will become a habit.

Without that positive reinforcement, the employee stops practicing the new or changed behavior before results can occur. Average managers think that money is the only reward system that a salesperson responds to, and they do not understand the importance of their giving one-on-one feedback to their producers.

Showing a sales success model involves teaching and coaching sales professionals. Sales professionals learn best when they receive one-on-one training where they can practice in a safe environment. Managers are in the best position to deliver training, because they have more frequent contact with producers than any training department or outside motivational speaker would ever have.

Top managers feel they are teachers first to their sales staff. Similar to a line coach on a football team, the manager's role is to identify what the employee is doing, correcting what is not done right and giving feedback that encourages the employee to continue changing his or her selling techniques. Teaching is the vehicle that top managers use to move their people forward, and it is more active than just being a role model. All great managers are great teachers.

The next step

Today the business environment has significantly changed, and the days of simply riding the wave and being an order-taker are over. The investment market is now asking hard questions regarding the mortgage business: How should origination be conducted, and what should be the alignment of interests in a transaction?

Under the present system, producing managers are left to serve two masters: 1) their own self-interest and 2) the comp-

any's and investor's interests. Too often, self-interest wins out—leaving the company and investor holding the bag.

As Craig Cole, senior vice president and division manager, Union Bank of California, San Diego, says, "This structure can create actual conflicts of interest, or at least the appearance of conflicting interests. This is especially true if the branch manager has oversight over underwriting. I am truly surprised the industry as a whole has not figured this out."

How do we change? In an ideal world, executives could snap their fingers to select and train their managers better. But unfortunately, there is the reality of revenues, margins and profitability goals to be met. It is my view that quality first-line managers are our best defense against fraud and loan losses. Selecting quality first-line managers must move to the forefront as a critical issue for senior management.

There are three steps to addressing the first-line manager's situation:

■ The economics of the producing manager should be faced head-on. The spread of small offices has flourished in mortgage banking because of the prevalence of producing managers. This is no longer a viable strategy.

The reality of supporting a non-producing manager requires the branch be larger and the minimum size of the office be 15 to 20 or more people. Larger offices and fewer branches must be the first step in supporting the new strategy.

"Many companies think that production is king," says Marla Mayne, senior vice president, national retail lending manager, U.S. Bank Home Mortgage, Bloomington, Minnesota. "What really is king is leadership—so you must be willing to do things differently."

Or as Brian Koss, managing partner, Mortgage Network, Danvers, Massachusetts, says, "You need to have patience to take on overhead, but in the end it is well worth it."

■ Adopt standards for selecting the first-line manager. Standards should include reviewing the candidate's competencies and matching them up against the 10 competencies discussed earlier. Doing this involves a more focused interview process, including competency testing. If a top producer wants to be a manager, he or she must also apply and go through the structured interview process, including competency assessment testing.

■ All managers should be required to receive training on the five critical tactical practices of top managers. They should be measured on these practices by having employees rate their manager six to nine months from the completion of training. This process would involve a 360-degree assessment based on the manager's competencies. A 360-degree review would provide important information for the manager to review and pinpoint areas needing improvement.

At the heart of the three steps is a change in thinking required of corporate management. This change will not only better align the interests of all parties involved with origination, but will improve sales performance by hiring and training the best individuals to be excellent first-line managers. **MB**

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