

## Communication

# Benchmarking Industry Practices in Sales HR in India

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*This study reveals that most of the insurance companies are very new and the HR departments are juvenile with recently established HR departments under improvement. Activities like recruitment, training & development, compensation, incentives, rewards & recognition have been undertaken more or less in the same manner with slight differences. The process of performance management has been found to be varying in terms of the procedures, the parameters being the same. The recommendations involve initiatives to improve consultant performance and recruitment quality by improving the testing methods, online training and material implementation, etc.*

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### Benchmarking

The best practice in case of Human Resource Management (HRM) refers to high performance work practices (e.g. training, recruitment and selection, compensation, performance appraisal, industrial relations) that may, in turn, have an impact on firm performance and ultimately on the competitive advantage of the organization (Huselid 1995, Schuler & MacMillan 1984). In general, it has been observed that there is positive relationship between key HRM practices and the performance of the firm (Huselid 1995, Huselid et al.1997). Rodwell et al. (2000) found that benchmarking allows organizations to identify and replicate innovations of the competitor, but competitive advantage requires innovation rather than replication.

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Benchmarking is not a new management tool but has acquired prominence in recent times. Benchmarking encour

ages organizations to carry out self-analysis to find out the most efficient way to attain competitive position by monitoring the best practices of the industry. It is perceived as a continuous process of measuring products, services, and practices against the toughest competitors or those companies recognized as industry leaders (Camp 1989).

Published literature on benchmarking started appearing in a significant way only after the 1980s (Dattakumar & Jagadeesh 2003). Yasin (2002) comments that despite the increasing scope of benchmarking activities and the number of organizations utilizing it, the field remains, to a large extent, without a unifying theory to guide its advancements. The literature on benchmarking has also seen a change in focus from being process oriented in the early days to strategies and systems in the present scenario. Teo (1998) has observed that the ultimate benefit of strategic HRM to an organization is its ability to facilitate contributions to the organization in the acquisition and maintenance of sustainable competitive advantage. One way to achieve improvements in competitiveness is through benchmarking HRM best practices (Camp 1989, Greengard 1995). This is where industries, especially the insurance sector in India, are lagging far behind. There is dearth of research findings as well as neglect of the best HRM practices in the service organizations in India.

### **Insurance Sector in India**

Insurance sector in India was opened up for private participation very recently.

While the Public Sector insurance companies made enormous contribution in the spread of awareness about insurance and expanded the market, their reach was still limited with restricted range of products along with inadequate services to the consumers. It was also felt that the rapid economic growth which was witnessed in the 1990s cannot be sustained without a thriving insurance sector. The sector was, therefore, opened up for private sector participation with provision for limited foreign equity exposure.

### **Insurance Agents**

Insurance agents, referred to as insurance sales agents, help clients choose insurance policies that suit their needs. Clients include individuals and families as well as businesses. Captive agents work for an insurance company, and only sell that company's products. Independent insurance agents, or brokers, represent several companies. Types of insurance include property and casualty, life, health, disability, and long-term care insurance. Many insurance agents also sell mutual funds, variable annuities and other securities.

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Employers prefer to hire insurance agents who are degree holders, particularly in business or economics. They might consider hiring high school graduates with proven sales ability. In

every state, they are required to obtain separate licenses to sell life and health insurance or property and casualty insurance. In most states, in order to become licensed sales agents, they must complete pre-licensing courses and pass state examinations. An insurance agent with ability can advance into a management position, becoming, for example, a sales manager in a local office. Later on one can become an agency superintendent or land in another executive position. Independent insurance agents earn only a commission, while insurance agents who work for an agency or carrier receive a salary only, a salary plus commission or a salary plus bonus. Insurance agents often receive benefits that include continuing education, training to help with licensing requirements, office space and clerical support. An insurance agent might perform some of the following duties:

- Prepare reports and maintain records
- Seek out new clients
- In the event of a loss, help policyholders settle insurance claims
- Offer their clients comprehensive financial planning services, such as retirement planning, estate planning, or assistance in setting up pension plans for businesses

### **Distribution Model**

There are five different distribution channels for Max New York Life (MNYL) and for any insurance company in India.

### **Sales HR**

Sales HR refers to the HR related to the people working in the sales profiles.

#### **Bancassurance**

- Tie Ups are held with different banks and the selling activity happens through the bank counters and the bank gets commission depending on the sales
- MNYL has Bancassurance tie up with Yes Bank

#### **Agency**

- The agents who sell the policies to the individuals are not into the payrolls of the company.
- The agents are recruited by the sales Managers who are the company's employees
- The agents are paid according to their performance in sales and they get an opportunity to get promoted to the sales Manager level and become an employee in the company

#### **Additional distribution**

- The sales process through this channel is similar to the Bancassurance, and tie ups are with industries like FMCG
- MNYL has tie ups with Non Banking and Financial companies like Amway, Pearless, GTMS, Nirmal etc.
- The selling happens through the sales personnel of the that companies and they are provided the commissions based on the sales they achieve

#### **Group business**

- Through the Corporates business channel, the employees of a whole company are insured by the company
- Here the policies are not sold to the individuals but the corporates as a whole
- The Corporate clients of MNYL include Citi Financial, SAIL, Deutsche Bank, India Bulls

#### **DST**

- Sales employees on pay role
- The Direct sales team approaches the customers after getting leads through the telecallers

In the insurance industry which is sales oriented, recruitment, performance management, reward systems etc are very different in sales profiles from the non-sales counterparts. In insurance sales the hit rate of the individual customers would be less and the frontline sales involves lots of travelling, perseverance, convincing and understanding abilities. Very small percentage of people would be interested to take up insurance sale profiles. The compensation would consist of variable pay and commissions more than the fixed pay. The performance is measured in terms of the targets achieved. Although the purpose and activities remain the same for any HR, the process involved and procedures followed would be different for the sales profiles.

Insurance is a sales oriented industry where in the selling activity is different from the general sales activities that happen in other sectors like FMCG, telecom, consumer durables etc. It is an investment for risk management rather than a one-time purchase like other goods.

In insurance, sales HR perspective is more relevant to the Agency Distribution Channel where the sales managers would be under the pay roll of the company, and their responsibility is to recruit agents to work under them and drive the sales. The agents would be working under the sales manager and receive commissions for the sales achieved and they would not be under the company's pay roll. A sales manager's departure from the company would mean that it loses

the business provided by his/her agents also; hence it is very crucial to recruit and retain the right people. All the HR policies are very important and sensitive due to the soaring attrition rates in the insurance industry.

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### The Problem

In the new economy, intellectual assets and human capital of an organization have pushed the physical and financial assets to the back seat. It is only the superior talent that defines and drives an organization's growth, sustenance and market leadership and gives the corporation its winning edge. Conversely, it is the company's ability to float, move and fight that would enable it to attract and retain superior talent and emerge as the winner in this war. With a dynamically changing and volatile demand supply equation, the need for strategizing and putting in place a robust mechanism for attracting and retaining top talent becomes vital for a company's survival and growth. Many companies worldwide are already in the midst of the war for talent. This war is likely to intensify in the coming years. Some have been proactive in preparing themselves to face the war, while some just move with the tide. Most are ill-prepared and almost all companies are vulnerable.

The average cost of replacing a manager or professional is more than their salary. The cost of working around an under-performer runs very high. The cost of consistently failing to attract and retain good talent – including declining productivity, morale, culture and reputation is inestimable. Each vacant position costs a lot to the organization on average. For some management positions, it can easily run into six digits. Attrition is a key problem being faced by organizations across all industries today. This problem is further intensified at frontline sales level. Companies incur huge costs because of employee turnover in terms of recruitment cost, talent loss and loss of confidential business information to competitors in case an employee joins one. Benchmarking is established industry exercise to evaluate one against the best in the market and balance one's own strategies and policies.

### **Methodology**

The study involved collecting quantitative as well as qualitative information on HR practices pertaining to frontline sales staff across the insurance and telecom sector. Primary information was required for which a questionnaire was developed consisting of 80 questions on general and specific HR policies of the

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company for field personnel. The objective was to benchmark against the best companies in the specific industry. Next, interviews were conducted with HR executives/ managers/ heads in person and over telephone.

All the Private players in the Indian Life Insurance sector had been taken as the sample. A few companies from the telecom sector have also been considered to understand the business perspective of sales in different industries. The convenient sampling technique was used for the purpose of sampling the respondents. Data was obtained from seven companies of which 6 were from insurance and 1 was from telecom sector. The companies which responded include Bajaj Allianz, HDFC Standard Life, ING Vysya, Aviva, Tata AIG, ICICI Prudential, SBI Life, and Tata Tele Services. All these companies are located in the National Capital Territory Region, Delhi, India. The data thus collected in a descriptive format were separated into different areas and the points under each topic are summarized in a tabular format. The summarized data has been comprehensively analyzed to reveal the trends in terms of good and innovative practices followed in different companies. These practices are considered for a feasibility analysis of whether they can be followed in Max New York Life.

The existing practices at Max New York Life have been studied by interacting with different people working in the targeted areas. These practices are analysed to find out their effectiveness

and chances of implementing a new practice or changing the working of an existing practice. The practices that are found to be implementable has been explored in detail and framed as applicable to Max New York Life.

## **HR Practices at Max New York Life (MNYL)**

### **Recruitment & Selection**

*Size of Hiring:* The annual manpower planning is done according to the company's strategy of growth. The planning decides the amount of workforce to be hired at each zone. These targets are penetrated into regional, zonal and territory levels and the hiring targets are set for the hiring manager.

*Process:* The targets for the hiring manager are then split into periodic hiring targets and the applicant pool is collected from different sources. The first preference to fill a position is given to the internal job postings and a time of one week is given. After seven days the other sources are requested of and the applicant pool is generated. These are shortlisted and the resumes are sent to the hiring manager. The hiring manager again scrutinizes the resumes and shortlists the candidates for interview and the shortlisted candidates are lined up for interviews. The candidate on clearing the interview goes through a round of interview by the HR and finally gets selected on clearing both the interviews. The back ground and the reference checking happen through a third

party and the date of joining is sent post the reference checking.

*Sources:* Consultants, internal job postings, portals, referrals. Higher proportion of the pool comes from direct and referrals and a comparatively lesser proportion from portals and consultants. The referral process is cheaper and more efficient in terms of conversion ratio. The source does not change by region but varies according to the designation and band of the position to be filled.

*Tools & MIS:* Competency based evaluation sheets are prepared for every band. These are used as a kind of reference formats to conduct the interview. The formats for data recording are maintained at the individual level by the recruitment team and the format differs from individual to individual. The recruitment status at different offices is maintained in a central data base.

*Cycle time:* The cycle time depends on various factors – resource crunch at a particular time, region for which the recruitment is happening, position which is being filled.

*Consultant activities:* Periodic meetings happen with the consultants to address the company's need and match the consultant's performance with the company's strategy. The Portals provide some training to the recruiting team on the efficient portal usage methods.

*Referral improvement schemes:* The referral schemes being the most efficient

are highly promoted in the organization by giving referral bonus to the employees. There are gift schemes where in the number of recruitments from the reference of an employee fetches different kinds of gifts and gadgets like mobile, audio systems.

### Performance Management Systems

The performance review at MNYL happens once in year. The performance review is done on four different parameters, namely G, M, P, and R. All the four ratings are given by both employee and the supervisor. These ratings are both objective and subjective which implies there might be differences between the self and supervisor ratings, any difference of more than two ranks (e.g. 2 by employee and 5 by supervisor) would lead to a moderation by the appraisal team. The details of the appraisals of all the individuals are uploaded every year in the Online Portal called 'CafeHR'.

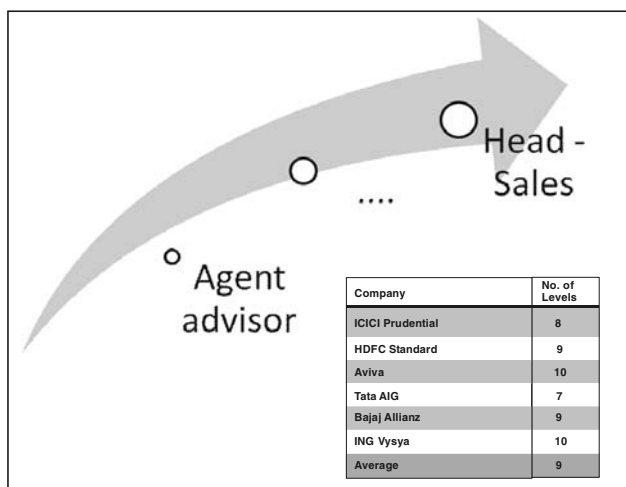
### Training and Development

The Training is ISO certified and hence everything under the T&D is done according to the ISO Standards. At MNYL, there is a Talent Management Plan wherein every supervisor would nominate their

employees needs regularly, and the trainings are planned consolidating the reports from all the supervisors. Every employee's career development plan is maintained individually in a specified format which has details such as employee's designation at joining, designations as on end of every year, trainings undergone, and incentives obtained each financial year, awards and recognition, developmental plan, developmental areas. After every training program, the feedback is taken again in the ISO format from every participant and a consolidated score is calculated. All the trainings that happen at any location all over India get collected at the head office and a monthly report is prepared that includes the list of trainings, number of participants in each training, score, trainer details, amount, location and training man hours covered.

### Career Path

On an average there are nine levels from an entry level sales designations to the highest sales profile of head sales. The number of levels varies from 8 to 12 across different companies in India. Some of the designations are actually redundant with re-



spect to the job profile and responsibilities. The following table gives a comparison of the levels of succession in different companies.

**Best Practices across Industry:**

Company	Best Practices
Bajaj Allianz	The target pressure is high at the branch manager level and lower at the agent and sales manager levels leading to the high performance of the company
HDFC Standard	The managers are paid higher than the industry average leading to higher retention
ICICI Prudential Tata AIG Aviva	Sourcing factory for recruitment Talent Management model Quarterly reviews and competency model based evaluation
ING Vysya	The supervisors are held completely responsible for the mentoring, target achievement and training

**Bajaj Allianz**

Bajaj Allianz is one of the top performers in the recent times in some states in India. The HR department started taking its shape only after 2006 with HR executives at every branch. A great success in the performance even with out a separate department to take care of the HR process resulted from the company's way of treating the employees. The front line sales people, the agent advisors who are the prime business providers have been given the autonomy in terms of choosing their office, maintaining the office and the procedures. It was taken care that the Agent advisors are not blamed for any performance flaws and they were always kept happy. The target pressures were high at the upper managerial level.

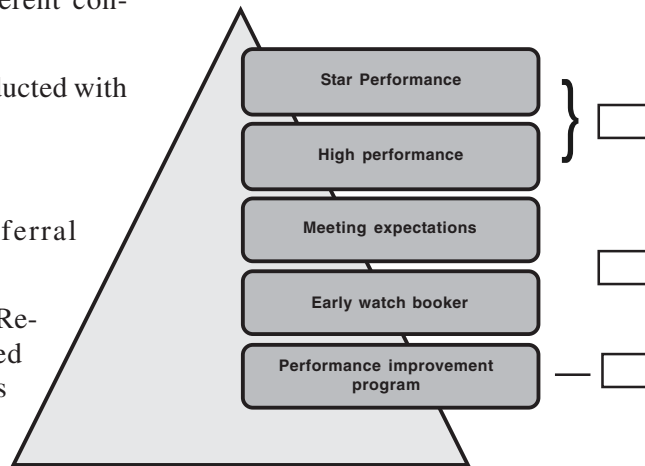
**ICICI Prudential**

The sourcing factory at ICICI Prudential is a separate entity for the recruitment of the sales managers in particular. It works in four different channels

- *Pinnacle* :
- ✓ Pinnacle is to convert the agent advisors who are the off role employees into managers who would be present on the pay roll of the company
- ✓ This program is promoted by a separate wing called the Channel Development Wing
- ✓ The Channel Development Wing gives presentations about the insurance sector and the prospects in different colleges and encourage more number of people to join
- ✓ Since the agents already know about the company and the kind of work, people who willingly get promoted to managers would stay for a longer period in the organization and will show their results earlier, hence this kind of recruitment would be more effective in terms of retention

- *Consultants:*
  - ✓ ICICI Prudential has good relationship with more than 300 consultants
  - ✓ To improve the quality of recruitment the consultants are encouraged to provide them with candidates more suitable to the profiles.
  - ✓ The consultants are divided into four different clubs – Platinum, Gold, Silver and bronze depending upon their performance and they are awarded different benefits according to the club membership of different consultants.
  - ✓ Regular meetings are conducted with the consultants
- *Talent @ Hunt:*
  - ✓ This refers to the Referral scheme of recruitment
  - ✓ Through this program the Referral scheme is improved with different initiatives like contests and bonuses
  - ✓ Regular presentations are given to the employees describing the company's requirement and expectations regarding the referrals
- *Campus Recruitment:*
  - ✓ Management graduates are recruited from the B-Schools into three different kinds of profiles
  - ✓ Graduates from Tier - I institutes are absorbed as Management Associates
  - ✓ Graduates from Tier - II institutes are absorbed as Management Trainees
  - ✓ Graduates from Tier - III institutes are absorbed as Agent advisors
  - ✓ Apart from the normal campus recruitment, customized insurance management programs are conducted in sponsorship in tie up with different management institutes and the candidate are directly absorbed into the company after testing.

These kinds of programs are the first of its kind in the insurance industry



**Tata AIG**

Tata AIG follows a Hay Model for talent management. The work force is divided into four different categories depending on their performance and capabilities.

According to this program the performers in the bottom ten percent are sent for a training program and their performance is continuously monitored to ensure progress and make sure that the employee is retained

This program helps the company in many ways including:

- Employee motivation by helping them improve at the company's expense
- Performance improvement of the employees contributing to company's productivity

### **Recommendations**

#### **Recruitment**

1. Insurance is one of the sectors where selling competencies are crucial. The candidates being recruited for the frontline sales and the sales managers should have the capability of working under stress in terms of target pressures and need perseverance to stay. Apart from these many more competencies are required to work in the sales field. Many of the required competencies could be tested directly using psychometric tests. Conducting a psychometric test would ensure that the required competencies are present and the evaluation being done uniformly. If these competencies are tested in an interview there are chances of subjectivity and would take time. Conducting a psychometric test would highly reduce the time required and would result in a reduction in the overall cycle time of recruitment.
2. The number of management schools is growing rapidly and the talent crunch along with that. Insurance being a fast growing industry prom-

ises a large growth and this would act as a very good promoter for the students to chose a career in insurance. In this context MNYL can have tie ups with some institutes to conduct a management course customized for the insurance industry. The program can be a kind of sponsored one where in about 50% of the fees are paid by the company itself and absorbs all the candidates into the company after the course after conducting an assessment centre.

3. The consultants are one of the major sources for recruitment, the quality of the candidates in terms of the profiles can be improved by making the consultants aware of expectations and rewarding those who contributed more would encourage them to perform even better and the others to get recognized. Since the attrition rate is very high and competition is increasing by day it is very difficult to find the right candidate and make them stay longer in the company.
4. Recruiting through referrals is one way in which the costs are less and the retention is high since the candidates already know about the company and the work environment from their referrers and would enter the company only when they are willing to accept.
5. It would take certain time to any new joiner to get accustomed to the company, in understanding the business and the procedures. Until an employee settles down in the business,

he would not be able to contribute to the business. Forcing to meet targets in the initial days will put the employee under lots of stress and difficulties. A settling time of first 2-3 months would allow the sales managers to recruit their agents and get accustomed where as the target pressure would make the employee feel stressed and paves way to leave the company.

6. There are a lot of good things in the company like training, open culture, facilities etc. These good things are very much successful in bringing people back to the company even though they leave for various reasons. Re-hires would know a lot already about the company and hence the retention would be high.
7. A recruitment tracker where in the details of the resumes and the candidates are maintained in a centralized data base and accessible simultaneously to the recruitment team would be very useful in terms of data retrieval and process standardization

### **Training & Development**

8. Online trainings are more extensively in the recent times. The number of training that happen are high in insurance which are majorly on the products which are more of a repetitive kind can be imparted simultaneously to large number of employees using online tools. This onetime expense would result in lot of savings as time progresses and standardizes the training content and reduces human errors

that can creep if a trainer is being considered for every training.

9. The employees need to revise the contents of different trainings and get their doubts clarified when ever needed. If the training content could be made available to everyone through their terminal, it would ensure that the knowledge is accurate and up to date that would help provide better customer service.
10. A mistake in the information provided to the customer would greatly affect the company's reputation and the knowledge levels need to be tested and assured that the imparted trainings are effective in solving their purpose. Refresher sessions could be conducted by the supervisors on a regular basis and quizzes with a minimum mandatory cut offs.

### **Performance management Systems**

11. The performance of the employees which is being monitored once in a year should be made more frequent in order to counsel the employees depending on their performance. More attention would also help in retention.
12. The retention of the agent advisors highly depends on the sales managers. Most of the attrition happens due to the ill-treatment from the managers and target pressures particularly in the insurance industry. Ability of the manager to motivate support and encourage the agents should also be included in the performance ap-

praisal criteria so that the attrition can be controlled and the performance can be improved

13. 360 degree feedback system for senior manager and above level people is needed. As the seniority level increases the responsibility of managing subordinates gets added up along with the target achievement. The performance hence is not only dependent on the business contributed but also on the subordinate productivity and retention.
14. A competency model which defines the core and role specific competencies will act as a basis to prepare the recruitment criteria, performance assessment parameters, training need analysis. It also ensures that all these systems are in synchrony with the same underlying skills being targeted.

### Attrition

15. Attrition being one of the major problems in the industry may occur due to more than one reason. Some of these reasons could be overcome by planning improvements. Understanding the reasons for people leaving the organizations would be the pre-requisite for that which can happen through Exit interviews. Many employees in the organization leave without any interaction with the HR or their supervisors. It should be made mandatory that it's the supervisors responsibility to conduct the exit interview either by himself or through HR. Personal Exit interview may not be possible every time and

hence the exit interview can be conducted on phone and hence there should be proper database maintained with the contact information taken at the time of joining and updated time to time.

16. There is a mandatory percentage of the targets which if not achieved for three consecutive months would result in the expulsion of the employees. By reducing the percentage of this target achievement level the number of employees who fall under the expulsion band would decrease resulting in lesser attrition. More over that will motivate the employees that their employer is very considerate and as a result the performance would improve, also the stress levels would decrease facilitating them to perform better.

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