Too few or too many?

by Mark Blessington and Judy Canavan, February, 2014

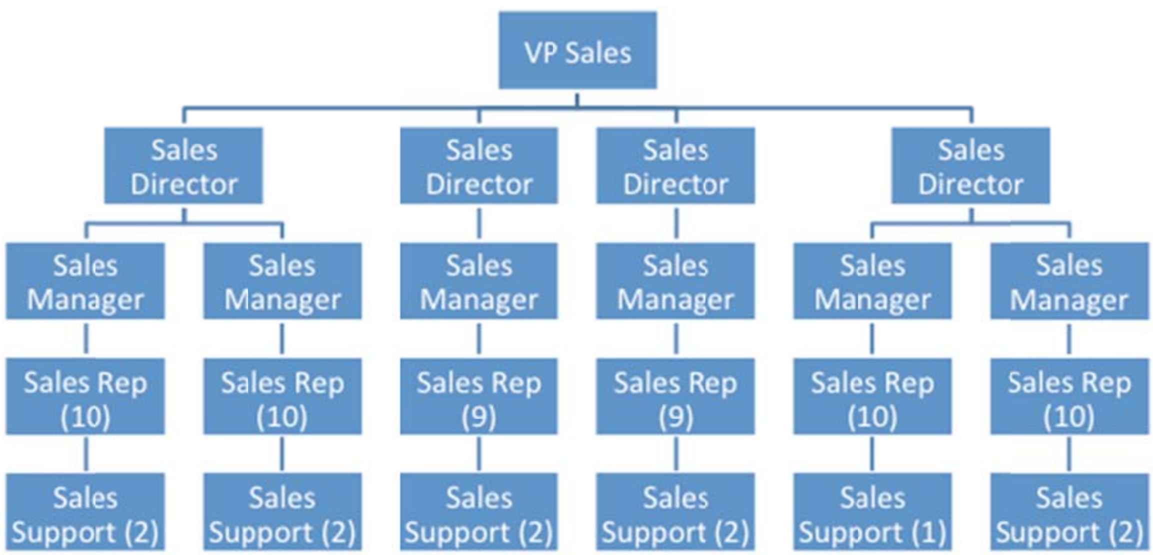
In a recent survey of sales forces in the health insurance industry,[1] the average health insurance sales organization is divided into five levels: VP Sales, Sales Director, Sales Manager, Salespeople, and Sales Support. Based on our analysis of the survey findings, we find reason to question whether there are too many field sales managers, and whether there are too few sales support personnel.

Our focus in this short article is on three questions:

1. How are health insurance sales forces structured below the Sales VP?
2. What is the typical span of field sales managers[2] to salespeople?
3. How many salespeople are typically supported by a single sales support person?

VP Sales Organization

The average number of Sales VPs for all companies in the survey is 2.7; large companies[3] average 5.8. On average, each Sales VP has an organization of almost 80 people: 4 sales directors, 6 sales managers; 58 salespeople, and 11 sales support roles. An example is provided below:



The organization chart assumes all salespeople report to sales managers, and all sales managers report to sales directors. For any given company, this practice may or may not be

[1] *2013 Health Insurance Industry Sales Force Compensation Survey* conducted by Judy Canavan, HR+Survey Solutions, www.hrssllc.com

[2] Field Sales Manager = Sales Directors + Sales Managers

[3] Over $10 billion in revenue.

true. But the overall headcount per title reflects the typical sales organization structure under a VP of Sales in a typical health insurance company.

Field Sales Management Span of Control

The survey average is 5.7 salespeople per every mid-level manager.[4] This span is quite low relative to the cross-industry best practice target of 8 to 8.5 salespeople per sales manager.

The field sales management span of control improves to 6.8 for large companies with premiums over $10 billion. This is still significantly below the target of 8 to 8.5. Since these large companies have an average of 57 field sales managers, adoption of the best practice span would result in a reduction of somewhere between 9 and 11. Not an insignificant cost.

One possible explanation for why field sales management spans are low in the health insurance industry include:

- Multiple sales roles: The four most common sales jobs are: New Sales, Account Manager (renewals), New and Renew, and Inside Sales. In contrast, many sales organizations have two basic roles: Geographic Account Manager and Named (Key/National/Global) Account Manager. There is a tremendous difference between account renewal and new account sales in health insurance. This may push spans down, and the higher cost may be offset by higher productivity from specialized managers for each sales channel.
- Multiple Channels: Health insurance sales channels include selling to individuals, the government and corporations. The span of control varies significantly by channel:

Sales Channel	Reps per Manager
Individual	10.5
Group Sales	6.7
National/Major Accounts	5.3
Medicare	2.0
Federal (FEP)	1.9

- Recent industry upheaval: Sales managers may be spending much more of their time directly involved in the sales process, particularly during renewal presentations to large accounts.

Sales Support

On average, our survey indicates there are 5.5 salespeople per sales support person. For the large companies, this ratio drops a bit to 5.1. One of the most heavily populated and

[4] Calculation: Average number of salespeople per company ÷ (average number of sales directors + the average number of sales managers per company).

therefore most costly positions in an insurance company is the sales role. When salespeople are more productive in terms of renewals or new sales per person, there is a significant impact on profitability. Well-designed sales support roles increase sales productivity. Conversely, when sales support people are assigned to too many sales people, their effectiveness declines, as does sales productivity.

While we have no conclusive indication that there are too few sales support people in health insurance, we often see an unfortunate “penny wise, pound foolish” dynamic: companies are skimping on sales support, and inadvertently hindering sales productivity and overall profitability.

Conclusions

We leave you with two suggestions: First, look for opportunities to increase your field sales management span of control. Second, look for opportunities to increase sales productivity by staffing up in sales support. Stated another way, ask if profits might increase by trading some of your field sales managers for a few additional sales support personnel.

About the Authors

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