

TOOLS



To build agency revenue, profits and value.

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Developing a Strategic Business Plan

A traveler without a map or route guidance will simply wander. The same is true for an agency without a business plan. In this TOOLS article we will discuss how to develop a strategic business plan.

Strategic Planning

In its simplest form, strategic planning is: (1) assessing your agency's current situation; (2) identifying your agency's strengths, weaknesses, opportunities and threats (SWOTs); (3) collaborating to decide what objectives you want to achieve in the next 3 to 5 years (to capitalize on the strengths and opportunities and to address the weaknesses and threats); and (d) mapping a course to get from here to there. The plan should be as simple as needed based on the agency's size, complexity and your vision as owners. For agencies with owner/ managers having an aggressive growth vision, a robust plan is appropriate. For agencies with owner/managers having a less aggressive vision, a less robust plan may be appropriate. Finally for agencies with owner/managers who are mostly focused on slowing down and cashing out, a perpetuation-focused plan may be appropriate.

Situation Analysis

In advance of any planning session with owners and managers, a member of the management team should develop a brief bullet point summary of the current situation. This should include: (1) the agency's past performance versus key benchmarks and objectives; and (2) what is going on in the external environment (renewal pricing, industry and economic trends, competition, etc.). This analysis should be shared in advance with the key people who will participate in the planning session.

The Planning Session

The planning session should begin with a brief discussion of the current situation and then move on to a round table discussion of the agency's SWOTs. As strengths and opportunities are identified, explore how the agency might take action to capitalize on them. As weaknesses and threats are identified, explore how the agency might take action to address them or reduce their effects. Through discussion, identify a few foundational strategies that will drive the agency forward the most and flesh-out supporting objectives to execute those strategies. Overall financial objectives should then be developed for each of the years in the plan. After the session, the plan should be documented in writing. The best plans are usually kept simple and focused.



Sample Strategic Plan Format

A common format for your written plan would include: (1) cover; (2) table of contents; (3) mission statement for the public; (4) vision statement for your employees; (5) core values (optional); (6) current situation; (7) revenue/financial goals; (8) foundational strategies; (9) action plans; (10) exhibits (optional).

Mission Statement

A sample mission statement might look something like this, “ABC Insurance Agency is dedicated to continuing its position as a leader in providing quality insurance, employee benefits, and financial services products & risk management solutions to businesses and individuals through a team of highly trained professionals sharing a tradition of integrity and service to our clients.”

Strategies and Action Plans

The following are hypothetical foundational strategies: (1) grow internally through adding high potential producers annually and increasing the effectiveness of sales management and sales processes for new and existing producers; (2) grow externally through making a strategic agency acquisition every 3 years; (3) increase efficiency of personnel as measured by industry benchmarks for productivity through establishing standard processes to maximize utilization of technology. Strategies and objectives should be established following a consistent format. The following are partial excerpts from typical action plans for various critical success areas.

Revenue

Increase revenues organically from existing producers, account managers, new producer hires and inorganically from strategic acquisitions.

Revenue		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Establish Defined Sales Process <ul style="list-style-type: none"> • Disciplined Referral Generation • Pursuing Leads Linked to Agency • Warming Up Leads & Setting Diagnostic Appointments • Solutions Proposals • Account Rounding & Requests for Referrals & Testimonials 	MP	6/1/14
Centralize Lead Pipeline in TAM <ul style="list-style-type: none"> • Reassign Orphan Leads • For “A” Leads, Enter Next Steps & Diary all for Follow-Up 	KB	6/1/14
Establish List of Monoline Leads for Disciplined Crossselling <ul style="list-style-type: none"> • Create Process • Launch the Initiative 	JS	6/1/14



Financial Condition

Improve profitability, liquidity, and agency value through establishment of benchmarks and a financial dashboard for monthly monitoring of key financial performance ratios.

Financial Condition		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Annually review expenses, by line versus peers using IIABA Best Practices data. Seek expense cuts where favorable variances exist.	MP	4/1/2014 4/1/2015 4/1/2016
Establish goals to increase working capital to 30 days of expenses <ul style="list-style-type: none"> • 10 days working capital by _____ • 20 days working capital by _____ • 30 days working capital by _____ 	MP	<ul style="list-style-type: none"> • 6/30/2014 • 9/30/2014 • 12/31/2014
Establish new more cost effective producer compensation plan for new hires		
Establish goals for pre-tax profit margin <ul style="list-style-type: none"> • 10% of revenue by _____ • 15% of revenue by _____ * 20% of revenue by _____ 	MP	<ul style="list-style-type: none"> • 12/31/2014 • 12/31/2015 • 12/31/2014

Efficiency & IT Utilization

Improve operational efficiency through greater standardization of efficient practices & processes, utilization of technology and movement towards a virtually paperless environment.

Efficiency & IT Utilization		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Establish SBU for accounts that required no producer involvement <ul style="list-style-type: none"> • Rank account in descending order of commissions • Decide cut off point under which producers get lower or no renewal commissions 	KB	4/1/2014
Establish standardized CL procedures for <ul style="list-style-type: none"> • New business by _____ • Renewals by _____ • Changes by _____ • Cancellations by _____ 	PS	<ul style="list-style-type: none"> • 2/1/2014 • 3/1/2014 • 4/1/2014 • 5/1/2014
Explore underlying reasons that producers are doing tasks CSRs should be handling <ul style="list-style-type: none"> • Identify the problems by _____ • Communicate correct handling to producers and CSRs by _____ 	JL	<ul style="list-style-type: none"> • 2/1/2014 • 3/1/2014



Organizational Structure

Enhance Organizational Structure to enable more delegation of responsibilities from owner producers to middle management and to free-up all producers so they have more time to sell and strengthen relationships with top accounts.

Organizational Structure		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Announce Joe Smith's promotion to sales manager	MP	3/1/2014
Announce Mary Jones promotion to operations manager and consolidation of all support staff under office Manager	MP	3/1/2014

HR Development

Improve Human Resource Development & Training with special attention to producer recruiting, on-boarding, training, mentoring and validation monitoring.

HR Development		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Establish producer training plan including <ul style="list-style-type: none"> • Orientation plan by _____ • Skills inventory by _____ • Product training by _____ • Mentoring assignments by _____ 	JS	<ul style="list-style-type: none"> • 6/30/2014 • 6/30/2014 • 7/31/2014 • 7/31/2014
Revise validation schedules by _____	JS	1/10/2014

Differentiation

Increase differentiation from the competition by capitalizing on specialty expertise in key industry segments and by enhancing risk management service plans, quality assurance report cards, stewardship reviews, risk management workshops and newsletters.

Differentiation		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
Establish & release client service surveys to VIP clients	MJ	2/1/2014
Identify & communicate key components of risk management service plans to producers: Steps are: <ul style="list-style-type: none"> • Identify loss exposures • Implement strategies to mitigate loss exposures • Establish monitoring 	JS	7/1/2014
Create model for mid-year stewardship reviews	JS	8/1/2014
Create model for quality assurance report card and introduce to all producers for VIP accounts (i.e. we committed to do the following here is how we did)	JS	8/1/2014



Perpetuation

Plan for the orderly transition of 2 owners who will both reach mandatory retirement age within 5 years.

Perpetuation		
OBJECTIVE	RESPONSIBILITY	TARGET DATE
One on one meeting and next steps establishment for partner #1	MP	9/1/2014
One on one meeting and next steps establishment for partner #2	MP	10/1/2014
Establish timetable for action and assess cash needs for a smooth transaction	MP	11/1/2014

