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PERFORMANCE GROUP

Be Productive and Exit in Style

By Larry Linne

I don't remember a lot of what I was taught in my classes in college. It was a long time ago and I am not even sure they were teaching anything that has much of an impact on today's business world. However, one item I learned that would stand the test of time came from my economics class. My economics professor asked us to research how The New Deal stimulated the economy from 1933 - 1938.

All of the class looked at the *obvious* and explained how the stimulus of dollars into the economy created cash flow to create jobs. Those jobs created spending that created other jobs. It's a principle that is still considered a method of stimulating economy in modern politics.

My professor quickly explained to us that the New Deal was one of the most effective economic stimulus strategies in world history. But, we were completely **wrong** as to why it created such a great result. He showed us that inserting dollars into the economy ends with the second or third level of spending, then you find yourself in the exact same place as before.

The answer, he told us, was **Productivity**. He said The New Deal invested in roads, airports, machinery, technology, railroads, and infrastructure to create more productivity. Yes, it gave an immediate stimulus. But, the increased productivity of America shifted us into a world power in business. We could get to commerce quickly, transport faster, and manufacture things quicker. Some people were furious that the New Deal actually eliminated jobs. However, investing in new machinery that replaced humans typically added numerous additional jobs in machine repair, machine sales, and distribution channel growth.

He went on to teach us that the "economics of business" were very much the same. If you want to stimulate growth and increase company value, it is typically done through increased Productivity, not just a marketing event or new sales system. Sounds simple... right? Well, the lack of simplicity is what keeps me in a job. It isn't easy and most don't even know productivity is what they are working toward.

Remember this article is about internal perpetuation and exit planning. So, if a business owner wants to exit a business in style, the owner must grow free cash flow. That means they must consistently grow the profit. Our company identified 64 areas that have a direct or indirect impact on the long-term growth of profit in an insurance agency. When we work with most insurance agencies, they want to throw

money or strategies at these areas (if they know what they are in the first place). They tend to get short-term results or no results at all. This is because they are not looking at those areas and addressing productivity.

I can't go through all 58 items in this article. However, I will finish by giving you 5 of the most powerful productivity improvements an insurance agency can implement. These 5 items will dramatically increase the chance of successful internal perpetuation and increase the return for the owner.

Productivity #1 – Agency CEO is Productive

When I analyze an insurance agency this is one of the first things I want to know. Does the CEO spend 80% or more of his time doing what he does best? The leader sets the tone and pace of the organization. If the CEO is mired down in detail, operations issues, and frustrating items that don't bring results, then others will mirror it in the organization. When I wrote the book "Make the Noise Go Away," I was addressing this specific issue. When CEO's do what they do best, it usually results in high dollar growth and profit. When they get into all the stuff they aren't great at doing, it causes the rest of the organization to be less productive. Our top 5 clients have CEOs that are the envy of the industry in personal productivity. They spend the majority of their time doing what they do best.

Productivity #2 – Purposeful Prospecting

I am shocked at how few organizations require a complete business plan from Producers. A business plan should include the *exact* number of prospects needed to reach their production goal (among many other things). After setting the number, they need to put names to the number of prospects and determine which months they are going to contact them to start the sales process. If a Producer isn't this purposeful, they are going to be stuck in random and reactive sales. I want my Producers to know who they are going to initiate contact with in every month of the year prior to the start of the year. They will modify, add, delete, and adjust through the year. But, if they don't start with something, they **will** make fewer calls than they would have made with a purposeful plan. The biggest difference between an extremely successful Producer and an average Producer is typically how productive they are with prospecting and with clients.

Productivity #3 – Highest and Best Use of talent

The industrial revolution really messed us up as entrepreneurial businesses. We have to break free from many of the principles used in the early 1900s! Job descriptions and duties based on job titles were a standardization method of productivity in manufacturing. However, this standardization causes productivity loss in non-manufacturing businesses. We need to dump job descriptions based on titles and start looking at our people from a position of highest and best use of talent. If someone is really good at technical writing and is an amazing Account

Executive, then make sure this person does all your technical writing on your web site and presentations and does AE work. If one of your staff is an excellent project manager, let them manage the major projects in the company and do whatever else they do that brings high value. Most organizations I observe have 90% of their people working at 50% (or less) of their time, doing what they do best. Our business needs small monthly job duty adjustments to make sure our people are in their highest and best use of their talent.

Productivity #4 – Use of AEs to Support Top Salespeople

Producers who can consistently produce strong six-figure new business income are hard to find. However, I have seen them in just about every market in North America. When we get one of these Producers, we have to capitalize on that talent. If we allow them to get bogged down with a big book of business, it hurts them and the agency. Placing a strong Account Executive on that Producer's team will create great retention and allow the growth to offset the additional expense. This model has proven itself to be a growth and profit model that is much better than purchasing an agency, hiring new Producers, or acquiring experienced Producers.

Productivity #5 – Create Intrinsic Motivation

Carrot and stick models are NOT working. We have been teaching people to move away from these models for about 8 years now. We live in a new world of employees. People are not as motivated extrinsically as they were in the 1990s. People are looking for purpose, contribution to something big, internal satisfaction, and they want to make a difference. Find what drives your employees on an individual basis.

I watched 16 people work harder than they have ever worked on an Africa mission trip in 2014. After the 17 days of intense labor I asked these business people why they worked so hard. They didn't have a boss, performance objectives, employee feedback, job descriptions, a carrot for success, or a stick for poor performance. They all were doing the work because they knew it made a difference for themselves and for others. Our industry serves numerous amazing purposes. We keep companies in business when they have losses. We save lives through stronger risk management. We provide money to widows and children when someone loses their life. We provide health strategies to help people become healthier and live better lives. I could go on. Bottom line, we do something that is valuable. It is our job to help our employees see the difference they are making and motivate them on an individual basis.

Internal perpetuation isn't easy. Growing revenue, increasing free cash flow (profit), retaining clients, use of automation and technology, people development, prospecting, and about 50 other items have to be done well to exit a business in style. It won't be done with a new sales system. It won't be accomplished with a

new compensation program. The answer, as my college professor taught, is finding Productivity in all things.

An organization that can connect productivity to all aspects of the business will have a great chance of internal perpetuation and a highly successful exit for the owners when they are ready to leave.