



4.3 Strategic Planning

The Four-Levels of Business

*Building a Solid Foundation for
Your Business and Your Life*

ContractCoach, LLC.

www.ContractCoach.com

281-752-6565



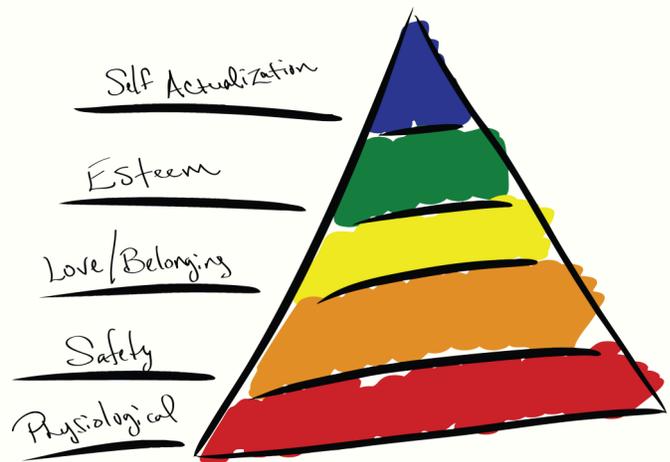
Maslow's Hierarchy of Human Needs

In 1943, Abraham Maslow introduced us to his now famous pyramid appropriately called, Maslow's Hierarchy of Needs. In his theory, he depicts a hierarchical view stating that even as infants, there are certain needs that need to be met before we can progress to the next level. When a need is not met, the individual will desire or crave that need until it is satisfied. Unfortunately, in many instances, the need is never satisfied and thus, we cannot reach our full potential. However, if all needs are met, we have reached the highest level (Self-Actualization) and are free to focus on the needs of others.

As a Field Auditor, Jeff Hastings had the unique opportunity to review and evaluate over 120 insurance agencies. During these audits, he reviewed not only their accounting practices, but also their production, business practices, employee duties and income. It was not until he left his position as an auditor and went into sales management that he fully understood how world-renowned psychologist Abraham Maslow's belief that humans must meet basic needs before they can satisfy successive higher needs related to the business development. In short, Maslow wanted to understand what are the primary motivations of people at certain stages of their life. It was believed that motivation was driven by our unconscious desires, but not much was understood about why the desires existed in the first place.

Similar to Maslow's Hierarchy of Human Needs theory, we believe there are four distinct levels in small business development. To illustrate our point, let's look at Maslow's chart on the right.

The pyramid is divided into five (5) needs: Physiological, Safety, Love/Belonging, Esteem and Self-Actualization (where all basic needs have been met). Maslow believed every person is capable and has the desire to move up the pyramid; however, progress can be disrupted by failure to adequately fulfill the lower need. Life experiences such as divorce, job loss and tragic events may cause an individual to fluctuate between levels.



So, how does this relate to small business, you ask?

At ContractCoach, we believe your business is a living entity in which the higher needs cannot successfully come into view and be met until the lower needs are satisfied. The lower needs represent the foundation of business development process. If you built your business on a solid foundation and successfully progress through each level, you will be able to achieve what we call *Small Business Actualization*. In this stage, the business owner has created a business that adds to his or her life, instead of taking it away.



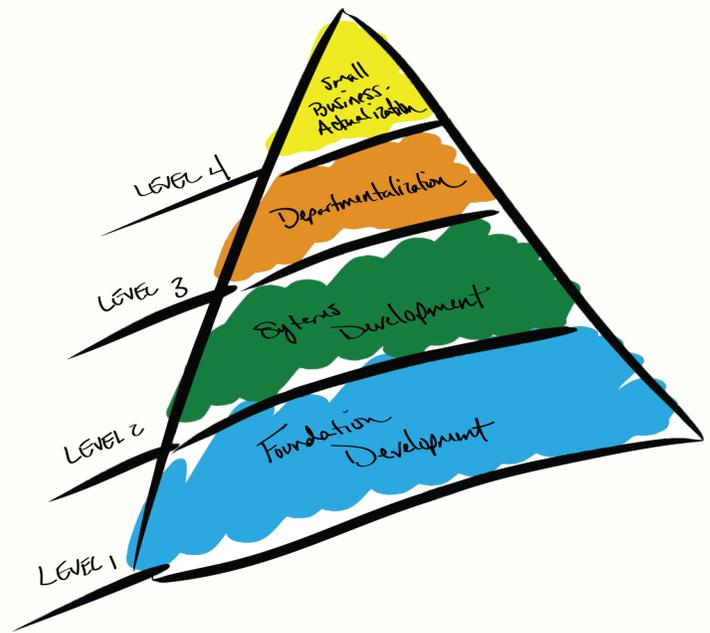
Hastings Hierarchy of Business Development

In order to reach a higher level, the business must first develop a strong foundation which includes:

- The development of your personal and business objectives. Define what it is your business is going to do for your life.
- A well thought-out and structured business model. Determine how your business will be structured to allow you to express your passion through your work.
- A clear market strategy with a viable market segment for your product. Understand who your potential customer is and why they would buy from you. What is going to make you different from everyone else?
- A clear budget for your financial needs to get your business up and running. Spend money on things that will make you money. When cutting costs, don't cut advertising and lead services which create revenue for your agency.
- Written job descriptions for every position which will be filled even before the employees are hired. Understanding this will continually be a work in progress, you should at least have the templates formed and ready to go which spell out compensation, benefits and minimum expectations. When you get this right, you will always be on the lookout for your next employee!

Each of these steps will help you create a blueprint for your new agency. Completing these steps is not easy and will take some serious effort; however, if you fail to do so, your business will undoubtedly take control of your life.

Hierarchy of Business Development

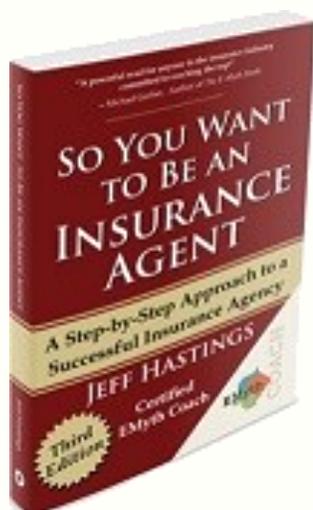


Imperative Traits

The following traits are indicative of business owners who have created Small Business Actualization:

- ◆ They embrace the facts and realities of the marketplace rather than denying or avoiding them.
- ◆ They are spontaneous and quickly adapt to change.
- ◆ They are creative and see an opportunity in every market shift.
- ◆ They are interested in solving problems, and it is often the focus in their product development.
- ◆ They appreciate life and run their businesses rather than letting their businesses run their lives.
- ◆ Their businesses run by systems which are fully internalized and inter-dependent.
- ◆ They view all things in an objective manner.
- ◆ They spend 85 percent of their time on strategic initiatives and 15 percent on tactical ones. Tactical plans are carried out by the high level employees in the agency, freeing them to work on the direction of the business.
- ◆ They have less stress and enjoy the fruits of their labor because they are able to work on the part of the business they enjoy while leaving the work they dislike to subordinates.
- ◆ They take full responsibility for their own success and failures throughout their career.
- ◆ Their small business gives them the freedom to enjoy more life instead of controlling their life.

As a small business owner, it is up to you to determine where you are now and, more importantly, where you want to be. Let's take a closer look at each level as it relates to insurance agencies.



[Click to find out more.](#)



Level I: Foundation Development

There are four essential steps in building the foundation for your Small Business Actualization. Each step is interdependent and will change as your business matures. The failure to complete any of the steps noted below will make it difficult, if not impossible, to successfully move to the next level.

Step 1: Create Your Vision

As discussed in the previous chapter, you must clearly visualize what you want your agency to look like when it's complete. Every year I sit down with my insurance agents and ask, "Where do you want your agency to be in five years, and what are you going to do this year to get there?" I'm blown away by the number of agents who have no idea how to respond.

"This is *YOUR* business," I tell them. "As a business owner, don't you think it is extremely important to know what you are striving for?" They of course answer "yes," but because of bad habits, few veteran agents ever go back and complete the processes necessary to create a business that truly works. They continue, "You don't understand, Jeff. I've been in business for ten years, and I can't simply go back now and recreate all of the systems I have in place." Although this statement is not true, I do understand the complexity of the situation. In the following years, I find myself in similar conversations with the same agents, about the same problems and the same frustrations that never seem to end.

As a new business owner, I cannot overemphasize how important it is for you to complete all four of these steps early in your career. As you read this book, you should already be visualizing your perfect business. Once your vision is clear, you need to create your business plan so you can clearly communicate your vision to your team.

Step 2: Business Plan Development

Your business plan should be a living, breathing document that changes over time. During the early stages of your career, even before you write your first insurance policy, you need to construct the framework of your business plan. If your company does not provide you with one, I suggest you purchase a business planning software package to help you get started. I've provided a sample business plan for you to review in Appendix B.

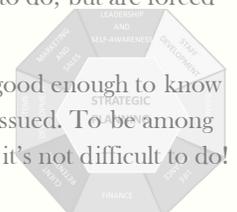
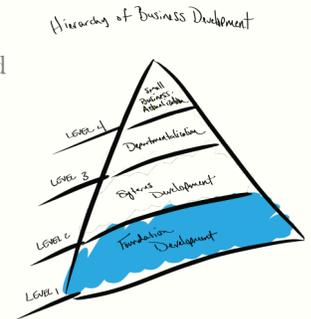
Step 3: Business Differentiation

More than just being different, business differentiation identifies how your products or services consistently meet the needs of your target market. Insurance products are similar in nature. There are plenty of good companies out there, your customers are going to make their buying decision if and only when you identify their needs, present a solution to fulfill that need and deliver on your promise.

Think about your current perception of your insurance agent. What do you think they do all day? Do you look forward to visiting with them when the need arises? How often do they call you to review your coverage? Do they seem genuinely interested in your well-being or are they simply just trying to get your policy issued so they can earn a quick buck? Most people view their agent as a nice guy in a cheap suit, who likes to play golf, has a secretary named Sally and can be obnoxious when trying to sell you life insurance.

Let's face it, to most people, insurance is about as interesting as filing your income taxes. It's something they hate to do, but are forced to think about at least once a year.

So what can you do as an agent that could get prospective customers to change to your company? It's simply not good enough to know a lot about insurance. It's not good enough to be perfect and understand the in's and out's of how to get a policy issued. To be among the best, you have to find a way to totally and completely blow the socks off of the competition. The good news is it's not difficult to do!



Step 4: Define Your Marketing Strategy

Without an effective marketing strategy, you will not achieve success in this business. Developing your strategy consists of identifying your target market and defining how you are going to reach them. It's important to establish a marketing plan for every producer in your office and update it every year. You must be the Chief Marketing Officer in your business and set the expectation that marketing is something they must do routinely throughout the day. The type of internal or external marketing that is expected should be clearly defined in each producer's job description.

Internal Marketing

Internal marketing targets those who are already clients of the agency. Internal marketing includes:

- ◆ Selling multi-line discounts by offering the opportunity to quote additional lines of business,
- ◆ Mailing event postcards (e.g., birthday cards, anniversary cards, etc.), implementing an active referral program, and,
- ◆ Incorporating an annual policy review program for existing customers.

External Marketing

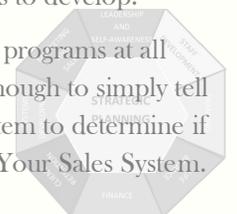
External marketing consists of programs which consistently bring in new customers. External marketing includes:

- ◆ Telemarketing
- ◆ Postcards and other mail out programs
- ◆ Newspaper, billboard, radio, Internet and television advertisements
- ◆ Networking
- ◆ Seminars
- ◆ Hosting local community events
- ◆ Developing an active referral program working with Realtors®, mortgage companies and auto dealerships
- ◆ Any other way you can get your name in front of prospective customers.

Internal and external marketing can also be broken down into two additional categories: *active* and *passive*. Active marketing requires you to ask for someone's business or meet them face-to-face. Passive marketing allows you to advertise, sit back and wait for your prospective customers to come to you. Active marketing will bring you clients fast, but will not give you an ongoing flow of clients.

While passive marketing brings in new clients more slowly, it will create an ongoing flow of clients. It is important that you utilize both marketing strategies. If you use only passive marketing early on, your business will fail or take years to develop.

Regardless of what your marketing strategy is, you must consistently run at least four active and four passive programs at all times! Document your strategy before implementing it with your producers, and be precise. It's not good enough to simply tell your staff to ask for referrals. Be specific. Give each employee a script and a program to use. Develop a system to determine if your strategy is being carried out as planned. I will discuss more on marketing systems in Part VI: Creating Your Sales System.



Getting Stuck in a Level I Agency

Getting Stuck in a Level I Agency

When it comes to small business insurance agencies, we estimate that 25 percent are stuck in a Level I Agency. Unfortunately, developing the necessary systems can be a very difficult and time consuming process. Most business owners skip to Level II without first laying a strong foundation on which to build a business.

Agents who are stuck in a Level I agency are alone or have very few key employees. These agents are responsible for all aspects of their operations. They are recruiter, trainer, coach, motivator, customer service rep, and sometimes secretary. Most small businesses start out this way, and unfortunately, many stay this way.

These agents usually start off slowly because they rely on passive marketing programs early on and fail to invest wisely into their business. Although these agents usually feel they have put in a hard day's work, their day usually consists of putting out fires and answering calls from their customers. Because of their limited staff, they find themselves working on the urgent matters and having no time to pay attention to the important daily activities which will ultimately make them successful.

When they have "free" time, they use it working on paperwork or paying bills. An effective training program for their staff is almost non-existent, and employees often feel abandoned early in their career. Most employees usually admit the business owner does little to help them become successful, but expects them to get their jobs done. Because they fail to share their vision with their staff (if they have a vision at all) and rarely give employees insight into where they may have a future in the business, these business owners suffer as their employees leave for more secure opportunities.

The average production for a Level I agency usually dwindles because the agent usually finds it hard to generate enough income to invest back into the business. All of which could have been avoided if the business owner had developed the right systems, invested in quality people and developed a clear and focused strategy for the future. Because of the service work created in the insurance business, most of these agencies plateau at around 500-750 policies in force.

You often hear Level I business owners give excuses such as these for their failure to achieve positive business results:

- ◆ "If the company would only have competitive products to sell, I would be successful."
- ◆ "The agent down the street is successful because he cheats

the system."

- ◆ "I live in a rural area."
- ◆ "I don't have the money to put into my business like other new business owners."
- ◆ "I was never trained."
- ◆ "My employees never seem to do what I ask them to do."

All of these excuses are a way for Level I business owners to rationalize their own failure to obtain positive business results. The truth of the matter is very few business owners have it easy during the early years of their career. Limited cash flow, no customer base and a lack of training make it difficult for most business owners to profit in the first few years.

Regardless of where you start, it is up to you to make the best of the situation. It takes a tremendous amount of hard work and creativity to grow a small business. What happens to your business is a direct result of your actions. Be accountable. Take control of your success!

In order for Level I business owners to take their businesses to the second level, they must:

- ◆ Be accountable and take full responsibility for their success and failures.
- ◆ Possess the belief that success is possible.
- ◆ Have the dogged determination to do whatever it takes to make it happen.
- ◆ Have a clear vision of what they want their businesses to become.
- ◆ Have a clearly defined marketing strategy.
- ◆ Develop a working business plan that clearly defines their business strategy.
- ◆ Create an employee handbook and job descriptions which clearly identify the responsibilities of their staff.

Without a clear vision and a solid foundation, the likelihood of building a successful business is marginal at best.



Level II: Systems Development

When it comes to building a solid foundation for your business, you the systems development process is an essential step that cannot be overlooked. Most businesses fail because they did not create systems to carry out the business owner's plans for future growth. In other words, if your idea of becoming an insurance agent is to obtain the necessary licenses, open an office, hire a few employees and market your product, your business will drive you crazy. Michael Gerber is known for saying, "The system is the solution," and he's dead on!

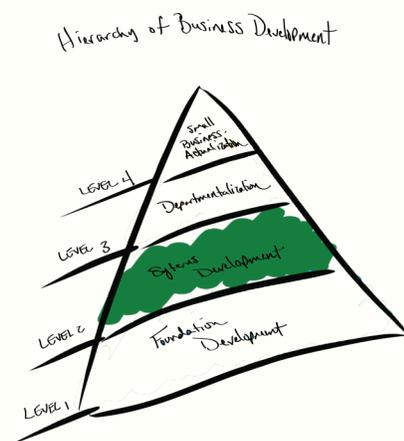
There are many types of systems: marketing systems, sales systems, cross-selling systems, referral systems, etc. Each system defines who you are as a business and how you differentiate yourself from the competition. Every business has a system, but until you write it down so that it can be easily communicated and understood by all who read it, you don't own it!

When developing your sales system, do your best to keep each process as simple as possible. Remember, you do not want to create a system that relies on a sales rep's talent to become successful. If you are fortunate enough to find a great sales rep, you can easily become dependent upon him to bring in new business. After becoming fully trained, the rep will undoubtedly venture out on his own and become an agent himself. When he does, you will be back to square one!

If you are a little confused, let us make it a little clearer. You do not need to find someone who has the talent to become your agency producer. Remember, you will be operating at least four passive and four active marketing programs at all times. Your passive marketing plans can be run by an internal marketing representative. Your external producers (working outside of your office) will work with mortgage companies and Realtors® to bring in referrals.

There is no need to show these producers how to close a sale or input an application—that is someone else's job! Training your sales producers on every aspect of your marketing program will take up valuable time and money, and you do not want to distract them from bringing in new business.

If you don't understand everything we are saying here, please understand this: If you get an agency producer to stay with you for over a year, that's incredible! You are going to have to go through eight or nine people before you can find one who has what it takes to stick. Don't spend a lifetime training someone until they earn your valuable time!



Stuck in a Level II Agency

Some of the best insurance agents are stuck at this level. Although they may be great at closing a sale, they are often controlling in nature and have difficulty releasing control to others.

They have tried to hire producers and became frustrated because the sales process was not completed in a manner acceptable to their standards. What these agents fail to recognize is that without a clearly defined sales system, there is not an agency producer on the planet who can read their minds. Often frustrated, Level II agents give up hope of finding that “key” sales producer and continue to be the one who is responsible for the entire sales process.

Level II agencies have one key employee and a few other clerical staff to help meet minimum goals. These agents may have a business plan, but seldom review it and spend little time updating it. Although they may have a clear understanding on where they want to take their business, they rarely share their thoughts with their employees, and they are unsure of their future. Employees are often unmotivated to achieve a high level of success and may take advantage of the lack of expectations required of their performance. Agents at this level feel there’s just not enough time to get everything done and often become frustrated working on unproductive activities during the day.

Some of these agents develop very strong relationships with their customers and often spend time nurturing these relationships. These agents focus too much time on too few customers and, as a result, have limited time to market to new customers. Others spend too much time looking for new households and forget to develop the important personal relationships that are necessary to retain existing customers. These agents lose as many or more customers than they write new policies for because they are doing nothing to cross market to existing customers. Most Level II insurance agents feel pulled at both ends and can’t do it all with a limited staff.

Unfortunately, over half of business owners fall into this category, and it’s no wonder. Very few small businesses owners have a coach or mentor to help them get started.

The owners rely on trial and error. When they first entered this business, they fell in love with the idea of being their own boss, but had no idea of what it really meant to develop a successful operation. “Opening up an insurance agency is easy,” they thought. “People have to have insurance. All I need to do is open a store front location, hire a few employees and my business will flourish.”

The product does not make a business. People can make or break a business. Without good people, you don’t have a business—you have a job. Without systems that tell your people what to wear, how to act and what to do, you have chaos! If you ask any business owner what is the hardest part of his business, he will undoubtedly tell you that managing the people is the most important and the most difficult.

Level II agents effectively manage between 1,000–2,500 policies in force. To take a Level II business to the next level, business owners must:

- ◆ Be accountable and take full responsibility for their success and failures.
- ◆ Possess the belief that success is possible.
- ◆ Have the dogged determination to do whatever it takes to make it happen.
- ◆ Have a clear vision of what they want their businesses to become.
- ◆ Have a clearly defined marketing strategy.
- ◆ Develop a working business plan that clearly defines their business strategy.
- ◆ Create an employee handbook and job descriptions, which clearly identify the responsibilities of their staff.
- ◆ Hire key employees who know what their roles are in the business and are committed to the success of the operation.



Level III: Departmentalization

After developing your vision, creating your marketing strategy, clearly defining your systems development processes, and hiring six or more employees, you need to departmentalize your business operation. Your business operation should have three separate and distinct departments, Marketing, Operations and Finance. This is when your vision starts becoming a reality.

In order to departmentalize your operation, you must develop organized systems which provides clear instruction on the roles and responsibilities of each team member.

Effective training systems must be fully developed and not be limited to the normal "train-by-fire" approach that most business owners try to get by with. If your training system is not written down and identifies what your employees should do and what makes your agency different from the rest, you don't have a "system", you have a habit. And the fact is, you can't teach habits!

Technology and the Highly Successful Business Owner

The good news is that technology today has not only made it possible, it has made it easy for you to organize your training system. The bad news is, it does take some effort on your part to take the time to sit down, organize your thoughts and prepare to build out this infrastructure.

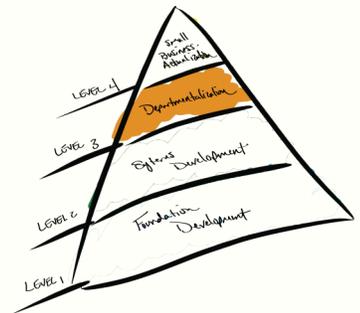
At *ContractCoach*, we have developed training systems specifically designed for insurance agents and recruiters to help streamline the recruiting, hiring, training, performance management and even referral systems to help take your agency to a higher level. Clients have the option of purchasing systems out of the box, or can work with a Certified Coach to customize the systems to fit their specific needs.

A good example of such as system is the proprietary *ContractCoach* Agent Interview and Lead Generation System. Using technology to help attract prospective employees and licensed Agency Producers, this system is easy to use and will generate more new applicants...and through the auto Reference Checker and Survey System, will generate more insurance leads than you can image!

You can find information about this system and even see a demo by going to:

<https://contractcoach.com/recruiting-system>

Hierarchy of Business Development



Stuck in a Level III Agency

It is not horrific to be stuck in a Level III agency. Only the top 10 percent of small business owners make it to this level, and even fewer make it to the next level. Level III agents have several key employees who are doing the right things to help their businesses succeed. They have regularly scheduled staff meetings and hold all employees accountable for their actions. Employees are on a performance-based pay scale and are motivated to generate revenue to add to the bottom line. Most of the employees in the Level III business respect their leader and believe they are supported and pushed to be successful.

Level III agents are high-energy, positive people who are always looking for new ways of doing things. They are eager to try new marketing programs and have a core group of employees who can be relied upon at all times. Since these business owners have developed a culture of successful selling, they usually have no problem meeting or exceeding their financial goals.

Constantly reviewing performance reports, Level III agents make strong efforts to work not only with developing new business for the organization, but with increasing retention of existing customers as well. Although they review goals often, they look at this as a minimum expectation and set higher standards. Level III agents are competitive and work to finish the year as one of the insurer's top performers. They usually win corporate promotions and, when their performance has been exceptional, they earn the company's highest honors.

Level III agents effectively manage between 2,500–5,000 policies in force. To take their businesses to the next level, the Level III business owners must:

- ◆ Be accountable and take full responsibility for their success and failures.
- ◆ Possess the belief that success is possible.
- ◆ Have the dogged determination to do whatever it takes to make it happen.
- ◆ Have a clear vision of what they want their businesses to become.
- ◆ Have a clearly defined marketing strategy.
- ◆ Develop a working business plan that clearly defines their business strategy.
- ◆ Create an employee handbook and job descriptions which clearly identify the responsibilities of their staff.
- ◆ Hire key employees who know what their roles are in the business and are committed to the success of the operation.
- ◆ Establish clearly defined departments that work together to achieve a common goal.



Level IV: Small Business Actualization

Finally, there is a level that very few business owners achieve, but all desire. We've all heard about it. A few of us have been fortunate to witness it. We call this Level IV business — *Small Business Actualization*. In this business, all employees are working together to accomplish complementary goals. When you look at the organizational chart, the business owner is in one box at the top of the chart. These business owners manage the employees who manage the processes of the operation.

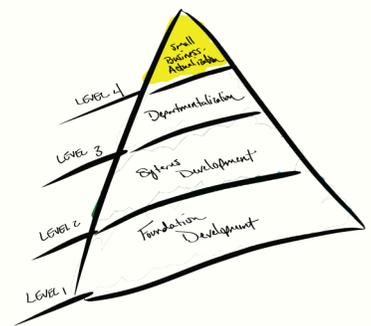
As owner, you are not needed for any process in the business. The business owner makes the high level decisions as to where the business is headed and develops the plan, but relies on others to carry out the objectives of the plan. Detailed organizational charts and an operations manual clearly identify how the business systems run. Departmental heads implement the plan in the manner designed by the business owner—every single time! No detail is left to question.

An amateur operations manual identifies such items as work hours and attire. Whereas a Level IV business owner creates an operations manual that spells out how each employee is expected to deliver an outstanding customer experience.

Employees are well trained, expected to perform at their highest level, compensated accordingly and supervised consistently. When these business owners travel, their businesses do not miss a beat. Level IV business owners enjoy a high-quality lifestyle and look forward to every Monday. Because Level IV business owners are not needed to carry out the operations of the business, there is no limit to the success they can achieve.

Where is your business today? Unfortunately, you can't jump to a Level IV operation overnight. You have to create it. It takes an enormous amount of work, money and creativity to make it happen. You have to be willing to pay the price, if you are to one day enjoy this level of success, and it all starts with investing in the right people.

Hierarchy of Business Development



“Coaches Change Lives”



For more information, feel free to contact us at 281-752-6565 or request info by emailing info@contractcoach.com.

