Long-Term Planning

By Chris Burand

My experience suggests long-term strategic planning process generally does not work for insurance agencies. Today's environment requires shorter, more immediate planning cycles. With a long-term plan, if things go wrong in the first year or two, or if the market or economy changes significantly, then much of the planning that was done is wasted and the agency is not adequately answering to the to the changing landscape. The ability to adapt to new circumstances is critical in our industry, and even more so since the passage of Sarbanes-Oxley because it is expected to create shorter but sharper market cycles which partially explains the depth of this soft market.

New research supports my belief in the need for a shorter planning cycle. An article by Carol Hymowitz ("Executive Ousters Underscore Need to Strategize Differently," *Wall Street Journal,* September 11, 2006), discusses a study by Marokon Associates showing that companies using the antiquated long-term strategic planning process make only 2.5 major decisions (defined as a decision with the potential to increase profits by 10%) per year. On the other hand, companies that focus on a few, more short-term priorities and regularly hold strategy discussions make 6 major decisions per year. The bottom line is these companies are prepared and able to act more quickly to changing environments.

The only exception where a longer-term plan is required is when an agency is preparing a perpetuation or exit strategy. Both require at least five years of planning because so much work is required to prepare an agency for a new head at the helm or to be sold (not withstanding the current bubble when buyers are paying very high prices, sometimes for very lousy agencies). Even then, I don't suggest detailing a five-year strategy because too much can change. There are too many unknowns. An agency is far better off focusing on a few priorities at a time and being prepared for changing events.

My lack of enthusiasm for long-term planning does not mean agencies should not plan. They absolutely should. Many years ago, I surveyed 150 independent agencies to learn if those that had good strategic plans grew faster than those that did not. The result? You guessed it! Those with good plans absolutely grew faster than those without.

The ideal planning process for agencies involves developing an annual strategic plan with a continual review process. With this process, an agency completes a review of their business once a year and then chooses three to five priority items to address completely. Through this planning method, a continual assessment is made of the agency's ever-improving situation. This process addresses long-term issues but places the bulk of its attention on current actions. An annual plan is immediate and has actionable items. It has direct accountability and is current and flexible. To create an even more successful plan, an agency owner's compensation should be partially tied to his or her achieving the goals. In other words, owners need to put their money where their mouth is. Most agency plans miss this critical component.

The first step in the planning process is to complete an analysis of the agency's strengths and weaknesses, as well as its opportunities and threats. This is a fairly traditional, perhaps mundane, yet simple and effective method for beginning a very successful plan. Jumping straight into developing goals, as so many agencies do, puts the cart before the horse. Before goals can be developed, an agency needs to take time to identify and realize its strengths. If those are unaccounted for, the plan will overlook actions that can maintain and capitalize on those strengths. It is sometimes hard to overcome weaknesses and threats and take advantage of opportunities without losing strengths in the process. A number of high quality agencies lost the ability to maintain excellent service for their clients because their plans called for fast growth without paying heed to what it would take to maintain high quality service and as a result, those agencies can no longer claim "high quality service" status.

The next step in crafting a workable strategic plan is to choose a few priorities the agency wishes to achieve. These priorities should be built into the plan with an eye toward maintaining the agency's strengths. The priorities should almost inevitably look to overcome one or two weaknesses, take advantage of one or two opportunities, and/or avoid one or two threats. People have a very hard time successfully focusing on more than a few priorities at a time and therefore, all plans should be limited in scope.

The actions required to achieve an agency's goals may be numerous. Nevertheless, I believe in very detailed plans. At first, this may seem troublesome because the detail can be mind numbing. My approach is to make each step bite size so the overall plan does not become overwhelming. This improves the understanding of what must be achieved by each and every vested party which further increases the probability of success.

For each action in the plan, someone should take ownership in achieving that goal. The plan should detail who is responsible for achieving the actions and establish a due date for each action. Benchmarks should be set as well to help identify progress toward the goals. Plans should be flexible, but not ambiguous.

Continual review of the plan enhances its success even more. It should be looked at every three to six months with adjustments made as necessary. Agencies should always be working their plan. This creates focus and accountability, which is very key to success.

Plans are powerful tools. The right ones chart a course for success, the wrong ones can destroy it. Annual plans done with clarity, detail, focus, accountability, and simplicity are best. Long-term strategic plans sound great but lack the currency and tangibility needed to motivate employees and the fluidity that enables agencies to respond to change.

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August 2007