

REAGANVIEW

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Status Quo or Value Builder?

We're all familiar with the fable "The Three Little Pigs." The first two pigs quickly build their houses while the third pig labors to ensure stability. The moral? Hard work and dedication pay off. There is great benefit to investing time and money to build a strong foundation that can withstand daily challenges.

If this fable had a sequel, it would be that the brick house is not finished. Work must be done to maintain the structure, invest in upgrades, and from time to time, renovate.

How does this lesson apply to your agency? Let's think for a moment about the difference between running your business and building your business.

Firms merely "running their businesses" typically share a few of the following attributes:

- Ownership is concentrated among a handful of family members or agency leaders, without a strategy for widely distributing it to motivate performance and ensure perpetuation.
- Agency leaders wear multiple hats because there is little appetite to invest in non-production "overhead" positions. This leads to limited bandwidth to work ON the business.
- Recruiting is centered around leveraging friends and family networks, which historically has been successful, but might not be a prevailing strategy in today's hyper-competitive talent environment. The agency lacks an aggressive enterprise level recruiting strategy.
- There isn't an intentional strategy with the subsequent investment to become a more specialized broker. The agency has yet to deploy analytics to identify pockets of existing specialization or invest in market research to assess potential opportunities.

As a result, the agency's growth is modest, incremental, and non-disruptive. This business is profitable with a solid track record, and it has a stable foundation that will survive, for now. However, what happens if the Big Bad Wolf shows up?

Conversely, firms that are "Value Builders" typically share a few of the following attributes:

- Value Builders consistently and proactively expand ownership to enhance alignment around wealth creation and to ensure multi-generational perpetuation.
- Value Builders strategically hire non-production, executive-level leaders whose time and focus is entirely dedicated to working ON the business.
- Value Builders recruit proactively and relentlessly. Building up a talent recruitment and development muscle is a significant company-wide initiative and a vital strategic priority.
- Value Builders specialize by pursuing natural advantages and exploiting their best opportunities to build out industry leading practice groups. These investments don't see a return right away, but the agency knows they will generate significant value over time.

As a result, the Value Builder's growth is notable, exponential, and disruptive. They take bold action such as chasing new revenue streams and M&A opportunities. Additionally, they aren't afraid to make the occasional mistake or move on from a legacy business unit by recognizing that divesting an investment that isn't living up to their standard of success may simply come with the territory.

This is a brick house.

As your agency establishes its strategic priorities, financial goals, and budgets for next year, we encourage you to consider the areas you need to invest in to become a Value Builder. Along the way you will preserve the stability of your agency and strengthen your position on the path of perpetuation.

It will take hard work and dedication, but the outcome will be significantly better than sticking with the status quo.

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