

## Who is the Center Of Your Universe? Organizational structure determines results

**Purpose of this paper:** Explore the ways that independent agencies are structured and how relationships are formed and maintained. Understand how the structure of the agency directly impacts the results the business is able to generate.

Think for a minute about the way your agency is organized. What is the primary focus of the business? Is it to sell and service insurance products? Or is it to work with a group of clients that need help creating an organizational safety net and attracting and retaining quality employees?

If you're like most agencies, you're likely thinking, "Well, we do both." And, that's probably true. Now, think about which one is your **focus** and which is simply a **result**.

If you are focused on **finding someone to buy an insurance product** from you, the result will be that you also provide some marginal help in creating that organizational safety net or to attract and retain quality employees.



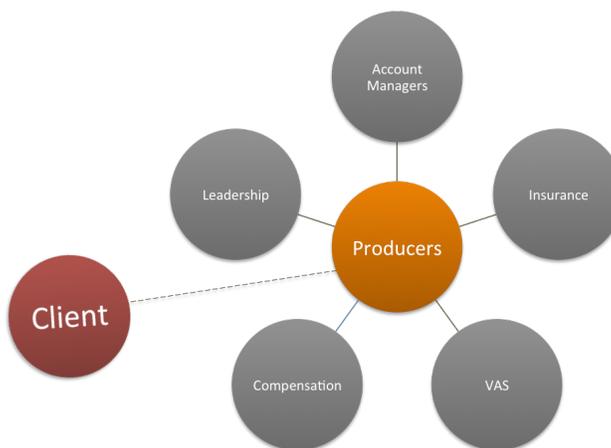
Conversely, if your primary focus is first and foremost on **helping your clients create a safety net and to attract and retain quality employees**, then one result may be the sale of an insurance product. In this model, an insurance product is just one of many ways in which you may be able to help a client.

***What you choose as your primary point of motivation determines what will be the central focus for your company – the Center of Your Universe.***

## Producer Focus

Agencies commonly have producers as the Center of the Universe: it all centers around sales people who are responsible for selling products. Everything in the organization is then designed to support and service the efforts of the sales people – from the service team, to the compensation programs, to training, resources, and processes. In this scenario, the client becomes the result of the sales efforts to sell a product. And then the producers generally maintain a stronghold on the client relationship out of fear of someone internally “screwing things up.”

Agencies owners are fearful of losing both producers and clients, and they address their fears by arming their producers with products to sell. The business is completely dependent on those products, and the producers have very little flexibility in how they can help clients when products are the only option. This also leaves the agency with no real differentiation from every other agency selling the same products.



Additionally, if anything goes awry with product availability, then the entire company is in jeopardy. These agencies are held together very precariously around the producer relationship and are simply not able to adapt to changes as they come along.

Intentional or not, the structure of the typical insurance agency or brokerage inevitably puts its focus on the **producer** rather than the **client**.

### Characteristics of the Producer-Focused Model | *How many apply to you?*

- Revenue is only generated when an insurance product is sold
- A different set of rules apply to producers than any other position
- The producer “owns” the client relationship
- The compensation program is built to serve the producers
- The service team works to keep the producer happy
- Producers dictate new carrier relationships and procurement of new solutions
- Leadership tends to work for the producers rather than vice versa
- Resistant to change
- Silos exist throughout (e.g.: Sales vs. Service, Commercial vs. Benefits, Management vs. Everyone Else)

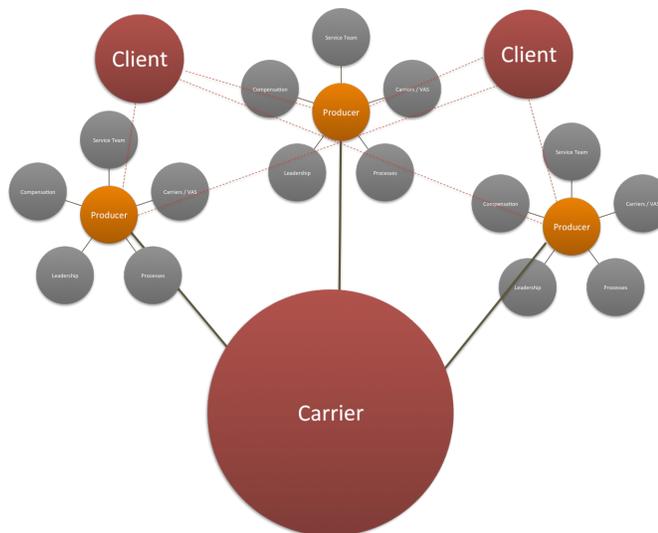
## Carrier vs. Client Ties

are the strongest.

In the typical independent agency model, or producer-focused model, the agency has its strongest, most permanent ties to the carriers.

It can also be argued that the agencies with a producer-focused model are more cogs in the business model of the carriers than they are an independent business of their own.

Carriers effectively use producer-focused agencies/brokerages as interchangeable distribution and service components in their own business model. These agencies simply operate under the *illusion* they are independent, stand-alone businesses. As a legal entity, they are independent. However, if the carrier-agency relationship were severed, that agency would likely have to close its doors. And how independent does that seem?



### Characteristics of Carrier-Dependency | *How many apply to you?*

- Revenue is only generated when an insurance product is sold
- Clients regularly move from agency to agency
- Clients associate price with the agency rather than the carrier
- Move books of business from one carrier to another
- Determine ideal clients based on “carrier appetite”
- Changes to the commission or bonus schedule causes anxiety
- Losing a carrier contract creates a crisis
- Carrier branded materials and marketing efforts rather than agency branded

Now, contrast all of this to a client-focused model.

## Client Focus

everyone in the agency plays a role in **educating buyers, uncovering buyer needs, or helping clients solve their challenges**. These agencies use a combination of insurance products, non-insurance products, services, and consulting to help their clients build stronger businesses.

This model reduces the dependency on a single product or person. It puts the client as the central focus and everyone on the team gets to play an equal, yet individual, role in the lifecycle of the client.



Because everyone is so intimately involved with the client account, all team members are able to identify potential new areas for client improvement, which means new enhancements for *your* business can now come from anyone on the team.

This might take a pretty big shift in thinking because the old model is so ingrained that breaking free of those ideas will take some getting used to. For example, sales people not being the central focus might be hard on some egos. And thinking of service teams as significant contributors to client development might be seen as either a pull or a refreshing change.

The more you can create a model where the entire organization is obsessively focused on the needs of the client, the more flexible and change-adaptive your company becomes and thus, the more stable it becomes. With a model like this, you'll never be at a loss for what products or services you need to add next – the answers will become obvious by talking to your clients on a daily basis.

### Characteristics of a Client-Focused Model | *How many can you claim?*

- Get paid for both insurance and non-insurance solutions
- Use the collective efforts of the team to compete for and retain business
- Define their own success based on helping clients become more successful
- See a sale as simply a result of bringing value to their clients
- Education drives marketing activities, sales process, ongoing client relationships
- Clients evaluate the value of the relationship, rather than price of a product
- Nothing is brought into the organization unless it clearly benefits the client
- Know their value is in How they work, not What they sell
- Change adaptive