

# *Pathways Report*

## *The Hot Stove Theory of Agency Management*

By  
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Everyone loves a wood stove burning on a cold winter's night. Watching those amber vapors dance behind fire proof glass can light-up even the dimmest of souls; the dimmest of wits too, because wood stoves are painfully simple. Follow the rules and there's no pain. Break them and an instantaneous reminder will be seared on your hide. In this regard, wood stoves are wonderfully fair.

Good agency management is a lot like that.

### **Wood Stove Maintenance**

Periodically, wood stoves need to be cleaned out of past residue. That's the easiest thing to put off. Then, one day...whoosh! The system cleans itself! Fire erupts in places where fires erupting are all bad. In cases of supreme neglect, the whole house can go up in flames. Fortunately, maintenance of wood stoves is simple, like most things "wood stove". So too, are agencies.

Wood stoves burn wood. Agencies burn another wood product: cash. So, you need to scrape away all the excess cash burning deposits (marginal payroll). When adding to staff, add at the lowest possible level to support the higher-end folks. The savings should enable you to increase the seasoned folks' payroll while simultaneously making their lives more fulfilling and providing living examples of what others (below them) should strive to become. By the way, your clients will enjoy better service.

If you have ten CSR's (old school term) ask if seven supported by three assistants (who make less and will be training to be future stars) might not work better and push down unpleasant, rote activities away from your most gifted support staff. Where possible, combine industries and create a service unit dedicated to contractors, food processors, small group Benefits or whatever... instead.

If you have built layers around your corner office to cut down on the noise, you have some cleaning-up to do yourself. Yes... I know; the perks of ownership. Well, that's fine, but you might perk-up when cash starts to run a little thin next year, because this winter's chill isn't going to warm up anytime soon.

### **"Wood" if you could...**

Not long ago, agencies ran pretty inefficiently on an abundance of fuel (cash). An abundance of cash-flow fueled the flames of growth and prosperity. These days, the supply of cash to heat-up agency operations is in short supply. Thus, there's constant tinkering going on to keep the limited amount of fuel (cash) burning as slowly as possible until this hard economic winter subsides. As a result, agency cultures have chilled and worry abounds. Owners do see the need to address issues but another day goes by, followed by another until one day the conviction to change simply goes up in smoke. It happens to the best of us.

### **Dead Wood**

Sticking with the wood stove theme, let's talk about "ash heaps". Those are the mounds of the "unwanted" and "burned out" that build up over time. As ash heaps go, your competitor's agency can make an excellent ash heap. Admittedly, that may sound a little harsh, but it is nonetheless true. Willy Loman Producers with delusions of adequacy and matriarch CSR's (AM's) who "have been doing it their way for years" belong on your competitor's payroll, not yours.

Production, organic growth, profit, and "culture" are at god-awful odds these days. Show me an agency where everyone gets along all the time, never a terse word, where harmony is a goal unto itself and I'll show you a place about to experience the big chill. The truth is that wonderful, exciting, and vibrant cultures erupt in cage-fights at times. It's not a sign of weakness or dysfunction, unless it's the norm. It's called healthy tension. You've spent the last decade reducing the tension, now do the opposite. I don't mean that you should become a putz, I just mean set expectations grounded in reality, telegraph the consequences if those expectations go unmet (and rewards if they are) and then man-up when the same set of underachievers count on you to "cave". You don't have to put up with that, especially these days. Neither do your best employees!

Today, cash is tight. What you spend it on should be worth it. You spend cash on people more than anything else. Thus, your people better be the most "seasoned" in your neck of the woods. If you haven't widdled away at the dead wood and brought in the best people (at whatever price they command) you may be experiencing a travel condition I like to call: "dirt

road". Upgrade your talent and you'll upgrade the road to a better future. It's the hardest thing to do, but once you actually begin doing it, things get better fast.

**Dan's Numero Uno Rule: "It's not what you pay, it's who you pay!"**

"Good people are hard to find." My head hurts every time that rationalization comes up. No, as a matter of fact, good people aren't hard to find! They tend to gather in groups. They have a huge presence in your community. Every Producer, Marketing Rep., and prospect you call on tells you, "Sally is the best". How hard is it to find Sally? Give Sally a call, *especially* if you don't have an open position! Here's the secret: **MAKE ONE!** Sally will attract five more just like her from around your marketplace. Pay Sally a boat load, it just doesn't matter because the rest of your payroll will begin to adopt Sally's work habits or they will chirp about Sally enough until you can pull them aside and explain who the "A" player is!

I know. That's tricky. Hitting on your competitor's "A" players can win you a few flat tires and, if done repeatedly, a lawsuit. In a prior life, we went from 72 employees down to 64 and then doubled that number in four years once we got rolling. All I can say is that it takes a good HR person and ONE quality hire. After that, the Sally's in your community will reach out to you (via the open channels that seem to exist). But, that's not the whole picture is it? You've had a few run-ins with Brand-X over the years, haven't you? There's an unwritten rule, a hands-off truce everyone complies with, isn't there?

I'm tempted to expand upon that last remark, but I won't in this forum other than to say that we all catch wind of a Producer leaving some shop and landing elsewhere. But, you **never** hear, "Sally just left Brand-X. She was probably their best and she just up and left!" When you do hear such a thing, that's HUGE NEWS! Why? Well, I contend a top-flight CSR/AM (whatever) takes a decade, maybe two, to bring along. They are more precious than Producers in some cases. That goes double in small communities. A Producer leaves and life marches on. But, when Sally leaves life comes to halt in the affected agency. It's a game changer and to the "winner" it's a force multiplier.

Ask yourself the serious questions. "How are we perceived?" "How are my Producers perceived?" "What are the other shops doing to hang onto Sally?" Answering these questions can lead to serious money because an increase in your operating margin by 2% can raise your agency's value by 5-1/2 to 6-times that! Not a big deal? OK, I'm fine with that. But, someone will take that "extra" two percentage points home in the form of income won't they? (You, perhaps?)

Which brings me back to wood stoves. Agency leaders need to address the rubber-rules of the past. If results aren't met then clear, predictable, unemotional consequences have to



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occur. Yes, everyone has slumps. Yes, subjectivity is the art of management. But, in many shops, I frequent, the owners have enabled a breakdown in the cause-and-effect of things. This is the antithesis of hot-wood-stove management.

If I could wish but one thing, it would be that many more of you would adopt the wood stove approach to agency management. In such a world people are comforted. Rules exist that protect those who want to be near. People thrive and flourish in an atmosphere where consistency and expectations go hand in hand. In such a world "teams" take-on a new meaning. Compassion does too. It's a world that everyone longs for in every walk of life and it's within your power to bring such a world into their lives. It's a good path, an honorable path... a Broker's Path. I hope you follow that path.

Be Well!

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