# CEOs

THE REAGAN CONSULTING LEADERSHIP SERIES


## CHARACTERISTICS AND QUALITIES OF TOP PERFORMERS

Reagan Consulting
Strategy • Valuation • M&A

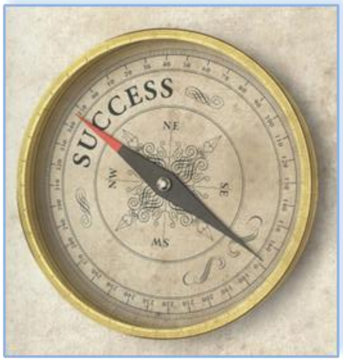
THE COUNCIL
The Council of Insurance Agents & Brokers

CHUBB

Amerisure Insurance
The Advantage of Partnership

Vertafore
Unleash your potential

THE CINCINNATI INSURANCE COMPANIES

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# Introduction & Methodology

When Reagan Consulting has taken on research projects, we have focused on areas of importance to the current and long-term success of agents and brokers.

Two years ago, we conducted the *Young Producer Study* as a result of the need of our industry to attract more young talent. We identified firms that had been very successful in their efforts to attract and develop young producers and showed how they have done it.

Last year, we conducted the *Private Ownership Study* based on the desire of the majority of the firms in our industry to perpetuate ownership and operations internally and the challenges in doing so. We shared those things required for successful internal perpetuation.

Both of these studies addressed issues of critical importance to agents' and brokers' long-term success but they did not speak specifically to another factor without which sustained success cannot be accomplished. That key factor is *effective leadership*.

The ability to recruit and develop young talent will not effectively happen without leadership. The ability to establish vision and strategy and then execute and accomplish that plan will not happen without effective leadership. You can identify all of the characteristics of the most successful agents and brokers but the one that should be on the top of the list is leadership – of the firm, of finances, of operations, of sales, of human resources and of technology.

It is for this reason that we decided to focus this year's research on leadership. In doing so, we recognized that it is a challenging topic to address and that you can fill a section of a library with books that have already been written on the topic. Our objective was not to address leadership in a general sense. That has been done and done well. What we focused our efforts on was a more limited and specific target that has not yet been addressed, or at least not effectively. We are looking only at leadership of insurance agencies and brokerages and are looking to answer only two questions:

1. How can agency leaders improve their performance?
2. How can the firms successfully select their next CEO?

We are calling this study "The Leadership Series" and are doing it in four installments with the first focused on CEOs. The next installment will be focused on Sales Leadership.

As in other studies, our strategy was to learn from the best CEOs. To identify the highest-performing CEOs, we decided to go to those within our industry who are best positioned to know who they are. Realizing that the size of the firm may affect the characteristics of the CEOs, we decided to focus on CEOs in three different agency revenue size categories: Over $25 million, $10 - $25 million and Under $10 million. We solicited nominations from 40 individuals including the following:

- Insurance Company Executives
- Agent's Association Leadership
- Agency Consultants
- Executives of Wholesale Insurance Brokers
- Leadership of Agency Automation Vendors
- Insurance Agency Leaders

From this group, we received over 400 nominations that included comments about what set these nominated CEOs apart from their peers. We selected the 100 CEOs who were nominated most frequently and invited them to participate in the study. We surveyed these 100 CEOs and one of each CEOs' associates. We then selected the top 20 CEOs in each of the three agency size categories based on frequency of nominations and agency performance. In this study we refer to this group as the "Top CEOs". We recognize that with this nomination and selection process there is the potential that very talented CEOs have not been included. However, we are confident we have a group of outstanding CEOs.

We should note that we are using the term CEO to identify the individual actively leading these firms. There are firms among the 60 that do not use the title of CEO for their senior officer but instead use the title of "President". For the purposes of this study and the management of the data and information, the title of CEO is used for all of the 60 senior officers of these firms. When we use the title of President, it represents the second ranking senior officer, if one exists in that firm.

So that we would be in a position to request proprietary and confidential information, the study was structured such that the names of the nominators, the CEOs and the CEOs' firms will remain confidential.

In this study you will find answers to the two questions that we are addressing. Some of those answers may confirm your assumptions, while others may surprise you and offer different but important perspectives. Our objectives in this study are to stimulate thoughts on agency leadership;

frame important questions, issues and choices; and provide an understanding of what sets these Top CEOs apart from their peers. By doing so, we hope to help CEOs improve their performance; help CEOs better position themselves and their leadership teams for success; and help agencies successfully select their next CEO.

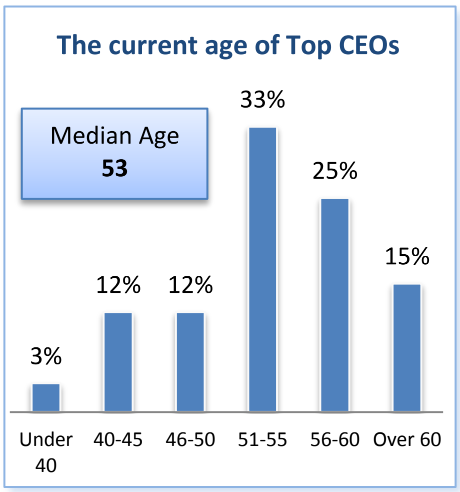
# Top CEO Backgrounds

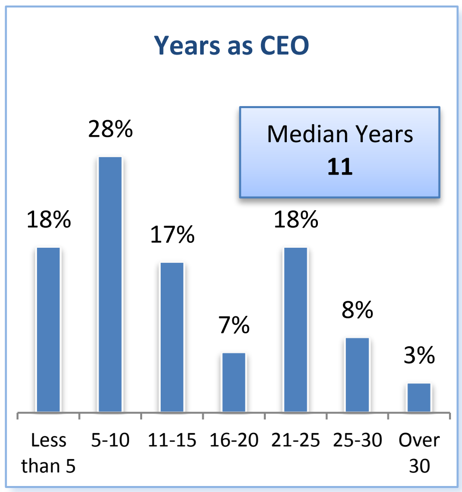
If we are attempting to answer the question of what makes these Top CEOs as effective as they are and we want to know how to select the next successful CEO, a good starting point will be to take a close look at where they came from and how they got to where they are today.

As we present this information, we will **not** share the Top CEOs' names or the names of their firms. This is being done for the reasons outlined in the introduction but most importantly because it gave the Top CEOs the liberty to share, and us the liberty to present, information that could not have been shared otherwise – information that will give you valuable perspectives on their backgrounds, behaviors and priorities. Today, the median Top CEO is 53 years old and has been CEO of their firm for eleven years. But how did they get here?

"In less than 10 years he has been able to grow the agency's revenues from less than \$5 million to well over \$20 Million and this has been done in a depressed part of the country and in an area that has had population decline."

*Associate of CEO of a \$10-\$25 Million Revenue Agency*

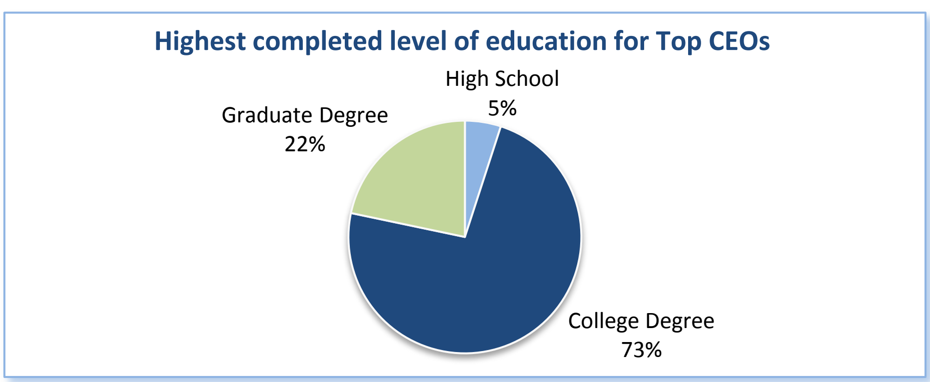


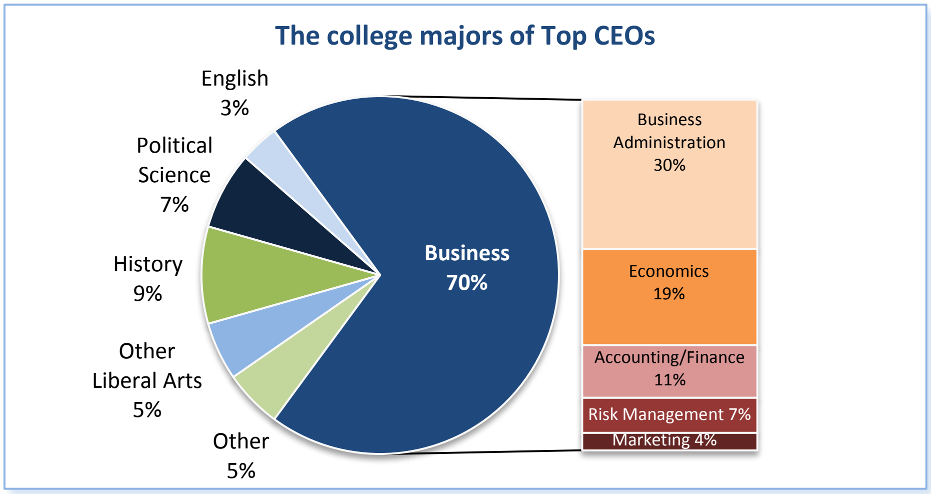

*Source: Reagan Consulting Leadership Series – CEO Survey*

## Education and Work Experience

The majority of the Top CEOs have a college education, while 5% only completed high school and 22% have graduate degrees.



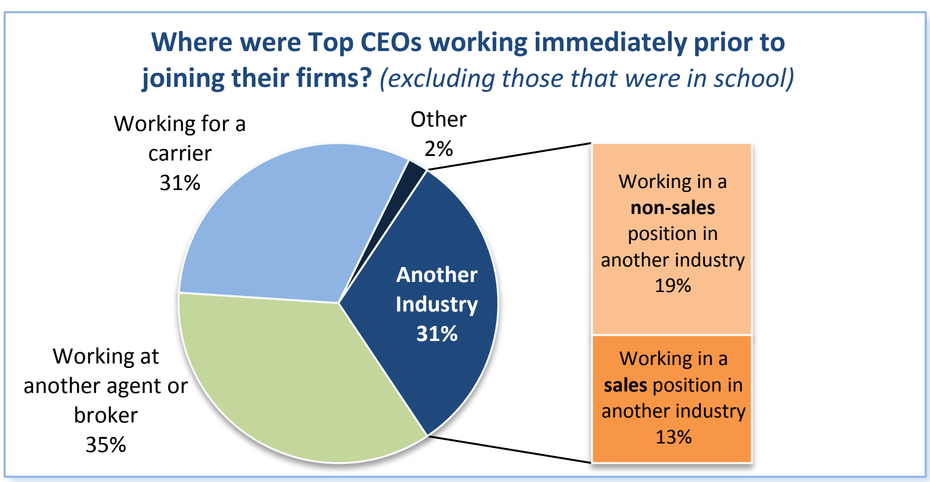

*Source: Reagan Consulting Leadership Series – CEO Survey*




*Source: Reagan Consulting Leadership Series – CEO Survey*

In the previous table we show the college majors of the Top CEOs. It is not a surprise that approximately 70% of those that attended college got a business degree. However, close to 25% of these Top CEOs got liberal arts degrees. It is interesting to see that there are more History majors (9%) than Risk Management majors (7%). The small number of Risk Management majors may be impacted by the fact that these CEOs, on average, graduated from college 31 years ago, well before many Risk Management programs became prominent. We would also note that of the 22% of these Top CEOs that received graduate degrees, two of them have law degrees with the majority of the balance having graduate business degrees.

Following their graduation from college (or graduate school), 20% of the CEOs went directly to work for the agency they now lead. The remaining 80% went to work elsewhere. Interestingly, almost an equal split went to work for an insurance carrier, another agent or broker or in another industry. Of those that went to work in another industry, approximately 40% were in sales. There are a total of 21 different industries that they worked in with banking being the most prevalent, followed by construction and retail/wholesale.



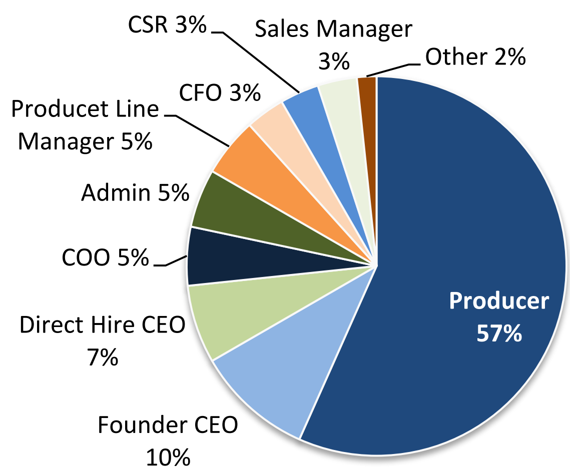

*Source: Reagan Consulting Leadership Series – CEO Survey*

## Pathway to CEO

A total of 10% of the Top CEOs founded their agency as CEO (we will call them "Founder CEOs"). Further, 7% of Top CEOs were hired directly from outside of the firm as the CEO (we will call them "Direct Hire CEOs"). As the small number of those hired from the outside suggests, this is not frequently done due to the advantages of hiring from within the agency and the challenges of bringing in a new, non-owner to fill the CEO role.

The largest portion of these Top CEOs joined their firm in a production role. The balance of the Top CEOs took positions ranging from senior management to support and administrative roles. The distribution of the initial roles of these Top CEOs is included in the following table.

**What was the first role that Top CEOs had when they joined their firms?**



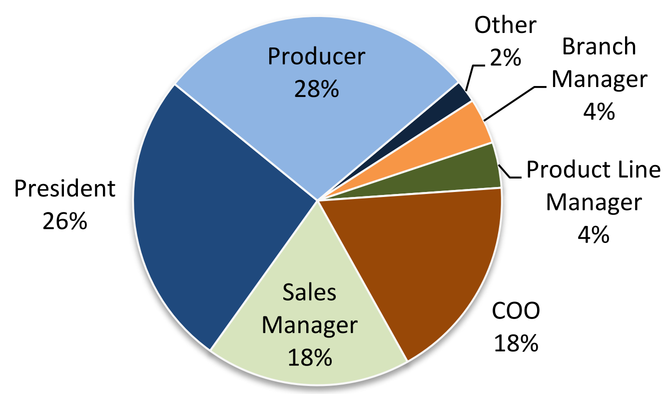

*Source: Reagan Consulting Leadership Series – CEO Survey*

From the time the Top CEOs (excluding Founder CEOs and Direct Hire CEOs) joined their agencies until they became CEO, 12 years passed for the median CEO. It is instructive to take a look at the roles that they transitioned to immediately before they took the CEO role. If we exclude Founder CEOs and Direct Hire CEOs, we have a total of 50 CEOs that were filling a variety of positions at their firms prior to their selection as CEO. 28% of them were still in production roles while 72% of them were in a various senior level management roles.

As noted in the following chart, just over one-quarter of this group was promoted from a sales position directly into the CEO role. Before drawing the conclusion that this is still a likely scenario, it is important to look at some facts behind these transitions. The majority of the transitions directly from producer to CEO occurred before 2000. In fact, approximately half of all Top CEOs appointed prior to 2000 came directly from a producer role.

Since 2000, only 11% of all Top CEOs have been promoted into the top spot directly from production. It appears that recently agencies have looked for their Top CEOs to have some management experience before becoming CEO.

**What was the role of Top CEOs immediately prior to taking the CEO job?** *(excluding Founder CEOs and Direct Hire CEOs)*



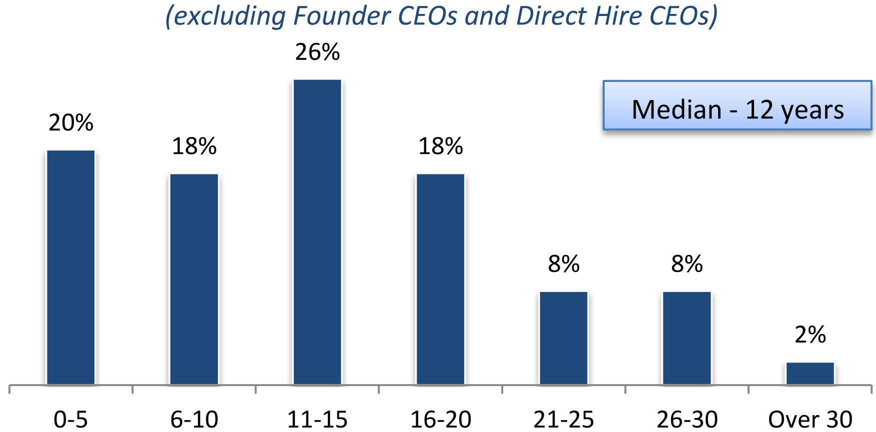

*Source: Reagan Consulting Leadership Series – CEO Survey*

"My agency gave me a big opportunity as a young professional in my early 30s to be elected CEO. I feel incredibly fortunate, and in turn, have a responsibility to invest in others."

*CEO of an Over $25 Million Revenue Agency*

As stated previously, excluding Founder CEOs and Direct Hire CEOs, the median length of employment before becoming CEO was 12 years. This is an important number to remember considering that it represents the typical time that it takes to hire, train, mature and prepare the next CEO. Recognizing that most Top CEOs were hired from within the agency and recognizing that the typical Top CEO needs 12 years to mature, the ability to successfully find the next CEO is largely a function of the quality of the hiring of talented candidates many years before the CEO position needs to be filled. The following table shows the spread of the number of years between hiring and selection as CEO.

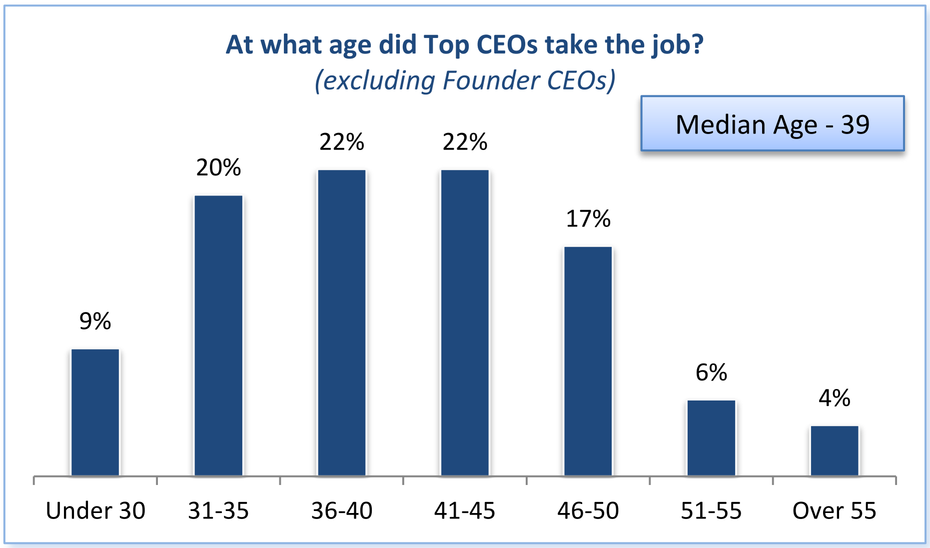
**Top CEO tenure with agency before becoming CEO**
*(excluding Founder CEOs and Direct Hire CEOs)*




*Source: Reagan Consulting Leadership Series – CEO Survey*

With the data that we have reviewed, it is also interesting to look at the age at which these individuals became CEO. These results surprised us. The median age of CEO selection is 39. Stated another way, one-half became CEO in their 20s or 30s. This is much younger than we anticipated and should be a real eye opener to young people aspiring for leadership roles or for those charged with the responsibility of selecting the next CEO.

We should still recognize that the other half of these Top CEOs were in their 40s or 50s when they assumed the CEO position. The following table shows the age when these Top CEOs assumed their roles.




*Source: Reagan Consulting Leadership Series – CEO Survey*

> "After more than 30 years in the business, I have unlimited passion for what I do. I embrace change as a way to grow and help others to understand how to manage change along the way."
>
> *CEO of an Over $25 Million Revenue Agency*

## What We Can Learn From Top CEO Backgrounds

Key take-aways from this section include:

1. The level of education or the specific type of education does not seem to be a critical success factor. We do know, though, that these Top CEOs and any candidate being considered for CEO benefits from a quality education and we see that the record achieved in school is a great indicator of intellectual capacity, maturity, self-discipline and overall ability.

2. Likewise, prior work experience or the specific type of prior work does not seem to be a critical success factor. To the extent that the prior work was in insurance it can provide the training and experience that would open the door for an opportunity within an insurance agency. Work experience in other fields or disciplines may also mature or develop a candidate for a successful career in insurance. Like school, we see the record of performance in prior

employment as a great indicator of the capacity and specific capabilities of a candidate.

3. The data suggests that the majority of these Top CEOs started in sales and have specific sales experience within the agency. Sales experience seems to be preferable but we recognize that some of these Top CEOs did not start in production roles.

4. It is important for CEO candidates to have agency management experience before becoming CEO. We saw that 72% of all of the Top CEOs had prior management experience and that for those more recently assuming CEO responsibilities, the percentage is even higher.

5. Close to 30% of these Top CEOs became CEO at age 35 or younger. This statistic holds true for all three of the agency size groups. This result was not anticipated and suggests that otherwise viable candidates for CEO should not be disqualified for being in their 20s, 30s, 40s or any age.

6. 93% of the Top CEOs (excluding Founder CEOs) were hired as internal candidates. The median Top CEO was with their agency for 12 years before becoming CEO. This most likely suggests that the successful selection of the next CEO begins many years before the need exists through the hiring of talented candidates. The likelihood of success increases if there are more successful hires and more candidates to choose from. (It also helps to populate the agency with a large number of talented producers and managers to fill other key positions on the management team.)

# Top CEOs and their Management Team

Like the US President picking his cabinet, the CEO's first job is to confirm, select or recruit the team with which they will share the leadership. Where the US President starts with a clean slate, the insurance agency CEO often begins with several leadership positions already filled. The CEO (and typically other members of the board or key owners) must decide what positions need to be filled and who is best qualified to fill them.

Our experience has confirmed that the decisions as to the size and make-up of the management team are based on a number of factors including the following:

- **The size of the organization** – As the data indicates, larger organizations frequently need and can support larger leadership teams.
- **The strategic direction of the organization –** An organization that grows primarily through mergers or acquisitions needs different capabilities on the management team than the organization that grows organically.
- **The capabilities of those currently on the management team** – Many agencies accept what they already have in place and adjust the leadership team to accommodate the skill sets and abilities of those already on board.
- **The talents, abilities and interests of the CEO –** The CEO should try to create a leadership team that will allow them to focus their attention on those areas of greatest need and where the CEO is best positioned to contribute to the firm's success. Ideally there will be a match between the greatest needs of the organization and the interests and aptitudes of the CEO. The successful selection process will hopefully ensure that this match exists.

> "I have been able to recruit and retain managers who are able to effectively over-see other aspects of the business so that I can spend the majority of my time focused on one critical objective – revenues generation."
>
> *CEO of an Over $25 Million Revenue Agency*

The basic management functions that must be filled in each insurance agency include financial, operations, sales, human resources, and information technology. In addition to the basic management functions, there are other critical tasks that must be assumed including vision casting and planning; carrier and community relations; employee recruiting; and management and supervision of the staff. We will look specifically in this section as to how the basic management functions are being handled. The next section of this report will explore how Top CEOs spend their time, and will look more closely at the amount of time the Top CEO spends in the basic management functions, as well as in vision casting and planning; carrier and community relations; employee recruiting; and management and supervision of the staff.

## The Composition of the Executive Management Team

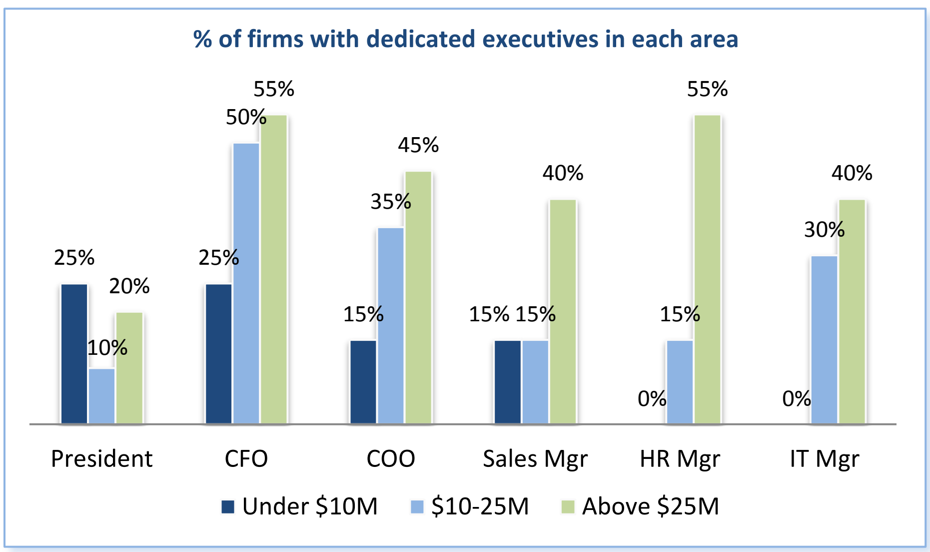
As we will see in the following five tables, Top CEOs address the basic management functions in one of four ways, including having:

- a full-time executive fill the position;
- an executive fill multiple roles;
- the position filled by a “non-executive”; or
- the position unfilled.

We will look closely at each of these options.

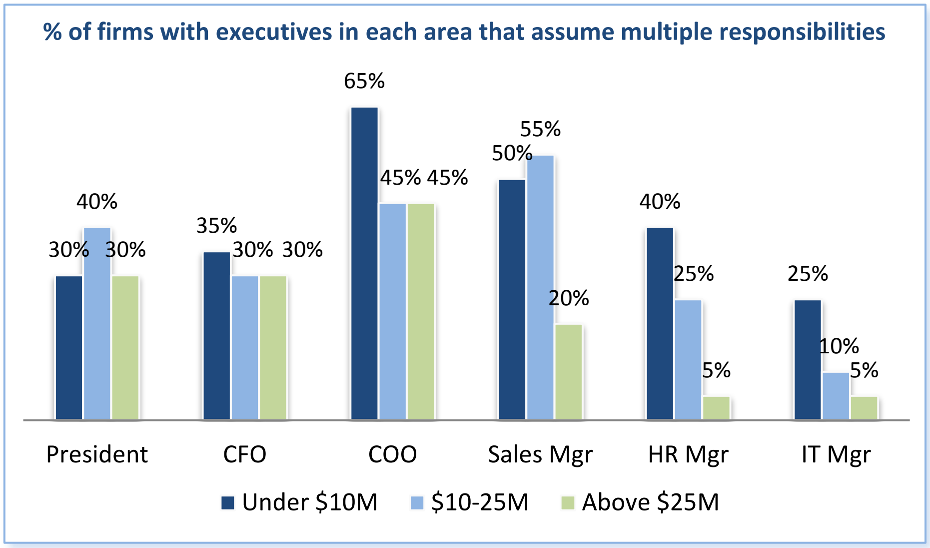
> “Our CEO has succeeded in building a senior staff to assume responsibilities in the various areas of operations and management and, by doing so, allowing him to focus on areas where he is personally strong.”
>
> *Associate of a CEO of a $10- $25 Million Revenue Agency*

The following table shows the percent of the firms having full-time (dedicated to that function) executives in each of the key management roles. As would be expected, the larger firms have far more full-time executives, with the CFO and HR management roles being the most prevalent roles that are filled by full-time executives as the firm grows larger.




*Source: Reagan Consulting Leadership Series – CEO Survey*

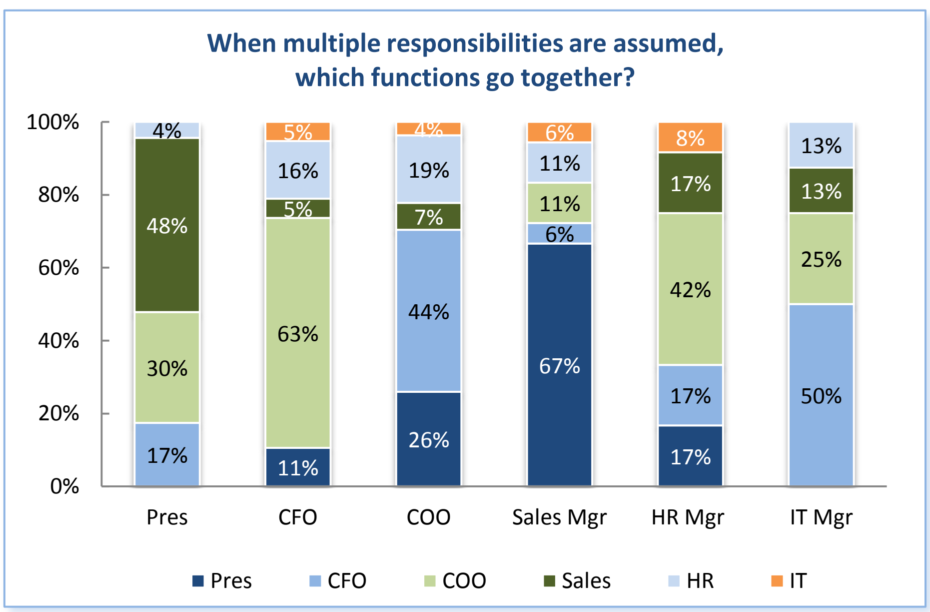
As the data in the following table shows, in smaller organizations, multi-tasking of the CEO and other members of the management team is a necessity (i.e., same functions performed by fewer people). Larger organizations have the ability to spread these responsibilities around more broadly to the members of larger management teams who are more likely to focus full-time on that specific management function. This gives the larger firms the advantage of filling these roles with individuals with unique expertise in their areas of focus.




*Source: Reagan Consulting Leadership Series – CEO Survey*

For those executives assuming multiple responsibilities, it is instructional to see what additional responsibilities they most typically assume. In the previous table we showed every position where the responsibility is being jointly assumed. For instance, there is a President of an agency that is also assuming the sales management responsibilities. That person would be included in the data for both President and Sales Manager.

In the next table, we show for each executive who assumes multiple responsibilities, what the combinations are. The most popular combinations are a joint CFO/COO and a joint President/Sales Manager role.



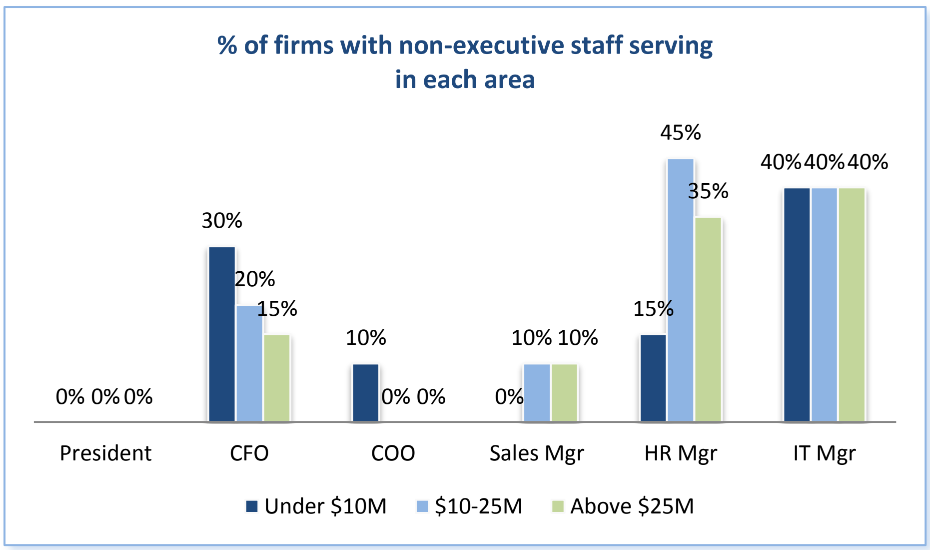

*Source: Reagan Consulting Leadership Series – CEO Survey*

One way to have the management responsibilities assumed is through a non-executive level staff person. The following table shows the percentage of the firms that have positions filled in this manner. For clarification, these positions typically will be filled as follows:

- **For CFO** – They will have a bookkeeper or controller.
- **For Sales Manager** – They will have an administrator that will support the producers, keep pipeline and performance reports, manage lead generation, etc.
- **For HR Manager** – They will have an administrator that will keep personnel records, address benefit issues and provide administration for the hiring process.
- **For IT Manager** – This position is frequently filled by a staff or technician level employee for agencies of all sizes.

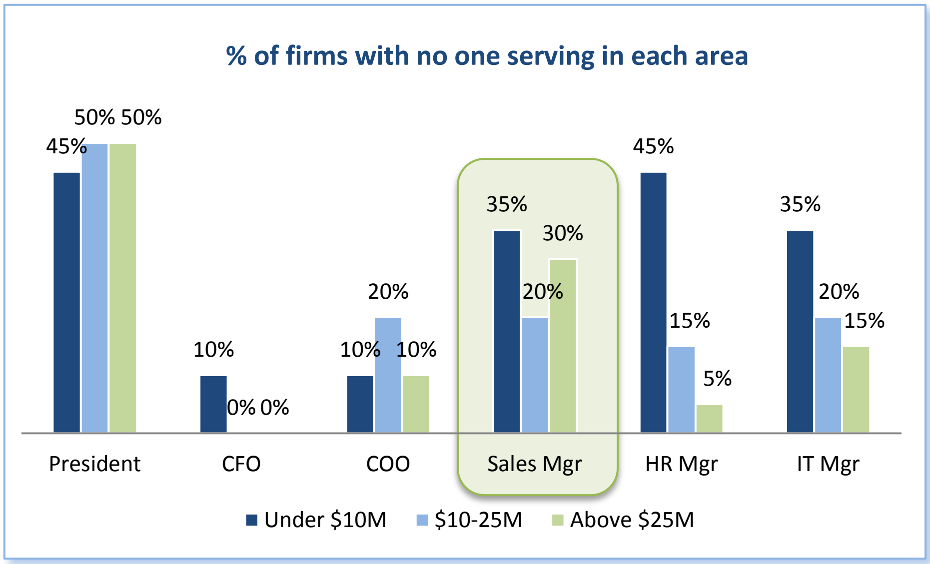
"I attribute a lot of my success to my ability to effectively delegate a lot of responsibilities in operations, financial management and carrier relations to a very capable management team."

*CEO of an Over $25 Million Revenue Agency*




*Source: Reagan Consulting Leadership Series – CEO Survey*

Finally, we have in the following table the percentage of the firms that do not have anyone in each of the positions. The least likely position to be filled is that of the President, with close to 50% of all three groups not having anyone in this role. The focus of this study is on the senior officer of insurance agencies. For the purpose of this study we are referring to them as CEOs, even though some have the title of CEO and President and some may even be called President. The reported data that shows that there is no President simply indicates there is only one person that is in the CEO and President's role. When the data shows there is a President, it means there is a second senior officer in addition to the CEO.




*Source: Reagan Consulting Leadership Series – CEO Survey*

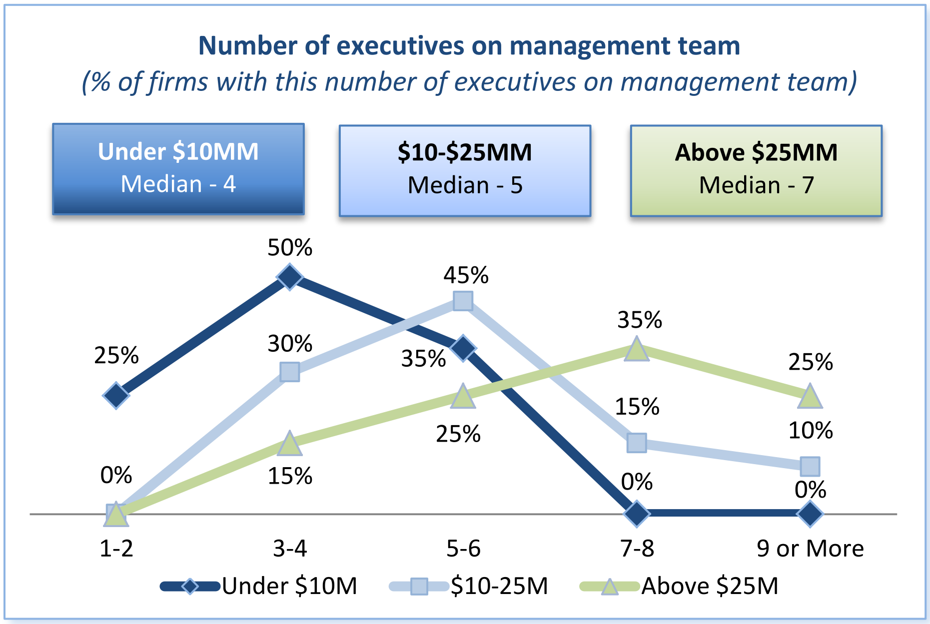
This table also indicates that 10% of the large and small agencies and 20% of the mid-sized firms do not have a COO. It must be remembered that many firms do not have a COO but instead have individuals managing divisions, departments or offices that are in operations management but are not considered COO. As we consider the size of the management teams, these additional management roles cause some of these firm's management teams to get quite large.

> "I have learned that six heads are better than one in running our agency."
>
> *CEO of a $10- $25 Million Revenue Agency*

Finally, as respects this data, one of the most surprising results is the number of firms of all sizes without anyone focused on sales management. When you combine these results with the fact that Top CEOs feel that they are generally weaker in sales management and that they generally want to spend less time on sales management, it is clear that the ability of even these strong firms to effectively manage sales is a challenge that they have not completely solved. This is tough for any business that is truly at its heart and soul a sales business.

## Size of the Executive Management Teams

As would be expected, the size of the resulting executive management teams varies by size of agency. The largest agencies have teams ranging from three to more than nine, with a median of seven. The mid-sized firms have teams ranging from three to nine or more, with a median of five. The smaller firms have teams ranging in size from one to six, with a median of four. This data is included in the following table.




*Source: Reagan Consulting Leadership Series – CEO Survey*

> "My greatest and most important accomplishment is recruiting the current executive leadership team that we have."
>
> *CEO of an Over $25 Million Revenue Agency*

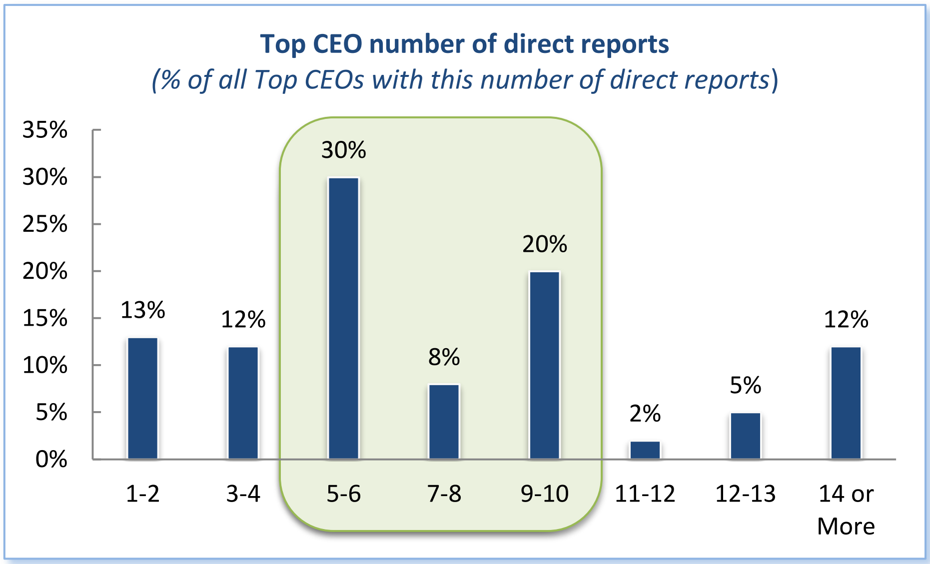
## Number of Direct Reports

In addition to the size of the management team and the allocation of responsibilities within it, the CEO must also determine the reporting structure and specifically who will report to the CEO. In studying the data, we find that there is no material difference in the number of direct reports to CEOs by agency size. We do find, however, a wide range going from a low of only one direct report, to several Top CEOs with more than 14 people reporting to them.

Those with the lower number of reports have some talented members of their management teams that are overseeing the direct reports that would otherwise be reporting to the CEO. These key individuals are most frequently in the role of President, CFO or COO. This shift in reporting responsibilities frees the CEO to devote more time to other priorities (which vary by individual).

The CEOs with the larger number of reports are found in several situations. Some are in smaller agencies, with smaller management teams but with most or all of the team reporting directly to the CEO. Others with a large number of reports are in agencies that have no sales leadership and the responsibility for the producers falls on the CEO. Still other CEOs with a large number of reports are in larger, more complex organizations and feel unable to delegate more reporting responsibilities to others.

A majority (58%) of the Top CEOs have between five and ten reports which would fall within the range that most management authorities would suggest is the appropriate span of control. Even though that may be desirable, our knowledge of many of these agencies and the situations they are dealing with would support the wisdom in those situations for either more or less reports, at least under their current circumstances.




*Source: Reagan Consulting Leadership Series – CEO Survey*

> "I was given some great advice by the founder of our firm: Surround yourself with talented people, make certain that we all have the same common vision and then get the hell out of their way."
>
> *CEO of an Over $25 Million Revenue Agency*

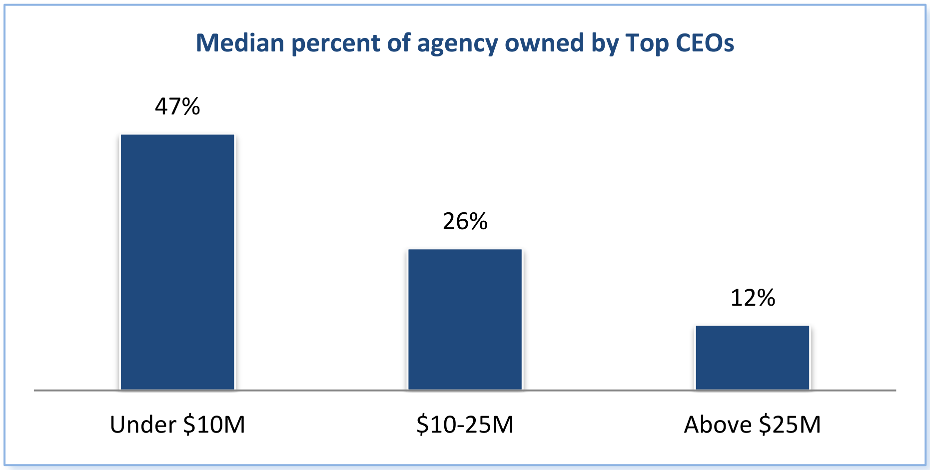
## Amount of Ownership Held By CEOs

It is very interesting to see the amount of ownership held by each of these Top CEOs. Although we have not included CEOs of the public brokers because of their size and different management challenges, we have included in this study several outstanding CEOs of bank-owned and private equity owned firms. For those individuals we have not included any ownership data because they either have none or the amount and type of equity is different and not comparable. The ownership that is shown is for only those firms that are privately held.

Although our experience does not support a direct correlation between the amount of an agency owned by a CEO and their success, we do know that it is difficult for a person to lead a privately owned firm when they have no ownership in that firm. Ideally the ownership held by any member of a privately held firm will be generally correlated to their value to the firm (either what value they brought to the firm or what they are now contributing to the firm's success).

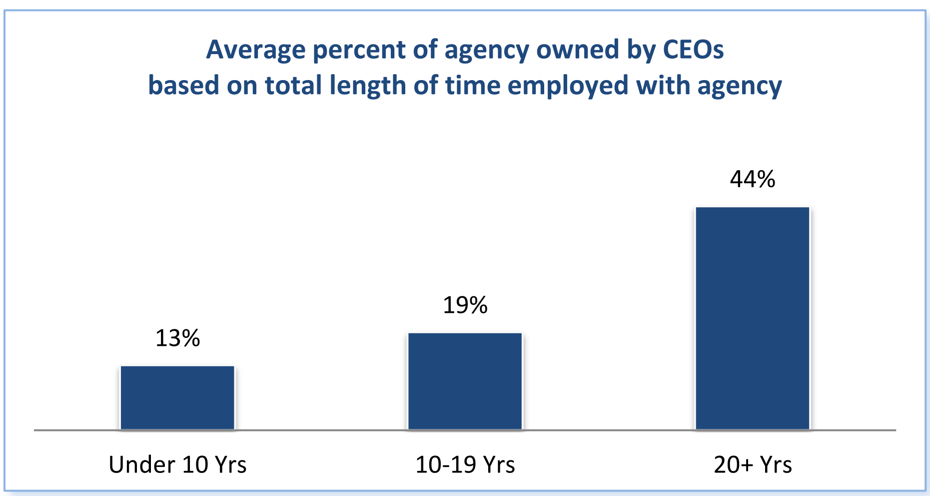
The following table shows the percent of the Top CEOs, by agency size, that have ownership at the various levels. As can be seen, there are clear differences in the amount of ownership based on the firm size.

The following table shows the median percent owned by the Top CEOs in the three size groups.




*Source: Reagan Consulting Leadership Series – CEO Survey*

Finally, the table presents the average ownership held by Top CEOs based on their length of employment with their agency. This table confirms the reality that employees are rarely given equity but rather accumulate it over time based on their performance. Even when someone becomes CEO at an early age, there are limits to how much and how quickly equity can be accumulated.




*Source: Reagan Consulting Leadership Series – CEO Survey*

## What We Can Learn From Top CEOs and their Management Teams

Key take aways from this section include:

1. The size, composition and roles of the management team will be a function of the size of the agency, the capabilities of the existing

management team, the capabilities of the CEO and the needs and strategic direction of the agency.

2. The ability to create the optimal management team will be limited by the natural temptation to accept the limitations of existing members of the management team, financial limitations on the ability to hire better or more people, and the ability to train, find and hire the best people.

3. The CEO will be most effective when they have a management team capable of performing all of the required management functions with excellence while allowing the CEO to contribute where they are best qualified and where the area of greatest (and most strategic) need exists.

4. There isn't a "one size fits all" approach to building an executive management team. Different agency strategies and skill sets often require different personnel alignments. However, there are some interesting trends that are worth noting on a position-by-position basis, especially which management team positions are added as agencies increase in size.

    - *CFO*. The agencies of the Top CEOs tended to have the CFO role represented on their executive management teams. However, the frequency changes materially for agencies above $10 million in revenue. Below $10 million, 60% of firms have the CFO role on their executive management teams, with most of these in a non-dedicated role. However, over 80% of agencies above $10 million have the CFO role on their executive management team – and most of these are in a dedicated role.

    - *COO*. The COO role was the most popular role on the executive management team. Over 80% of the agencies in each size category have the COO role on their executive management teams. But interestingly, in none of the size categories does the COO role show up as a dedicated role in the majority of firms. So while the Top CEOs tend to staff their executive management teams with a COO role, the majority of the individuals taking that role also have other responsibilities.

    - *HR Manager*. The HR Manager appears to become a mainstay of the executive management team at the $25 million revenue level. The majority (60%) of Top CEOs of agencies over $25 million in revenue include an HR role on their executive management team, and it is almost always a dedicated role. However, firms below $25 million in revenue only include the HR role on the executive management team 40% of the time – and the vast majority of these individuals also have other executive management duties.

- *IT Manager*. The IT Manager role seldom appears in the executive management teams of agencies below $25 million in revenue, even in a shared capacity. In fact, even the majority of agencies above $25 million do not have an IT manager role on their executive management teams. However, when the IT manager role appears in these larger firms, it most often appears as a dedicated role. Of the 9 Top CEOs above $25 million that have an IT role on their executive management team, 8 are dedicated positions.

5. There is a great deal that can be learned about the opportunities and challenges of each of the specific key management roles within the senior management teams of Top CEOs. One of those positions deserves some special attention based on the importance of that role to the firms and the challenges that many Top CEOs and firms are having in successfully filling this position and successfully fulfilling this function. This is sales leadership.

   Only 23% of these firms have full-time sales leadership, while 30% have no one serving in this area. As we see later in this report, sales leadership is an area where most Top CEOs feel they are relatively weak and want to spend less time in providing it. And yet, these are sales organizations where sales leadership would arguably be the most important leadership skill needed.

   With this point noted, we still recognize that these are high performing firms in many areas including sales. Most of these firms find a way to create a "sales" culture and find a way to produce good results but sales leadership still continues to be a frequent, if not common challenge. It is for this reason that the next installment of this Leadership Series will focus on Sales Leadership.

6. Appropriately establishing the organizational structure and reporting relationships will also be a critical success factor for the CEO. The span of control of the CEO will need to be established in conjunction with the determination of the roles of each of the other members of the management team. The majority of these Top CEOs directly supervise 5-10 employees.

7. Ideally, in a privately held firm, the ownership held by the CEO (and each key employee) will be in proportion to the value they have brought to the organization and that they can continue to create. If a

CEO is hired from the outside or from the inside at a young age or with limited tenure, the ownership they hold may be less than typical. It will be important to put in place stock transition plans that will allow the CEO (and other deserving key employees) to buy and/or earn additional equity and for the equity they hold to be transitioned to a level that is in proper proportion to the value they contribute.

# How Top CEOs Spend their Time

The demands on a CEO can be extremely heavy. In addition to the big picture responsibilities of vision casting and strategy development, there are numerous daily demands vying for attention. Employees, customers and carriers all have needs that must be addressed, and no matter how good a CEO is at delegating responsibility, some of those needs inevitably filter through for the CEO's input or approval.

Without careful and disciplined priority-setting, a CEO can become overwhelmed by the volume of issues and activities competing for their attention. We asked the Top CEOs to list their most important priorities. Of all the things that compete for their attention every day, what are those activities that they feel are most important? The table below provides a look at those priorities most commonly appearing among their "Top 5".

> "My greatest accomplishment is creating a vision for our company with my management team and then getting the entire company excited about it and in a position to execute it."
>
> *CEO of an Over $25 Million Revenue Agency*

**What are Top CEOs' greatest priorities?**
*(measured as frequency of mention among Top CEOs' highest priorities)*


*Source: Reagan Consulting Leadership Series – CEO Survey*

Setting vision and strategy is, by a large margin, the highest priority activity for the Top CEOs. The second most frequently mentioned item is pursuing acquisitions, investments and strategic initiatives. With these two as the leading priorities, it is clear that the Top CEOs are focusing on activities that are both high in their value creation potential and uniquely able to be influenced by the CEO. It seems to us that these activities are also among the most difficult activities for a CEO to delegate to other members of the management team.

Next, we focused on strengths. What are the strengths that are most common among the industry's Top CEOs. And while strengths are important, do they also share common weaknesses?

We asked the Top CEOs to assess themselves on a 1-10 scale for each of the activities listed. While the median score for the group is typically a 6 or 7 for each of the activities listed (representing moderate strength), it is fascinating to see what the *relative* strengths and weaknesses are for each of the Top CEOs. We calculated relative strengths by measuring how the Top CEOs scored themselves against their own average score. So, for example, if their average score was a 7, we measured which activities fell above and below that average score. The results are displayed in the chart below.

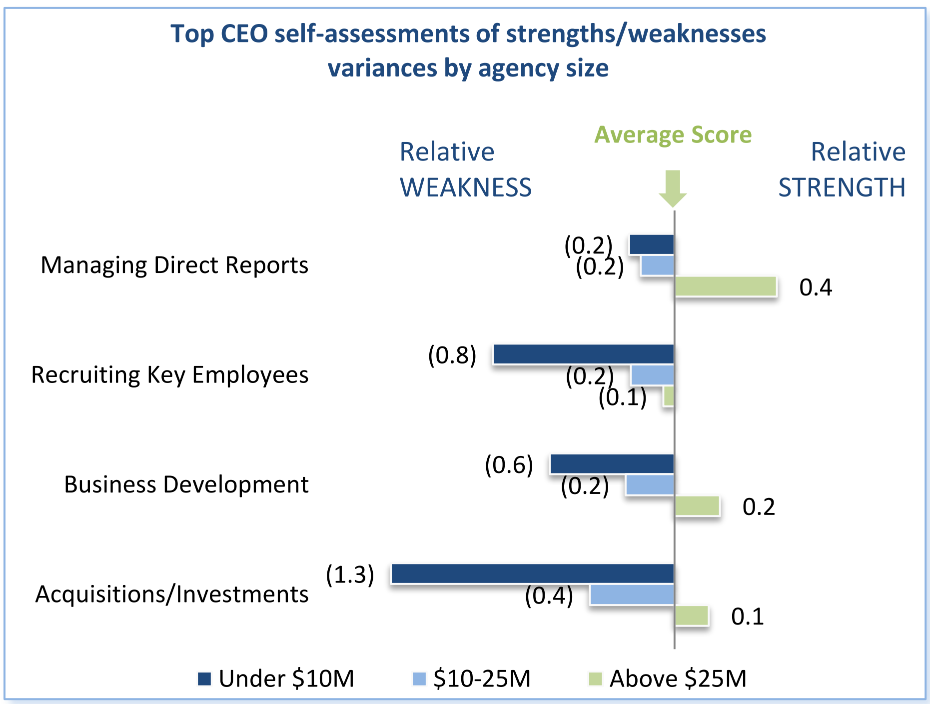

*Source: Reagan Consulting Leadership Series – CEO Survey*

Surprisingly, of the top five priorities, the only one commonly rated as a relative strength among the Top CEOs is the number one priority of Setting Vision and Strategy. Each of the other top five priorities was either neutral or scored as an area of a slight relative weakness. Adding to the challenge is the fact that two of the three most significant weaknesses are among the top five priorities (acquisitions/investments/new initiatives and key employee recruiting).

One surprising area of common strength is financial management, which also carries some irony since Top CEOs don't view financial management as a key priority for their role. This seems to indicate that although Top CEOs don't view financial management as a top priority (and in fact try to delegate it as much as possible), they tend to have a good grasp of financial issues.

There are some interesting variances between the responses of Top CEOs depending on the size of their agency. Large agency principals tend to rate themselves stronger than do smaller agency Top CEOs in four key areas: managing direct reports, recruiting key employees, business development and acquisitions/investments. This disparity in self-assessment may indicate that the job of running a large insurance agency requires a different set of skills than running a small agency. Below is a chart that highlights those differences in relative strengths by agency size.

> "I believe one of my strengths is that I am pretty humble and I know what I am good at and not good at."
>
> *CEO of an Over $25 Million Revenue Agency*




*Source: Reagan Consulting Leadership Series – CEO Survey*

Given these strengths and weaknesses and their priorities, how do Top CEOs actually spend their time? Does the allocation of their time match their priorities? If not, why not?

The following graph provides a picture of how Top CEOs spend their time, based on percentages. To the right of each bar in the graph, we've expressed the amount of time in hours per week, based on a hypothetical 50 hour workweek.

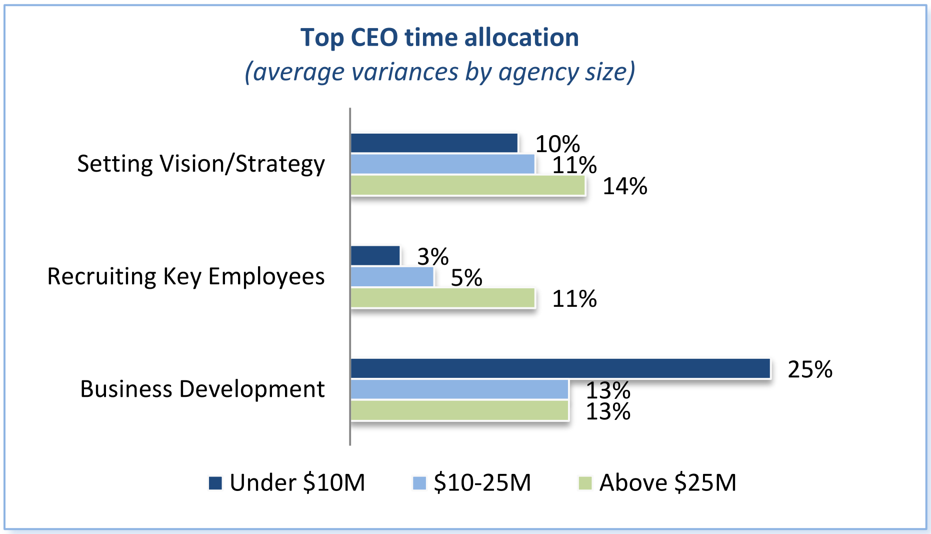

*Source: Reagan Consulting Leadership Series – CEO Survey*

"He manages his time and sets his priorities better than anyone I know."

*Associate of a CEO of an Over $25 Million Revenue Agency*

Top CEOs are generally spending their time consistent with the priorities noted earlier. The most glaring exception to that is in the area of key employee recruiting – it is listed among the top priorities for over half of the Top CEOs in the study, while getting an average of only 6% of their time, or 3.1 hours per week. It is the 4th highest priority but only the 8th largest source of Top CEO time.

Again, there are some interesting variances in how Top CEOs spend their time depending on the size of their agency. Below is a graph that highlights the key differences. At times the differences may not seem significant. For example, large-agency Top CEOs spending 14% of their time on strategy and vision versus 10% of time for small-agency Top CEOs. However, the large-agency Top CEOs are spending *40% more* time in this area than their counterparts in smaller organizations. Conversely, Top CEOs of agencies under $10 million in revenue are spending twice as much time on business development as are Top CEOs in larger organizations. The Top CEOs' personal production and direct role in other production efforts declines significantly as agencies break the $10 million threshold.




*Source: Reagan Consulting Leadership Series – CEO Survey*

The time actually spent, however, does not always match how the Top CEOs would like their time to be spent. Top CEOs would like to adjust their schedules to spend even more time on issues that matter most. When asked how they would ideally prefer to spend their time, they pointed to some pretty significant adjustments to what they are doing now.

There are three activities they want to spend roughly one-third more time on: setting vision / strategy, acquisitions / investments / new initiatives and finally, recruiting. These are three of their four highest priorities.

In order to free more time to invest in these activities, Top CEOs would like to take some responsibilities off their plates. Top among these are operations management, financial management, carrier relations and sales management/leadership. While each of these is vital to the health of any insurance brokerage operation, Top CEOs are hoping to do a better job of empowering other members of their leadership team to take on these responsibilities. The following chart indicates which activities the Top CEOs would like to spend more, and less, time on.


*Source: Reagan Consulting Leadership Series – CEO Survey*

We were surprised by Top CEOs' views on sales management/leadership. Healthy insurance agencies are at their very core sales organizations. And the Top CEOs, as we'll see in the next section of this study, are predominantly sales-oriented individuals. We therefore expected the Top CEOs to be focused on, and excel at, sales management/leadership. However, the data suggests that our Top CEOs, despite their success, struggle with this issue. The data indicates:

- Only 40% listed sales management/leadership among their top five priorities.
- In their self-assessments, they view it as a relative weakness – on the same level as operations management.
- At only 4.7 hours a week, they spend relatively little time at it.
- They would like to cut by 25% the time they currently spend on sales management/leadership, which would reduce it to about the same amount of time they spend on community relations.

"He has evolved over time. He has relinquished more of the operations to a growing executive team and spends more time setting and casting vision and driving growth."

*Associate of a CEO of an Over $25 Million Revenue Agency*

What do we make of this? Given the data above, it seems that Top CEOs are eager to delegate sales management/leadership to another member of their executive team. But is this the best approach? The next installment of the Reagan Consulting Leadership Series will tackle this issue head-on.

Carrier relationships are vital to agency success. Top CEOs currently dedicate 7% of their time to carrier relations, which is more than they spend on financial management, recruiting, and operations management. This significant allocation of time is indicative of the importance of having the highest level of an agency's leadership involved in these relationships. At the same time, Top CEOs would like to reduce the overall amount of time they spend on carrier relationships. They are looking to concentrate their efforts on deepening their relationships with the senior management of their most important carriers, while delegating the day-to-day aspects of carrier relationships to other members of their management teams.

Beyond the issue of sales management/leadership and carrier relations, it does appear that Top CEOs aspire to adjust their schedules to focus more on those priorities that drive value creation, namely growth and profitability. If not kept in check, a high volume of other activities can crowd out those that are most important, leading to organizational stagnation.

## What We Can Learn From How Top CEOs Spend Their Time

Key take-aways from this section include:

1. The CEO's focus needs to be on value creation, which is driven by revenue growth and profitability. It is therefore critical to the success of the CEO that they devote the majority of their time to high-return (strategic) activities and delegate lower return activities to others. Knowing when to say "no" to certain activities is as important as knowing when to say "yes."

2. Clearly, the CEO's most important job is the setting of the firm vision, leading the construction of a strategic plan, and then ensuring the execution of that plan. Others will participate in strategic planning, but the CEO must assume the primary responsibility for seeing that it is done, and done well.

3. The time allocation of the CEO will be directly influenced by the composition of the management team, and how the skills of each member complement the unique strengths and weaknesses of the CEO.

4. One of the areas where CEOs and their organizations are struggling most is with sales management. Nearly one-third of the agencies in our study have no dedicated sales leadership. Only 40% of Top CEOs place sales leadership among their top 5 priorities and the majority view sales leadership as a relative weakness. And rather than dedicate more time to sales management, Top CEOs aspire to spend less time on it. This issue will be the focus of the next Leadership Series Study.

5. CEO accountability. Agency Boards of Directors frequently struggle with how to hold CEOs accountable for performance. Are there evaluation criteria beyond the obvious measurable outcomes of growth, profitability and increase in share price? The priorities and time allocations in this chapter can be a useful tool in facilitating a more strategic ongoing dialogue between a Board and CEO to ask such questions as:

    - “What are your top priorities for the coming year?”
    - “Over the past few months, on what activities have you spent the majority of your time?”
    - “Over the next few months, how do you plan to allocate your time?”
    - “Are there ways the organization can better support you to allow you to spend more time on your top priorities?”

# What Sets Top CEOs Apart

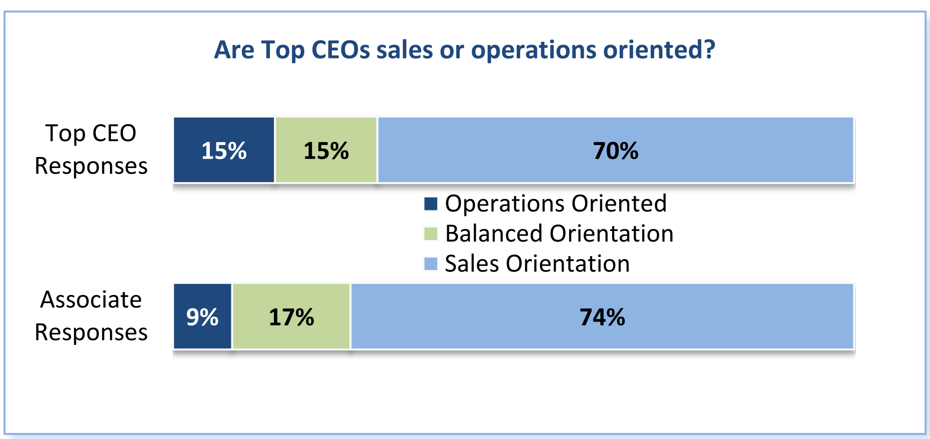
Perhaps the question that leaders are asked most is: "What makes you an effective leader?" In order to help current CEOs improve their game and to assist agencies in choosing the next CEO, part of this study was designed to attempt to answer that question for insurance agents and brokers. We asked the Top CEOs (and their associates and the individuals that nominated them) what sets them apart. What makes these Top CEOs great?

The temptation in answering this question is to provide a formula for a great CEO. Unlike so many leadership texts before us, we will not attempt that feat. We don't believe that there is a formula for an effective leader in the insurance distribution marketplace – or for any other industry for that matter. However, we do believe, after conducting this study, that there are certain characteristics and behaviors that are more likely to set a CEO apart in our industry.

> "Our competitors fear him, our carriers trust him, and our employees love him. He has put our organization on the map due to his character, vision and sales focus."
>
> *Associate of a CEO of an Over $25 Million Revenue Agency*

## A Sales Leader for a Sales Organization

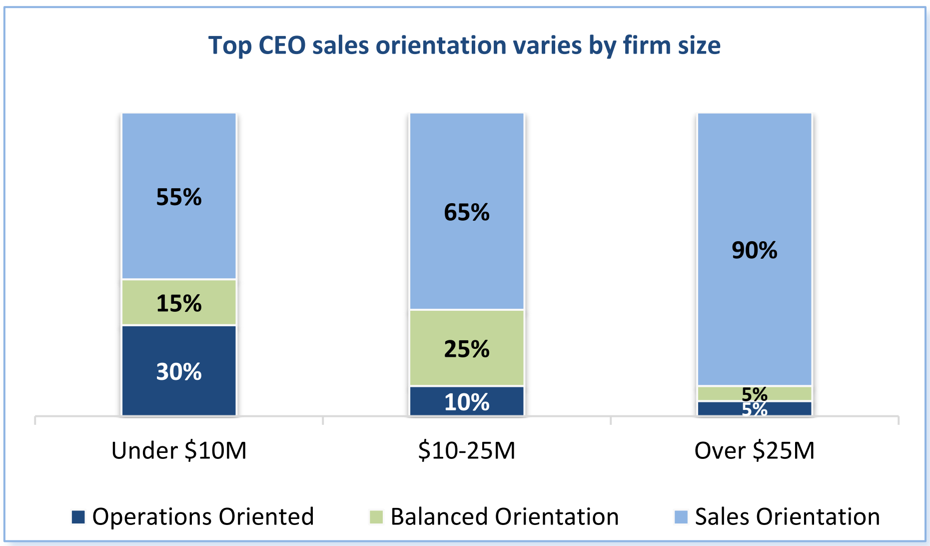
Insurance agencies are sales organizations, and we started our investigation of the Top CEOs by looking at whether they are sales-oriented or operations-oriented individuals. We asked these Top CEOs to rate themselves as sales-oriented or operations-oriented based on a seven-point scale, with 1 being heavily operations-oriented and 7 being heavily sales-oriented. We then asked their associates to do the same.




*Source: Reagan Consulting Leadership Series – CEO Survey*

The Top CEOs and their associates are well-aligned, and the results are clear: this group of Top CEOs is generally a sales-oriented bunch. In fact, the associates of the Top CEOs surveyed indicate that the Top CEOs are even slightly more sales-inclined than the Top CEOs' self-perception suggests. This is an expected outcome given the sales nature of insurance agents and brokers. In a business where sales culture is paramount, it is going to be harder for the CEO to outsource leadership in this area. This result, though, makes our earlier discovery that Top CEOs want to do less sales management and leadership even more puzzling.

Of the Top CEOs surveyed, 15% report that they are more inclined towards operations than sales. And when you analyze the data of these operations-inclined Top CEOs, an interesting trend emerges: Operations-oriented Top CEOs are significantly more likely to be found at smaller firms. The graph below breaks down the sales orientation by firm size, as reported by the Top CEOs.




*Source: Reagan Consulting Leadership Series – CEO Survey*

An operations-oriented Top CEO is 6 times more likely to be found in a smaller firm than a large firm. In fact, a full 90% of the Top CEOs of firms with over $25 million in revenues report being sales-oriented, versus 55% for the smaller firms.

What explains this apparent linear relationship between sales-inclination and agency size? It is our belief that having a sales-oriented leader increases in importance as firm size grows because the sales culture of a large firm is more critical to the success of the firm than it is to a small firm. In a large agent or broker, sales performance – and thus growth – is based on a larger group of individuals. One or two producers can no longer "move the needle" to drive firm results.

A key challenge of the CEO at a large firm is to recruit, motivate and lead this larger producer force in order to perpetuate sales success and agency growth. As one Top CEO of a large firm noted, "I build solid relationships with our production team and feel like I know how to reach them." This task may be more difficult without a natural sales orientation. Further, this task requires time, and operations-oriented Top CEOs believe that they should spend half the time on sales management and leadership (4% vs. 8% of total time) as sales-oriented Top CEOs.

In examining the performance of operations-oriented Top CEOs versus sales-oriented Top CEOs, we hypothesized that the operations-oriented Top CEOs would have better profit margins than the sales-oriented Top CEOs. It seems obvious that given their orientation, they would be better at operations profitability than their sales-oriented peers. In our survey, however, that is not the case. In fact, the operations-oriented Top CEOs have slightly *lower* profit margins, on average, than sales-oriented Top CEOs. We're careful to acknowledge that we haven't done a deep operational analysis of each firm and also acknowledge that the correlation here does not establish causality. However, the data suggest that agencies shouldn't ignore the sales-oriented leader when it comes to having the ability to drive margin.

"He sees the very best in everyone and believes in everyone, which creates a 'can do' attitude in those around him."

*Associate of a CEO of an Over $25 Million Revenue Agency*

This group of Top CEOs contains both sales-oriented and operations-oriented leaders, but the sales-oriented leaders dominate the group. Can an operations-oriented leader succeed? Yes – let's not forget that all of these leaders were nominated by industry sources as the best in the business. However, they are in the minority – especially at larger firms. One associate of a Top CEO eloquently captures the sales priority in this business. "First and foremost," the associate notes, "We are a sales culture and our CEO never deviates from that message, while fully understanding and appreciating the operational side and its role in profitability."

## The Characteristics and Behaviors that Set Top CEOs Apart

Certainly there are numerous positive attributes that we could list that help these Top CEOs succeed, but we wanted to understand which of these attributes really set them apart. As such, we asked the Top CEOs, their nominators and their associates to tell us what sets the Top CEO apart as an effective leader in the insurance brokerage community.

There is a hierarchy of responses, as described in the chart following. However, one response is clearly most prevalent. 93% of Top CEOs, their associates or nominators believe that the Top CEO's unique ability to engage and empower employees set that Top CEO apart. Above intelligence, integrity, communications skills and all others, a Top CEO's ability to build consensus, motivate a team, and connect with producers and staff is most likely to distinguish a Top CEO as an effective leader. As one Top CEO tells us, "I think the key to success is hiring talented people and then getting out of their way and allowing them to do what they can do."

In an industry like insurance distribution, where people are a firm's assets, empowering those people – getting the most out of the "assets" – is what is most likely to set a Top CEO apart as a great leader. One Top CEO describes this behavior as having the "ability to coach and mentor producers and others within our organization to the next level – in most cases even before they thought they could [get there]." In fact, this ability to engage and empower employees has become the key focus of numerous Top CEOs. Many Top CEOs have almost transitioned to seeing the firm's *employees* – especially producers – as their true clients. After all, if a Top CEO can wield a team of empowered, satisfied, professional employees, isn't that the truest path to maximizing client satisfaction? And won't that translate directly into success for the firm's clients and shareholders?

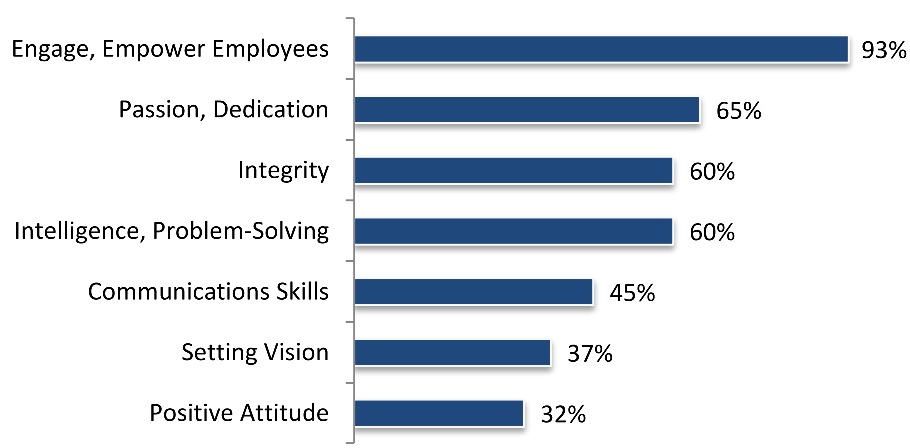
We find evidence of this behavior throughout this study. Responses like "Employees first," "I enjoy helping others succeed," and "Loyalty and willingness to openly listen to others' ideas" are common as we listen to Top CEOs and their associates and nominators tell us what sets them apart.

This employee-focused, servant leadership style is an interesting characteristic given that most of these Top CEOs started as producers. At some point, these Top CEOs were able to transition from a production, book-of-business focus to a broader focus on the success of their employees and their organizations. "I really just want the organization to be successful," notes one Top CEO, "and I don't feel the need to be the hero."

"I really just want the organization to be successful – I don't feel the need to be the hero."

*CEO of an Over $25 Million Revenue Agency*

**% of Top CEOs who indicated (or their nominator or associate indicated) that this characteristic sets the Top CEO apart**




*Source: Reagan Consulting Leadership Series – CEO Survey*

Following the leading response, there are three other characteristics or behaviors attributed to a majority of Top CEOs:

- Passion and Dedication (65% of Top CEOs). Many Top CEOs identify their “single-minded focus” or work ethic or drive as key to their success. One Top CEO writes: “I believe that passion motivates others to achieve their highest potential.”

- Integrity (60% of Top CEOs). In an industry based on relationships, the integrity of a leader goes a long way. One Top CEO says that what sets him apart is his “Willingness to do what is right regardless of cost.” Many Top CEOs echo this sentiment, with one noting that he places an “emphasis on values as the foundation of our culture.”

- Intelligence and Problem Solving (60% of Top CEOs). A Top CEO doesn’t always have to have the answers, but needs to be able to analyze the facts and make good decisions. One Top CEO notes that his “ability to see all sides of an issue and determine the best action to take with the solution in mind” is what sets him apart.

> “He is smart and passionate but he is also compassionate. He is a creative visionary.”
>
> *Nominator of a CEO of a $10 to $25 Million Revenue Agency*

And among the remaining responses, three more stand out: Communications Skills (45%), Setting Vision (37%) and Positive Attitude (32%). While these don’t receive mentions from a majority of the Top CEOs, they are often critical pieces in a Top CEO’s ability to deliver on the four characteristics mentioned above. It might be difficult, for example, for a Top CEO to effectively engage and empower employees without good communications skills. And often, passion for the business comes with a positive attitude and outlook.

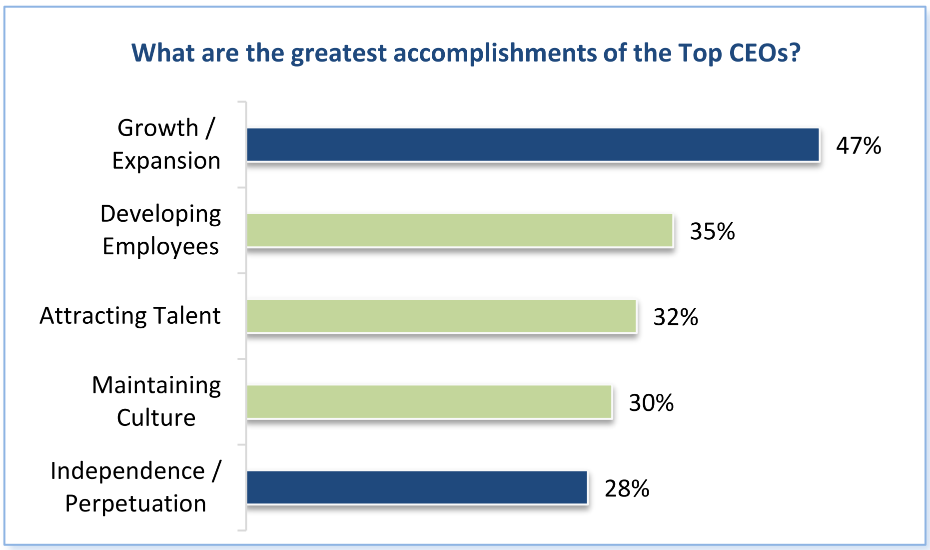
How do you interpret this question of what sets Top CEOs apart and the responses discussed above? Is it that 40% of Top CEOs don’t have integrity? Only 32% of Top CEOs have a positive attitude? No. The question is not designed to address which attributes the Top CEOs possess, but rather those attributes that are most likely *to set the Top CEOs apart* and contribute to their uncommon leadership success.

For example, the passion and dedication of a Top CEO is more likely to set that CEO apart than, for example, self-confidence (which is mentioned regarding only 10% of Top CEOs). Does that mean that self-confidence is a negative attribute? No, but it does mean that self-confidence is less likely to differentiate and distinguish a Top CEO than passion and dedication.

## The Greatest Accomplishments of Top CEOs

Asking a leader to describe their greatest accomplishment can be an insightful exercise, as it requires a leader to prioritize the actions taken and results achieved. The answer to this question can shed considerable light on the personality and values of a leader.

While the most often cited accomplishment is growth and expansion, it is not surprising that three of the five greatest accomplishments of the Top CEOs were people-driven accomplishments. As described in the chart below, the second through fourth-most frequent responses all concern an agency's workforce: developing employees, attracting talent and maintaining culture. One Top CEO describes his personnel-driven accomplishments and why they are so critical to the firm: "I am proudest of the increased level of engagement of our employees in all departments and divisions. The result has been outstanding performance in the face of one of the more difficult economic times we have faced. It all began by holding non-performers accountable, especially in the production and executive positions, and increasing the level of trust with all employees."




*Source: Reagan Consulting Leadership Series – CEO Survey*

"We have grown as rapidly as we have because [our CEO] has no pride of authorship or need to get the credit – he wants each of us to be successful."

*Associate of a CEO of a $10 to $25 Million Revenue Agency*

Those Top CEOs possess a wide variety of attributes, personalities and experiences and they run firms with a wide variety of strategies, assets and geographies. However, two common themes run through the majority of this group. First, they are generally sales-oriented individuals who are naturally comfortable with and inclined toward the primary function and skill set of their organizations. Second, they have an ability and drive to engage the individuals they work with and empower them to grow and create value.

## What We Can Learn From What Sets the Top CEOs Apart

Key take-aways from this section include:

1. The majority of the Top CEOs describe themselves and are described by their associates as sales oriented. Only 15% of the Top CEOs and only 5% of the Top CEOs of agencies over $25 million are considered

operationally oriented. As these results show, there are exceptions, but the majority of the best CEO candidates have a sales orientation. This is true for all size agencies but particularly for the larger firms.

2. Recognizing the needs and challenges of leading a sales organization, agencies that have CEOs that are not sales oriented or that consider CEO candidates that are not sales oriented need to make certain that the senior management team is also populated with talented individuals that will provide that sales orientation and leadership.

3. The most important common defining characteristic shared by these Top CEOs is their ability to "engage and empower" employees. The benefit and impact of CEOs that are capable of doing this is more easily understood than the means and methods by which a CEO would be able to accomplish this. If you are selecting a CEO, it obviously would be best to choose someone that has this ability. If you are a CEO and you want to more effectively "engage and empower" employees, how do you do it?

   As is apparent from the feedback of those we surveyed concerning these Top CEOs, there are some foundational characteristics and habits that can lead to engagement and empowerment. Some of this comes naturally to certain people while others are able to accomplish it through more intentional actions. Either way, the following represent building blocks to this desired behavior:

   - They shift their focus away from themselves to others. They come to the realization that their success needs to be defined by the success of those around them. Some call this servant leadership. Regardless of the terminology, it involves the redirection of an increasing amount of their time and attention toward the needs and success of others.

   - They find ways to connect with and enjoy their employees. They pat them on the back when they succeed and they pick them up when they fall.

   - They build trust with the employees, by doing what they say they will do, by being fair and truthful and by being open with them.

   - They find ways to motivate their employees. Some lead by example. Some do it with carrots and some with sticks (both have proven to be successful). Some are natural coaches or mentors.

- They make certain that an environment exists in which employees can succeed. They make sure they have the tools and resources. They make certain that all of the pieces of the organization are working in sync. They give the employees the space and latitude needed but they also recognize when help or accountability is needed.

4. The other distinguishing characteristics and qualities of these Top CEOs are worth considering if you are a CEO seeking to improve your performance or if you are a CEO or board needing to select the next CEO. There is not a person alive who would perfectly possess all of these strengths but we are convinced that the more of these qualities that a person has, the greater the likelihood that they will be successful. We also know that people can grow and develop and improve in many areas, including these distinguishing qualities:

    - Passion and Dedication
    - Integrity
    - Intelligence and the Ability to Problem Solve
    - Communication Skills
    - Setting Vision
    - Positive Attitude

# Conclusion

As was stated in the introduction to this study, we did not set out to write about leadership in a general sense. We focused our efforts on a more limited and specific target that has not been done or at least not done effectively. We are only looking at the leadership of insurance agencies and brokerages and in this first installment of the Leadership Series, we are focusing on CEOs and attempting to answer two questions:

1. How can agency CEOs improve their performance?
2. How can the firms successfully select their next CEO?

We recognize there are no simple answers to these questions and there are definitely not uniform answers where "one size fits all". There is for each individual agency, though, an answer that will work the best for them.

> "Under his leadership this firm has changed from a fragmented cluster of agencies operating under one roof, to a forward-thinking agency that has made more progress in the last 12 years than the prior 100+ years."
>
> *Associate of a CEO of an Under $10 Million Revenue Agency*

The responses to these questions do not as much lay out the answers to the questions as they lay out a process to help any reader determine the answer that is the best for them. In going through the suggested process we point you back to the results of the study as a means to identify where change needs to take place and the kind of changes that are best for each given situation.

## How can agency CEOs improve their performance?

For a CEO aspiring to improve performance...

1. You should begin with an honest assessment of your current performance:

   - See how you compare to these Top CEOs in each of the areas reviewed in this study.

   - Do a "360 Evaluation" to see how your associates perceive your performance. Do it in such a way that you can get their honest and candid feedback (i.e., have a third party perform it and allow the responses to be kept confidential).

   - Do a "DISC" or Myers-Briggs psychological profile to determine your natural style, behavior and orientation.

2. Recognizing that CEO performance is also measured by agency performance, make certain that you have a comprehensive understanding of how your agency is currently performing. Determine what is working, what is not working and what needs to

change in order for the agency to accomplish its long term mission. If you don't know what the long term mission is, you need to take the necessary steps to determine the mission for you and the organization.

3. Do an honest assessment of your executive management team and how each of the management functions is currently being performed. Based on that evaluation, determine where changes need to be made, potentially including the following:

    - Upgrade (or replace) members of the team
    - Eliminate or combine positions
    - Add new positions that are not currently filled
    - Consider whether positions should be filled by management level or staff level employees
    - Consider where your time as CEO most strategically needs to be spent and create a management team capable of assuming your other, non-strategic responsibilities.

4. Determine the optimum organizational and reporting structure considering the following:

    - The size and composition of your management team
    - The management and supervisory capabilities of your management team.
    - The span of control that you need to assume and that you can reasonably assume without compromising your ability to effectively manage your direct reports and accomplish your strategic priorities.

5. Begin with an assessment of how you are currently setting your priorities and allocating your time. In light of the steps taken in 1-4 above, determine which of your priorities need to be adjusted and how your time allocations need to change. Significant improvement can come from your ability to shift as little as 10-15% of your time and focus from low value activities to high value, strategic activities. Simultaneously you can improve the performance of every other member of your management team by going through this same process with them.

6. In light of the feedback received from your "360 Evaluation" determine how you can most effectively "engage with and

"We have doubled our size, improved our profitability, and created an organization where our staff can grow professionally. Over the last five years, we have taken major steps to attract younger people to our organization."

*CEO of a*
*$10 to $25 Million*
*Revenue Agency*

empower" your fellow employees. As stated, this will happen when you shift your focus from self-performance to helping others perform, build trust with your employees, find ways to connect with them, give them the needed latitude and space to perform, while at the same time being available to help, challenge, motivate and hold them accountable.

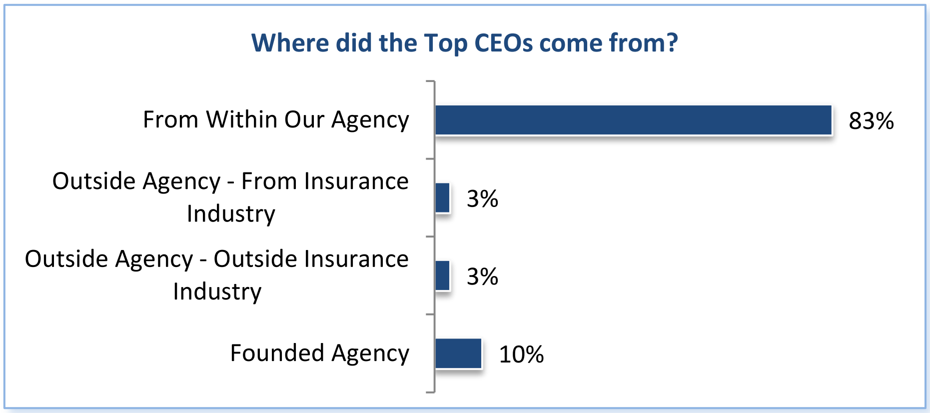
## How can the firms successfully select their next CEO?

We are answering this question for CEOs, shareholder groups or boards of directors charged with the responsibility of selecting their organization's next CEO. We begin answering this question by providing the answers to some questions on this subject provided by the Top CEOs. We first asked the Top CEOs where they anticipate their next CEO will come from. As can be seen on the following chart, the majority see the next CEO being selected from internal candidates. Just over one-fifth of the Top CEOs leave the door open to a full range of options, while four of the 60 see the next CEO coming from outside the agency but within the insurance industry. These four responses are a function of the limited internal options within their agencies. We do not see any material difference in the responses based on agency size.

> "Perhaps my greatest accomplishment is recruiting the management team that we have. It has allowed me to spread the load to others and it has given us a deep talent pool to choose from for future leaders."
>
> *CEO of an Over $25 Million Revenue Agency*


*Source: Reagan Consulting Leadership Series – CEO Survey*

It is interesting to compare their responses to the actual history of where these Top CEOs came from. The following table shows that only four of the 60 Top CEOs came from outside of the agency, with two of those coming from within the insurance industry and two coming from outside of the insurance industry. Both of these tables point clearly to the preference and advisability of selecting your next CEO internally. If great candidates fail to materialize, an outside selection may be required. As has been demonstrated by several of these quality firms and their outstanding CEOs, an outside selection may not be as desirable but, under certain circumstances, it may be necessary and can work well.




*Source: Reagan Consulting Leadership Series – CEO Survey*

The second question on CEO succession that we asked these Top CEOs was what qualities will they look for in the next CEO. Although there are some minor variations, their responses are closely aligned with the qualities that are reported as setting them apart. Their responses are listed in the table below with the most frequent responses listed first.

**Characteristics desired by Top CEOs in next CEO**

1. Ability to “Engage and Empower”
2. Integrity / Fairness / Honesty
3. Vision / New Ideas / Innovation
4. Commitment / Dedication / Passion
5. Humility / “Others First”
6. Intelligence / Decision Making Ability
7. Sales Orientation
8. Energy / Attitude / Competitiveness
9. Communication Skills
10. Ability to Attract / Retain Talent

This list of desired qualities serves as an excellent checklist to use for evaluating CEO candidates. This raises two key questions. How do you accurately determine if someone has these qualities? And perhaps even more importantly, how can you help someone develop these qualities?

Let’s answer the second question first. Some people have a lot of natural ability but for even those that are naturals, the kind of qualities listed above have to be developed. This is best accomplished when these qualities are modeled for us. People who have parents that are optimistic are more likely to be optimistic. People who have bosses that demonstrate these qualities will be more likely to further develop these qualities.

Ideally, these positive traits will be modeled but they can and should also be taught. One of the qualities of high performing agencies is a "positive culture" that is frequently built on characteristics not terribly dissimilar to the list of desired CEO traits. There is an intentionality that frequently results in great corporate culture. Desired qualities are established as part of the firm's mission and vision and purpose, and are taught and reinforced. Employees are hired based on the desired qualities. Employees have performance reviews that evaluate how well they are living out these qualities. These qualities are reinforced in many ways.

"Over the last nine years, he has led the transition from a 'retiring/tired' sales force to fourteen producers in their 30s and 40s, the entire time building a long-term perpetuation plan while doubling the agency revenues in a very tough economy."

*Associate of a CEO of an Under $10 Million Revenue Agency*

Several of the agencies that we have looked at in this study have created leadership development programs focused on identifying the next generation of leaders and helping them to develop the qualities that support the desired agency culture and prepare them for future leadership roles. These leadership development initiatives can have tremendous advantages in leadership succession planning.

Now the first question: How do you accurately determine if someone has these desired qualities? By far the best and most reliable means is to see them demonstrate these qualities:

- Where the candidate went to college or what they majored in makes little difference. What does speak volumes is how they performed in college (i.e., grades, leadership, diligence, discipline, etc.).

- Where the candidate worked before joining the agency or what they did makes little difference. What does speak volumes is how they performed in their job(s) (i.e., results, productivity, growth, development, etc.).

- Once they get to the agency and begin working, their performance reveals much about their ultimate ability. But, as we have seen in this study, if a candidate is being considered for the CEO or another senior management role, actual management experience is vital. Experience allows them to develop the skills needed, while also providing the opportunity to confirm that they are qualified to assume the CEO role.

Our objective in this study (and this series) is to stimulate thoughts on agency leadership; frame important questions, issues and choices; and to provide an understanding of what sets these Top CEOs apart from their peers. By doing so we hope that this study will help senior agency leaders improve their performance and will help firms within our industry more successfully develop and select the next generation of leaders.

# Acknowledgements

The Reagan Consulting Leadership Series was conceived, conducted, written and produced by Reagan Consulting in an effort to stimulate meaningful discussions concerning leadership and to provide information and resources that can help senior officers of insurance agencies improve their performance. In addition, it is our intent to provide information and resources that help in the successful development and selection of the next generation of agency leaders. The future of our industry and more specifically, the future of every agency and brokerage depends upon the quality of its future leadership.

It would not have been possible for us to have conducted and produced this study without the backing and support of four key strategic partners to the agent and broker community. These firms, through their financial commitment to this study, have tangibly demonstrated their support for the agents and brokers they serve and for our industry as a whole.

We also want to express our thanks and appreciation to The Council of Insurance Agents & Brokers for their sponsorship and support of this study.

In addition, we want to thank the 40 insurance industry leaders that identified for us the 400+ CEOs they saw as the top leaders within our industry and why they felt they were such great leaders.

To the 100 CEOs that were selected from the 400 nominations to participate in the study, we offer our gratitude for your willingness to thoughtfully and candidly respond to our exhaustive questions concerning your performance and your organization. Congratulations to each of you for being recognized as an outstanding leader. Although your name will not be identified, you obviously know that you received this recognition and trust that you will receive it as positive affirmation.

Finally, we want to thank the associates of the 100 CEOs included in the study for your willingness to share your perspectives on your CEO. Your affirmation and commendation of them was extremely helpful in our ability to gain an understanding of what sets the Top CEOs apart.

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