- [Narrator] This is the Craig Groeschel Leadership Podcast.

- Hey, welcome to another episode, the Craig Groeschel Leadership Podcast. I'm honored that you had joined us again, we're passionate about building leaders because we believe that when the leader gets better, everyone gets better. If you're new with us, we release a brand new leadership teaching on the first Thursday of every single month. If you would like to subscribe and I hope that you do. you can go to life.church/leadershippodcast and you can subscribe and we'll send you the show notes. And every single month the podcast will come directly to you, you can follow along in your notes. You can take teammates through this with you, it's got questions and highlights from what we're gonna cover every single month. I want to say a big thank you to all of you who are sharing on social media. My gift is to work hard to bring you high quality leadership content every single month. Your gift to me is when you talk about it, you tell others, you invite other people to be a part of our leadership community. We are getting better together. What are we talking about this month? It's part two of a very important discussion. We're talking about resource allocation or asset allocation. What is that? What we want to do is we want to invest the resources that we have, the time, the people, the energy, the finances, anything we have. We want to invest it in the right direction, to the things that bring the highest return for our organizations. Let's review, we covered in the last episode and then we'll dive into new content today. What is resource allocation? Very simply, resource allocation is investing your available resources in the present to accomplish your goals and objectives in the future. What do we have? We've all got different priorities, different things to balance, we're always balancing priorities and needs. So as leaders, what we're gonna do is we're not going to use what we have, we're not going to spend what we have, instead what we're going to do is invest what we have. We're expecting a return on the investment that we make in our organization to bring about a big return. Now, before you start allocating, what do we need to remember? Number one, we clearly define the win, we clearly define the win, because we cannot accomplish what we cannot define. We clearly define the win. If you don't know the win, you're going to spend your resources. If you do know the win, you can invest your resources in the right direction. What is defining the win do? Defining the win impacts what you do daily, define the win. Number two, we're gonna take inventory of what we have to work with. We're gonna acknowledge everything that we have to invest. And don't limit your inventory to what is obvious. You've got your time, you've got energy, you've got people, you've got finances, you may have volunteers. Have eyes to see all the different things that you have to work with. You have more to work with than you realize. Now, once we've defined the inventory and the win, what are we gonna do? We're going to intentionally invest the resources in the direction of the desired results, not accidentally but intentionally. What has the highest potential return on investment for our finances, for our people, for our energy, for our time? We're different than many leaders. Most leaders think about how to spend money. We're going to think about how to invest money. Many leaders want to use people to get the desired results. What we're going to do is we're going to invest in leaders helping them get better and ultimately the whole organization gets better. Most leaders will spend their time doing tasks, not us. We're going to invest our time to achieve the desired results. What are we doing? We are intentionally investing our resources today to accomplish our goals and fulfill our mission in the future. Let's dive into new content today. We're gonna talk about four of the most common mistakes that people make when it comes to resource allocation. I've made them, you've probably made them, many of us make them. What are the common mistakes? The first thing is we're going to call static resource allocation, static resource allocation. We're going to do essentially the same thing this month as we did last month. We may even do essentially the same thing this year as we did last year. What is the definition of insanity? Someone said this. The definition of insanity is doing the same thing over and over again and expecting a different result. What is the definition of organizational insanity? It's doing the same thing with the resources that you have year after year and expecting a different result. Why do we do this? So often we simply get into a rut and we do the same things that we did before and then we hope that things get better when we haven't done anything different. What do we do? We deploy people in similar ways as we did in the past. We might have the same budgeting process year over year. We spend time the same way and were surprised when the annual outcome is marginally different than it was the prior year. I like the company, McKinsey Company, they did the best research on this subject that I could find and here's what they found based on their research. On average, companies allocate 90% of their resources to the same projects year after year. Literally 90% of what they had to work with goes to the very same things in a current year as they did in the prior year. Regardless of how the market is changing, regardless of maybe stagnant results, regardless of what the competition is doing, most companies do essentially the same thing. What do we want to do? We want to strive to be fluid and not static in allocating resources. Very simply what we want to do is we want to move resources away from what's not working and move them toward what is. We want to cut off anything that doesn't have high returns because we don't want our resources going towards something that is not producing fruit, instead we want our energy going toward where there is momentum. You may say, "What if we don't have momentum?" Then what we want to do is we want to move our resources toward what we think could have momentum. We want to say, "Where are things working "and we're going to move our resources in that direction." Now, the best way to remain static in your organization is to do the same thing over and over again. We're not going to do this, we're going to reallocate resources toward a better place. Now, how important is the skill of wise reallocation? Well, according to McKinsey research, 83% of CEOs see reallocation as the top lever for spurring growth. Think about that. 83% of CEOs would say, the number one thing you can do to jumpstart growth is to reallocate, to move resources away from something that's not very effective to something that is or could be so much more effective. In fact according to their research, one-third of the companies only reallocate 1% of their capital from year to year. And on average, companies only move about 8% of what they have into new places. Henry Ford said it this way. "If you always do what you've always done, "you will always get what you've always got." We're going to reallocate resources. Mistake number one, is static resource allocation, doing the same things. Mistake number two is this, is under-resourcing an area of your business or your ministry? It's not putting enough resources towards something that could be so much more effective if we would invest a little bit more in that direction. Chances are really good that you have some opportunity, that if you put a little more time, a little more money, a little more energy or a little more talent toward it, it would spark a very positive return for your organization. For example, years ago our church created what was probably the first Craig. It wasn't just a streaming of a worship service but it was actually a gathering where people could have real community and real conversations online. People came from all over the world, and one time we were having a board meeting and there was a very wise businessperson that was looking at the results from Craig and this business person asked, "how much does this cost you?" And we told him, he said, "That's not a lot of money." He asked, "How many people are you impacting?" We told him, and he said, "That's a lot of people." He asked, "How much growth have you seen in the last year?" We told him, he said, "That's a lot of growth." And then he asked a question that just silenced all of us. He said, "Why aren't you putting more toward this?" And our only answer was, "Because we're stupid." We were so close to it and something that was so effective and just a little bit more toward it could have sparked massive growth, but we were just accepting what was and celebrating the wins. He caused us to look and to get at a little bit of a distance to recognize, if we put just a little bit more toward this, we could reach so many more people. Chances are you have something like this in your organization. In fact if you look at 100% of what you have, chances are really good. There's maybe 10 or 20% of what you do that's most effective. What would happen if you would cut 80% of what doesn't have that high of return and move it toward the 20% that does? You could have a massive impact. You may not be that dramatic but what you never want to do is you never want to under resource an area that could have a really high potential return. What are some of the mistakes that we make? Number one, static resource allocation. Number two, under-resourcing an area. The third big mistake that we often make is over-resourcing. It's putting too much toward a project or a program. And we have to recognize that more is not always better. In fact more is often worse. You can over staff a project. You can over spend on something. You can over budget and you can spend too much time. For example, in my world I can do what I call overcooking a message. I can spend so much time on a message that I literally prepare out the possibility to be spontaneous and find something in the moment. I can overcook and over-prepare a message. Personally, in most cases, I honestly would be slightly under what I need then slightly over what I need. Rather than having a lot of time I'd rather have less time on a project, because a lot of time causes you to relax but less time keeps you focused and drives innovation. Honestly, I'd rather be slightly understaffed and slightly overstaffed. Because if I've got too many people, suddenly we move slowly, we create bureaucratic log jams, we become territorial and we lose creativity. If we're slightly understaffed on the other hand, we have to work together, we become very, very innovative. It enables us to keep communication simple and flowing, it empowers us to work faster. What you're gonna want to do to keep from over resourcing is you're gonna want to do a cost-benefit analysis. What is that? Very simply, you want to try to answer the question, how much additional return do we realize from an additional investment? How much additional return do we realize from an additional investment of time, energy or finances? Because as your investment increases, most people assume that the benefits increase proportionately, but this is simply not so. For example, let's just say I was working with a pastor who's starting a church, and this pastor could buy a sound system for $50,000 and it's a good sound system. But for a hundred thousand dollars, this pastor could get a sound system that's twice as good as the $50,000 one. So the hundred thousand dollar one might make sense. Let's suppose for some way this pastor could actually purchase a million dollar sound system for a church that's going to start in a gym. The question we have to ask is, is the million dollar sound system 10 times as good as the one that cost a hundred thousand? Or is it 20 times as good as the one that costs 50,000? And the answer is very likely, no, it's not. In other words, the additional investment of resources isn't worth the return in quality. Therefore, that would be over resourcing an area and we need to be very careful in our organizations not to do this. Chances are pretty good, you might be overstaffed somewhere, we might be overspending somewhere, we might be spending too much time somewhere, we don't want to over resource. Number one mistake, static resource allocation. Number two, under-resourcing. Number three, over resourcing. And number four mistake is being too risk-averse, being too risk-averse. The truth is, we always want to make some safe bets. This person is probably going to be successful, this product is going to be successful. But at some point we're going to want to diversify the investments that we make and we want to be a little bit more risky. For example, I started doing real estate when I was 19 years of age. I assembled a few rent houses before I ever graduated from college, and so here I am 30 years later and I have a lot of very conservative investments in real estate. They return a very projected conservative return. And because I've got a strong base, I'm gonna want to take some high risk bets with just a little bit of money for a potential return. I would be unwise not to take a few small high risk, high return investments because I've got stability. I would never advise people to go and take high risk, high return investments without strength. But once you have strength you're gonna want to diversify your investments. In other words, in your organization at some point, to go big, you're going to have to swing hard. You're gonna have to take some risk to really make a difference. I'll tell you a personal example. For our organization years ago we did what we called betting the farm. Back when churches only met in one location, this was very, very normal. We thought that meeting on multiple locations could not only be effective but could totally and completely be a game-changer. So we did something that to my knowledge hadn't been done in the church world before, we created a central organization that would then served the multiple different churches. This was a big risk for us, it was very, very difficult, it was costly, but it paid off. Over time, what this did was created an efficiency that freed up resources for us to put into new places to move toward momentum which honestly has made a difference in so many people's lives. I'm not telling you that you need to go big or go home right now. Because if you go big at the wrong time, you're gonna go home really early. But I am telling you, at the right time in your organization you're gonna have to take some risk. One of the biggest mistakes we make as leaders is we're too risk-averse. How do we know when the right time is? Well, that's what's gonna separate you from other leaders. You discern it, you sense it, you read the times and when you believe it's right, you go ahead and you step up and you swing hard, you take that risk. What are the big mistakes? Static resource allocation, under-resourcing, over resourcing or being too risk-averse. Let me tell you how this is played out in our organization. As of this recording we're currently in 29 different church locations in nine different states. I'm gonna argue all day long that the most important thing that we do is strategically develop people. Outside of what is the obvious to those who are Christians, we believe in the spiritual component. But developing people as I've talked about before is the most important thing we do. Second to that I believe is wise resource allocation. In fact I want to talk about the model that we've created that really is unique and it's propelling us to grow forward. For example, I talked about the central organization. When we created a central organization there's now a group of people that creates ministry products, that if it's used in three locations, that's good. If the same central organization creates ministry products used at 29 different locations, you'll notice the cost per use goes down. The central organization does not have to grow a lot to add a few locations just a little bit. So over time with our growth, we should actually become and we have become more financially efficient. The same is true with our buildings. We build very simple buildings. In the early days of the church what we did is we met in two or three weekend services. Now, through creativity and the hard work of our team, we found a way to meet seven services, eight services. Even at four of our locations we were in nine services. So if we compare the return invested in that building with, let's just say eight services, compared to what we were doing years ago with just two services, we're now currently getting a four time return out of the same size building that we did years ago. What does that do? That's getting a strategic return on investment and suddenly we're freeing up more resources, to do what? To put toward momentum, things like the YouVersion Bible app. Things like giving away free resources. Things like starting new churches and communities across the world. What are we doing? We are wisely allocating resources in the right direction. As the leader, people are gonna want to know, what do you see coming in your industry? What do you see coming in the world? And the answer is, we don't know for sure. The world is changing so rapidly, so one of our top goals as leaders is to create margin. What we want is a little extra time. We want our people not to be overtaxed. We want financial flexibility. We want flexibility with our energy. Since we cannot predict the future, what do we want to do? We want to create margin for opportunities that we could not yet predict. Let me say it again. Since we cannot predict the future, what we want to do is we want to create margin for opportunities that we cannot yet predict. I don't want our team so overtaxed, they can't move quickly. I don't want people so strapped, that we can't hire someone when we see a potential star. I don't want a lack of financial resources, that we cannot throw behind momentum, we want capacity. You are the leader. You might be the CEO of a startup company. You might be the leader of your department. You might be the leader of creating culture, at the front desk, welcoming people as they come in. You have to remember, you have limited resources. Only so much time, money, energy and people that you can direct, so what do you do? You don't spend, you invest in the right direction. We're going to invest our time in the places that create the desired return. We're gonna invest finances into places that accomplish the vision. We're gonna help empower people to win, because when they win, we all win organizationally. We're not going to do the same thing year after year or we'll very likely get the same results. The world is changing too fast. We're gonna follow momentum, we're gonna have the wisdom and the courage to move our resources away from what's not working toward what is working or what could be and then you become one step closer to becoming the leader who others love to follow. Let's review, common mistakes. Static resource allocation, doing the same thing year over year. We're going to strive to be fluid and not static, very simply removing resources away from not, what's not working toward what is. Number two mistake, under-resourcing an area of your business or ministry. You have some opportunity, some person, some initiative that could have a big return if you simply put a little more resource toward it. Mistake number three is over-resourcing. It's putting too much toward a project. Too much, even more is not always better, more is often worse. Or number four, being risk-averse. To get big, at some point, you got to go big or go home. One of the most important tools we have for resource allocation is this, creating margin. Since we cannot predict the future, what we're gonna do is we're gonna create margin for opportunities that we cannot predict. Let's wrap it up with some questions for application and this is where the rubber meets the road. I would encourage you to do this with your staff, with other people on your team. Two really big questions, let's dive in. Number one. Where do you see momentum or potential momentum in your organization? Where do you see momentum or potential momentum in your organization? Then ask yourself this. What resources, people, money, energy, can you shift to fan the flame? Where do you see momentum and what can you move from one place toward that momentum? Important question. Question number two. What theory or idea do you have that could be a game-changer for your organization? In other words, the sentence could go like this. If blank. If blank worked, it would change everything for us. This is a question you want to wrestle with your team over and over again. If this worked, this could change everything for us. Now I want to ask you this question. Is it worth putting resources behind a bet-the-farm idea? Where do you see? If you got this right, it could be a game-changer for your organization. I want to tell you again, thank you for rating this. Thank you for sharing the message with others, inviting them to be a part of our leadership community. I can't wait to be with you next month on the first Thursday of the month. As always, you're a leader. Be yourself, because people rather follow a leader who's always real than one who is always right.

- Thank you for joining us for the Craig Groeschel Leadership Podcast. As Craig mentioned, a new episode releases every month. So make sure that you subscribe to this podcast so that it'll go straight to your device on Thursday May 3rd. This August, you'll have the chance to hear from over a dozen amazing leaders at The Global Leadership Summit. Craig is honored to join a slate of incredible speakers like Summit founder Bill Hybels, actor Denzel Washington and Apple's Angela Ahrendts. For more information on this year's Summit, go to willowcreek.com/summit. In the meantime, you can check out Craig's favorite five episodes of this podcast by going to life.church/favoritefive. We'll send you show notes and a guide to help you discuss insights and concepts with your team. And once again if you're enjoying the show and you'd like to help leaders like yourself get better, you can subscribe, rate and review this on iTunes and you can share it with your friends on social media. Until next time, thank you for joining us at the Craig Groeschel Leadership Podcast.