

"STAKEHOLDERS"

**Creating value for owners, managers, other employees,
and most importantly, your customers.**

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Attention All "STAKEHOLDERS!"

by Mike Higgins, Jr.

The following is a memo that went out from a division manager to his staff. I am including it in this newsletter as an outstanding example of someone who understands the "STAKEHOLDERS" concepts and has applied it to their organization. I hope all readers are as impressed with it as I am. The only changes to this memo were to delete references to the organization. Other than that, the memo has been reproduced almost verbatim.

Dear Staff:

I just wanted to share a few thoughts as we get ready to begin a new year.

One issue I wanted to address is the concern I have heard from many of you about the fact that our projected bonus is down from last year but earnings are up. **Rather than compare one year to another, we must consider our performance versus the performance of our peers.**

Our organization is strong and well capitalized, but unfortunately our earnings do not compare favorably against peers similar in size and markets. Our "STAKEHOLDERS" model should reward us when we improve our performance as compared to peer and not just because we make more money than we did last year. There are lots of ratios and financial numbers that can show where we need to improve. However, if you are like me and do not deal with these on a daily basis, it can be a little over-powering. I like to think of it in a very simplistic manner:

"If I invest my funds and make a 2% return, then I am making money; however, if other folks take their funds and invest at the same risk and make 10%, then I am not doing as good a job as perhaps I thought."

In other words, we are not improving at the same rate as peers in a similar situation. Our payout is less



because we are not doing as good a job as others in our industry. That is the real issue!

It is sometimes frustrating in our back office functions because we often feel limited on our ability to impact the bottom line. However, I think we sometimes forget a very simple concept:

"The front line folks that get the large loan or deposit relationship are like the home run hitter in baseball. It is fun to

watch and creates a lot of excitement but those home runs do not typically win the game without other consistent hitters to be on base."

For us in backroom operations it comes down to three areas where we must continue to excel if we want to work for a bank that is growing in a solid manner.

(1) PRODUCTIVITY – I realize there are days when the workload seems overwhelming. We all have those. I am proud of each of you and the can-do attitude I see so often. But we just cannot sit back and say we are doing all we can. **It is my job and your job to always be looking for better, smarter ways to accomplish our tasks.** With this approach we can increase our productivity and have a very positive impact on our organization.

(2) SERVICE – We must provide a level of service that "wows" the customer and makes them want to come back. If we do not accomplish this feat, then we are spinning our wheels. Companies that are only gaining customers to replace those that have been lost to competition are not moving ahead.

(3) OWNERSHIP THINKING – A simple concept but hard to do day in and day out. When we spend money that is not necessary, waste resources, waste time or miss an opportunity to sell the organization we

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Attention All “STAKEHOLDERS!” continued

are guilty of not thinking like an owner. **Our industry is so competitive that it demands employees with an ownership attitude.** That is the purpose of “STAKEHOLDERS”. If our actions move our organization toward being a high performer, then the organization prospers and we profit as individuals. If we just do our jobs and the overall performance is “OK” then we earn our base pay and that is all we should expect. A sound bonus plan must reserve rewards for performance that is above the norm.

I hope this helps you to better understand the overall

concept that drives our bonus plan. Please do not let my comments discourage you. It appears we will have a reasonable bonus this year, but I hope none of us are satisfied. I want each of us to make larger bonuses in the future by working together to make us a high performing institution. It is win-win because as the organization improves so do our bonuses!

Best Regards,

Your Operations Division Manager

How to be a Terrible Leader

Adapted from *Team Management Briefings*, January 2005

Leading a team poorly is at least as difficult as leading a team well. After all, you don't become a failure overnight—it takes hard work and practice. You have to really *try* to be the worst you can be.

So, if you want to alienate your team members and stall your career, follow these rules:

- **Never take risks.** What could you possibly gain by rocking the boat? People who take risks put everything on the line as they strive to reach new heights. Why bother? If you go the extra mile with a teammate or customer, you only increase your chance of making an error.
- **Don't let emotions show** – particularly your enthusiasm. Don't let your work get to you. After all, it's only a job. It's not supposed to be fun. Avoid showing your concern for your work or your teammates at all costs.
- **Always have an excuse ready.** At first, you may find yourself taking responsibility when things go wrong. But with practice, you can avoid taking blame for anything.

Start with: “Maybe things would go better if I could get a little help around here.” Then move on to: “How was I supposed to know? Nobody ever tells me anything.”

- **Point out team members' faults.** Only by criticizing others can you maintain your status. Study how your team members perform and analyze their flaws. Be as scathing and biting as possible when you do.
- **Avoid professional development.** Let's face it. You've come this far on your own merit. Why strive to learn more? Beware of reading materials and workshops that could make you more productive. And discourage your team members from taking part in these programs. You don't want to wind up with a bunch of problem-solvers who'll question your authority.

Certainly, you can probably think of more ways to be a horrible team leader. But we guarantee that if you follow these simple rules, you'll be a complete failure before you know it!

21 ways to say ‘Well Done’

adapted from *The Fun Factor*, Carolyn Greenwich
McGraw-Hill, 11 W. 19th St., New York, NY 10011

Sometimes, offering praise is harder than it should be. In a busy office, it's easy to forget to compliment and voice your appreciation. But praise can really make a team member's day.

Here are some reminders of how easy it really is to say, “Thanks; well done”:

1. I'm proud you're on my team.
2. Congratulations on a terrific job.
3. You're so helpful. Thank you.
4. You keep improving. Well done.
5. Thanks so much for your consistent effort.
6. I really admire your perseverance.
7. Your mood always lifts the team's spirit.
8. You're a champion.
9. Wow, what an incredible accomplishment!
10. Great effort. You make us all look good.
11. I have great confidence in you.
12. You've grasped the concept well.
13. Your customer service skills are sensational.
14. Your sales results are outstanding.
15. You're a valuable part of this team.
16. Your efforts are really making a difference.
17. You are a bonus.
18. You continue to delight our customers.
19. You make the team's vision come alive.
20. Your accomplishments inspire the team.
21. Customers are noticing the efforts you're putting in.

**BEST
PRACTICES**

Take Advantage of a New Year: “**STAKEHOLDER**” Scorecard

The New Year brings many new opportunities for personal and business growth. In the financial industry, one of them is growing loans and deposit accounts. The “*STAKEHOLDER*” Scorecard uses daily average balances for the loans and deposits KPIs. This means that the earlier in the year a new loan is signed or a new deposit account is opened, the more impact it will have in meeting those average daily balances.

Do not stop at setting the sales goals for the year on the budget or plan! Look at the Performance Ladder worksheet in that first monthly “*STAKEHOLDER*” re-

port. The worksheet provides information that allows you to determine how many loans and new deposit accounts need to grow to achieve your target hurdle. It provides information on what growth it will take for the rest of the year and by month to achieve the each of the next six hurdles. The worksheet walks you through the calculations to break the goals down by branch or person. Use the worksheet to aim for sales goals to achieve a higher hurdle. If you aim at that higher target, you may still miss it but you will achieve higher results then if you had aim for a lower target.

We hope your New Year is off to a highly successful start!

Attention...

This will be the final distribution of the newsletter via regular mail. We have decided to discontinue mailing out the newsletter in lieu of sending it electronically via e-mail. To facilitate the transition, in addition to this hardcopy newsletter, you will be receiving a PDF copy through e-mail. All subsequent newsletters will be sent to you in PDF copy through e-mail.

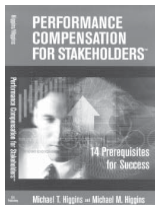
There are many reasons for this decision.

First, we maintain almost all correspondence with clients via e-mail in all other respects and we think it is time to bring the newsletter in harmony with that.

Second, we feel that sending the newsletter in PDF format through e-mail will enable you to better distribute it throughout your organization and gives you the ability to post it to your organization’s intranet if desired.

Third, sending the newsletter though e-mail is environmentally friendly and allows you to make copies as necessary.

To update your contact e-mail address, please contact Angela in our Kansas City office at angela@mhastakeholders.com or 816-753-4104.



PERFORMANCE COMPENSATION FOR STAKEHOLDERS™ 14 Prerequisites for Success

by Michael T. Higgins and Michael M. Higgins

Why Traditional Compensation Methods Fall Short

In the last century, the world has gone from being an industrial economy driven by manual labor to a global economy driven by information. Yet, little has changed in reward compensation methodologies since the Industrial Revolution.

In their book *PERFORMANCE COMPENSATION FOR STAKEHOLDERS™, 14 Prerequisites for Success*, the authors relate a state-of-the-art method for performance management. The “*STAKEHOLDERS*” premise is as simple as it is effective: Total employee compensation must be tied to performance if businesses are to maximize their potential.

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