

“STAKEHOLDERS”

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

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Scariest than Halloween!

by Dennis Guida

Halloween was a little scary given the decorations, carnivals, and spooked out theme parks (our family experienced Disney’s “Spook-tacular” this year). But you know what’s even scarier than Halloween activities? How about the fear of committing to 2007 budget targets...talk about your “deer in the headlights” look!



And it’s scary for good reasons. Unless you have a crystal ball, your operating performance won’t match your budget expectations. The actual performance will either be better, worse, or about the same as budgeted. This isn’t so scary, but things get spooky as soon as the comparison is interpreted...Boo! If the actual performance is worse than budget, it’s interpreted as underperforming operating activities. If the actual performance is better than budget, it’s assumed that the budget must have been “soft”. And if the actual performance is about the same as budget, it’s assumed that the budget was “cooked”.

So here’s an idea to help build consensus around budget targets and to help with the interpretation of operating performance throughout the coming year. First of all, set budget assumptions for retention separately from new relationships for loan and deposit categories. For example, let’s say that “Main” Branch has \$50 million in CDs that average \$10k per account (5,000) accounts. Let’s assume that MB typically picks up \$500k in new CDs each

month (50 accounts). If we know that 75% of the CDs will mature during 2007, and that we’d like 6% growth in the portfolio by year end (similar to the growth rate of our competitors in the market), then we need to retain 92% of the maturing CDs to achieve the goal. A chart displaying the calculations is below.

It’s easier for people to assess whether or not the target is reasonable (6% increase) if they understand the underlying components. Additionally, the actual performance will be easier to interpret if we know how each component compares to budget. Having this information will also make it easier for the branch staff to create strategies and assign individual targets.

By the way, I’m not suggesting that you solve for a magic retention percentage. However, I am suggesting that each component be identified and that the math adds up. It’s also important to keep in mind something that my partner (Mike Higgins, Jr.) often says, “Don’t let perfection be the enemy of good”. In fact, you might start by setting targets for the portfolios that will impact your operating performance the most (use your Stakeholders scorecard as a guide). Setting retention vs. new relationship assumptions separately for loan and deposit portfolios will lead to better estimates, greater acceptance, and more rational interpretation of actual operating results. So Happy Holidays...maybe I’ll consider dressing as a “Budget” next Halloween!

2007 CD Estimates for Main Branch				
	Accounts		Avg. Bal.	Total (\$000s)
Beginning	5,000	@	\$ 10,000	\$ 50,000
Maturing	3,750	@	\$ 10,000	37,500
Non-Maturing	1,250	@	\$ 10,000	12,500
Retained	3,450	@	\$ 10,000	34,500
New Relationships	600	@	\$ 10,000	6,000
	5,300	@	\$ 10,000	\$ 53,000

BEST PRACTICES

Celebrate Your Success!

by Kristen Thorne of Citizens National Bank of Meridian, Mississippi

Here at Citizens National Bank, the Stakeholders love to celebrate their successes! When we first began using the “*STAKEHOLDERS*” program in 2003, we encouraged our Stakeholder teams to have a theme each meeting. Food, prizes, games, anything to motivate the employees! Employees actually began to look forward to their monthly staff meetings because they were actually FUN! We always take the opportunity in these monthly meetings to teach our employees about “*STAKEHOLDERS*” and how best to treat our customers, but how boring these meetings would be without the creative, unique ideas of our Stakeholder coaches!



For example, in the picture above, our Human Resources department had a Valentine's Day party at their monthly meeting in February. All of our employees were amused by Linda May, our Human Resources Director, dressing as cupid for the occasion. Of course, the Human Resources Team also enjoyed Valentine candy and cookies, and were each given heart pens as prizes.

At another meeting, the employees decided to do a YMCA theme. As you can see, they dressed as the village people and competed on the YMCA song and dance. This team did incorporate some learning into the meeting by only singing and dancing when a solution to a problem had been solved!



Our employees also enjoy hosting celebrations for the customers. One of our branches hosted a Super Bowl Party with refreshments, balloons, and other décor for the occasion. This type of celebration not only motivates the employees, but also invites our customers to share in the celebration!

Finally, our company's biggest celebration each year occurs at the annual employee meeting. This year, we featured the “Achievement Awards” (fondly named after our President and CEO Archie McDonnell, Jr.). The theme for the whole day was the Academy Awards, designed to celebrate our accomplishment of becoming \$1 Billion bank. Stars were dressed in formal wear, and the “paparazzi” went wild as the stars arrived in their limos to walk the red carpet. Appearances were made by such stars as Kermit and Miss Piggy!



Yes, we celebrate frequently and wildly, but our employees remain motivated and excited to be Stakeholders in our company's success!

We want to offer a special thanks to Kristen Thorne of Citizens National Bank of Meridian, Mississippi for contributing this article. We applaud their bank's enthusiasm for the “*STAKEHOLDERS*” program. If any other organization would like to share their success or creative ideas, please contact Angela in our Kansas City office at 816-753-4104 or angela@mhastakeholders.com.

Building a Sales Culture

By: Rick Wemmers rick@wemmers.com

A growing number of financial institutions are recognizing that new and more aggressive competitors are taking new business they “believed” they would or “should” have. To help combat this they no longer accept the practice of “business as usual.” They are taking the time-proven actions it takes to train, coach and reward their key business development team members to get them out on the street. Program results are showing ROI’s of up to 30—to-1!



This isn’t easy, to say the least. A major culture change is required for most organizations when it comes to selling. We have long been of the mindset that “banking” is a business built when prospects come through the door and request the service they want. Unfortunately the consumer has developed a slightly different mindset lately.

“Yes, my banker and I have a good relationship but that doesn’t mean I will only consult them for financial needs and services. There are lots of other options.” Friends are friends but when money is involved there is a different emotion involved.....greed.

The CEO of First Bank in Ketchikan, Alaska, Bill Moran, decided something new must be tried when he started planning for this new year. “I realized that to meet our growth goals we must be more aggressive about taking business from our competition and improve our “unfair share” of our market. There wasn’t sufficient market expansion to maintain our historical growth and profit levels.”

First Bank launched its’ new effort with a 120-day action plan in January 2006 for its’ six branches. The intended focus was to be solely on gaining new customers and establishing new relationships.

“Some of the participating officers found it very difficult to break away from the familiar clients to concentrate only on prospects that had no prior relationship,” said Eric Bjella, VP and Program Manger.

The first step was to assess the sales strengths of each team member. It was important to know who were likely to make calls and build relationships easily (Hunters) and those with good processing and service-related skills but less confidence in their abilities to communicate with prospects (Farmers). This was followed with a professional sales skills training session which included each member identifying from 5-10 prospects.

“The individual assessments and audience reactions to the training were very informative,” said Bjella. “Some of our people felt they never could be successful at making cold calls

to strangers. But were they surprised!”

The training showed how to: qualify prospects, make impossible appointments, start building respect and trust from the first appointment, getting to real pains/needs and overcoming objections for desired actions.

The First Bank team met every 10 days in groups of 12 to report progress against their specific targets. While slow at first, calling activity grew and success was gradually achieved. Through coaching and confidence built on successful experiences, sales meetings progressed from a reluctance to report to lively dialogues between members, sharing helpful prospect insights with each other.

One member reported being devastated on her first call, to the point of tears. Executive Vice President Jack Vaughn reported this prospect had also called him to complain, only to contact him later, inviting him to attend a competitor’s bank sponsored business owners meeting. “Wonders never cease to amaze me, Jack said. I didn’t think we would ever get any where with this prospect and then she did a complete turnaround.”

At the end of the 120 days First Bank captured several new customers, representing over \$300,000 in new income to the bank’s bottom line. Less the training expenses that gave a 30-to-1 ROI, income vs. expenses. Other contacts made during this period are expected to move to First Bank in a few months through continued follow-up activities.

A different success story comes from a bank holding company in Iowa. Bank Iowa Corporation felt it was time for a sales culture to be started within at each of its 6 independently chartered banks, service 17 communities.

“We never had any sales training in our history, said Michael Thompson, VP and Program Leader. Our president, Stan Honken, challenged our presidents to have an officer calling program in place by year-end. I contacted some firms who might help us start a sales culture. After reviewing four, we selected Wemmers Consulting Group from Atlanta. Their program impressed us with its’ accountability factors, experience in bank training and real world application following the skills training.”

Bank Iowa’s Calling Teams intermingled Hunters and Farmers and all branch locations. Their program’s primary goal was to get Bank Iowa folks from behind their desks and out calling on prospects. Sales progress meetings were held

continued on page 4

Building a Sales Culture

every two weeks. A sales progress report, prepared by Amy Armitage, was updated and dispersed to all concerned.

“As Rick had alerted us, calling activity was slow at first but picked up as calling frustrations and excuses were addressed and resolved in the weekly meetings. “We all learned a lot about the process of business development. This will be quite helpful as we continue forward with this program,” Michael said.

It is estimated that Bank Iowa’s 60-day effort helped bring in some \$13 million in new business or about \$400,000

in new income. Subtracting the sales program expenses this resulted in a 23% ROI.

“Sales training, at least the way we do it, says Rick Wemmers, Senior Partner at Wemmers Consulting Group, Inc. creates more than just new revenues from loans and deposits. Our clients also benefit from: better communications between departments, improved employee morale and quicker relationship building with prospects. Management also gains great insights, they never had before, into employee strengths. This helps immensely in putting the right people leading business development efforts.”

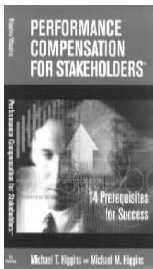
Checkout Our Website’s New Look www.mhastakeholders.com

We recently updated our website. We retained the same information you always could find on our website; however, we have added some things and changed the format to make it more user friendly. Two important new features are the Consultants tab and the Upcoming Events tab. The Consultants tab provides up-to-date information on our consultants as well as their contact information. The Upcoming Events tab will be kept current with information regarding Annual User Group Meetings and Certified Coaching “STAKEHOLDERS” Programs. We hope that you find this new format helpful.

Welcome New Clients since our last announcement!

Triangle Credit Union
Nashua, NH

NUVision Financial Federal Credit Union
Huntington Beach, CA



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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*Happy
Thanksgiving!*