

# “STAKEHOLDERS”

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

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[www.mhastakeholders.com](http://www.mhastakeholders.com)

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## A Recipe for Success

by Mike Higgins, Jr.

Plan-Do-Check-Act. These four small words determine the winners from the losers in the world of business.

What is plan-do-check-act? It is a total quality management (TQM) approach pioneered by W. Edwards Deming. It focuses on four critical areas of day-to-day implementation of your strategic objectives.

**Plan.** The first component, plan (or budget), focuses on what you are trying to accomplish with respect to your Key Performance Indicators (KPIs) and sets the expectation level with your board of directors. In the world of financial services, the de-facto KPIs that drive your business model are balance, rate, non-interest income, asset quality and non-interest expense. It is important that the budget or objectives in these mission-critical areas are put together in a thoughtful manner. Unfortunately, plans are sometimes put together to hit a certain income or return objective with little thought put into how that is going to happen on a tactical basis. The plan for the year is like a foundation on a building. If the plan is strong, the building will stand. If the plan is put together in a haphazard manner, you are doomed even before you begin.

**Do.** This component is actual performance to date. Your organization engages in a series of activities and action plans with the intention of driving performance to meet or exceed the plan.

**Check.** Stop and take a moment to see how you are doing against the plan. If you are ahead of plan, evaluate the factors contributing to your success so that you can share that knowledge with others. If you are behind plan, determine what is causing the shortcoming. Is it a poorly designed plan? Is it lack of effort or focus? Is it a product



or service that is not properly priced or obsolete in the marketplace? If you don't take the time to ask these questions and seek out the answers, you will never be able to improve. There is a TQM exercise called "Ask Why Five Times". Ask why five times and you will find the answer to almost any problem. Don't ask why one time and give up.

**Act.** What are you going to do about it? Act is the correction step if performance is behind plan or the revision of goals upward step if you are exceeding plan. If you are behind plan, you must formulate a plan to correct the deficit or stop the decline. If you are ahead of plan, you need to refocus on even higher targets and not become complacent with the fact that you are ahead of plan (and "leaving something on the table").

All four of the components of plan-do-check-act are equally important as they rely upon each other. However, "act" is the call to action. If you engage in "plan-do-check-pray" you are wishing and hoping that some external factor will come in and save the day for you. High performing organizations embrace all four aspects of this simple approach. They confront the situation and create their own destiny.

The opposite of plan-do-check-act is whine-watch-wonder (whine about the budget, watch the world go by, wait for someone to tell you where you stand, wonder if things will ever improve). All humor aside, you cannot afford to tolerate this "w-w-w-w" approach from your managers if you expect to be successful.

DID YOU KNOW, the Detail KPI Status Reports include all four aspects of plan-do-check-act? They re-

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# Recipe for Success, continued

do! Take a look at one and you will see what I mean. The Plan is included in the reports. Performance each month (Do) is included as well. It is up to you to Check the variances to plan and ask why they exist. Finally, the reports show you how to Act to improve performance (e.g. how much in originations per month, how many new accounts at a given balance, how much improvement in fee income, etc.).

In 2008, we are going to refine the KPI status reports to be even more clearly aligned with the plan-do-check-act approach. Each report will have a section where

managers can document reasons why performance is ahead of or behind plan and what they are going to do about it. If I was a senior manager in your organization, I would want my direct reports providing me this feedback on a monthly basis. Now, you have an approach that will do just that. All you have to do is require it of your managers.

I have included a sample copy of what the report will look like (below) and will cover it in detail at our annual conference. I hope to see you there!

Non-Interest Income KPI Detail Report: Bankwide
June 2007

**Year-to-date income is...**

Ahead of Plan

**Behind Plan by \$108,281**

...resulting in Hurdle -2 on the YTD Scorecard.

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**Compared to last month, income has...**

Increased

Stayed the Same

**Decreased by \$8,000**

Month Income - Actual Vs. Budget (Dashed = Hurdle Plan)

Month	Actual	Budget
Jan	208.0	220.0
Feb	185.0	220.0
Mar	196.0	220.0
Apr	214.0	220.0
May	216.0	220.0
Jun	207.0	220.0
Jul		220.0
Aug		220.0
Sep		220.0
Oct		220.0
Nov		220.0
Dec		220.0

**Plan - Do - Check - Act**

**Plan:** The plan is to have YTD income of \$1,331,281 by now.

**Do:** YTD income is behind plan by \$108,281 (8.9% variance).

**Check:** Identify reasons why performance is behind plan:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(continue on back)

**Act:** A detailed plan to reach budget (Hurdle 4) by year end is outlined below:

Month	Original Budget	Revised Plan	Change	Add'l Fees (Not Waived) at:			
				\$25/Day	\$35/Day	\$100 ea.	\$250 ea.
Jan.....							
Feb.....							
Mar.....							
Apr.....							
May.....							
Jun.....							
Jul.....	\$220,000	\$238,046	\$18,046	33.3	23.8	180.5	72.2
Aug.....	\$220,000	\$238,046	\$18,046	33.3	23.8	180.5	72.2
Sep.....	\$220,000	\$238,046	\$18,046	33.3	23.8	180.5	72.2
Oct.....	\$220,000	\$238,046	\$18,046	33.3	23.8	180.5	72.2
Nov.....	\$220,000	\$238,046	\$18,046	33.3	23.8	180.5	72.2
Dec.....	\$223,000	\$241,046	\$18,046	33.3	23.8	180.5	72.2
<b>Totals</b>	<b>\$1,323,000</b>	<b>\$1,431,279</b>	<b>\$108,279</b>	<b>199.9</b>	<b>142.8</b>	<b>1,082.8</b>	<b>433.1</b>

An interactive planner is available at [www.mhastakeholders.com/planners](http://www.mhastakeholders.com/planners)

**List tactics to meet monthly income target:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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# BEST PRACTICES

## STAKEHOLDER Jeopardy

Question: Your total commitment to what aspect of *STAKEHOLDERS* will determine your level of success?

Answer: Coaching.

Question: How often should *STAKEHOLDER* coaching meetings be held?

Answer: Monthly (but brief weekly, even daily updates are even better).

Since coaching is so important, we have developed some tools to help. The questions above are from our *STAKEHOLDER* Jeopardy game. This game was designed

to be a fun way to involve the staff during monthly coaching meetings.

*STAKEHOLDER* Jeopardy is a PowerPoint presentation where you point and click to play. Decide upon a category and dollar amount, click on it once to see the question; click on it twice to see the answer. This simple and fun game has been used to generate excitement about *STAKEHOLDERS* as well serving as an educational tool.

The *STAKEHOLDER* Jeopardy game can be found on your Coaching *STAKEHOLDERS* CD. For more information, contact Angela in our Kansas City office at [angela@mhastakeholders.com](mailto:angela@mhastakeholders.com).

### STAKEHOLDER JEOPARDY!

Stakeholder Dictionary	Key Performance Indicators	The Payout	KPI Weights	Critical Issues	Coaching
<u>\$100</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>
<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>
<u>\$300</u>	<u>\$300</u>	<u>\$300</u>	<u>\$300</u>	<u>\$300</u>	<u>\$300</u>
<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>
<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>
<u>\$600</u>	<u>\$600</u>	<u>\$600</u>	<u>\$600</u>	<u>\$600</u>	<u>\$600</u>
<u>\$700</u>	<u>\$700</u>	<u>\$700</u>	<u>\$700</u>	<u>\$700</u>	<u>\$700</u>

## Humor: Would this letter be sent to your institution?

Dear Sir,

I am writing to thank you for bouncing my check with which I endeavored to pay my plumber last month. By my calculations, three nanoseconds must have elapsed between his presenting the check and the arrival in my account of the funds needed to honor it. I refer, of course, to the automatic monthly deposit of my entire pension, an arrangement which, I admit, has been in place for only eight years.

You are to be commended for seizing that brief window of opportunity, and also for debiting my account \$30 by way of penalty for the inconvenience caused to your bank. My thankfulness springs from the manner in which this incident has caused me to rethink my errant financial ways.

I noticed that whereas I personally answer your telephone calls and letters, when I try to contact you, I am confronted by the impersonal, overcharging, pre-recorded, faceless entity which your bank has become. From now on, I, like you, choose only to deal with a flesh-and-blood person.

My mortgage and loan repayments will therefore and hereafter no longer be automatic, but will arrive at your bank, by check, addressed personally and confidentially to an employee at your bank whom you must nominate.

Be aware that it is an offense under the Postal Act for any other person to open such an envelope. Please find attached an Application Contact which I require your chosen employee to complete. I am sorry it runs to eight pages, but in order that I know as much about him or her as your bank knows about me, there is no alternative. Please note that all copies of his or her medical history must be countersigned by a Notary Public, and the mandatory details of his/ her financial situation (income, debts, assets and liabilities) must be accompanied by documented proof.

In due course, at MY convenience, I will issue your employee with a PIN number which he/she must quote in dealings with me. I regret that it cannot

be shorter than 28 digits but, again, I have modeled it on the number of button presses required of me to access my account balance on your phone bank service. As they say, imitation is the sincerest form of flattery.

Let me level the playing field even further. When you call me, press buttons as follows:

**IMMEDIATELY AFTER DIALING, PRESS THE STAR (\*) BUTTON FOR ENGLISH**

- #1. To make an appointment to see me.
- #2. To query a missing payment.
- #3. To transfer the call to my living room in case I am there.
- #4. To transfer the call to my bedroom in case I am sleeping.
- #5. To transfer the call to my toilet in case I am attending to nature.
- #6. To transfer the call to my mobile phone if I am not at home.
- #7. To leave a message on my computer, a password to access my computer is required. Password will be communicated to you at a later date to that Authorized Contact mentioned earlier.
- #8. To return to the main menu and to listen to options 1 through 7.
- #9. To make a general complaint or inquiry. The contact will then be put on hold, pending the attention of my automated answering service.
- #10. This is a second reminder to press\* for English. While this may, on occasion, involve a lengthy wait, uplifting music will play for the duration of the call.

Regrettably, but again following your example, I must also levy an establishment fee to cover the setting up of this new arrangement.

May I wish you a happy, if ever so slightly less prosperous New Year?

Your Humble Client



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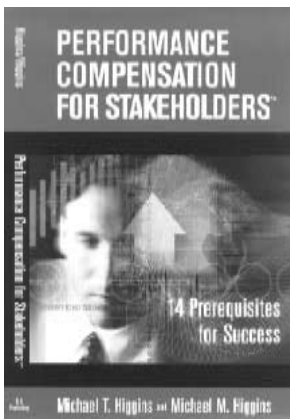
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## **Welcome New Clients since our last announcement!**

*North Shore Trust and Savings*  
Waukegan, IL

*Security State Bank*  
Odessa, TX



## **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.

**NOW AVAILABLE - \$15.00 for clients  
and \$19.95 for non-clients,  
plus shipping and handling.**

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