

“STAKEHOLDERS”

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

Mike Higgins & Associates, Inc
30 West Pershing Street, Suite 360
Kansas City, MO 64108
816-753-4104

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www.mhastakeholders.com

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How Are You Using *STAKEHOLDERS*?

by Mike Higgins, Jr.

I have a few questions to ask about what happens when you receive your *STAKEHOLDERS* reports each month.

Q: Do people in your organization look at the results, mutter a few comments, and then shuffle back to work?

Q: When performance on a KPI is below budget, do your employees blame the economy (or the CFO who created the budget) and hope things will “auto-magically” get better somehow?

If you answered “yes” to either one of these questions, then you are using *STAKEHOLDERS* as a reporting system and not the management tool it was designed to be. Furthermore, you’re letting fate determine your destiny (not something your shareholders/members would like to hear).

STAKEHOLDERS is all about managing performance. Managing performance requires active participation, not cheering or watching from the sidelines.

STAKEHOLDERS is designed to do the following:

- Teach people your business model (why you exist as an organization in the first place). The KPIs on each scorecard are your business drivers. They explain “how” net income, return on equity, return on assets, etc. is created. Everyone knows the “bottom line” is important, but the problem is that not everyone knows how they impact the bottom line on a day to day basis. It is imperative that you teach your staff what the KPIs are first, then how they can influence them second. Remember, ignorance is the enemy of success; if you fail to teach, you are teaching to fail.



- Provide feedback on performance. The balanced scorecard is easy to read and interpret. A single column on the scorecard is designated as the “budget” hurdle. The budget hurdle is highlighted in light blue. Each KPI on the scorecard is measured against budget. KPIs highlighted in green are performing better than budget, and result in a higher than budget reward. KPIs highlighted in yellow are a little behind budget, and still produce a reward, but less than budget. KPIs scoring in the red are way behind budget and are penalizing the reward pool. In a single sheet of paper, it is easy to understand how an organization is performing on each one of its business drivers.

- Communicate precisely what you have to do to improve performance. I call this proactive reporting. Most reporting systems give you feedback on what has happened (historical reporting). *STAKEHOLDERS* shows you exactly what you have to do to eliminate a budget deficit or to reach higher hurdles (and payouts) for KPIs beating budget. For loans, the reports show you how much you have to originate each month. For deposits, the reports show you how many accounts you have to open at a given balance. And so on. If you have not drilled down into these reports, then you are missing out on some great information.

I cannot stress enough the importance of following through on these three items. To further reinforce my position on this, ponder the following...

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How Are You Using *STAKEHOLDERS?* continued

Team “A” understands the rules of the game they are playing. The players on the team know how points are scored. Each player not only understands how to play their “position” but also knows how their position enables the team to score points. Team “A” receives timely feedback on performance and “huddles-up” to discuss what adjustments they have to make to beat the competition and score more points.

Team “B” shows up, but is not sure what the rules of the game are and how points are scored. One player even suggests that giving the ball to the other team might be helpful.

The players are constantly bumping into each other because they are not sure how their position fits into the framework of a team. Team “B” gets timely feedback on performance, but does not understand the feedback. As a result, they don’t know what adjustments to make. They just walk back onto the field and hope the competition does not understand either (which is never the case).

Which team do you want to wager on? Which team do you want to be a part of? Which team has a higher probability of success? Which team are you?

Employees Need to Understand where Company Dollars Go... So Show Them

Adapted from “Open-Book Management 101” by Donna Renn, in *Inc. magazine*

Employees at Artists’ Frame Service in Chicago knew what the company charged customers, and they knew that their pay was only a fraction of that. The CEO wanted them to understand that the difference between invoice prices and their salaries wasn’t all profit. So the employees were treated to a demonstration of the company’s expenses, illustrated as portions of a hypothetical \$100 order.

As the presenter explained where the money was going, different departments came forward to claim the proceeds of the sale. An oversized \$5 bill, for example, was disbursed to cover the cost of the company’s Yellow Page listing, which costs the company roughly 5 percent of its receipts. The

pile of cash was whittled down as claims were made by rent, health insurance, and other fixed and operating expenses that many employees don’t think about. When all the bills were paid, \$5 remained.

The demonstration improved morale by giving workers an understanding of the company’s expenses, and challenged them to look for ways to save the company money. Now that they understand how lean a company has to run to stay competitive, buyers are ordering in bulk and watching inventory carefully, and clerks are finding ways to handle orders more efficiently.

Welcome New Clients since our last announcement!

Ledge Light Federal Credit Union
Groton, CT

UMass Five College Federal Credit Union
Hadley, MA

Qside Federal Credit Union
Flushing, NY

NexTier Bank
Butler, PA

Improve Coaching Techniques With These Five Tips

adapted from *Smart Supervision* from the editors at Clement Communications

David Peterson and Mary Dee Hicks, senior vice presidents at the Minneapolis-based consulting firm Personnel Decisions International, offer the following suggestions for using coaching strategically in your organization.

1. Provide coaching where the payback is greatest.

Many organizations offer coaching on request or as a perk, not necessarily where it can provide the most business value.

Use coaching when:

- You need to accelerate growth of people in critical assignments, or there is a significant increase in the complexity of someone's work;
- Risks are high and you can't afford a failure;
- An executive's time is precious and every minute counts.

2. Build a pool of coaches you can count on.

Screen coaches to ensure they can effectively meet your business needs. Once you've identified good coaches, familiarize them with your organization's culture and business realities to align them with your strategic

priorities. Once the coaches are established with your organization, continue to gather feedback about their effectiveness.

3. Evaluate the coach's ability to help people learn.

Good people skills and a genuine desire to help do not make an effective coach. Good coaches can translate good ideas into new capabilities and stronger performance.

4. Match the coach to the need.

Often, organizations match a person to a coach based on age, gender, ethnicity or personality. However, it is more important to find a coach capable of addressing an individual's specific challenges.

5. Set objectives and evaluate results.

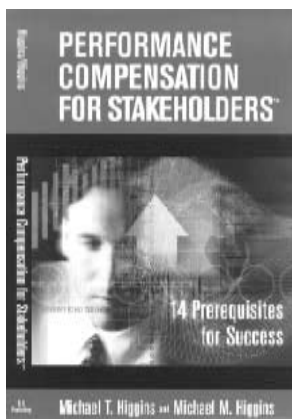
Coaching is not just about providing support. Ultimately, coaching should deliver what every business needs... real results.

To aid in coaching Stakeholders, we've developed a new Coaching Stakeholders Manual that we are beginning to use at our periodic coaching sessions. It is also available on our website at www.mhastakeholders.com/ClientsOnly.

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

Mail or Phone Angela at MHA:
30 West Pershing St., Suite 360
Kansas City, MO 64108
phone: 816-753-4104
angela@mhastakeholders.com



MHA Offices

Michael M. Higgins
Mike Higgins & Associates, Inc
30 West Pershing St., Suite 360
Kansas City, MO 64108
816-753-4104
mhigginsjr@mhastakeholders.com

Dennis Guida
Mike Higgins & Associates, Inc
26895 Aliso Creek Road, Suite B #650
Aliso Viejo, CA 92656-5301
949-283-4829
dguida@mhastakeholders.com

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