

“STAKEHOLDERS”

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

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Increase your Business IQ in Just 3 Minutes

by Mike Higgins, Jr.

One of the biggest problems I see with the volume of information that comes at us each day is that most of it does not “stick.” We see the data, but fail to “internalize” it. I have a simple exercise that I expect every organization using “STAKEHOLDERS” to perform each month... **The Payout Calculation Exercise.**

Before you pass this off as just another task, please slow down, and invest three minutes of your day to hear me out. I guarantee that three minutes from now you will be enlightened to the point of taking action (if you care about your organization’s performance).

The value of the scorecard is that it creates focus on the things you must do in order to be successful. The KPIs (Key Performance Indicators) on your scorecard are your de facto business model and it is critical that you know what the KPIs are, how they are performing relative to expectations, and most importantly, how to influence each one.

On the page that follows, there is a “blank” payout calculation exercise. Inside of each branch or department, assign the task of completing this exercise to a different individual each month, on a rotating basis. For example, if there are 12 people in a department, one employee would complete the exercise and report the results to the other 11 department employees at a staff meeting. The next month, a different employee would repeat the process.

Here is how it works and why it is important...

Step 1: Get a copy of your branch or departmental scorecard. If you don’t have a branch or departmental scorecard, then use the organization-wide scorecard.



Why: You need to know where to get the information from.

Step 2: Write the name of each KPI in the first column.

Why: Why: If you have to write down the name of each KPI, you will start to memorize them. That is the first step in learning and internalizing the information. My mentor, when I was a young golf professional, told me when teaching students how to play golf, they had to hear the message seven times before it “stuck” and they had to practice the technique for 21 days before it became habit.

(By the way, a habit is an unconscious behavior or action. Wouldn’t it be great if all of your employees were full of good habits!)

Step 3: Write down the YTD performance of each KPI in the second column.

Why: If you have to write down the YTD performance, you will start to become familiar with the “numbers” associated with each KPI and how it is measured. Some numbers are big, some are small. Some are in thousands, some are in percentages. If you have to write them down, you will become familiar with the numbers. If you become familiar with the numbers, you will start to understand them.

Step 4: Write down the YTD budget variance for each KPI in the third column.

Why: You need to know where you stand relative to expectations (budget) on each KPI. If you see that you are behind plan on a measure, you might start to ask “why”

continued on next page

Increase your Business IQ in Just 3 Minutes, continued

and a few good ideas might emerge as to how to reduce or eliminate any unfavorable variances. The alternative (not doing this) is the equivalent to sticking your head in the sand like an ostrich.

Step 5: Write down the hurdle achieved in the fourth column, the KPI weight in the fifth column and the product of the two (the KPI score) in the sixth column.

Why: This is how the payout is determined. The greater the KPI score, the greater the payout.

Step 6: Sum up the individual KPI scores to determine the overall KPI score. Fill up the thermometer on the right hand side of the worksheet to visualize how well you are doing (just like a United Way fundraising thermometer).

Why: A picture is a great way to internalize results ... no numbers required!

Step 7: Fill in the reward pool along the right hand side of the thermometer at each hurdle.

Why: This will tell you how large the reward pool is as a percentage of base salary.

Step 8: Report the results on the worksheet to the members of your branch or department. You don't have to be an elegant speaker to do this. In fact, you can regurgitate the information verbatim if you wish.

Why: Studies have shown the retention level and understanding of information increases exponentially when you have to read it, write it down, and present it to others.

I hope I have satisfied the guarantee I made to you at the start of this article and you are moved to action. I guarantee that you will see results in the increased level of business literacy of your employees if you invest just a little time and discipline to complete this task each month.

Payout Calculation Worksheet

Key Performance Indicator	YTD	YTD Bud Var	Hurdle	Weight	Score	Performance Thermometer	
						Total KPI Score	Reward Pool % Salary
						10.00	> 10.00 %
						9.00	%
						8.00	%
						7.00	%
						6.00	%
						5.00	%
						4.00	%
						3.00	%
						2.00	%
						1.00	%
						0.00	< 0.00 %

What is the total KPI Score?..... ----> Fill Thermometer Up ---^
 What is the approximate reward pool as a percentage of salary?..... ("Eyeball" Thermometer Payout)
 Which KPI is contributing the most to the reward pool?..... (Hint: Highest KPI Score)
 Which KPI is contributing the least (or penalizing) the reward pool?..... (Hint: Lowest KPI Score)

Improve Coaching Techniques with These Five Tips

Adopted from *Smart Supervision*

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 and individual's specific challenges.

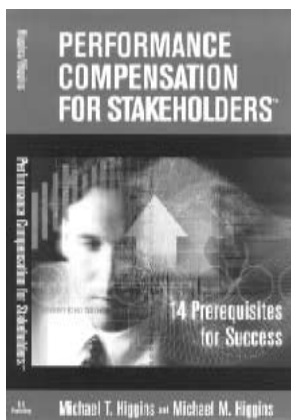
5. Set objectives and evaluate results.

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

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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BEST PRACTICES

Last fall Rock Valley Federal Credit Union in Loves Park, IL implemented the “*STAKEHOLDERS*” program. They chose our new remote approach for implementation. This implementation approach is done by means of e-mail and telephone conferences. Rock Valley shared with us the following as to how they have communicated “*STAKEHOLDERS*” to their staff.

After we signed on with Mike Higgins & Associates we investigated everything we could on the MHA website for training. We found the Implementation workplan, part of the coaching manual, and the Business Model handouts very helpful. We took these presentations and made them our own to communicate our mission and vision so staff could see how “*STAKEHOLDERS*” was part of the bigger picture.

We provided staff an overview of the program along with our 2008 Key Performance Indicators (KPIs) that included specific examples of things that affected these areas. We created a Stakeholders binder for everyone! Each employee has a 3-ring binder which includes several handouts from the kick-off meeting and then each month they can put their monthly reports in it.

We created small groups (no more than 8 people) so that we could meet as interdepartmental groups and discuss each KPI. Each small group has a Team Leader which is a member of management. This allows us to get more ‘hands on’ and offer assistance if someone is not onboard. We feel getting them engaged requires reaching them at multiple levels. Each small group is asked to have someone be a Scribe, to gather the ideas generated, and then someone is a Presenter. The Presenter’s job is

to share a few of the ideas the group generated at our all staff meeting.

Our first small group assignment was to discuss the KPI’s which were relative to Savings... this accounts for 40% of our 2008 plan. We had some GREAT ideas generated out of these small group discussions. These ideas were then summarized into four categories and the Manager of that area gave a presentation at our all staff meeting. The employees enjoyed seeing their ideas in print and hearing management give the kudos and a call to action on a good portion of the ideas.

In our all staff group meetings we provide the employees with the Stakeholders reports for the previous month. We also choose one or two Plan-Do-Check-Act topics to discuss with the staff. Each month we also have a Product Knowledge topic presented by our Training Coordinator. Our meetings are jam packed with information. We want our staff to have the knowledge necessary to help RVFCU continue to move forward.

We’ve explained that this program is not just about a payout... it’s about learning and understanding what the CU business model is, increasing their business acumen, and having knowledge outside their daily area of expertise. It’s EVERYONE’S job to promote the credit union. To be that advocate you have to get engaged... we’re offering them the knowledge but it’s up to them to jump on the bus. We know that some people will not, but we’re attempting to give them every opportunity. The managers and peer-to-peer accountability factors are increasing which is required to see a change in behavior.

Thank you to Anita Countryman at Rock Valley Federal Credit Union for sharing with us how they got “*STAKEHOLDERS*” up and running after implementing the program remotely.

Welcome New Clients since our last announcement!

Max Credit Union
Montgomery, AL

University of Kentucky Fed Cu
Lexington, KY

U.S. Fiduciary Services, Inc.
Lisle, IL

Pelican State Credit Union
Baton Rouge, LA

Skowhegan Savings Bank
Skowhegan, ME

Hawthorn Bank
Lee’s Summit, MO

Civic Bank
Nashville, TN

Brattleboro Savings & Loan
Brattleboro, VT

Eurobank
Hato Rey, Puerto Rico



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We are moving!

**Please take note that as of June 1,
2008 our business address will be:**

**8080 Ward Parkway, Ste. 100
Kansas City, MO 64114**

**Our Kansas City office phone number
will remain the same: 816-753-4104.**

**Please update your records with this
new address for all correspondence.**