

Developing and Managing Employees

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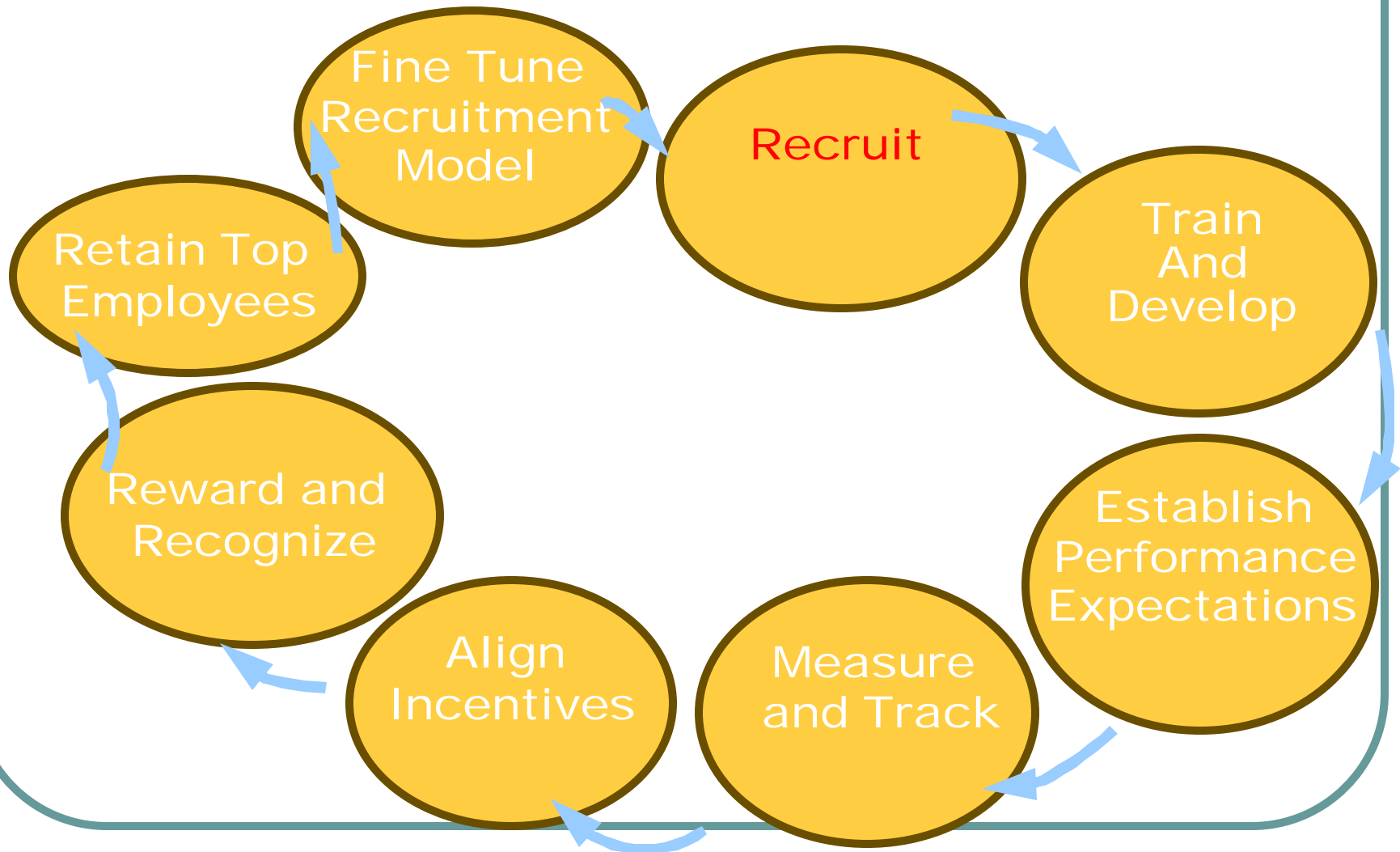
Advantages of Community Banks in the People Development Arena

- **Size facilitates closer communication**
 - CEO and rank and file can know each other
- **Dedication of employees**
 - Lower turnover rates than big banks
 - Employees and customers know each other
- **Strong orientation towards serving the customer**

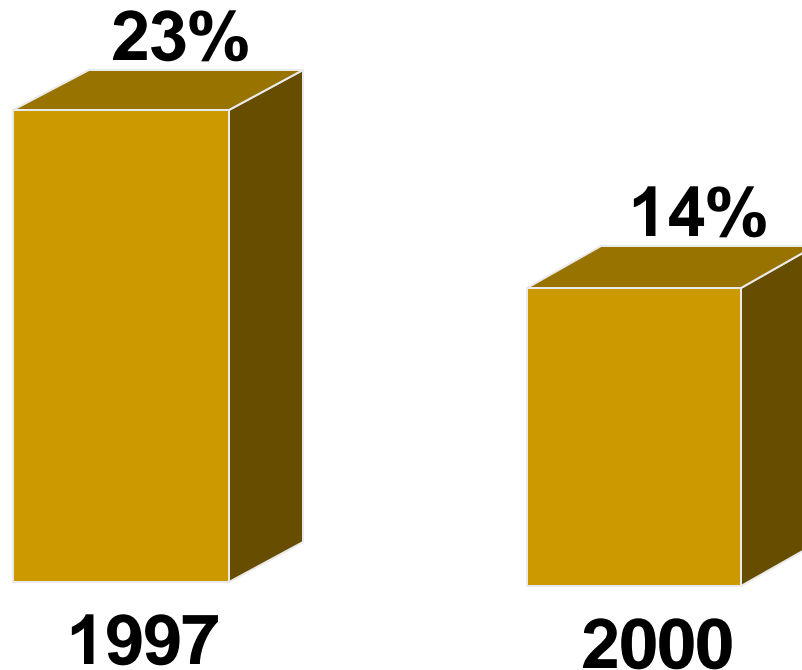
Is Your Organization Aligned to Develop and Manage People to their Full Potential?

- Managers are coached on their abilities to coach others
- Individuals and teams are recognized for their success
- Performance metrics are clear
- People know their goals and are striving to meet them
- Individuals have personal development plans in place
- Training is an ongoing process of development and mentoring, not a one-time event
- Employees have been taught how to perform according to the expectations
- Senior management relentlessly communicates the strategy and the vision

The Employee Development Chain



The Top Executive View: Percent Who Agree Their Company Attracts Highly Talented People



Source: McKinsey's War for Talent 2000

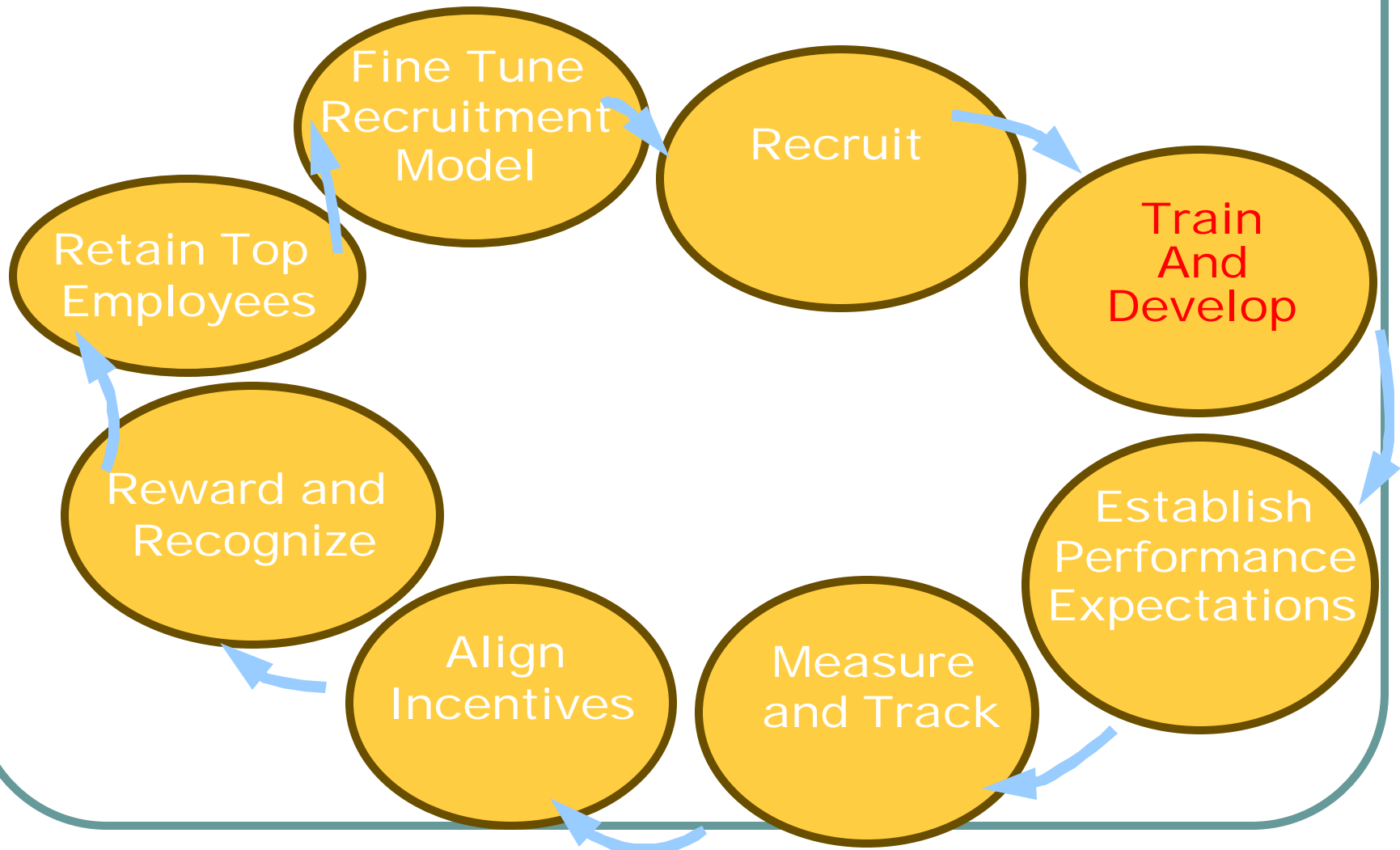
Recruit for Retention

- Start by asking a few key questions
 - What's the source of your top performers?
 - Can you forecast your hiring needs?
 - Is your employee profile based on function, skills, and “fit?”
 - What are you offering that someone can't get down the street?
 - What “face” do you show to potential recruits

Recruitment: Some Tips

- Recruit 3-6 months ahead of your actual hiring needs for each position
- Use current employees to source future employees
 - Talent attracts talent
 - Consider paying a referral bonus to current employees for referring new hires
- Target some people who aren't looking for employment
- Strike a balance between hiring from within and from outside the industry
- Remember: it can take 10 resumes to find one viable new hire
 - What's your ratio of resumes to new hires?

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Train and Develop

- Orientation, not induction
 - What's a new employee's view of the company?
 - How do you make them feel welcome and at home?
 - Consider a buddy program
 - How are the core values of the organization communicated?
- Training for functional and skill development
 - New hire training
 - Keeping the skills alive

Mentoring and Coaching

- What's the difference between the two?
 - Mentors focus on the person
 - Coaches focus on the job
- Mentoring relationships might be more informal, focusing on long-term development
- Coaches might help the individual perform in their job more effectively
- Consider implementing a coaching process at every level
 - Regular meetings with direct reports
 - Discussion of action plans

**ABC Bank
Focused Coaching Session**

Name: _____

Branch: _____

Date: _____

OBJECTIVES / POINTS	Objective	Achieved	Next Month's Objectives
Consumer DDA = 1			
Business DDA = 2			
Other Deposits = 2			
Equity = 5			
Other Loans = 3			
Specialist Referral = 1			
Cross Sales			

Branch Rank (Overall) _____

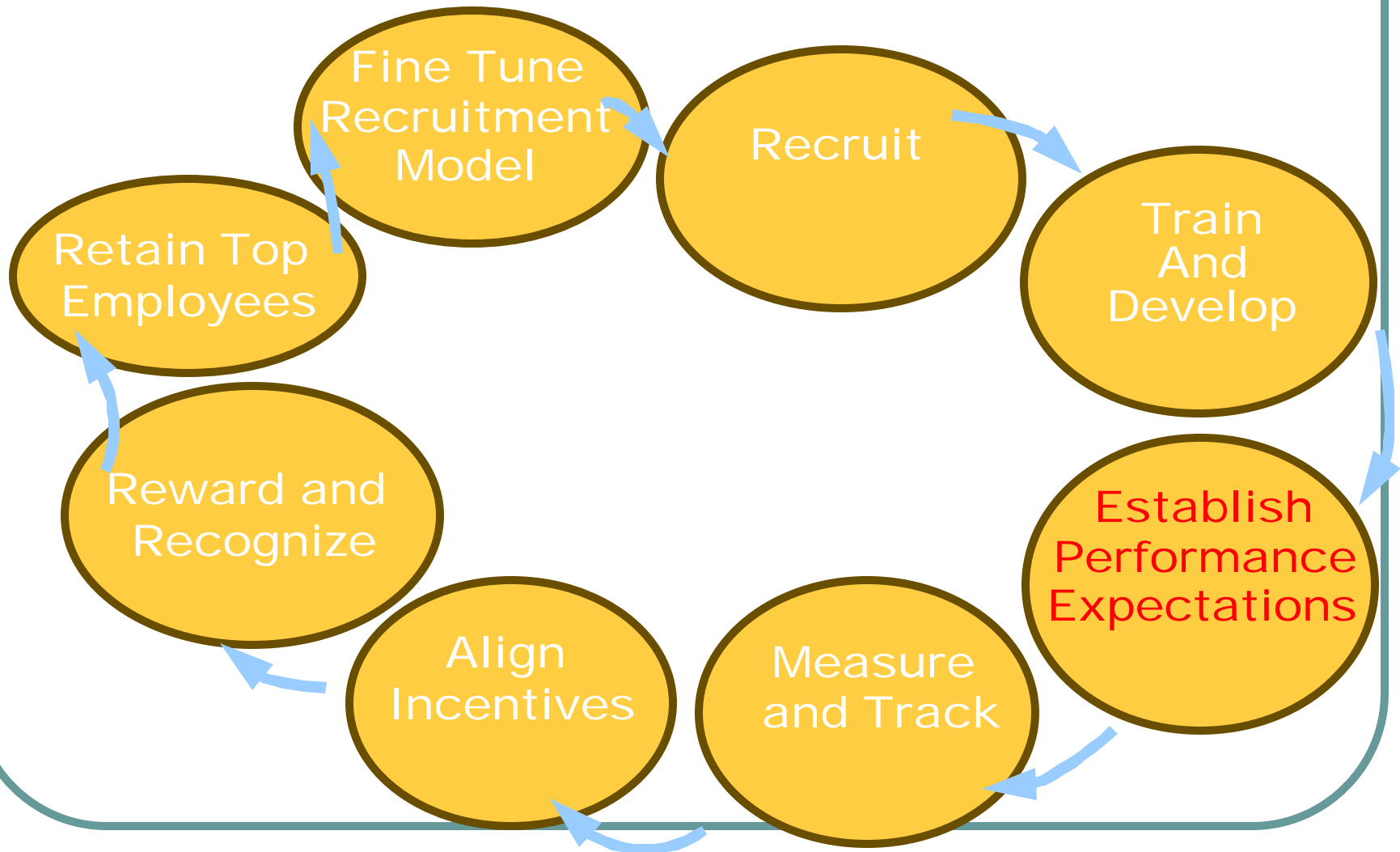
Individual Rank _____

Percent Objectives (Overall) _____

Activity Results and Next Month's Plan

Activity	Planned Activities for Past Month	Actual Activities for Past Month	Plans for Next Month
<i>Sales Desk / Teller Area</i> <i>Product Focus</i>			
<i>Telemarketing</i> <i># of Calls</i> <i>Product Focus</i>			
<i>ATM Sales</i> <i>Product Focus</i>			
<i>Other</i> <i>Product Focus</i>			

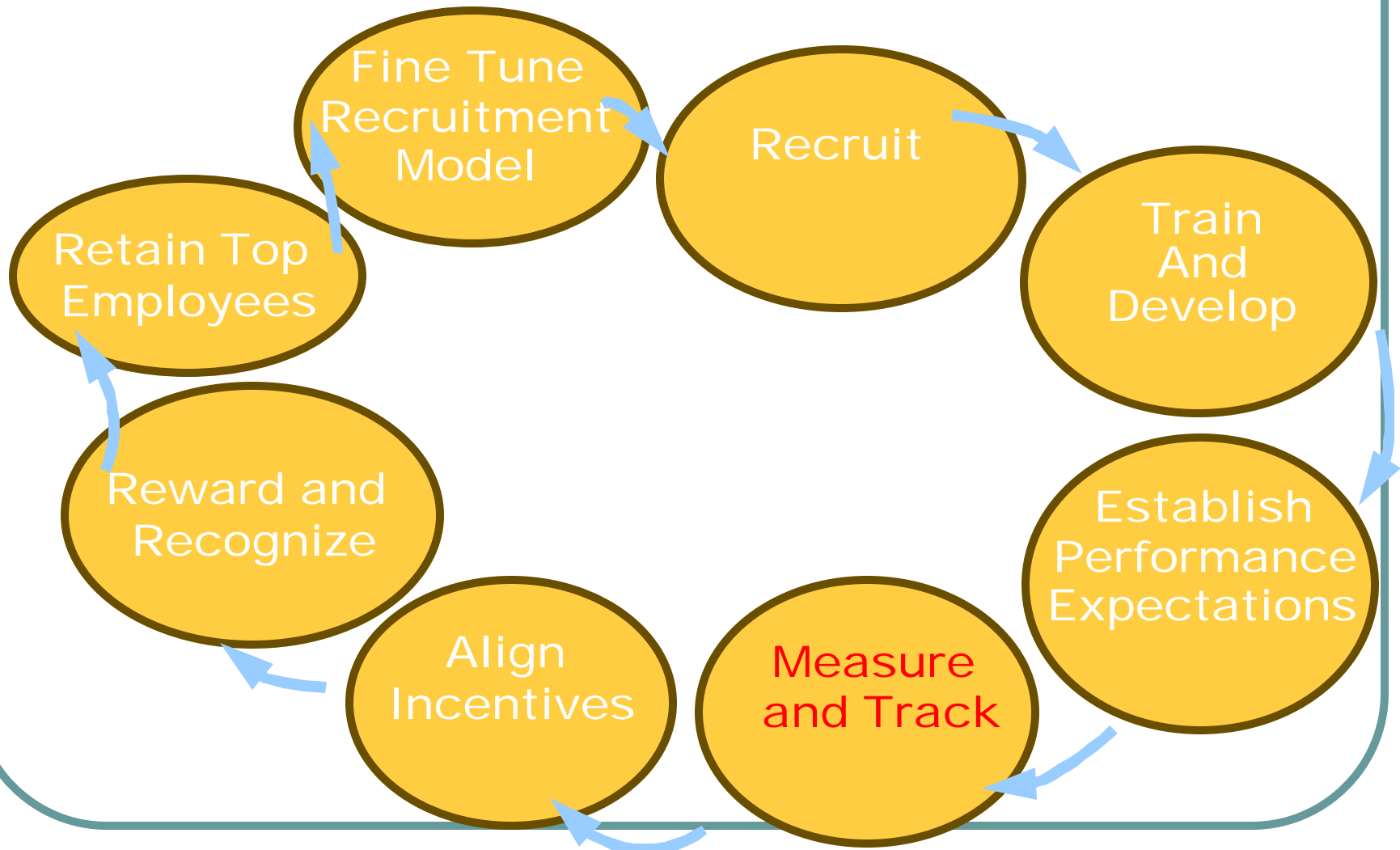
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Establish Performance Expectations

- Develop an infrastructure to support the desired culture and results
 - Job descriptions: do they tell people what do to?
 - Job evaluations: do they tell people what constitutes success?
 - Self assessment tools: do managers and employees have a way of conversing about how they view the employee's performance?
- Most community banks have strong financial plans, but don't translate the financial plan into *performance plans*
 - Understand the *drivers* of performance: deposits, loans, fee income
- Top employees want and need a roadmap so that they can control their destiny

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Establish Goals so that You Can Hold People Accountable

- Create “strategic alignment” for performance metrics
 - Establish goal congruence at all levels
- Don’t assign goals if you can’t track them
- Create ownership throughout the organization

Branch Quarterly Goals

Age of Branch	DDA Net Gain	Average Deposits (\$000s)	Loan Originations (\$000s)
>1	200	1,000	1,500
1-2	200	1,000	1,500
2-3	150	750	1,250
3-4	125	750	1,250
4-5	100	500	1,000
5+	50	250	1,000

Branch Unit Sales Goals

Product	Branch Quarterly	Branch Weekly	Individual Weekly
DDA Units	175	15	2
Services ratio	2.5	na	na
Consumer and Mortgage Loans	48	4	1
Savings and Investments	125	12	2
Auto	12	1	.25
Credit Card	96	8	2
Referrals	48	4	1

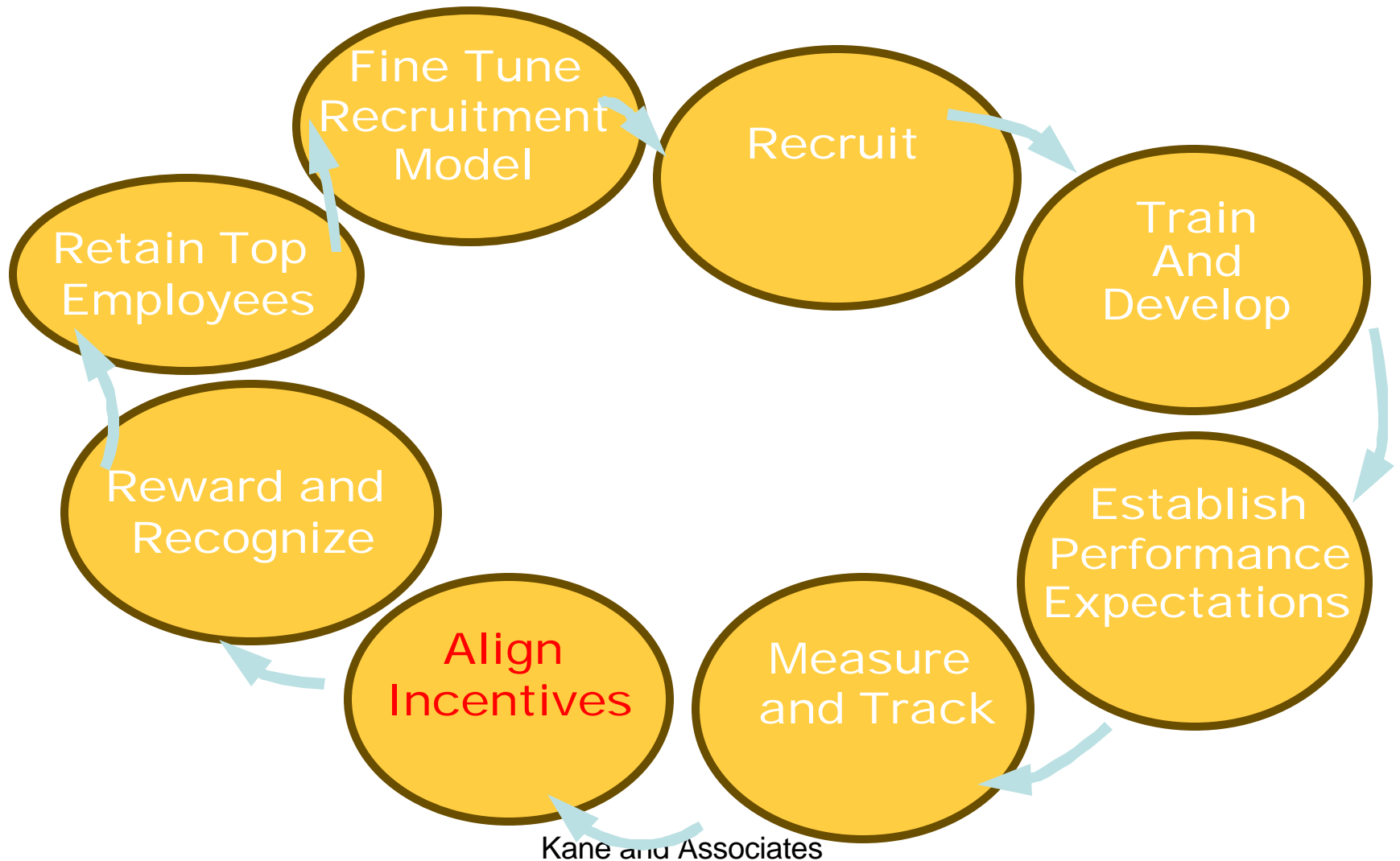
Measure and Track

- Top employees want to be held accountable and want their results to be known
 - The top 20% of sales employees are **67%** more productive than the average
 - The top 10% are **8 times** more productive than the bottom
- Productivity can increase markedly if you showcase the results of one team in relation to another
- Rank branches, relationship managers, branch officers, tellers, etc. in relation to *overall performance*
- Create regular, ongoing reporting mechanisms

ABC BANK BRANCH QUARTERLY SALES REPORT

					DDA Points Weight = 20% cap 200%			Other Deposits Weight = 15% cap 200%			Home Equity Weight = 20% cap 300%			Other Consumer Loans Weight = 10% cap 300%			Business Loans Weight = 20% cap 300%			Referrals Weight = 10% cap 200%			X - Sell Weight = 5% added in 3rd month cap 200%		
Bk	Weighted																								
Rank	%	Goal	Actual	% Units	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%			
South																									
1	Branch A																								
2	Branch B																								
3	Branch C																								
4	Branch D																								
8	Branch E																								
11	Branch F																								
13	Branch G																								
20	Branch H																								
21	Branch I																								
22	Branch J																								
24	Branch K																								
27	Branch L																								
33	Branch M																								
35	Branch N																								
38	Branch O																								
North																									
5	Branch P																								
7	Branch Q																								
9	Branch R																								
10	Branch S																								
14	Branch T																								
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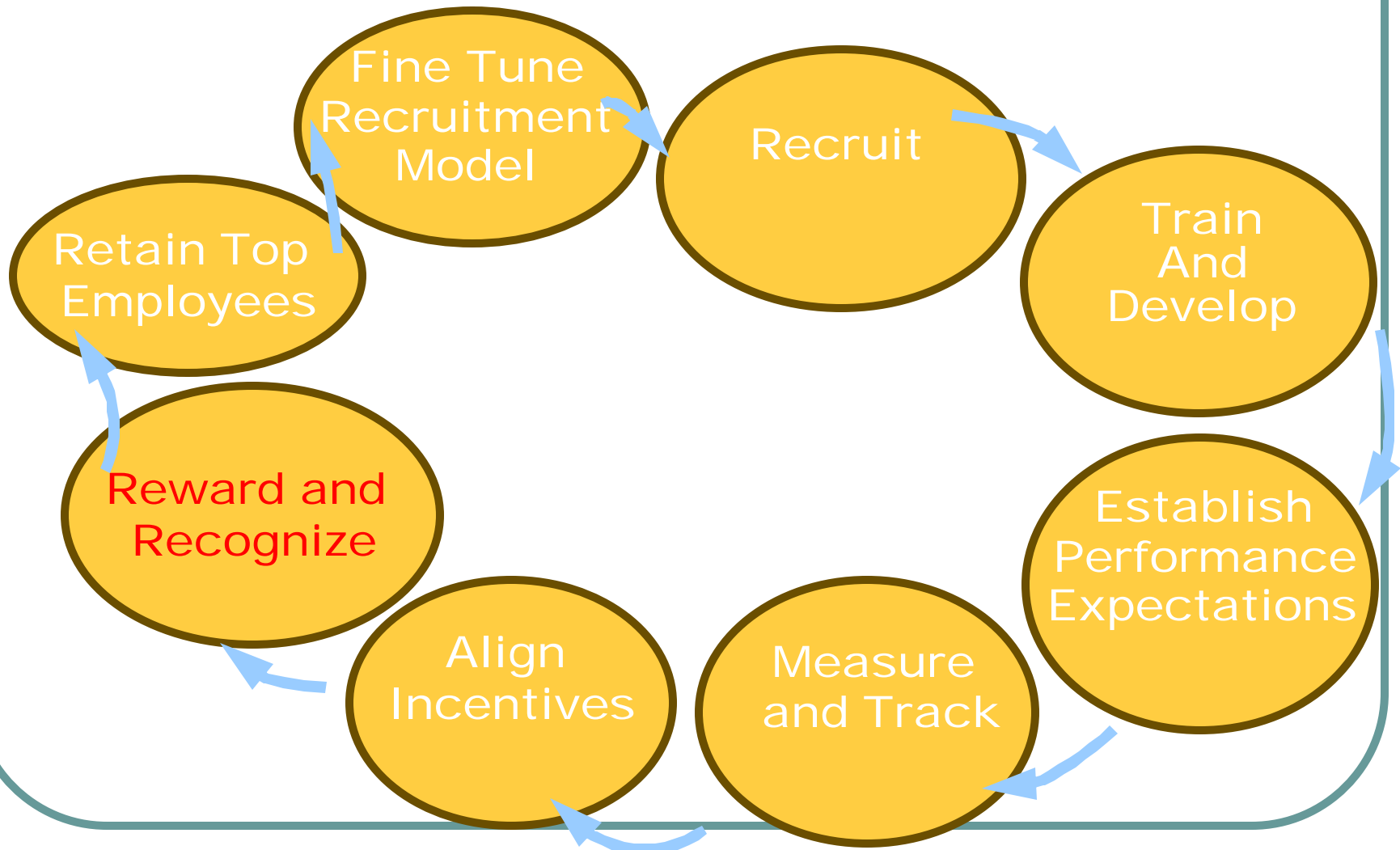
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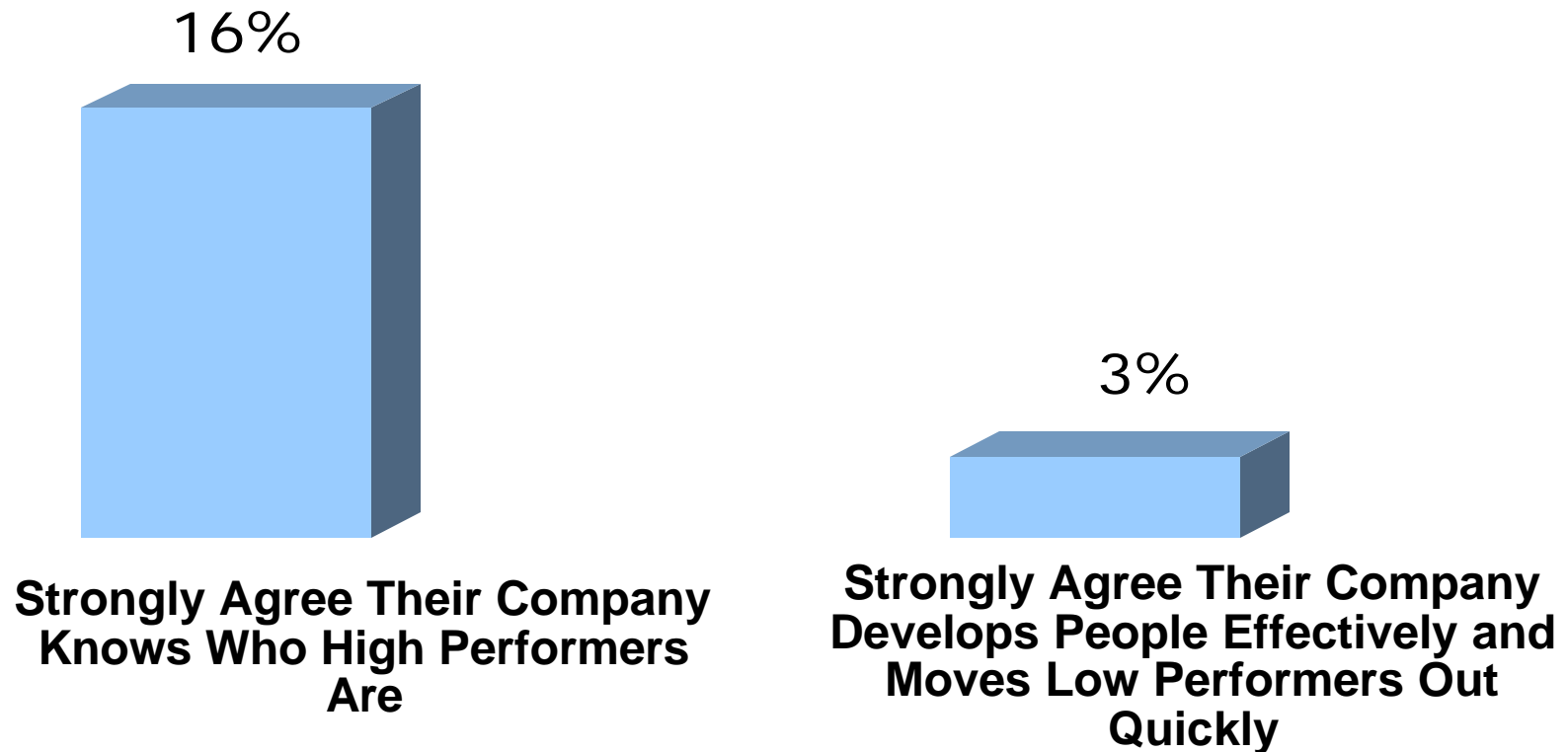
Align Incentives

- Compensation is about performance, motivation, and retention
- Deploy compensation plans to your advantage
 - Use salary surveys from the marketplace
 - Incent for individual and bank-wide performance
 - Keep it fair, clear, consistent, and honored
 - Establish a teller referral program
 - Incent for growth, not just units
- Don't take benefits lightly
- Keep perks as perks
 - “A perk given once is a perk. A perk given twice is a benefit. A perk given three times is a right!”

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The Top Executive View: Recognizing and Rewarding Talent



Source: McKinsey & Co., survey of 6,000 executives

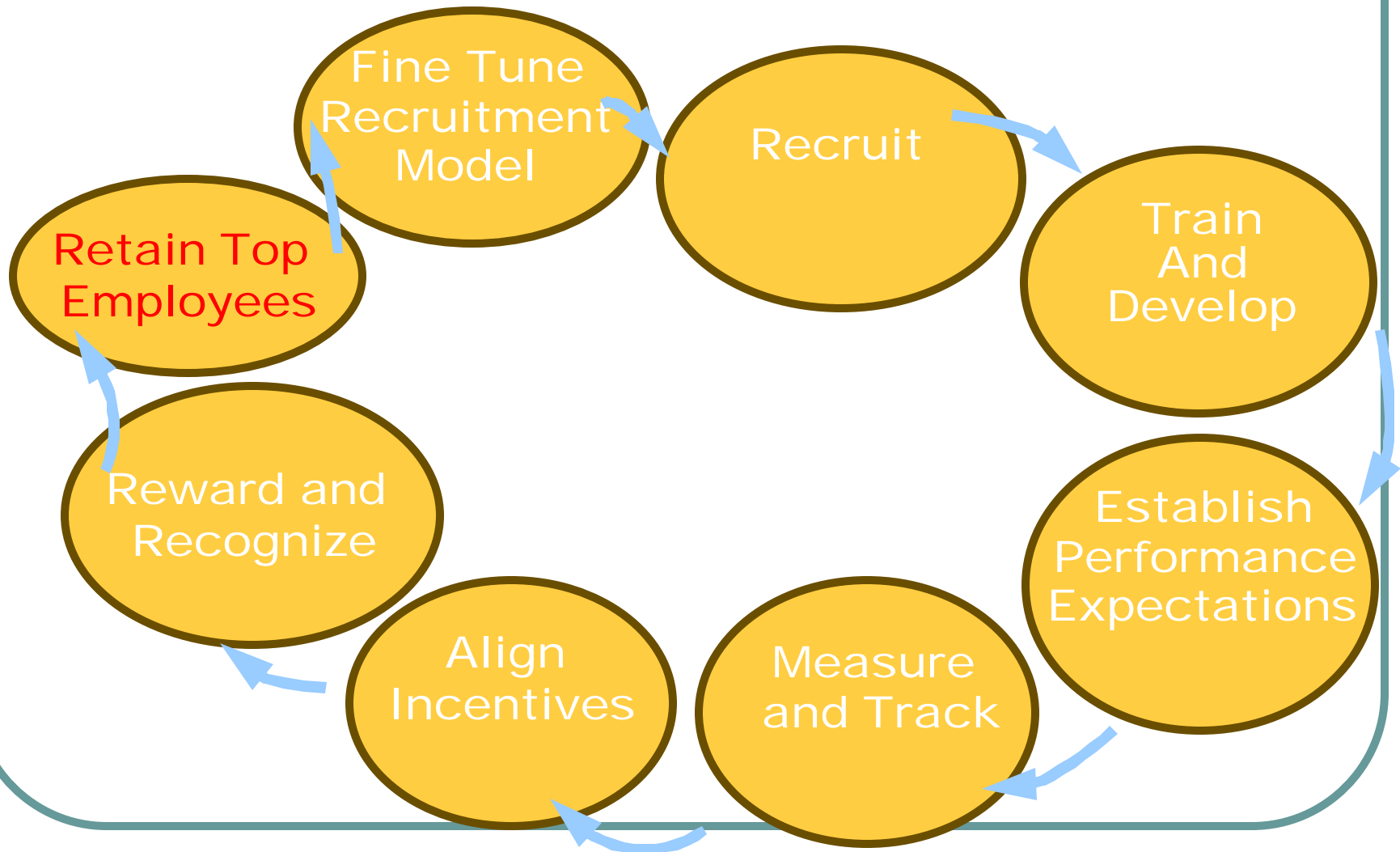
Recognize Your Best Performers through Formal Recognition Programs

- Develop formal recognition plans
 - Quarterly top-performers recognition events
 - Annual trip
 - Sales campaigns
- Focus first and foremost on the desired performance objectives, then include:
 - Communication of the recognition event or award in a fun and motivating way to the target audience
 - Goals that are realistic and attainable
 - A defined timetable
 - Rules that are simple and easy to follow
 - “Prizes” that will motivate the target audience
 - Regular and ongoing communication of performance and progress towards the “prize”
 - A time frame for the “prize” that is as close as possible to the timeline for goal attainment

Deploy Informal Programs with Frequency

- Personally thank and congratulate employees who do a good job
- Send personal notes or call employees about good performance
- Recognize performance publicly in a newsletter or via voice mail, email, etc.
- Hold morale building meetings to celebrate success
- Give top employees a personal parking space for a month
- Give time off
- Take employee to breakfast or lunch with a manager or an executive
- Order a catered lunch
- Write an article in a newsletter about best practices
- Send flowers

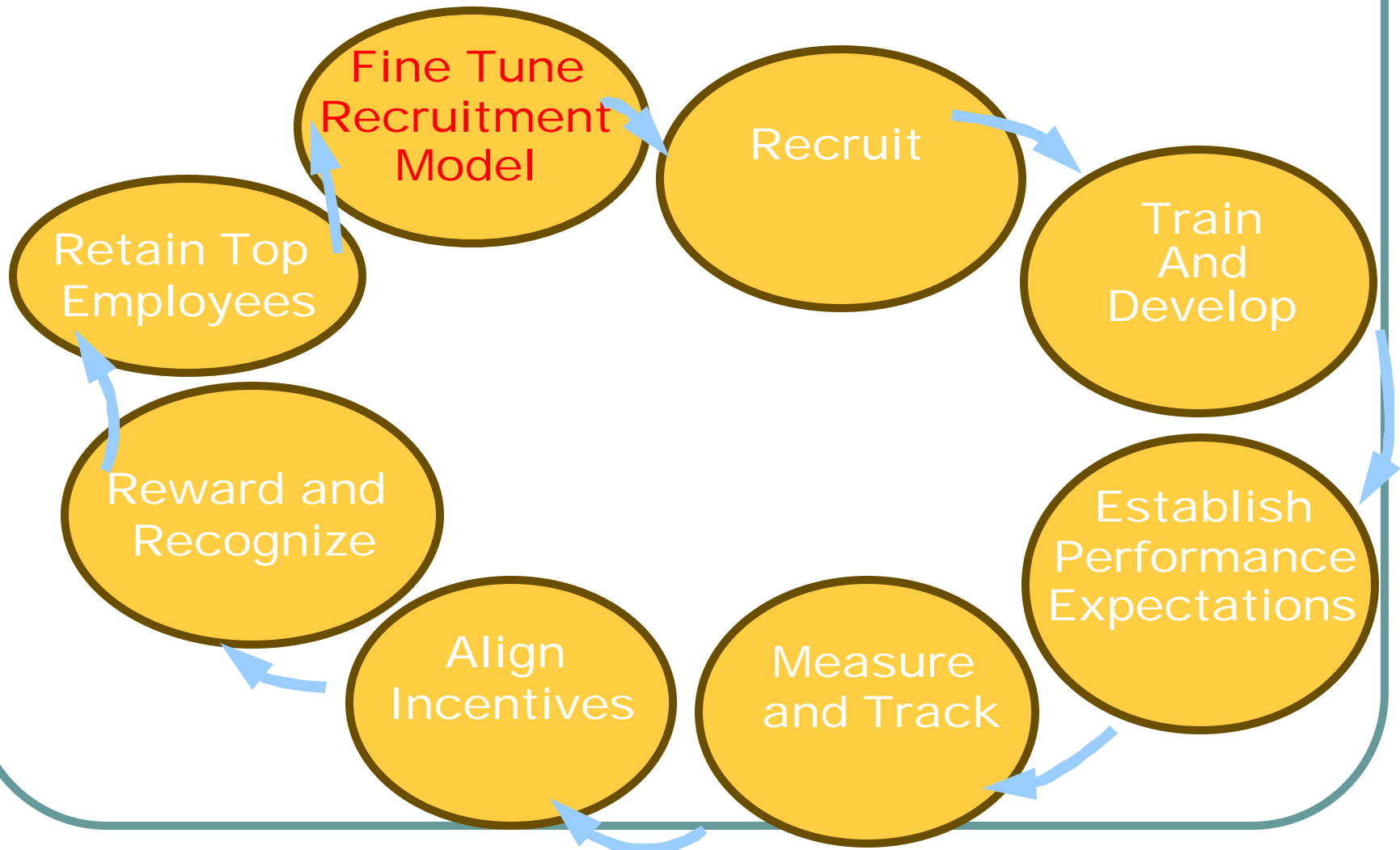
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Retain Top Employees

- Make sure that all aspects of your Employee Development Chain is adding value for your top employees
- Have an advocate for employee development and management at the senior level
- Develop an employee peer group to recommend changes and improvements to all aspects of the Development Chain
- Make your bank a place people want to work
 - Conduct employee satisfaction surveys

The Employee Development Chain



Fine Tune the Recruitment Model

- Adjust recruitment strategy based on results
- Consider developing profile of top performers and testing new recruits against this model
- “Excellence results from dedication to daily progress. Making something a little bit better every day.”---Robert Hall, Indiana University

Aim High

“In most companies, the majority of individuals believe there is some preordained, and typically uninspiring ‘industry’ growth rate. Growing as fast as one’s mediocre peers is deemed good enough.”

Gary Hamel
Leading the Revolution