



TKG Perspective

Watch for Us

Teaching/Speaking Engagements

American Bankers Association
ABA School of Bank Marketing and Management
Southern Methodist University
Dallas, TX **May 21-22**
Profitability and Strategic Issues
Product and Customer Profitability

Pennsylvania Bankers Association
PBA School of Banking
Penn State
State College, PA **June 6-10**
Strategic Decision Making and Organizational Structure

Pennsylvania Bankers Association
PBA Advanced School of Banking
Penn State
State College, PA **July 11-16**
How do Banks Make Money?

AMIFs
AMIFs Institute
Washington University
St. Louis, MO **July 18-23**
Organizational, Branch, Product and Customer Profitability

Maryland Bankers Association
The Maryland Banking School
University of Maryland
College Park, MD **August 1-6**
Bank Financial Principles

Financial Mangers Society
Controllars Clinic
Hotel Sax Chicago
Chicago, IL **August 16-17**
Improving the Budgeting Process

Pennsylvania Association of Community Bankers
I33rd Annual Convention
The Breakers
Palm Beach, FL **August 28-31**
Making More Products and Lines of Business Profitable

PNC Bank
Correspondent Banking Conference
Skytop Lodge
Skytop, PA **September 14-16**
Performance Measurement

PICPA
Harrisburg, PA **September 27**
Profitability and Future Trends in Banking

Are you Training for the Gold?

Jeffrey P. Marsico

I recently watched the movie *Miracle* about the 1980 USA hockey team for the third time. In the movie, legendary coach Herb Brooks told his team that they may not be the best team on the ice, but they would be the best prepared.

This inspired some self reflection. Am I dedicating enough time to preparing myself to help clients perform better? Although a brief perusal of my timesheet indicates a fair amount of prep time, I'm sure I could do better. Then I began thinking about our clients.

Not a strategic planning session goes by where our clients do not discuss their plan to differentiate from competitors by the quality of employees, the relationships they develop, and their service to customers. But doesn't being different by having superior employees require a focused effort? Are your employees continuously working to elevate their game, as Brooks' players were?

There appears to be two things working against programs to continuously develop employees to be superior to the competition. The first is regulatory compliance. So much of client training and development budgets are wrapped around BSA, Truth in Lending, Reg D and the myriad of other laws and regulations that we must abide by. While being compliant gives us the opportunity to remain in business, it does not bring in a nickel of revenue.



The second factor keeping banks from developing employees is culture. This can take two forms: senior leadership does not believe in it or fear their well-developed employees will flee and/or employees do not believe they need it. Yet, intuitively, a financial institution that claims to have the best employees would seemingly require a world-class employee development program. Few, in my experience, have it.

I am not a training expert. TKG does not specialize in employee training. But I am witnessing a divergence from what clients want out of their employees and what they prepare them to accomplish. Of course you want your employees to comply with laws and regulations, and chances are you provide training for it. But if you want them to build relationships and become trusted advisors, what role do you play in elevating your employees' game?

I have four suggestions. The **first suggestion** is to identify employees that are in positions where they have very little chance to meet expectations. Bank executives can be loyal to a fault. However, a 20-year employee that once was a good lender but drags his or her feet in executing your strategy of developing full commercial relationships will only serve to sink your strategy by continuing to do what they always have done. No employee development program is going to change them, so you may need to make the change.

2010 Conferences and Conventions

**New Jersey Bankers Association
Directors and Managing Officers
Conference**
Forsgate Country Club
Monroe Township, NJ **March 26**

**Pennsylvania Bankers Association
Annual Convention**
Marriott
Baltimore, MD **May 12-15**

**Maryland Bankers Association
Annual Convention**
The Homestead
Hot Springs, VA **May 15-19**

**New Jersey Bankers Association
Annual Convention**
Ritz-Carlton
Naples, FL **May 19-23**

**Florida Bankers Association
Annual Convention**
Ritz-Carlton
Naples, FL **June 6-9**

**North Carolina Bankers Association
Annual Convention**
Hilton University Place
Charlotte, NC **June 20-21**

**M&T Bank/Rowles & Company
63rd Annual Financial Institutions
Crab Feast**
Conrad's Ruth Villa
Middle River, MD **July 8**

**New Jersey Bankers Association
Annual Golf Outing**
Forsgate Country Club
Monroe Township, NJ **August 9**

**Pennsylvania Association of
Community Bankers
Annual Convention**
The Breakers
Palm Beach, FL **August 27-31**

**New Jersey Bankers Association
Senior Management Conference**
Seaview Resort & Spa
Galloway, NJ **September 22-24**

**New York Bankers Association
Annual Convention**
New York, NY **November 8-10**

TKG, as part of our strategic planning engagements, periodically evaluates our industry, its trends, successes, and challenges. We are pleased to share our thoughts with you, our valued clients, in the form of this periodic newsletter. If you would like to discuss strategy further, or learn more about our performance measurement, strategic planning, profit/process improvement, or financial advisory services, please call us at (973) 299-0300 or visit www.kafafiangroup.com

The **second suggestion** to elevate your employees is to develop a world-class training curriculum designed to teach the skills to exceed job requirements. Yes, this will include compliance training. But it should also include skills valued in your strategy such as relationship building, personal or business financial management (we are in the finance business, aren't we?), supervising, coaching, etc. This can be done very formally with a combination of internal and external classroom time, industry schools, online curriculum, and on-the-job training (OJT).

In my Navy days, I spent time as a training supervisor. Sailors were required to elevate their skills in multiple disciplines. We created a training plan by position and tracked progress using simple spreadsheets (see figure below). Those that demonstrated promise received training for the next job level as recognition of their potential. Training was a combination of classroom study, self study, OJT, and experience.

| Position | | BSA 101 | Teller Training | System Training | Retail Product Training | Supervising 101 | Financial Planning 1 | Financial Planning 2 |
|------------|----------------|----------|-----------------|-----------------|-------------------------|-----------------|----------------------|----------------------|
| Doe, Jane | Teller I | 08/24/09 | 09/12/09 | 09/21/09 | 01/21/10 | | | |
| | | | | | | | | |
| Buck, Joe | CSR | 05/10/05 | 08/21/05 | 09/10/09 | 09/05/05 | 11/13/09 | | |
| | | | | | | | | |
| Deer, Mary | Branch Manager | 02/22/02 | 03/07/02 | 08/15/09 | 08/01/05 | 06/14/06 | 02/15/09 | |

My **third suggestion** to elevate employees is to create a meaningful rewards program to salute fine performers. Incentive compensation should be transparent to the employee and reward the behaviors and outcomes consistent with your strategy. Incentives should also be meaningful, accounting for over ten percent of the employee's total compensation. Recognize high achievers often and in public. The recognition and elevated incentive compensation encourages loyalty.

Those that fail to meet minimum criteria for incentive compensation illustrates either your lack of success in improving a promising employee's performance or their inability to excel in that current job. Positive action would be required. GE, under heralded CEO Jack Welch, cut its bottom ten percent performers each year. This breeds a higher-level workforce. Nothing is more discouraging to a high level performer than to receive a four percent raise, while the low performer gets three percent.

My **fourth suggestion** is to develop and maintain a culture of continuous improvement by building supervisory skills that includes coaching, informal feedback, and regular performance reviews. Performance reviews have devolved into CYA nonsense to protect employers in case an employee is terminated. Supervisors tend to regard them as administrative headaches.

What a performance review should be is formal documentation of the feedback already given to employees by a good supervisor. It should highlight superior performance, identify challenges, and map a plan for improvement. Oh yes, and it should provide illumination of top versus bottom performers.

If you are successful, it will likely be due to superior employees which will provide your institution with a sustainable competitive advantage. Admittedly, you will probably incur greater compensation expense. This is a great segway for a gratuitous plug for TKG's profit improvement service to reduce unnecessary processes, systems, and expenditures. Wouldn't a shift away from non-value added expenditures to an investment in your people be worth it?