



## M Benefit Solutions® Bank Strategies

Total solutions for attracting, retaining, and rewarding top talent

First Quarter 2010

THE BOTTOM LINE  
EXECUTIVE AND DIRECTOR BENEFITS AND BO

### CHARACTER-DRIVEN PERFORMANCE FOR THE 21<sup>ST</sup> CENTURY: ATTRACTING, RETAINING, AND MOTIVATING TOP TALENT

By Doug Sherman and Tom Jordan—ECI Companies

Many bank leaders believe they have a good understanding of how committed their key people are to the bank . . . until one of them leaves. In today's environment, where a bank's competitive advantage is, to a great degree, an outgrowth of a culture of confidence, every CEO should understand the issues that drive employees into and out of organizations and how to unleash their passion and improve their execution.

How do you compensate your people in order to create long-term performance? In an increasingly commoditized and competitive market, what rewards will motivate key performers to invest their best energies toward bank success?

In this article, we will explore six principles of character-driven compensation. These principles hold the key to long-term employee loyalty, and will differentiate your bank from the competition.

#### PRINCIPLE #1: THE "O FACTOR"

Being truly "others-oriented" in key performer incentives means crafting a compensation package that reflects a deep understanding of your executives' immediate and long-term needs. It means creating a future for your top leaders where they know you have thought about their specific goals and built a package to reflect foresight and personal appreciation. This "O Factor"—being others-oriented—translates into tremendous loyalty at key positions, and ensures you retain your key people no matter what the competitive market offers.

To do this, you need to know you people well. What motivates them? What interests beyond work do they share with family and friends? How can you craft a compensation package that reflects their personal lifestyle and aspirations?

### COMING SOON...

**M BENEFIT SOLUTIONS – BANK STRATEGIES' LEGISLATIVE UPDATE ON NOTICE 2010-6: RELIEF AND GUIDANCE ON CORRECTIONS OF CERTAIN FAILURES OF A NONQUALIFIED DEFERRED COMPENSATION PLAN TO COMPLY WITH § 409A.**

Notice 2010-6 provides methods for taxpayers to voluntarily correct many types of failures to comply with the document requirements applicable under § 409A of the Internal Revenue Code to nonqualified deferred compensation plans and thereby avoid or reduce the current income inclusion and additional taxes under § 409A.

(Continued on next page)

In his classic book, *Swim with the Sharks without being Eaten Alive*, Harvey Mackey shares the anecdote of one of his salespeople who gained enormous loyalty from a customer by remembering this key customer's alma mater, and giving the customer a gift from that college. While the financial cost was small, the act of remembering meant a great deal to the customer. In the same way, how can you build a performance program that reflects your personal understanding and commitment to your key performers?

## **PRINCIPLE #2: COMPATIBLE FIT WITH CULTURE**

In addition to being others-oriented, the best compensation package reflects and enhances the culture of your organization. The ethos of your bank, and the people who work there, should be a vital underpinning of any executive compensation package. When a bank does this right, your key leaders know that not only are they compensated appropriate to their performance, but they also know they are compensated in such a way that it fits your bank.

## **PRINCIPLE #3: ALIGNED COMPENSATION**

Closely tied to the "O Factor," the best banks make sure executive compensation is aligned to individual and team performance. As a result, there is a sense of fairness that creates loyalty and motivation throughout the team. When everyone performs, everyone wins.

## **PRINCIPLE #4: MEASUREABLE KEY PERFORMANCE METRICS**

The fairness principle requires rigorous discipline around reporting, so that key performance indicators can be measured. Your key executives need to know exactly what their incentives are tied to, and those criteria need to be objective and independent of any perceived prejudice. Objective and measurable performance metrics motivate top performers to do their best and recruit others to do so as well.

## **PRINCIPLE #5: WEALTH ACCUMULATION OPPORTUNITIES**

Through a variety of investment vehicles that you jointly discuss and develop as much as possible, character-driven performance programs offer the opportunity for your senior leaders and key drivers in your bank to create their own destiny. You work with them on funding compensation plans that take into account their specific goals and aspirations. This could include family legacy planning and charitable intent. The key is being others-oriented: if they achieve their goals for the bank, what personal goals can the bank enable them to achieve?



M Benefit Solutions®  
Bank Strategies

An M Financial Group Company

## **PRINCIPLE #6: EFFECTIVELY COMMUNICATING EMPLOYEE VALUE**

Every good bank leader recognizes the value of the people in the organization. It is not enough, however, to personally recognize this value. The value top performers bring to your organization needs to be shared across the organization and beyond. It has to be articulated and celebrated. The best leaders find multiple ways to communicate this value: through personal conversations, in team meetings, at official recognition ceremonies, even publicly through newsletters and press releases.

Attracting and retaining top performers is not only tied to the compensation and incentive package you jointly discuss and develop. It is also tied to recognizing and communicating the value they bring to the team.

***"MONEY CAN BUY A FINE DOG,  
BUT ONLY LOVE WILL MAKE  
HIM WAG HIS TAIL"***

Creating character-driven performance among your top leaders requires you to be others-oriented. It pushes you to fit incentive programs specifically to your culture. It means aligning compensation to performance, and it means that performance criteria are recognized as fair and based on agreed-to metrics. Hopefully it allows your top performers to achieve their long-term goals and aspirations. Lastly, when they perform, you need to celebrate—to communicate the value they've brought to the bank.

There is an old hunter's proverb that says, "Money can buy a fine dog, but only love will make him wag his tail." In the same way, character-driven performance programs bring out the best in your top executives by responding to who they are as leaders and individuals while also fulfilling their financial needs.

### **COME SEE US!**

**GW FINANCIAL**

GW Financial will be a sponsor and an exhibitor at the Annual Convention of the Massachusetts Bankers Association from Thursday, May 6 through Sunday, May 9, 2010. This convention will be held in cooperation with the Rhode Island Bankers Association at the Marriott Hotel in Newport, Rhode Island.

GW Financial will also be an exhibitor at the BankWorld conference in Connecticut on April 27, 2010.

## ADVISOR FIRMS

### M BENEFIT SOLUTIONS - BANK STRATEGIES

Michael Elliott  
[mike.elliott@mben.com](mailto:mike.elliott@mben.com)

1125 NW Couch Street, Suite 900  
 Portland, OR 97209  
 Phone: 503.414.7622; Fax: 503.238.1815

Thomas J. Jordan  
[tjordan@ecicompanies.com](mailto:tjordan@ecicompanies.com)

Austin, TX  
 Phone: 512.656.9950

### CAPITAL STRATEGIES GROUP, INC.

David F Byers  
[dbyers@csginc.us](mailto:dbyers@csginc.us)

Wes Caudell  
[wcaudell@csginc.us](mailto:wcaudell@csginc.us)

Richard Meadows  
[rmeadows@csginc.us](mailto:rmeadows@csginc.us)

Two Metroplex Drive, Suite 111  
 Birmingham, AL 35209  
 Phone: 205.263.2400; Fax: 205.263.2300

### CORRIGAN & COMPANY

Michael E. Corrigan  
[mcorrigan@corrigan-co.com](mailto:mcorrigan@corrigan-co.com)

322 N Nopal Street  
 Santa Barbara, CA 93103  
 Phone: 800.456.3377; Fax: 805.962.5053

Dan Wagner  
[dwagner@corrigan-co.com](mailto:dwagner@corrigan-co.com)

Chesterfield, MO  
 Phone: 636.530.1635

### ECI/BANK BENEFITS

Thomas V. Lynch  
[tlynch@ecicompanies.com](mailto:tlynch@ecicompanies.com)

1650 West 82nd Street, Suite 850  
 Minneapolis, MN 55431  
 Phone: 952.885.2727; Fax: 952.885.0995

### EVERGREEN CONSULTING, INC.

James Cheney  
[jcheney@evergreenci.com](mailto:jcheney@evergreenci.com)

Robert Kozloski  
[rkozloski@evergreenci.com](mailto:rkozloski@evergreenci.com)

1400 Williams Street  
 Chattanooga, TN 37408  
 Phone: 423.756.3828; Fax: 423.265.0735

### FINANCIAL DESIGNS LTD.

Gerald Middel  
[jmiddel@fdltd.com](mailto:jmiddel@fdltd.com)

1775 Sherman Street, Suite 1800  
 Denver, CO 80203  
 Phone: 303.948.4068; Fax: 303.298.4358

### GW FINANCIAL, LLC

John Gagnon  
[jgagnon@cfnii.com](mailto:jgagnon@cfnii.com)

2 Haven Street, Suite 301  
 Reading, MA 01867  
 Phone: 781.942.5700; Fax: 781.942.5710

John F. Saunders  
 Edgewater Advisors Ltd.  
[saunders@edgewateradvisorsltd.com](mailto:saunders@edgewateradvisorsltd.com)

Pleasantville, NY  
 Phone: 914.747.0626

### SILVERSTONE GROUP

Thomas J. Von Riesen  
[tvonriesen@ssgi.com](mailto:tvonriesen@ssgi.com)

11516 Miracle Hills Drive  
 Omaha, NE 68154  
 Phone: 800.288.5501; Fax: 402.963.4084

Jamie Corbin  
[jcorbin@ssgi.com](mailto:jcorbin@ssgi.com)

Des Moines, IA  
 Phone: 515.285.5882

## ABOUT M BENEFIT SOLUTIONS - BANK STRATEGIES

M Benefit Solutions - Bank Strategies, based in Portland, Oregon, is a division of M Benefit Solutions, a Subsidiary of M Financial Group. Please go to [www.mfin.com/DisclosureStatement.htm](http://www.mfin.com/DisclosureStatement.htm) for further details regarding this relationship. M Benefit Solutions is a recognized leader in the community bank executive and director benefits and BOLI marketplace. Through a network of firms located in key markets across the country, M Benefit Solutions - Bank Strategies helps banks attract, retain, and reward key executives and directors through the design, implementation, and administration of benefit programs that maximize the use of a bank's financial resources. M Benefit Solutions - Bank Strategies is the Independent Community Bankers of America's ("ICBA") Preferred Service Provider for executive and director benefits and BOLI. For more information, please visit [www.mben.com/bank](http://www.mben.com/bank).

This information incorporated into this presentation has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy.

This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor or plan provider. Please consult with your attorney or tax advisor as applicable.

Pursuant to IRS Circular 230, M Benefit Solutions notifies you as follows: The information contained in this document is not intended to and cannot be used by anyone to avoid IRS penalties.



M Benefit Solutions®  
*Bank Strategies*

*An M Financial Group Company*



M Benefit Solutions - Bank Strategies  
M Financial Plaza  
1125 NW Couch Street, Suite 900  
Portland, OR 97209  
503.238.1813  
fax: 503.238.1815  
[www.mben.com/bank](http://www.mben.com/bank)