

UPDATE

AN ELECTRONIC REPORT FROM THE CUNA HUMAN RESOURCE COUNCIL



HR Council Summit scores big hit

The annual CUNA HR Council Summit, held April 28-May 1, 2002 in San Francisco, CA, provided participants with great educational and networking opportunities, says Michael Hiller, vice president of administration, Stanford FCU and conference co-chair.

"We were pleased on a variety of levels," Hiller says. "Cindy Stynchula served as the conference weaver. Cindy talked about the information and was able to integrate it for participants. Then she passed out notebooks and had participants take notes, distill the information, and develop action plans."

Hiller also praises the high level of participation from conference vendors. The technology update, for example, was on financial institutions rather than specifically related to the HR function. That's important because HR professionals need to be leaders of technology change in the credit union. At Hiller's credit union, technology used by employees mirrors the technology that members use.

Susan Looney, Vice President of Human Resources, Texas Credit Union League and conference co-chair, points to the opportunities for networking that the Summit offered.

"People felt free and comfortable to network," says Looney. "We strive for education

and networking. Our pre-conference sessions included a program on *Presenting with Pizzazz*. We also had a session on return on investment in training, which was excellent."

The conference featured credit union best practices breakout sessions as a way to show what can be accomplished through home-grown and innovative practices. Stanford FCU presented a session on its intranet system, and Michigan State CU presented a session on its pre-hiring practices.

Hiller points to introduction of a training and development track as a significant achievement of this year's conference. "We're trying to expand our base to training and development professionals," he says. "Training often is located in the HR function. We have two very active listservs. One is the HR Council's listserv and the second is a recently merged trainer's listserv with the CUNA Center for Professional Development's trainer's listserv.

To join the HR Council listserv (you must be an HR Council member to join) send an email to: join-hrcouncil@doig.cuna.org. Once you've joined, send messages to: hrcouncil@doig.cuna.org

To join the Trainers' Update listserv (anyone interested in training can join) send an email to: join-trupdate@doig.cuna.org. Once you've joined, send messages to: trupdate@doig.cuna.org ♦



HR Council listserv focuses on benefits

The HR Council listserv has been particularly active in recent weeks. One of the more interesting exchanges on the site focuses on the benefits credit unions provide for employees engaging in business development activities, along with relocation, and tuition reimbursement.

Business development. All respondents

say they pay mileage. Others pay incentives for new SEGs, products and services. One credit union pays an extra premium for business auto coverage; another pays \$1,000 for car insurance to marketing representatives.

Relocation. Several credit unions report that they do not pay relocation expenses for any employees. Other listserv respondents say

they reimburse up to \$3,000 with receipts, but have done this only once. One credit union does pay relocation expenses, but asks for three estimates from movers in the prospective employee's area. The credit union pays for the mover, but all other expenses are negotiated. One respondent says the credit union pays for a CEO's relocation expenses up to \$45,000 using IRS guidelines.

Tuition. Responses regarding tuition expenses are broadly based. One credit union provides \$2,500 for full-time employees, with part-timers being pro-rated. Another gives a maximum of \$7,500 to senior managers while

line managers receive \$3,000. Still another credit union gives \$1,000 per year to full-time and \$500 per year to part-time employees, and one provides \$250 per year for at least a "C" in the course. One respondent provides a maximum of \$1000 for every employee-full-time and part-time. One credit union reimburses by grades, giving 100% reimbursement for an "A," 75% for a "B," and 50% for a "C."

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Use performance management for competitive advantage

In today's environment, products and services are often obsolete in six months. Average employee tenure is just under three-and-a-half years, and organizations are pressed to do everything faster, better, and cheaper. The U.S. Department of Labor estimates that 70 percent of American workers hold jobs that were technically nonexistent fifteen years ago. The result is that companies are forced to compete to attract and keep talented employees.

An increasing number of organizations are beginning to use performance appraisals and compensation as strategic tools to

- compete in a competitive, time-sensitive business environment;
- attract and retain talented, effective employees;
- support company strategy, goals, and values;
- develop employee skills and talents;
- align employee performance with company goals.

If asked, most managers and employees enjoy the evaluation process about as much as having

dental work. Most realize it has to be done but would just as soon avoid it. While most agree that appraisals should be important to organizational success they are often viewed as threatening, unfair, or simply a waste of time. Clearly, in many environments the evaluation process needs to become more credible and effective.

Just as one-size-fits-all clothing rarely fits anyone well, such a performance appraisal system is equally unsuccessful. Accountants and sales reps don't perform the same types of duties and have different functions. They should be appraised differently.

Companies are replacing the one-size-fits-all performance appraisal system, in which all employees, regardless of position, are evaluated on the same factors—frequently using vague or undefined performance standards. Today's appraisals are more likely to incorporate factors that are specific to a particular job and to an individual company's needs. Organizations are developing customized annual goals to



address the specific needs of each employee as related to a position, department, and the organization. They are tying base compensation systems, incentive plans, and bonuses to an employee's actual performance and success in meeting established goals. This establishes a clear line of sight between performance and compensation.

While Henry Ford had a great idea with the Model T, most would disagree with his notion that "history is bunk." Past performance is important. However, traditional appraisals that simply measure what did or did not occur in the past don't meet current business needs. Today's appraisal process is forward-looking to meet changing demands in an employee's position and evolving company goals.

Most of us resent a one-sided discussion. A lecture from a manager with no opportunity for input is ineffective. However, traditional appraisals have typically been manager-driven and one-way. This top-down approach fails to gather valuable employee input, minimizes employee buy-in, and fails to convey that employees are intelligent and valuable members of the organization. Most employers now seek greater employee involvement in evaluations. Many are implementing employee self-appraisals to be used in conjunction with the

traditional appraisal process.

Most organizations find appraisals to be more successful if they

- evaluate past performance and are also forward-looking;
- encourage communication between manager and employee;
- provide meaningful opportunity for employee input;
- are differentiated by function and individual employee needs;
- support departmental and organizational goals & strategies.

Updating your appraisal process to include organizational and departmental success factors, key position duties and functions, and individual employee development goals will result in an appraisal that better enables the employee to focus on priorities and success factors and will assist managers in more effectively managing, reinforcing, rewarding, and coaching the employee. The result of making the whole process clear to all involved is a better understanding between managers and employees. ♦

Article provided by HRN Management Group

CUNA's CPD partners with HRN Management Group

CUNA's Center for Professional Development (CPD) has entered a business partnership with HRN Management Group to provide human resources management tools to credit unions. HRN Management Group offers a wide range of human resource products and consulting services. Products available to credit unions through this new business alliance include:

- Human Resource Suite, a complete solution to setting up and maintaining human resource policies and procedures, includes a policy manual, employee handbook, forms and tools, mandated employment law posters, and an update service;
- Employee Handbook Plus, a less comprehensive solution than HR Suite; includes employee handbook, selected forms and tools, federal poster, and an update service;
- Job Descriptions Plus, a comprehensive tool for building and maintaining job descriptions, with a library of over 200 credit union positions;
- Performance Pro, an automated (online or internal network version) appraisal system that simplifies the employee evaluation process;
- State and Federal Employment Law Guide, which includes 50 state law summaries, organized by topic, an overview of key federal regulations and statutes, and an update service; and
- Employment Law Self-Audit Guide, simple questions guide you through an audit of your HR legal and operational practices.

For more information on these product offerings, visit www.cuna.org/training.html. ♦

Staff surveys reveal employee attitudes

A staff survey is an effective method through which credit unions can gather information from their employees, according to an HR Council white paper, *Staff Surveys* by Cathie Izor. The information gathered can be analyzed both quantitatively and qualitatively, depending on how the survey is structured. Most staff surveys that seek sensitive information encourage honest answers by using systems that provide confidentiality and anonymity.

While a survey gives HR management a wealth of raw information, for this information to be useful it must be effectively applied to the resolution of a problem or achievement of a goal.

Advantages of staff surveys include their relatively low cost for the amount of data gathered, reusability, opportunities for statistical analyses, reduced bias, and value as a motivational tool. Validity is best when the response rate is high and answers are honest.

A disadvantage of the staff survey is its overall cost if the survey is long, customized, developed, and administered by an outside consultant. Other disadvantages include the fact that because the data is self-reported, interesting answers cannot be followed up on immediately; and the possibility of receiving incorrect answers due to poor reading skills or fatigue.

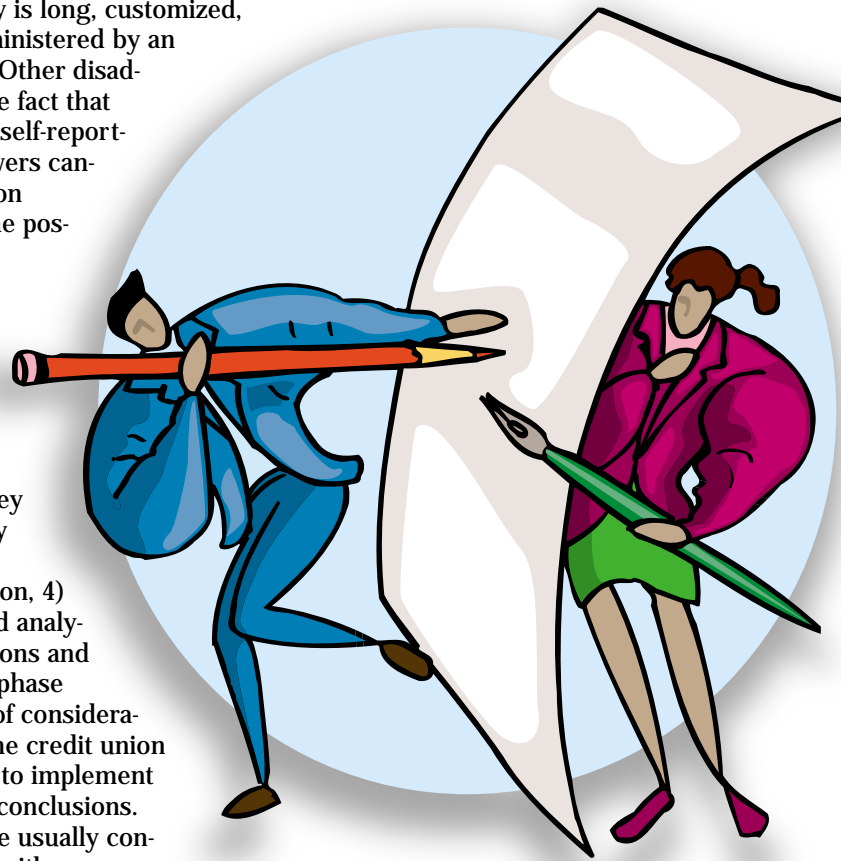
The survey process is comprised of five phases: 1) Pre-survey decisions, 2) Survey development, 3) Survey administration, 4) Data production and analysis, and 5) Conclusions and presentation. Each phase involves a number of considerations. In addition, the credit union needs to take steps to implement plans based on the conclusions.

Today, surveys are usually conducted on paper or with a computer. Web based surveying is growing quickly,

and is lower in cost due to avoiding the cost of printing, distributing, and collecting survey instruments. Costs are also reduced because data is not manually entered after the surveys are completed. Respondents essentially do their own data entry. Results are also obtained faster.

When deciding whether to use a consultant or handle the survey in-house, factors to consider include cost, time, expertise, objectivity, accuracy of answers, and normative comparisons. To select a consultant, credit unions should examine the consultant's qualifications, references, methods to preserve confidentiality, standard surveys, types of reports, customization options, and pricing.

For more information on surveys, see the *Staff Surveys*, by Cathie Izor, white paper on the HR Council web site, www.cunahrcouncil.org. ♦



Compensation: Key to Recruiting & Retaining Staff

Compensation is a key human resource strategy that credit unions can use to help attract and retain qualified staff. In a new white paper, *The Role of Compensation*, commissioned by the CUNA HR Council, Jeffrey & Linda Russell explore why employees might leave a credit union. Research suggests that, while important, pay is only part of the reason people give for joining an organization. For many current and prospective employees, open communication, work/life balance, and meaningful work may be as important, if not more so, than pay.

In a recent study by the Families at Work Institute, 3,400 employees were asked what they considered to be a “very important” factor when deciding to take their current job. The three most frequent responses were:

- Open communication—65% of respondents indicated that communication is very important.
- Opportunities for work/life balance—60% indicated that work/life balance is very important.
- Meaningful work—59% indicate that meaningful work is very important.

While compensation isn’t identified as a key concern in this study, other research suggests that it is a combination of factors such as communication, work/life balance, meaningful work, and compensation that causes people to choose or remain with an employer.

Traditional compensation systems are designed to attract, retain, motivate and reward people by being *externally* competitive and *internally* equitable. For most organizations, these were the only two compensation factors on which human resource managers focused. These systems have not kept pace with changing demographic trends and increasingly competitive pressures on organizations.

Annual salary increases typically fail to transform employee performance into improved organizational performance. In a recent study of Fortune 100 companies, companies that use pay systems that are linked to achieving their strategic

objectives outperform companies that use only traditional pay systems.

These positive results have caught the attention of executives and leaders as well as human resource professionals, with the consequence that an increasing number of organizations are exploring compensation systems that include a higher percentage of *variable* pay—pay contingent upon achieving specific performance results at the individual, team, or organizational level.

The authors offer a number of “lessons learned” regarding compensation and its impact on recruitment and retention, including:

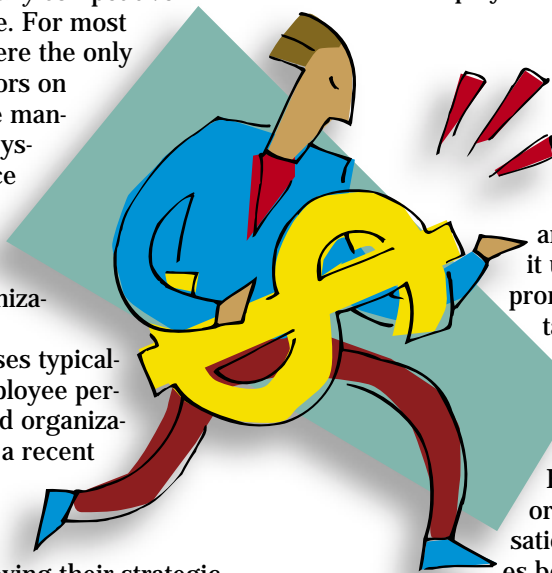
Be clear on your credit union’s strategic objectives for compensation. Your compensation program should reflect your broader strategic objectives as a credit union.

Determine your compensation philosophy. Your compensation philosophy, based in and emerging from your strategic objectives, defines compensation’s role within your credit union. Whatever you do to compensate people and reward performance should reflect a broad and integrated approach to how you want to manage your human resources.

Be competitive in your human resource marketplace. This involves knowing the talent pool you are drawing from and knowing approximately what other financial institutions within your geographic area are offering for “total compensation” to prospective and current employees.

Emphasize your “total compensation” package in your recruitment efforts. Try to pay at least near the middle of the marketplace compensation levels in your area and increase your credit union’s attractiveness by promoting its other advantages.

Explore broadbanding to enhance staff development and compensation opportunities. Broadbanding reduces organizational and compensation complexity and increases both employee and manage-



rial flexibility and opportunity.

Consider skill- or competency-based pay. Credit unions achieve results for their members by doing the right things in the right way. Doing the “right things” in the “right way” involves identifying the core skills and behaviors required to achieve the desired results and then rewarding employees who demonstrate these competencies. Compensating credit union staffers for acquiring and *demonstrating* the right skills and competencies makes it clear to them what matters.

Create incentives for achieving credit union-wide strategic objectives. Establish credit union-wide strategic objectives or create team-based goals and share a percentage of the

“gains” from achieving these goals with your employees.

Get help. Your credit union’s compensation program is a complex system that strives to address several things at the same time. Consult your league, contact other credit unions, and find out what compensation consultants are doing for other credit unions.

For more information, see *The Role of Compensation in Recruiting and Maintaining Staff*, by Jeffrey and Linda Russell, on the CUNA HR council web site, www.cunshrncouncil.org ♦

Effective testing helps recruiting and retention

How can credit unions be sure they are hiring the most qualified individuals to provide service to members? What selection tools are available to help them assure a good match with the organization in terms of personality, ability, integrity, and other key factors? A new monograph from the Filene Research Institute, *Human Resource Testing: What Credit Unions Should Know*, probes the answers to these questions, and comes up with some surprising answers.

The author, Professor Murray Barrick of the University of Iowa’s Tippie College of Business, uses the latest research on employee selection tools in this guidebook. He demonstrates how to increase employee performance and retain the employees credit unions want to keep. Barrick finds that effective tools are readily available, inexpensive and legally defensible. Effective hiring leads to marked improvement in job performance—improvement that results in greater economic value to the credit union.

Barrick surveyed 300 credit unions as part of his research. That survey reveals that credit union managers have little confidence in the predictive ability of more traditional selection tools. For example, less than 40% of credit unions believe that interviews help to predict high performers, and less than 20% reported that interviews help to reduce turnover. By

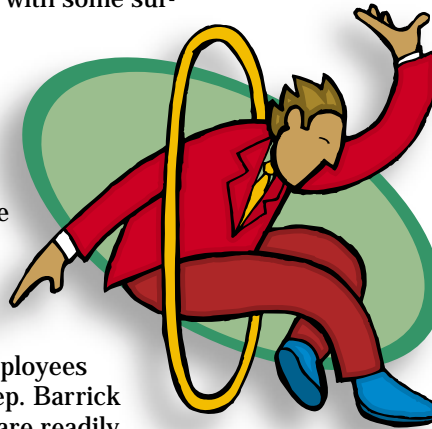
contrast, among credit unions using personality tests, 73% believe they are effective in predicting high performers, and among those that use turnover tests, 60% report that they are effective in reducing turnover. The research literature consistently finds substantial differences between the effectiveness of the most commonly used and the least commonly used selection tools across many different types of organizations.

Some credit unions report having EEO and other legal concerns about using certain types of tests. However, experience indicates that employers can deal effectively with these concerns by using tests that measure characteristics relevant to the job. These tests have been validated by credible research as effective predictors of success. The development and use of these tests to predict employee performance and turnover has occurred primarily in the last ten

years.

Selecting managers is a particularly important decision, due partly to the impact a manager has on the credit union. Fortunately, when considering among a pool of internal candidates, the credit union has information on prior performance and work experiences. However, there are instances where prior performance and work experience do not predict performance in the new job.

Although seniority is highly correlated with promotions, it is not a valid predictor of perfor-



mance in the new job. As compared to seniority, evidence for the validity of prior work experience is somewhat more positive, as research shows it is moderately related to job performance. Prior performance is also a prominent factor in promotion decisions. To find out what someone *will* do, find out what they have done.

While prior performance in managerial selection is critical, we do have additional selection tools to assist in these decisions. Structured interviews, personality tests, and cognitive ability tests are also valid predictors of managerial performance. Using at least three or four of these selection tools makes hiring a successful manager more likely. And

hiring better entry-level employees greatly increases the pool of talent available for future promotions.

This is important research for any credit union striving to improve its human resource selection methods. Effective recruiting tools can be a tremendous asset to the credit union while hiring and later, when retention becomes a key component of the human resource strategy. Human resource testing is critical to increased individual productivity, which in turn leads to increased organizational productivity.

For more information on *Human Resource Testing: What Credit Unions Should Know*, contact the Filene Research Institute at 608-231-

Prepare now for changing American workforce

It's no surprise to HR professionals that the character of the American workforce is changing dramatically, and the dynamics of the profession are likely to continue to ferment for the foreseeable future. In the second

edition of CUNA's popular HR book *Managing Human Resources in Your Credit Union*, authors Donna Hoegeman-Wheeler and Joan

Loshek point to a number of trends that are placing

stress on recruiting and retention programs, including:

- A shortage of younger workers is imminent. In the decade 1996-2005, the percentage of workers aged eighteen to thirty-four will drop from 35 to 30 percent of the overall workforce. Ten years later, it will drop significantly again, to only 20 percent. These new entrants to the labor market are and will be a new breed—better educated, aware of their workplace rights and prepared to demand them. They will want work that is challenging, not routine. And they will not be committed to a single job or employer for a lifetime.
- As the percentage of younger workers decreases, the number of older workers increases. By the year 2020, about one-third of all workers will be between ages forty-five and sixty-four. More than one-fifth will be

age sixty-five and older, nearly double the number of workers ages eighteen to twenty-four. Employers will need to use the skills of older workers and adapt policies and procedures to accommodate their needs.

- The minority population in the workforce continues to rise. In the twenty-five year period from 1996 to 2020, minorities will increase from 25 percent of the workforce to 37 percent. And by 2060, they will constitute an absolute majority of all jobs held.
- Women also continue to comprise a greater percentage of total employment. At the turn of the century, women held about half of all positions (but only 3 percent of working women held executive jobs.) As trends toward more women and fewer men in the workforce continue, employees will want more flexibility in working conditions.
- The Internet will continue to play a larger role in the recruitment process. Today, more than 75 million people are on the Internet worldwide. More than 40 million of these users are in the United States. And electronic recruiting is low cost, fast, and paperless. It delivers a broader pool of potential candidates than a credit union can expect through more traditional methods. Perhaps the most important benefit of electronic recruiting is its convenience for both applicant and employer.
- Benefits packages are also evolving. For example, says CUNA's *Credit Union Environmental Scan*, domestic partner benefits are likely to increase. Health insurance,



pension plans, relocation expense reimbursement, tuition assistance, and bereavement leave are among the range of benefits companies now offer to domestic partners. Today's employees typically feel that they should have more choice in the types of benefits their employers offer. The challenge is to offer packages employees value while controlling the cost of the program.

These trends are the result of major shifts in technology, population growth and educational achievement. That means credit unions will

need to become more innovative in their recruiting efforts. They will be dealing with a more diverse work force, and one with dramatically changed needs and expectations. By preparing now for anticipated changes in the environment, HR professionals will be able to focus on opportunities rather than dealing with problems and remedial action.

For more information, read Managing Human Resources in Your Credit Union, published by CUNA's Center for Professional Development. ♦

WELCOME NEW MEMBERS

The CUNA HR Council has added fifteen credit union professionals for a total of 380 members. By joining their colleagues on the HR Council roster, these experts have demonstrated their commitment to promoting profes-

sionalism among credit union HR staffs and developing superior skills. In addition, they join others in networking for the free exchange of ideas and improving the overall effectiveness of their credit union's HR operations.

Gerald Baltus

Tucson Old Pueblo CU
Tucson, AZ

Jerry Blakeney

Credit Union of Texas
Dallas, TX

Debbie Brown

Olin Community CU
East Alton, IL

Jackie Colvin

DuPont Community CU
Waynesboro, VA

Patrick Costello

CUNA Mutual Group
Plymouth, WI

Brett Hales

Cyprus CU
Magna, UT

Diane Jaracki

Financial Partners CU
Downey, CA

Stacey Jones

Cyprus CU
Magna, UT

Lisa Nissinen-Harlow

AltaOne FCU
Ridgecrest, CA

Mary Anne Plauda

Illinois CU System
Naperville, IL

Diane P. Satterfield

MTC FCU
Greenville, SC

Bruce Turner

Detroit Postal ECU
Detroit, MI

Thomas Viguera

WPCCU
Los Angeles, CA

Michael Walters

Cyprus CU
Magna, UT

Barbara Winstead

Warrick FCU
Newburg, IN



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