Reduce employee turnover by finding the best people and getting the most out of them.

CUs Search for Hire Power

PATRICK TOTTY

JOE SEFCIK BELIEVES the most common mistake credit unions make when seeking new hires is not realizing the best sequence that will lead to the fewest hiring errors.

The best sequence, he says, "places objective and unbiased screening tools early in the selection process—before involving personal contact and emotions," says Sefcik, founder/president of Employment Technologies Corp. "Early interaction can inadvertently inject biases that lead to hiring mistakes. By using the most objective and accurate screening tools first, credit unions can reduce potential bias and human error, and make better hiring decisions."

Employment Technologies Corp. specializes in employment simulations, which combine advanced technology with realism. They also give candidates a realistic preview of a job's functions and employers insight into job candidates' future performance.

"Employment simulations create a virtual workplace where applicants can interact with members and co-workers and perform actual job tasks," Sefcik explains. "When you hire an employee, what better way is there to predict how that person will interact with your real members once they're on the job?"

He says simulations are more engaging than traditional tests. "It's not just words on paper or on a screen. Simulation immerses them in how the job works, and it calls for on-the-spot responses. It's perfectly aligned with today's digital world."

Tellers, for example, need good service and people skills. Simulations engage applicants in what successful tellers do: handling cash, using product information to up-sell and cross-sell, using account histories, and relating to members. Detailed reports are instantly available showing information such as:

- **How many** cash handling errors they make;
- **Customer service** and sales aptitude;
- **Keystrokes,** navigation, and multitasking abilities; and
- **Time** to complete. The simulation stops automatically if candidates exceed the 45-minute time limit.

Sefcik says simulations help prevent "faking," where people select the answer they think employers most want to see. "If you're taking a traditional teller test, you know the credit union is looking for answers that convey friendliness and attention to detail, so you give responses that suggest you have those qualities. But with simulation, you can't fake it—you have to perform."

Not choosing job candidates wisely leads to low performance and high employee turnover costs. Sefcik says a typical credit union will spend 25% to 50% of the cost of a teller's annual salary to replace that person. That includes costs for recruiting, training, evaluating, and lost productivity.

Sefcik likens employment simulations to what would-be pilots undergo. "They show who can, and they show who cannot. The goal is to give you the most effective person for the job, not somebody who says all the right things but can't perform."

Managing performance

After the hire, it's time for "performance management," says Michael Dougal, director of human resource (HR) consulting at HRN Performance Solutions, Salt Lake City.

That's more than just a performance appraisal, he says. "It's the umbrella over the whole process."

That process includes three elements:

1. Planning. The supervisor sets goals and expectations in collaboration with the employee.

2. Managing. The supervisor observes performance and provides feedback throughout the year.

3. Reviewing performance. At year's end, the supervisor sits down with the employee to discuss performance during the previous 12 months and plan performance objectives for the coming year.

"We encourage at least one other review during the year, usually at six months," Dougal says. Some credit unions do reviews more often, but year-end reviews are generally linked to pay increases.

"Our Web-based Performance Pro system isn't just an appraisal tool," he says. "It's a performance management solution complete with manager tools, HR forms, and credit union-specific content. It's fully customizable, not a one-size-fits-all proposition. We help clients create their own unique performance management measurements and criteria, and they determine what weight to give those performance factors."

Organizations face many issues when assessing employee performance. One perennial issue, Dougal says, "is getting supervisors to be consistent in their ratings. Some supervisors are considered 'easy raters,' giving mostly high scores, while others are conservative or restrictive when appraising employees."

The problem is many performance systems use a global scoring mechanism that's applied to all factors being evaluated, for example: meets, exceeds, or highly exceeds objectives.

"Performance Pro provides up to five detailed descriptors that are specific to each task, such as teamwork," Dougal explains. "Each supervisor can choose from among those detailed descriptors" to ensure supervisors more closely mirror one another when evaluating performance.

HRN Performance Solutions also provides customized training to clients in the areas of performance management, coaching, and goal-setting. This reinforces the importance of both positive and "developmental" feedback.

"We'll sometimes role play in training sessions on how to deliver developmental feedback," Dougal says. "We do this because we're committed to helping managers and supervisors build their skills, improve their techniques, and improve both employee and organizational performance."

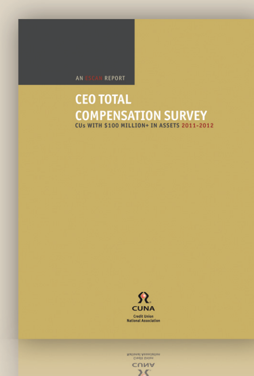
Resources

- ▶CUNA, *cuna.org/compensation:*
  1. 2011-2012 CEO Total Compensation Survey
  2. 2011-2012 Complete Credit Union Staff Salary Survey
- ▶Employment Technologies Corp., Winter Park, Fla.: 888-332-0648 or *etc-easy.com.*
- ▶HRN Performance Solutions, Salt Lake City: 800-940-7522 or *hrnonline.com.*

Executive Compensation Trends

Ask Beth Soltis to cite the most noteworthy executive compensation trends among credit unions today and she'll quickly reel off three: Lower average pay increases, a lower likelihood of receiving a pay increase, and lower prevalence of incentive awards. Soltis is CUNA's senior research analyst.

Before the recession, credit union CEOs typically had annual pay increases of 7% to 8%, and about 5% of CEOs wouldn't receive a pay increase in a given year.



"But in 2009, 31% of CEOs did not receive a wage increase, while the average increase was 4%," Soltis reports. "The 2010 average CEO pay increase was 3%. Although more CEOs received increases, 26% did not.

"Also, fewer CEOs are planning retirement," she continues. "They're trying to rebuild their nest egg or are waiting for the economy to improve. Many CEOs, especially those at smaller credit unions, are personally invested in their credit unions and don't want to leave until their credit unions make it through these tough times."

Soltis says "planning to retire" generally means retirement will occur within five years. The percentage of CEOs planning to retire fell from about 30% pre-recession to about 20% during the recession, and remains at that level.

According to CUNA's 2011-2012 CEO Total Compensation Survey, about 30% of credit unions offer CEO incentives—typically cash awards based on predetermined performance criteria. Before the recession, 45% of credit unions offered CEO incentives, Soltis reports.

She believes pay increases will start to rebound this year, albeit not to pre-recession levels. "Although the economy is improving, it needs to stabilize for credit unions to dole out higher increases. Generally, bonus and incentive amounts are up a bit, mostly because financial institutions are a little better able to give them."

Even if executive compensation does rebound, Soltis says there will be a higher level of accountability due to provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act and increased public scrutiny.

"Boards of directors must be closely involved in compensation planning and document every decision and the rationale for it," Soltis says. "For example, if you use peer comparisons to justify an incentive or salary, you have to document who you selected as your peer group, why you selected them, and what standards you used.

"NCUA will ask, 'Is this truly a peer group?'" she continues. "Boards will be held responsible for decisions that are later called on the carpet."

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