

10 Qualities that Made Abraham Lincoln a Great Leader

President Abraham Lincoln appointed the best and brightest to his Cabinet, individuals who were also some of his greatest political rivals. He demonstrated his leadership by pulling this group together into a unique team that represented the greatest minds of his time, according to historian Doris Kearns Goodwin.

Lincoln demonstrated an ability to withstand adversity and to move forward in the face of frustration, said Kearns Goodwin, a keynote speaker at SHRM's 2008 Annual Conference in Chicago. She identified 10 quali-

ties that made Lincoln a great leader. Ten qualities Kearns Goodwin believes we should look for in our present day leaders.

Capacity to Listen to Different Points of View

While researching her Pulitzer Prize winning book, *Team of Rivals: The Political Genius of Abraham Lincoln*, Kearns Goodwin learned that Lincoln had the capacity to listen to different points of view. He created a climate where Cabinet members were free to disagree without fear of retaliation. At the same time, he

knew when to stop the discussion and after listening to the various opinions, make a final decision.

Ability to Learn on the Job

Lincoln was able to acknowledge errors, learn from them, and then move. In this way, he established a culture of learning in his administration, said Kearns Goodwin.

Ready Willingness to Share Credit for Success

In response to concerns expressed by friends about the actions of

(Please see 10 Qualities on p.4)

Peliton **commits its skill and knowledge** to a client's business in order **to promote success**. With Peliton, you are **surrounded by strength**. Each member of your Peliton team possesses a particular **area of experience and expertise**. In a business climate where competition and the "rules of the game" are constantly evolving, the Peliton team makes all the **difference in your future growth**.

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What Happens Now With Retirement Plans, Social Security?

The next few years in employee benefits will be shaped by a Democratic President and a Democratic Congress. Even if President-elect Barack Obama follows through on all of his benefits proposals, as outlined below, those proposals must be championed by members of Congress and then passed in both the House and the Senate. Mr. Obama's policy statements during the election campaign provide a guide to the direction of employee benefits legislation in

the next few years, and the following provides some suggestions for the future in retirement plan legislation.

Automatic enrollment plan Under the Obama proposal, employers that do not currently offer a retirement plan would be required to enroll their employees in a direct-deposit IRA account that is compatible to existing direct-deposit payroll systems. Employees could opt-out if they

choose. Some estimate that this program could increase the savings plan participation rate for low and middle-income workers from its current 15% level to as much as 80%. Under this plan, the government would match 50% of the first \$1,000 of savings for families that earn less than \$75,000. Employees could opt-out by signing a written waiver. Even after enrollment, employees would retain the right to change their savings levels, reallo-

(Please see What Happens on p.6)



Customer Surveys Double Customer Loyalty

In today's economic environment, I like focusing on inexpensive, proven ways to boost the bottom line. A surprisingly simple way may be customer surveys.

According to research published in the Harvard Business Review, a simple customer survey asking for your customers' opinions on how your company is doing can double their loyalty to your company. Since acquiring new customers is 10 times more difficult and expensive than retaining existing ones, this seems like a terrific use

of marketing dollars—especially if they are limited.

Here's a short write-up on this research study and issues associated with customer loyalty that I would like to share.

In a research study by Rice University Professor Dr. Paul Dholakia and Dr. Vicki Morwitz, published in "Harvard Business Review," the experiment concluded that the simple fact of asking customers how a company was per-

forming by itself proved to be a great customer retention strategy. In the research study, conducted over the course of a year, one set of customers was sent out a satisfaction and opinion survey and the other set was not surveyed. After a year, twice the number of people continued and renewed their loyalty towards the company in the group that took the survey.

The research study offered

(Please see Customer Surveys on p.6)

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Streamlining Your Processes - Building Sustainable Value

Another initiative that, in my educated opinion, has the ability to set your company apart from the competition is streamlining your processes. Nobody, but nobody, likes to be told how to do their job. This is why this issue sets organizations that excel at it apart. Standard operating processes lay the foundation upon which an organization that desires long-term sustainability can build. These processes are not intended to be constraining. They are intended to provide the parameters of operation, like

the banks of a river. When the water remains inside the banks, it's powerful and productive. When it overflows those banks, it's powerful and destructive...and very messy!

Having streamlined processes is the how for achieving the purpose discussed in the last post. Here's how to become a process fanatic:

Step 1 is to **Identify the processes that are needed**. These should include everything from recruiting, hiring,

development of people, to completing monthly financial reports, how decisions are made, how meetings are facilitated, etc.

Step 2 is to **Make the processes visible**. Map them out. Flow chart them. Describe the desired outcome, the action steps for getting there, who's responsible for what, and how long it will take.

Step 3 is to **Implement the processes**.

(Please see Streamlining on p.3)

Understanding Health Costs Rate Increases

Health insurance premiums for 2009 appear to be stabilizing for large companies, but Small businesses trying to provide coverage to their workers can look forward to another year of double-digit increases. The premiums of Colorado companies with fewer than 50 workers will increase by an average of 14%, said Patty Goodwin,

director of surveys for the Mountain States Employers Council.

The premiums of some clients will rise as much as 50% - in large part due to a law that will bar insurance carriers from giving discounts up to 25% for Small Groups with healthy employees. The leg-

islation, House Bill 1355, sponsored by Rep. Anne McGihon, D-Denver, also eliminated a surcharge as high as 10% to effectively penalize Groups that file a lot of claims.

The bill, approved by the Colorado Legislature and

(Please see Understanding on p.3)

INTERESTING RESULTS

EMPLOYERS OF ALL SIZES WERE ASKED, "WHAT PERCENTAGE OF EMPLOYEES PARTICIPATE IN YOUR RETIREMENT SAVINGS PLAN?"

38% LESS THAN 50 PERCENT

24% MORE THAN 90 PERCENT

19% BETWEEN 75 AND 90 PERCENT

9% BETWEEN 50 AND 75 PERCENT

9% WE DON'T OFFER ONE

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Understanding...

signed by Gov. Bill Ritter in 2007, was intended to level the playing field between businesses that enjoy the discounts and employers that are penalized with higher premiums for having one or two sick workers.

The new law will result in higher premiums for most Small businesses since 60% of Small Group employers already receive the discount for having healthy workers who file fewer claims.

With the end of the Rate Banding on January 1, 2009, as a result of House bill 1355, all Small Groups have to be rated without considering their health status or claims experience. Small Groups that currently have discounted rates due to Rate Banding (ex. "A" through "F") will have their rates raised to the "F" level. "F" is the 1.00 factor level. In addition, Groups will see a trend increase ranging from 0.2% to 10.8% depending on their county and type of product (HMO v. PPO).

Groups may also see rate changes based on their own particular demographic changes, such as members aging up to a new age bracket, adding or dropping employees and/or dependents.

This rate increase change is not unique to one carrier. ALL carriers in Colorado are required to move their Small Groups to a 1.00 Rate Band level on January

1, 2009.

Here is a breakdown of a rate increase due to the elimination of Rate Banding:



Group XYZ started with a \$100 rate. They received a 25% discount ("A" band), so they drop \$25 and end up paying \$75. Compared to \$100, \$25 is minus 25%. With Rate Banding gone, they have to go back up to \$100, which is a \$25 jump. Compared to the \$75 they are currently paying, \$25 is a 33% increase because \$25 is 1/3 (or 33%) of \$75.

Now combine the elimination of Rate Banding with the implementation of a trend increase: Group XYZ with an "A" rate will see a 33% rate band increase and a 6.5% trend increase. Keep in mind that the rate band increase and the trend increase are not added together, but rather multiplied by each other. $1.33 (33\%) \times 1.065 (6.5\%) = 1.416$ rounded up = 1.42 = 42% increase.

Offering multiple health plans with varying levels of premium costs and deductibles is one strategy employers have. For those who choose a high-deductible, lower-premium plan, the Health Savings Accounts (HSA) offers a tax-free option of accumulating cash to use against the deductible. Any amounts that are not used can accumulate in the account to use in future years. Furthermore, the contributions are deductible and can be made up to April 15th of the following year.

Think of a HSA as an Individual Retirement Account (IRA) for medical expenses. Creating an HSA can provide a ready source of cash in the event of future medical emergencies. And because you can carry those contributions forward, you don't necessarily need to use the money in the year during which you contributed it.

Fortunately for small "healthy" businesses there are alternatives. There are new products coming out for companies currently in the Small Group's category. Peliton Benefits can help navigate through these alternatives and assist in finding a solution that will work for you.

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Did You Know?

The word "politics" describes the process so well: "Poli" in Latin meaning "many" and "tics" meaning "bloodsucking creatures."

More Monopoly money is printed yearly than real money throughout the world....so far.

The largest employer in the world is the Indian railway system, employing over a million people!

The highest publicly reported amount of money paid for a domain name is \$7.5 million! Paid for business.com.



What makes an organization great? The answer is strong leaders who motivate employees to achieve results. Whether it's a school principal or the CEO of a global company, the leader sets the tone and ultimately determines whether there is success or failure. Leaders must be able to define the organization's mission; communicate the mission to employees so they know what they must do to make it a reality; and then move the organization forward. Leaders must be able to identify changing circumstances and be flexible enough to adapt when necessary. Leaders must be positive, caring, and have respect for the individuals who work for them, because that is what will make people want to follow.

Streamlining.....

Step 4 is to **Watch the Game Films**. What went right? What went wrong? How can we do it better?

Step 5 is to **Make the Changes and Do it Again**.

To summarize: 1) Develop a stewardship mentality; 2) Create an environment of work with a pur-

pose and achieve alignment; and 3) Streamline your processes. Implementing these three success drivers will do two things. It will build your business today, and it will build organizational capacity for tomorrow. Building your business today allows you to stay in business today. Building your ca-

capacity is the long-term sustainable value that will keep you in business tomorrow, whether you're at the helm or passing the baton off to someone else.

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NOVEMBER
ALZHEIMER'S AWARENESS
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PANCREATIC CANCER
AWARENESS
NATIONAL ADOPTION
AWARENESS
AMERICAN DIABETES
AWARENESS
NATIONAL FAMILY
CAREGIVERS AWARENESS

DECEMBER
WORLD AIDS DAY
RYAN WHITE EMERGENCY
ACT
BONE MARROW DISEASE
AWARENESS WEEK
SAFE TOYS AND GIFTS
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10 Qualities that Made Abraham...

some of his Cabinet members, Lincoln stated that the "path to success and ambition is broad enough for two" said Kearns Goodwin. When there was success, Lincoln shared the credit with all of those involved.

Ready Willingness to Share Blame for Failure

When mistakes were made by members of his Cabinet, Lincoln stood up for them said Kearns Goodwin. When contracts related to the war effort raised serious questions about a member of his administration, Lincoln spoke up and indicated that he and his entire Cabinet were to blame.

Awareness of Own Weaknesses

Kearns Goodwin noted that one of the weaknesses acknowledged by Lincoln was his tendency to give people too many chances and because he was aware, he was able to compensate for that weakness. As an example, she stated that George McClellan, Commander in Chief of the Union Army, refused to follow directives about the war effort. Lincoln eventually set a deadline and eventually removed McClellan from the position.

Ability to Control Emotions

According to Kearns Goodwin, Lincoln treated those he worked with well. However, he did get angry and frustrated, so he found a way to channel those emotions. He was known to sit down and write what he referred to as a "hot letter" to the individual he was angry with and then he would set the letter aside and not send it. If he

did lose his temper, Lincoln would follow up with a kind gesture or letter to let the individual know he was not holding a grudge, said Kearns Goodwin. She noted that one of the letters was released as part of Lincoln's Presidential papers with a notation that it was never signed nor sent.

Know How to Relax and Replenish

Lincoln understood the importance of relaxation and humor to shake off the stress of the day and to replenish himself for the challenges of the next day. According to Kearns Goodwin, Lincoln had a wonderful sense of humor and loved to tell funny stories. He encouraged a healthy atmosphere of laughter and fun in his administration. He also enjoyed going to the theater and spending time with friends.

Go Out into the Field and Manage Directly

During the Civil War, many soldiers died and there were many ups and downs. Lincoln established lasting connections with the troops by visiting the battlefield and hospitals, which also helped bolster morale.

Lincoln also spent time talking with members of the public, taking 'public opinion baths' according to Kearns Goodwin. He held public receptions and made a point of shaking everyone's hand and speaking to each individual.

Strength to Adhere to Fundamental Goals

In the summer of 1864, said Kearns Goodwin, the war was not going well for the

North. Members of his political party came to Lincoln and said that there was no way to win the war and he might need to compromise on slavery. Lincoln held firm on the issue of slavery and turned away from this advice.

Ability to Communicate Goals and Vision

Kearns Goodwin stated that Lincoln had a "remarkable ability to communicate his goals to his countrymen." He made concepts simple and communicated with an understanding of the concerns of the citizens.

When the war ended and he won reelection, Lincoln did not focus on his achievements said Kearns Goodwin. Rather, in his second inaugural speech, Lincoln focused on bringing the country together as expressed in the following excerpt. "With malice toward none, with charity for all, let us strive on to finish the work we are in, to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and his orphan, to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations."

Kearns Goodwin ended her keynote address with the following words from Leo Tolstoy about Abraham Lincoln. His greatness consisted of the "integrity of his character and moral fiber of his being."

Catherine L. Moreton, HR.BLR.com

Self-Audit Of Compensation Plans Reveals Strengths, Weaknesses

Do-it-yourselfers, listen up: when you've finished installing those cabinets and hooking up the new faucets at home, you can come to work on Monday morning and launch into another DIY project. This one doesn't involve a drill or a putty knife. Rather, says Stephanie Thomas, Ph.D., who is a principal with global expert services firm LEGC, LLC (www.legc.com), a self-audit of your compensation plan is in itself a 'tool' you can use to foster fairness and equity in your employees' pay.

A compensation plan self-audit may seem intimidating, and it's true that you may want to seek expertise to help you the first time through. But once the tracks are laid, you can follow them every year or so to learn whether your compensation plans are doing what you want them to, or whether they are not.

Sometimes, an audit of your compensation plans is required, and sometimes it is voluntary. "One of the main reasons a company would audit their compensation plans is if they have a legal obligation to do so," says Thomas. "If a company contracts to provide services to the federal government, for example, the Office of Federal Contract Compliance Programs requires them to conduct a compensation audit, either themselves or through outside counsel or consultants. Other companies do it to ensure that they're living up to their commitment to a fairness standard. Usually it is done to get a deeper understanding of the compensation process within the organization."

Both are good reasons. Either way, says Thomas, the first step is a close review of your compensation structure. You should easily be able to see how and why people are paid. "If you have a compensation structure that is transparent and consistent, it should be relatively easy to identify those factors that determine how people are paid. If you can't identify the reasons somebody is paid what they're paid, then your policy and your structure is probably not transparent, and it's probably not consistent. That should be a red flag. Transparency and consistency are the keys to a good compensation policy."

Begin with the data

One of the key components of a compensation self-audit is organization of the data. You may find that the data you typically gather on employees is not sufficient for an audit. Thomas says that categorizing people properly is critical. "People who are similarly situated, meaning they have the same

kinds of job responsibilities or job functions, should be grouped together. You don't want to compare the CEO with his administrative assistant, for example, with regard to compensation. Those two serve very different functions in the company. You need to look for people who are similarly situated, and group them along functional lines, functional titles, levels of reporting responsibility, things of that nature."

The audit may require data that you have not collected, or that would be too time consuming (and therefore expensive) to recover. For example, job experience may be a factor you want to consider. Finding and entering that figure would be costly, in most cases; perhaps requiring a hands-on search through old resumes. Instead, some companies use age at hire as a stand-in, Thomas says. The assumption is that an employee had acquired relevant experience before you hired him or her. This kind of proxy variable can be useful, but is not always accurate, Thomas cautions. "When you use these proxy variables, you have to be very careful, because they don't necessarily measure what you think they're measuring." A close review may be necessary.

Close analysis considers 'edge factors'

Once you have properly grouped your employees, your audit will likely uncover some that, on the surface, should be paid similarly but are not. Thomas says further analysis is a critical component of the compensation self-audit, often revealing distinctions in abilities, experience, or other, less tangible differences. She calls these edge factors. "An edge factor might be experience," she explains. "People with longer tenure are going to tend to be more highly paid than those people who have just recently been hired."

Another edge factor might be a professional designation. But even these may not be relevant in every case. For example, two employees with CPA licenses and identical time on the job may, on the surface, appear to command the same salaries. But what if one is employed in the accounting department, and the other is in sales? The CPA is not relevant to the job skills of the latter, but may be critically important to the former. Therefore, the CPA may explain why an accountant who has this designation is paid more than one who doesn't, but it doesn't explain why one salesperson is paid more than another salesperson.

All of this leads up to the fact that, once you have conducted a compensation self-audit using as much technology as is available to you, you still need to review the results using

a human touch. "Follow-up is so important," says Thomas. "If your audit reveals that Joe Smith is paid in accordance with everybody else, but John Jones is way out of line, then the person working on the follow-up can take a closer look. You might find that John Jones has an edge factor that you didn't (or couldn't) measure. In other words, there is a reasonable explanation for the difference."

Self-audit regularly

In most cases, Thomas recommends that companies perform a thorough audit of their compensation programs at least annually. But sometimes, a more frequent schedule would be wise. "If you've got rapid expansion, if you're a new entrant (into a particular business sector), if you're expanding your workforce and showing very strong growth, you might want to do this every 6 months," she says. "It really depends on the circumstances of the company, what the budget allows, and what problems they've seen before. If you find that your compensation structure is in a bad state, that it's not transparent and inconsistent, you need to remedy that right away. You might want to do an audit, and then follow it up in 3 months or 6 months to see if the changes you made really did what you wanted them to."

You may be thinking about the expense involved, and Thomas admits that the first time through can be time-consuming, and therefore expensive. But it's a lot like an investment in a good set of tools. "A lot of the cost is really front end," she says. "Collecting the data, figuring out what data you should be collecting, structuring the model, really digging in to understand how and why people are paid. But as long as you don't have any major changes to your compensation system, you can use all that knowledge in subsequent years. It becomes much easier to do." Once you have the proper tools, you can use them many, many times and get the results you want: a project that works.

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What Happens Now...

cate investment portfolios, or end contributions to the account.

Bankruptcy laws Mr. Obama supports putting retirement plan promises to workers higher on the list of debts that are protected in bankruptcy. This would restrict executive bonuses while protecting worker pensions; increase the amount of unpaid wages and benefits that workers can claim in court; and limit the circumstances under which retiree benefits can be reduced.

Disclosures Mr. Obama's proposals would establish annual disclosures to participants about pension funds' investments, including full details about the projects in which the fund is invested in, the performance of those investments and appropriate details about probable fu-

ture investment strategies.

Retirement income. Seniors making less than \$50,000 per year would pay no more income taxes. This would provide 7 million seniors an estimated tax cut averaging \$1,400.

Saver's Credit The earnings threshold of the retirement saver's credit (which gives up to 50 cents per dollar up to \$2,000 invested each year in IRAs/401k plans, etc. back as a tax credit) would be raised from \$52,000 (for couples) to \$75,000, and the credit would be refundable.

Social Security Mr. Obama opposes raising the retirement age and opposes any privatizing of Social Security. Those making more than \$250,000 would see their contributions to Social Security rise (in the range of 2% to

4% more in total combined employer and employee).

Retirement plan withdrawals

The President-elect would suspend required withdrawals from retirement accounts, which kick in when participants attain 70 1/2. In addition, Mr. Obama proposes allowing those younger than 59 to withdraw up to 15% of their IRAs or 401(k) accounts, up to a maximum of \$10,000, without having to pay the 10% penalty for withdrawing early, though income tax still would apply.

The 111th Congress is scheduled to convene on Jan. 3, 2009. Mr. Obama's inauguration will be on Jan. 20, 2009.

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Customer Surveys...

a couple of interesting rationales based on consumer psychology, behind this phenomenon:

1. Satisfaction surveys reinforce the customers desire to be coddled and reinforce positive feelings.

This stems from part of the human psychology that wants to "appreciate" a product or service they already like. The survey feedback loop is merely a tool to express this. The survey is a vehicle to "interact" with the company and reinforces the customer's commitment to the company.

2. Surveys may increase awareness of auxiliary products and services.

Surveys can be considered vehicles of communication - both inbound as well as outbound. Most people consider surveys as a data collection exercise. When conducting consumer surveys,

they can also serve as a medium for disseminating information. It is important to note a few caveats here.

- In most countries including the US, "selling under the guise of research" is illegal.
- However, we all know that information is disseminated while collecting information.



Additional disclaimers may be added to the

survey to make users aware of this fact. Ex: "We will be collecting your opinion and informing you about products and services

that have come online in the last year..."

3. Induced Judgments

The very process of asking people their opinion can induce them to form an opinion on something they otherwise would not have considered. This is a very subtle and powerful argument. This argument is analogous to the "product placement strategy currently used for marketing products in mass-media like movies and television shows. One example is the extensive and exclusive use of the mini-Cooper in the blockbuster movie "The Italian Job." This strategy is questionable and should be used with great caution to avoid being critically rebuked.

Heidi Tolliver Nigro QuestionPro.com