Scanlon National Conference

SCANLON IMPLEMENTATION CASE STUDY: WATERMARK CREDIT UNION

Learning Objectives

- Why did we choose Scanlon?
- Watermark’s Operating Philosophies
  - Deming Quality Management
- State of Watermark’s Culture; Before & After
- Process of the Plan’s Design & Implementation
- Results Since Implementation
Why did we choose Scanlon?

“... we will need to embrace change, growth, & staff participation.”

“... opportunity to be part of the growth and future of the Credit Union.”

“... utilize everyone’s expertise to improve the company . . . & continuously make Watermark a better place to work.”
A Letter From Your EPIC Design Team

October 3, 2005

Dear Colleagues,

Seven months ago, in March 2005, your vote created our team of elected and appointed members and mandated us to design a Scanlon Plan for the organization. Through many months of research, discussion, and development, we have created The EPIC (Equity, Participation, Identity, Competence) Plan. As we move towards our goal of becoming a billion dollar credit union by 2012, we will need to embrace change, growth, and staff participation. To achieve these goals we must all become more actively involved in the decision-making process. Throughout this booklet you will learn about what this plan means for our organization and how it will contribute to our continued success.

The EPIC Plan offers all of us the opportunity to be part of the growth and future of the Credit Union. The Plan defines the way we utilize everyone’s expertise to improve the company and offers us a share in its financial gains. Most importantly, its implementation allows us to continuously make Watermark a better place to work.

We are excited to present you with your copy of The EPIC Plan. As you review the Plan you will notice it is divided into four sections; the principles of Identity, Participation, Equity, and Competence. The principles work together to contribute to the success of the Plan.

On October 10, 2005, you will be voting whether or not to implement the Plan. With at least 80% staff approval, we will move forward with The EPIC Plan. We strongly support The EPIC Plan and encourage you to carefully review this booklet, ask questions, and cast an educated vote.

Sincerely,

Your Design Team

EPIC Plan Principles and Processes Training

We will develop courses to educate employees about the Principles and Processes of the Watermark Credit Union EPIC Plan. This approach ensures that each person is skilled and knowledgeable in the EPIC Principles and Processes to effectively implement the EPIC Plan.

All staff will receive training on:
- EPIC 101 – Scanlon History & EPIC Principles Overview
- EPIC 102 – The Suggestion System
- EPIC 103 – Introduction to Business Literacy

All staff leading or working on teams/committees will receive a combination of the following training courses:
- EPIC 210 – Active Team Participation (already in place)
- EPIC 310 – Leading & Working in Teams (already in place)
- EPIC 311 – Review & Screening Committees Roles & Responsibilities

The competencies learned in each course are:

a: EPIC 101 – Scanlon History and EPIC Principles Overview
- The history and origins of the Scanlon/Frost principles
- The Scanlon/Frost principles and processes
- The role of the Scanlon Leadership Network
- Review of Watermark’s EPIC Plan and discussion of how we will implement the four principles:
  - Equity
  - Participation
  - Identity
  - Competence
- How our EPIC Plan will complement and strengthen our commitment and implementation of Deming Quality Management
- Why do we need to change?

b: EPIC 102 – The Suggestion System
- Why employee input is so important as part of the EPIC Plan

The Competence Principle

- Overview of the Suggestion System
- How to use the Suggestion Form
- The lifecycle of a suggestion
- Appropriate suggestion guidelines
  - What is appropriate
  - What is inappropriate
  - How to make a good business case for your suggestion
- Suggestion feedback (approval, decline, changes to suggestions)
- Appealing Suggestion System decisions

c: EPIC 103 – Introduction to Business Literacy
- Watermark Credit Union Strategies and Objectives
- Our Business Model
- The Pathway to ROA
- Our Critical Measures
  - Financial, Member, and Employee
- The purpose and use of SWOT Analysis
  - Strengths, Weaknesses, Opportunities, and Threats
- How we use data to make decisions
  - Scientific data collection and interpretation in process improvement
- Organizational strategic decisions based on Raddon reports
- How to read Watermark Financial Reports

d: EPIC 210 – Active Team Participation
- The PDCA Cycle
- Conway Process Improvement Methodology
- Our Process for Managing Change
- Team Roles & Responsibilities
- Team Leader’s Guide to Success
- Meeting Ground Rules
- Post-meeting Process Checks

e: EPIC 310 – Leading and Working in Teams
- Team Orientation
- Power and Influence in Teams
- Team Production and Feedback
- Characteristics of Best and Worst Teams
- What Makes a Successful Team
- Stages of Teams
Deming’s 14 Points

1. Constancy of Purpose
   Create constancy of purpose for continual improvement of products and service.

2. Adopt the New Philosophy
   Adopt the new philosophy. We are in a new economic age.

3. Cease Dependence on Mass Inspection
   Eliminate the need for mass inspection to achieve quality.

4. End Lowest-Tender Contracts
   End the practice of awarding business on the basis of price.

5. Improve Every Process
   Constantly improve planning, production, & service.

6. Institute Training
   Institute modern methods of training for everybody’s job.

7. Institute Leadership of People
   Adopt and institute leadership to help people do a better job.

8. Drive Out Fear
   Encourage effective two-way communication to drive out fear.

9. Break Down Barriers
   Break down barriers between departments and staff areas.

10. Eliminate Exhortations
    Eliminate slogans and exhortations demanding zero defects.

11. Eliminate Arbitrary Numerical Targets
    Eliminate quotas for the work force.

12. Permit Pride of Workmanship
    Remove barriers to pride of workmanship.

13. Encourage Education
    Encourage of education and self-improvement for everyone.

14. Top Management Commitment and Action
    Clearly define top management’s permanent commitment to ever-improving quality and productivity.
Deming + Scanlon

Identity
Constancy of Purpose
Adopt The New Philosophy
Drive out Fear
Permit Pride of Workmanship
Top Management Commitment & Action

Participation
Improve Every Process
Institute Leadership of People
Break Down Barriers
Eliminate Exhortations

Equity
Cease Dependence on Mass Inspection
End Lowest-Tender Contracts
Eliminate Arbitrate Numerical Targets

Competence
Institute Training
Encourage Education
Organizational Culture

Before Deming
- Fear
- Gossip
- Quotas
- Gut-instinct decisions

After Deming, Before Scanlon
- Less fear
- Less gossip
- Still no quotas
- More data-driven decisions

Best of Both Worlds
- Little fear
- Little gossip
- Still no quotas
- Lots of data-driven decisions
- Most improvements coming from staff
- Much more involvement & excitement
Getting There...

1. Initial Communication & Vote
2. Election of Design Team
3. Sub-committees Formed
4. Research & Development
5. Presentation & Vote
6. Prepare to Implement
The Results

1. Suggestions
2. Awards
3. Payout
As this example illustrates, employee participation is crucial to the success of EPIC. Employees have recognized the impact the EPIC plan has on process improvements.

Krystal Wade stated: “The EPIC Plan empowers employees to make a difference in their every day career and can provide staff with knowledge to do a better job.”

As the EPIC plan continues, process improvements will continue to enable and empower employees to improve the credit union. Keep the great suggestions coming, so we can continue to make the credit union a better place for everyone!

Christine Appen submitted one suggestion that has seen great results. Her suggestion was to improve the process for calculating sales tax on private party loans. The new procedures for calculating sales tax on private party loans has improved member service, saved employee time, and saved the credit union money. Before this improvement, information about accessing the Department of Revenue Sales Tax Rate calculator (a tool available to accurately calculate sales tax on private party loans) was inconsistently communicated to front line staff. This lack of communication led to miscalculations and rework on sales tax figures. Members would become frustrated because they were occasionally required to pay extra on miscalculated sales tax amounts. Extra employee time was needed to re-calculate the sales tax as well.

Then one day, employees asked a simple question: How can this process be fixed? It was this question that triggered the suggestion that is now improving member service, saving staff time, and saving the Credit Union money.

One cause for fear of change is the unfamiliar aspect of someone’s actions. Some actually find this unfamiliar aspect useful when faced with a challenging situation. Whereas true fear caused by intimidation stifles organizational change and growth, fear of the unknown often leads people to plan and prepare.

As employees interested in an open forum for improvement, we resolved to go forward with the EPIC program. We took a chance on a new system and actively set aside our anxiety for the unknown. Senior staff furthered the reduction of fear by communicating changes like our branch relocation project and removal of performance appraisals. Through our actions we have created open communication and an environment conducive to change.

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The net results of our first quarter EPIC Plan were outstanding! There will be a 9.65% payout to employees based on their first quarter salary. Separate checks will be provided to employees on Friday, April 21, 2006. On behalf of management and the Board, I would like to thank each of you for your contribution to our success.

The calculations for the first quarter payout follow. Item 1 shows Gross Income for the quarter. Item 2 shows the expected expense based on the quarterly ratio for the last three years. Item 3 represents the actual quarterly expense. Since the actual expense was lower than the expected expense, there will be a gain sharing distribution. The total amount of distribution—$122,436 is shown as item 5. As a percentage of salary for the first quarter, this represents a 9.65% payout.

1. First Quarter Gross Income $8,464,848
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3. Actual Quarterly Expense $3,387,124
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5. Payout to Employees (40% of gain) $122,436
6. Employee Gain Sharing as a Percent of Quarterly Salary 9.65%
Every quarter we will focus the newsletter on an EPIC principle. This quarter, we start with the Equity principle.

According to the book Principle-Based Participative Management by Terri Vandewater, equity is defined as:

Justice without prejudice, bias, or favoritism; it is fairness, impartiality, in organizations it is all constituencies—employees and their families, customers, stockholders, suppliers, dealers, local communities, etc.—enjoying a fair, just, and honest return on their respective investments in the organization’s welfare. It is showing no undue impartiality to one group, but instead, holding them all in the appropriate balance.

**EPIC Awards**

Every year the Scanlon Leadership Network collects, evaluates, documents, and prints a book of Scanlon members’ Best Practices. The Scanlon Leadership Network awarded Watermark two gold awards. One award we received was for Watermark’s EPIC Plan, designed by the employees from various departments throughout the Credit Union. Members of the Design Team were: Cathie Arthurs, John Bell, Angela Boyle, Becky Busek, Chuck Cockburn, Brent Evans, Eric Heath, Betty Moran, Meredith Morse, Mary Alida Robarge, Jenny Sampson, Sabrina Stabbert, Dawn Sousa, and Al Watson.

The second gold award went to the Training Department for the design and implementation of the EPIC training program. This program consists of the EPIC 101, 102, 103, 210, 310, and 311 courses.

**EPIC 101**

We all have a stake in Watermark Credit Union’s financial success and in meeting members’ needs and expectations. Concurrently, Watermark and its members have a stake in hiring and retaining high-quality, empowered employees. Each stakeholder is dependent on the other two for achieving high-quality results.

Watermark symbolizes each constituent group’s needs with an Equity Triangle. An important characteristic of the Equity Triangle is that it is equalitarian—all sides are of equal length and value. The significance of this characteristic is that decisions should be made with the best interest of all three stakeholders in mind. The goal is to keep the triangle equilateral by never overemphasizing any one side. Each stakeholder shares equal responsibility for maintaining the Equity Triangle. This means that for every decision you, your department, or the credit union makes, be sure to ask yourself:

- How will this decision impact members?
- How will this decision impact the organization?
- How will this decision impact the employees?

If justifying a decision is tough after considering each stakeholder, then speak up! You might have a point of view that had not been considered! The more knowledge we collectively share to make quality decisions, the more we can ensure the integrity of the Equity Triangle.

**Statistics Update**

**2. ATL/Phillips High Speed Internet (Complete):**
This submission, submitted by Chris Vandegrift, proposed replacing Watermark’s two ISDN lines at Philips with a high-speed internet connection. It was discovered that high-speed internet connections are not available at the site, so the team decided to purchase high-speed cellular modems, which ended up saving the Credit Union even more money.

In the end, the suggestion saved Watermark $220.00 per month, or $2640.00 per year!

**3. FMC TRANSFER (In Progress):**
This idea, submitted by Debbie Miller and Roselle DaVernet, suggested creating a program for transferring loans and shares from an existing account to a new one. It was implemented and it will have a great impact on member service and operational efficiency.

**Questions & Answer**

*Q:* How will we know the priority of implementation for approved suggestions? (Norma McKitrick)

*A:* The Screening Committee has created a Priority Matrix for scoring approved suggestions to gauge their overall impact. They later use this score to determine the priority for implementing the approved suggestions. The first update to the sug-
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Watermark employees proved that they have some influence during the first quarter of the EPIC Plan, as demonstrated by their suggestions. Several followed a theme of suggestions submitted through March 24, 2006. Here's a look at the numbers and status of the suggestions. This quarter, we start with the Equity principle. Every quarter we will focus the newsletter on an EPIC principle.

STATISTICS UPDATE

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2. FACTA Alert Improvements (Complete): This idea, submitted once by Norma McKittrick and again by Robert Cunningham, suggested granting branch managers and assistant managers the capabilities to process Social Security Number discrepancies. By giving this permission to the branches, member service and operational efficiency greatly improved by lowering member wait time and allowing Loss Prevention to focus on more important issues.

3. FM.TRANSFER (In Progress): This idea, submitted by Debbie Miller and Roshalle DeArment, suggested creating a process for transferring loans and shares from an existing account to a new one in the case of fraud or combining accounts. This program is still in the research stage, but once it is implemented it will have a great impact on member service and operational efficiency.

EPIC Awards

Every year the Scanlon Leadership Network collects, evaluates, documents, and prints a book of Scanlon members’ Best Practices.

The Scanlon Leadership Network’s Best Practice Team evaluates and presents awards for outstanding practices that use the Scanlon Principles and Processes, are proven effective, and are applicable for all member organizations. This year, Watermark Credit Union won three awards!

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We also won a bronze award for eliminating performance appraisals, which is credited to the hard work of the Human Resources Department. Thank you to everyone who played a part in helping Watermark earn these prestigious honors.

Several of our other processes will also appear in the 2006 Best Practices book. A few examples of these best practices are the Supervisory Training program, the Answer Center, and operating under the Deming Philosophy.

In addition to receiving these honors, John Bell will lead a workshop at the Scanlon Annual Conference, held May 3-5 in Kalamazoo, Michigan. The theme of the conference is Servant Leadership, and John’s workshop will be a case study of how Watermark implemented Scanlon by integrating it with the Deming philosophy.

Now do I contact the Fairness Committee? There will be two primary methods for contacting the Fairness Committee.

1. You can email the Fairness Committee group in GroupWise with any questions or minor concerns.
2. You can file a formal fairness request by completing the form found in the EPIC Plan folder in TeamNet.

INTERESTED IN servinig on the Fairness Committee? Any department manager, assistant manager, supervisor, or staff member is eligible for nomination. (Senior Staff are not eligible for nomination.) The elected term will be one year. If you are interested in running for the Fairness Committee’s elected seat, email Meredith Morse by April 21st, and she will send you more information.

Suggestion Status # of Suggestions
Approved 109
In Implementation 34
In Research 33
In Quote 30
Completed (Closed) 30
Declined 35
In Progress 29
Tentative 24
Needs 7
Pending 3
Grand Total 173

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In Research 33
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When will the Fairness Committee meet? The Fairness Committee will meet once per month as necessary.

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T he Review Committee for Consumer Lending is responsible for reviewing all submitted suggestions that effect consumer-lending operations. Great suggestions have come through the EPIC system, positively impacting operations.

Christine Aguon submitted one suggestion that has seen great results. Her suggestion was to improve the process for calculating sales tax on private party loans. The new procedures for calculating sales tax on private party loans has improved member service, saved employee time, and saved the credit union money. Before this improvement, information about accessing the Department of Revenue Sales Tax Rate calculator (a tool available to accurately calculate sales tax on private party loans) was inconsistently communicated to front line staff. This lack of communication led to miscalculations and rework on sales tax figures. Members would become frustrated because they were occasionally required to pay extra on miscalculated sales tax amounts. Extra employee time was needed to re-calculate the sales tax as well.

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As the EPIC plan continues, process improvement suggestions will continue to enable and empower employees to improve the credit union. Keep the great suggestions coming, so we can continue to make the credit union a better place for everyone!

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**EPIC Results**

"When organizations have integrity and are willing to build trust, they can move from a competing win/lose attitude to a collaborative win/win position."

-- Steven Covey, author 7 Habits of Highly Effective People

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**Statistics Update**

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**Q & A**

- '06 1st Quarter Numbers
- EPIC Awards
- Fairness Committee
- Review Committee Focus: Consumer Lending
- Deming Point 8: Fear is a topic addressed by many thinkers.
  - Mark Twain said mastering fear is as simple as confronting the source.
  - Albert Einstein addressed the misuse of fear by saying: “If people are good only because they fear punishment and hope for reward, then we are a sorry lot indeed.”
  - Krystal Wade makes similar distinctions between Einstein’s and Twain’s comments on fear when discussing point number 8 of Deming’s 14 Points for Management.
  - According to Deane, Deming shares Einstein’s dislike of using fear to motivate. Threatening language may provide initial motivation when trying to increase productivity or decrease errors. However, coercing employees can never fix a failing process. Employees fearing retribution from processing errors will simply mask or hide errors. More importantly, fear undermines a person’s desire to speak up about improving a broken process.

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**Discover the Deming Dimension**

"Mastering fear is as simple as confronting the source."

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**Review Committee Focus: Consumer Lending**

- Deming Point 14

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Examples

1. Information for initial vote
2. The Four Principles
3. Watermark’s Scanlon Plan mandate
4. Roadmap stops
5. The EPIC Plan
6. Committee structures
7. Committee election nomination forms
8. Suggestion System process flowchart
Info for the Scanlon Vote

1) **What you are voting on:** You are voting to further pursue Scanlon by electing a Design Team. We must have 80% of Watermark Credit Union staff approve pursuing Scanlon in order to elect a Design Team.

2) **Function of the Design Team:** The Design Team will work with Paul Davis, President of the Scanlon Leadership Network, to design a Scanlon Plan that is specifically suited for Watermark Credit Union.

3) **What a Scanlon Plan consists of:** An organization’s Scanlon Plan is built around the Four Principles of Scanlon. These Principles are Identity, Participation, Equity, and Competence (please see the Four Scanlon Principles document in TeamNet located at Document Center/Scanlon). The Design Team will develop a plan for Watermark that ensures all of these principles are addressed and adhered to.

4) **Who will be on the Design Team:** The Team will consist of:
   - **Appointed:**
     - CEO (Chuck)
     - CFO (Betty)
     - Director of HR (Sabrina)
     - Coordinator (Meredith)
     - Training Manager (Mary Alida)
   - **Elected:**
     - 1 Manager or Supervisor
     - 2 hourly branch employees (including Leads)
     - 1 rep from Info Center/Member Svc
     - 1 rep from EDS/IT
     - 1 rep from Lending/Real Estate/Loan Control
     - 1 rep from Admin/Marketing/HR/Audit/Accounting/Training

5) **You will vote again to approve or reject the Design Team’s Plan for Watermark.** An 80% approval rate will be required to implement the Plan.

6) **How is Scanlon different from what we are doing today:** Scanlon is consistent with Deming because it focuses on process improvements and utilizing the skills and knowledge of all employees. The difference is that with a Scanlon Plan, Watermark staff will share in the monetary gains the Credit Union receives from employee suggestions. The Design Team will decide upon the exact formula of the bonus. **If implemented, Scanlon payouts will replace the semi-annual bonus system that is currently in place.** The current semi-annual bonus will not be removed until Scanlon is fully implemented.

7) **What we have done thus far:** Senior Management met with Paul Davis and approved pursuing Scanlon, offering their commitment. Chuck then wrote the Mandate (in the Scanlon folder), which was also agreed upon by Senior Management. Meredith and Chuck attended a Coordinator’s Conference in Detroit to learn more and meet coordinators from other Scanlon organizations. Finally, 100% of managers, supervisors, and leads have voted to pursue Scanlon and offer their commitment to developing a Design Team.

8) **Where you can get more information:** Please look through the documents in the Scanlon folder. You can also visit the Scanlon website at [www.scanlonleader.org](http://www.scanlonleader.org). User name: Watermark Credit Union. Password: Deming. If you have any other questions, please email or call Meredith at x6073.
The Four Scanlon Principles

IDENTITY:
Identity is based on three assumptions:
   1) Change is universal and is a given.
   2) Belief proceeds action.
   3) Every person and every organization is in the process of becoming better or becoming worse.
Identity is created through a process of education. Everyone is educated to the reality the organization faces. Financial information is shared. Customer information is shared. Leaders are accessible.

PARTICIPATION/RESPONSIBILITY:
Participation is defined as the opportunity which only management can give and the responsibility which only employees can accept to influence decisions in their areas of competence.

Employees take responsibility for solving problems. They participate on teams and by offering suggestions. Managers are open and willing to listen and involve employees.

EQUITY/ACCOUNTABILITY:
Equity is a genuine commitment to account for the needs of all constituents including members/owners and employees. The expectations of all stakeholders are shared. The organization’s performance in meeting these expectations is shared. Members want the best quality, service, delivery, and price. They also want profitability, growth, and liquidity. Employees want a secure fulfilling place to work and want to share financially in the success of their organization.

COMPETENCE/COMMITMENT
Competence is the ability to respond to the constant demand for improvement and change. It requires a commitment to continuous learning personally, professionally and organizationally. New knowledge and skills are required of everyone.
SCANLON PLAN MANDATE
FOR
WATERMARK CREDIT UNION

Background
On May 23, 1938, Mr. Ted Baer and 177 other employees of Pacific Telephone and Telegraph Company formed Seattle Telco Federal Credit Union. At that time, the Credit Union served only King County telephone employees and their families. Over the years the Credit Union expanded its field of membership to include over 1,000 occupational groups throughout the Puget Sound area. On January 1, 2003, the Credit Union’s name was changed to Watermark Credit Union. Today, membership is open to all residents of Washington State and their relatives. The Credit Union has five branches and serves over 70,000 members. As of year-end 2004, total assets amounted to $445 million and the Capital Ratio was 8.40%.

Plan for Growth and Profitability
Watermark Credit Union’s Strategic Plan calls for assets to grow to $1 billion with a Capital Ratio of 9% by year-end 2012. These aggressive goals are necessary for the Credit Union’s long-term survival. By becoming a much larger and better-capitalized institution, the Credit Union will be able to remain competitive, implement the latest technologies and offer the products and services needed by the membership. We believe that credit unions with less capital or smaller than $1 billion in assets may not have enough resources to survive. During the past ten years, over 50% of the smaller banks and credit unions have either merged or have otherwise gone out of business.

In order to reach $1 billion in assets by the year 2012, annual growth must average 12%. During this time, Watermark Credit Union plans to add five branches in the Puget Sound area. Membership should grow to over 100,000 and the number of employees should increase from 160 to about 260. Although these growth goals are aggressive, they are reasonable based on our past experience. Our most difficult task will be to reach the 9% Capital Ratio. This will require a significant improvement in productivity.

Why We Need to Change
The best measure of productivity in a credit union is the Expense to Asset Ratio. The lower the ratio the more efficient and productive the credit union. Also, a lower expense ratio enables a credit union to have lower loan rates and higher deposit rates, and thus gain a competitive advantage. Watermark Credit Union has historically had a relatively high ratio of over 4%. The average ratio for other large institutions is only 3.5%. For a credit union our size, this represents an annual difference of $2 million per year.

In order to achieve the Credit Union’s long-term growth and profitability goals, it is imperative that productivity improves and that the Expense to Asset Ratio is lowered. The Scanlon Plan is designed to accomplish exactly that. The Scanlon Plan is a system for total organizational
development designed to increase productivity and employee development/fulfillment. The Plan emphasizes including employees in decision-making, soliciting their suggestions, and rewarding them for productivity gains. Only with all employees working together in an environment that supports innovation and participation will we be able to significantly improve productivity.

**Scanlon Plan and Deming Philosophy are Complementary**

Implementation of the Scanlon Plan will be highly complementary to the Deming Philosophy of continuous improvement, which we have spent the past three years studying and implementing. Our leadership has been educated; processes have been improved using facts, data, and analysis; and employees have been actively engaged by working in teams to identify and eliminate waste. Both the Scanlon Plan and the Deming Philosophy strive to improve productivity and quality of service. They also both require change based on continuous improvement principles, employee involvement, teamwork, and measurement of results. Linking the extensive employee participation required by a Scanlon Plan with the Deming Philosophy will provide Watermark Credit Union with a powerful and sustainable long-term competitive edge in the financial marketplace.

**Summary**

Implementing a Scanlon Plan will enable us to use the untapped knowledge, creativity and resourcefulness of our employees. Employees will participate in making decisions and suggestions. They will learn that they can make a difference, and they will share in the gains realized. Employees will be able to align their goals with the company’s goals and view themselves as stakeholders. The increase in productivity will result in the lower Expense to Asset Ratio that is necessary to achieve our long-term plans for growth and profitability.
The Scanlon Roadmap Stops

**Stops 1 & 2**
Scanlon Exploration:
#1 - Corporate approval is obtained to explore Scanlon as an individual and organizational development process.
#2 - Top leader(s) develop their vision and mandate.
Questions:
  1) What are the Credit Union's long-term financial goals?
  2) How can a Scanlon Plan help achieve these long-term goals?
  3) How will a Scanlon Plan fit with the Deming Philosophy?
  4) Why is there a need for change?

**Stops 3 & 4**
Management/Leaders Scanlon Exploration:
#3 - Management education, ownership and commitment. Vote to proceed. (Usually unanimous)
#4 - Middle management, supervision ownership, and commitment. Vote to proceed. (Usually unanimous)

**Stops 5 & 6**
#5 - All employees learn about Scanlon.
#6 - A Design Team is created.
All employees give feedback
Employees decide:
  1) Is there a need to change?
  2) Is there significant potential for improvement?
  3) Shall we form a representative design team (ad hoc team) to create a specific proposal (Plan) on how we will communicate, participate, and reward performance?
Employees vote on:
  1) Their agreement with the four principles
  2) Their approval to create a design team to create a proposal (Plan) for practicing the Scanlon Principles. 80-90% must agree to proceed. The vote will indicate the energy employees have to continue.

**Stop 7**
#7 - Design Team Creates Proposal:
- Design Team is formed to create a unique Scanlon Plan.
- The Team consists of leadership and a cross-functional mix of employees from all the major areas of the organization.
- The Design Team will detail how the organization will follow the Principles (Guides) of the Identity, Participation, Equity, and Competence.
- The Design Team's plan will include:
  - A way to share business information
The Scanlon Roadmap Stops

- A way to better involve everyone in solving problems
- A way to identify accountability to members/owners and employees
- A way to share rewards for performance improvements
- A way to develop competence

**Stops 8 & 9**

#8 - Plan is evaluated by the Design Team.
#9 - Plan is explained to all employees.
  - Design Team votes on its proposed plan. (Usually unanimous to proceed)
  - Design Team presents its plan to all employees
  - Plan is explained to all employees
  - Length of time for Plan, Do, Check, Act is determined

**Stop 10**

#10 - All Employees Consider Implementing Proposed Plan
  - All employees vote whether to accept the proposed Plan. (Usually 80-90% “Yes” required to proceed)
  - If accepted, the organization will go on to the next stop!
  - If rejected, the following will happen:
    - If the vote was close, the Design Team will try to determine how to improve the Plan’s acceptance and there will be a re-vote.
    - If the vote was not close to the 80-90% required, the process will end.

**Stop 11**

#11 - Plan is Implemented: All leaders, managers, and employees work to make the Plan successful.

**Stop 12**

#12 - The Plan is Renewed
  - Minor improvements are made to the Plan
  - A Renewal Team is formed after 12 months to review the Plan
  - The Renewal Team revises the Plan and it is submitted to all employees for a vote.
The EPIC Plan
The constant demand for improvement and change insists we continuously learn and improve ourselves professionally, personally, and organizationally. Through competence we will provide higher quality service to our members and continuously improve our processes. As we become more aware of improvements, we will achieve the goals of the EPIC Plan.

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**The Competence Principle**

- EPIC 311 – Review and Screening
- Committees Roles and Responsibilities
  - The Election and Appointment Process
  - Guidelines for Appointments, Elections, and Team Budgets
  - Chartering Improvement Teams
  - When to do Research
  - Decision-Making Process

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**Table of Contents**

<table>
<thead>
<tr>
<th>Page 2</th>
<th>A Letter From Your EPIC Design Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 3</td>
<td>The Identity Principle</td>
</tr>
<tr>
<td></td>
<td>The Credit Union Movement</td>
</tr>
<tr>
<td></td>
<td>Our History</td>
</tr>
<tr>
<td></td>
<td>Board Of Directors and Other Volunteers</td>
</tr>
<tr>
<td></td>
<td>Our Strategy</td>
</tr>
<tr>
<td></td>
<td>Why We Need To Change</td>
</tr>
<tr>
<td></td>
<td>EPIC Plan Overview</td>
</tr>
<tr>
<td>Page 7</td>
<td>The Participation Principle</td>
</tr>
<tr>
<td></td>
<td>Watermark Organizational Roles</td>
</tr>
<tr>
<td></td>
<td>Suggestion Process</td>
</tr>
<tr>
<td></td>
<td>Roles For Team &amp; Committee Members</td>
</tr>
<tr>
<td>Page 14</td>
<td>The Equity Principle</td>
</tr>
<tr>
<td></td>
<td>Equity Triangle</td>
</tr>
<tr>
<td></td>
<td>Accountability</td>
</tr>
<tr>
<td></td>
<td>Gainsharing</td>
</tr>
<tr>
<td></td>
<td>Eligibility</td>
</tr>
<tr>
<td></td>
<td>Distribution</td>
</tr>
<tr>
<td></td>
<td>Reserve Account</td>
</tr>
<tr>
<td></td>
<td>Example of Gainsharing Distribution Calculation</td>
</tr>
<tr>
<td></td>
<td>Formula Review</td>
</tr>
<tr>
<td></td>
<td>Fairness System</td>
</tr>
<tr>
<td>Page 18</td>
<td>The Competence Principle</td>
</tr>
<tr>
<td></td>
<td>Competence Overview</td>
</tr>
<tr>
<td></td>
<td>Personal, Professional, and Organizational Training</td>
</tr>
<tr>
<td></td>
<td>EPIC Plan Principles and Processes Training</td>
</tr>
<tr>
<td>Page 25</td>
<td>EPIC Plan Evaluation Process</td>
</tr>
</tbody>
</table>
A Letter From Your EPIC Design Team

October 3, 2005

Dear Colleagues,

Seven months ago, in March 2005, your vote created our team of elected and appointed members and mandated us to design a Scanlon Plan for the organization. Through many months of research, discussion, and development, we have created The EPIC (Equity, Participation, Identity, Competence) Plan. As we move towards our goal of becoming a billion dollar credit union by 2012, we will need to embrace change, growth, and staff participation. To achieve these goals we must all become more actively involved in the decision-making process. Throughout this booklet you will learn about what this plan means for our organization and how it will contribute to our continued success.

The EPIC Plan offers all of us the opportunity to be part of the growth and future of the Credit Union. The Plan defines the way we utilize everyone’s expertise to improve the company and offers us a share in its financial gains. Most importantly, its implementation allows us to continuously make Watermark a better place to work.

We are excited to present you with your copy of The EPIC Plan. As you review the Plan you will notice it is divided into four sections: the principles of Identity, Participation, Equity, and Competence. The principles work together to contribute to the success of the Plan.

On October 10, 2005, you will be voting whether or not to implement the Plan. With at least 80% staff approval, we will move forward with The EPIC Plan. We strongly support The EPIC Plan and encourage you to carefully review this booklet, ask questions, and cast an educated vote.

Sincerely,
Your Design Team
The Competence Principle

- Scanlon Leadership Network Conference
- NW Symitar User’s Group

4.b: Seminars
- Savings Bond Seminar
- Shared Branching Seminar
- Compliance Seminar

4.c: Webinars
- CFO Webinar

4.d: External training classes using consultants or vendors (on or offsite)
- Allied Solutions
- Balance
- Experian

4.e: Training available from membership of external organizations or associations
- CLNA Management School
- Washington Credit Union League
- ASTD
- Symitar

4.f: Certifications
- Novell Administrator Certification
- ACH Certification
- Training Specialized Certification
- Professional Human Resources Certification
- Auditing Certification
- Certified Public Accountant Certification
- Certified Internal Auditor Certification
- Human Performance Improvement Certification

5: Senior Leadership Training
Chuck Cockburn has a proven track record in developing the senior team members who work for him. Today’s organizations are faced with many challenges: the speed of project implementation, a need for more resources, and the reality of cost cutting, lack of training for new leaders, and tired and stressed workers. Organizations need leaders who focus on developing their people to manage these challenges.

Chuck Cockburn’s Senior Leadership Development includes the following:
- Determine who your leaders are
- Educate and train
- 360-degree evaluation (Assessment by direct reports, peers, and manager)
- Provide developmental assignments
- Promote from within

Leadership development is a serious investment in Watermark Credit Unions’ future.

The Identity Principle

Identity is the process of knowing ourselves.
We must know where our organization has come from, where we are now, and where we are going. When everyone is educated about the realities our business faces, we can all work together to improve the company and achieve our goals.

The Credit Union Movement
Credit unions have been unique depository institutions since they began in 1909. They were created as not-for-profit financial institutions with the purpose of serving members as credit cooperatives. The credit union movement has grown because hard working people wanted an alternative to banks, which often charge high fees and offer unfavorable rates. Credit unions have provided two basic services: a safe place to deposit money and a fair place to receive credit when needed.

Credit unions differ from banks because at a credit union, all members are owners. As an owner, each member has the opportunity to participate in the election of the Board of Directors, which governs the Credit Union. The role of the Board, in turn, is to represent the interests of the membership.

Our History
Over breakfast one day in 1938, Mr. Ted Baer delivered a 3-minute speech about credit unions to his coworkers at The Pacific Telephone and Telegraph Company in Seattle, Washington. They were so taken with the idea of a credit union that they decided to form one of their own and did so on May 23, 1938. Seattle Telco Federal Credit Union was the 80th credit union in Washington State, and the third one serving telephone company employees. Mr. Baer became the first elected treasurer, and the Credit Union opened with 178 members. The first loan was approved on June 6, 1938, by William C. Wilkerson. Each credit union director contributed extra money to the treasury in order to make the $65 loan for a set of golf clubs.

The original Credit Union office was located in the 911 Republic Building on 3rd Avenue, and Ethel Noff was the first CEO. She served the Credit Union until 1964, during which time Seattle Telco FCU increased its assets and membership base. The Board then hired Don Johnson to serve as the Credit Union’s second CEO. He served in this position through 1985. During his tenure, a few big events changed the face of Seattle Telco FCU. In 1977, the Credit Union constructed and relocated to the current headquarters building on 8th and Stewart. The entire Credit Union staff and operations occupied the first floor of the building. Through the ’70s, the Credit Union continued to serve the same single sponsor, known then as...
Pacific Northwest Bell (PNB). In the 8ths antitrust legislation forced the breakup of AT&T, the parent company of PNB. This breakup regionalized the telecommunications industry, and PNB became known as US West Communications Company. In 1982, the National Credit Union Administration (NCUA) announced that Federal Credit Unions could add “select employer groups” (SEGs) to their field of membership. In 1985, Seattle Telco FCU expanded beyond a single sponsor company and began solicitations of SEGs, which expanded the field of membership.

From 1985 to 2001, significant changes occurred in our products and services, delivery channels and field of membership. These are listed in the following timeline:

A Brief Historical Overview

1982
Credit Union Act Home Equity loans were introduced.
1986
Membership growth through select employer groups.
1987
Telco became one of our first online systems software vendors.
1988
Seattle Union FCU (now Seattle Telco) opened.
1991
First online access.
1994
SMC purchased.
1996
125 million dollars were introduced.
1997
Credit unions changed from a federal to state charter.
1998
Telco Union FCU opened.
1999
Credit Union safety-net program and system for TRM.
2000
Unipres launched.
2001
Southeast Florida offices opened.

The Credit Union Today

In September of 2001, Charles (Chuck) Cockburn was hired as the Credit Union’s sixth and current CEO. Chuck came to our Credit Union with over 20 years of experience with four different credit unions. He brought with him a proven track record of successfully running large credit unions while providing high quality service to both the members and employees. Chuck believes in continuous organizational improvement and brought the Deming Philosophy of quality management to our Credit Union. Under his leadership, we have transformed into an organization obsessed with quality, which drives us to act as one team to continually improve processes using data. Our Credit Union strives to improve the quality of service for our members, as well as enhance and improve the work environment for our employees.

In 2001, the State of Washington granted us a statewide community charter, removing limits on our opportunities for growth. Since this time, we have continued to expand our membership through select employer groups and the establishment of a 10-year branch delivery plan. Our Bellevue, Redmond, and Lynnwood branches were relocated to accommodate growth and to better serve our members. In 2003, we changed our name from Seattle Telco Credit Union to Watermark Credit Union, reflecting the change in our field of membership. A “watermark” is a symbol of quality and, chosen as a name, does not limit us geographically like Seattle, or within an industry like Telco. A watermark also stands for security and excellence, which are qualities we strive to deliver to our members and employees.

The improvements that have been made since Chuck came to Watermark, along with the expectations for expansion and growth, are all part of the future of our Credit Union. We have established a goal to become a strong financial institution that can withstand both the anticipated and unforeseen events that will take place in the future. Under Chuck’s leadership, Watermark has created a long-term plan that will provide controlled growth, profit, and stability for our members and employees.

As a result, Watermark Credit Union developed the Supervisor’s Management and Development Training Program in 2003. The program includes sixteen sessions (each is three hours in length):

Phase 1: Foundation Courses
- Supervisor Training Orientation
- Communication Skills
- Effective Time Management
- Leading and Working in Teams

Overview of Deming Principles and Process Improvement Theories

Phase 2: Managing People Courses
- Delegating
- Coaching
- Providing Feedback
- Conflict Management
- Motivating Others

Phase 3: Business/Communication Courses
- Problem Solving and Decision-Making
- Presentation Skills
- Planning and Scheduling
- Interviewing
- Basic Employment Law
- Project Management

3.cii: Deming Quality Management Training
Chuck Cockburn introduced the Credit Union to the Deming Quality Management Philosophy upon his arrival in fall of 2001. The Deming Quality Management Philosophy is based on the idea that employees take pride in their work and care about quality. Management must create a collaborative working environment with employees, working as a team to improve processes and eliminate waste. Employee understanding processes because they work with them. Management is responsible for soliciting ideas for improvement and making the changes necessary to continuously improve every process.

A seventeen-session program was developed with the assistance of an external consultant and the first “Deming Quality Management Class” began in January of 2002. In this training program each participant completes numerous reading assignments, presentations, and a process improvement project. So far over seventy participants have graduated from the program. The seventeen sessions (each 3 hours in length) of the Deming Quality Management Training Program are:
- Advanced Deming Quality Management Orientation
- Constancy of Purpose
- The New Philosophy
- Ceasing Dependence on Mass Inspection
- Ending Lowest Tender Contracts
- Improving Every Process
- Instituting Training
- Instituting Leadership of People
- Driving Out Fear
- Breaking Down Barriers
- Eliminating Exhortations
- Eliminating Arbitrary Numerical Targets
- Permitting Pride of Workmanship
- Encouraging Education
- Top Management Commitment & Action
- Review of Process Improvement Projects
- Application of Deming Quality Management on the Job

4: External Training/Conferences
External training is provided using consultants, specialists, or organizations with special expertise in the subject matter. External training is used to obtain job-specific competencies. There are many different types (examples included):

4.a: Conferences
- Shared Branching Conference
- Fraud Conference
- Novell Conference
- Connections User Conference
- CUNA Conference
- ACUA Conference
- ACUAMA Conference
- CUNA Management Conference
- Signature Guarantee Conference
- CUNA Mortgage Conference
- Business Services and Lending Conference
- PSU Conference
• **100-level course designation**
  These courses are broad surveys or an introduction to a discipline. They do not have prerequisites, unless it is a sequential course.

• **200-level course designation**
  These courses are of intermediate difficulty. They may or may not have prerequisites.

• **300-level course designation**
  These courses are of advanced difficulty offered to current or prospective leads, supervisors, and managers. They are offered to students interested in and qualified for professional development.

**Expectations:**
1. The students have the ability to do research, or to obtain relevant information in the field (libraries, web sites, credit union literature, etc.)
2. They are fluent in the language of the field so as to read and assimilate relevant information (prepare presentations)
3. They are able to produce some substantial work, such as a paper of “term-paper” length, or a process improvement project

• **400-level course designation**
  These are highly specialized courses, seminars, or practicums. Prerequisites and a level of readiness are required for this advanced level work.

3.a: **CORE Employee Job Skills Training**
    The CORE Training courses have been developed to ensure employee competence at the individual level. These courses are designed to teach the competencies described in each job description so individuals can safely, efficiently, and skillfully perform their job. See the Watermark Training Course Catalogue for additional details.

3.a.i: **On-the-Job Training (OJT) Program**
    This program furthers the work of CORE Training by pairing the learner with a Peer Coach when entering a new position. Peer Coaches receive specialized training on their role as a coach; the basics of adult learning, learning styles, communication, and adaptation of coaching techniques. They facilitate the learner’s transition from classroom to self-sufficiency. The OJT Program ensures consistent skill levels for all employees across the organization in similar positions. This consistency reduces variation and increases quality service for members, vendors, and internal customers. See the Watermark Training Course Catalogue for additional details.

3.b: **Software Skills Training**
    The Training Department provides introductory and advanced, instructor-led software training courses for Microsoft Windows and Microsoft Office Applications. These courses enable employees to better use these business tools. See the Watermark Training Course Catalogue for additional details.

3.c: **Professional Development Training**
    Competence is not only knowing how to do your job right, but also taking the initiative to continuously improve your skills, knowledge, and value to the team and yourself. The process of becoming competent never ends. We offer many internal opportunities for continuous professional development. The goal of our internal professional development program is to enhance writing, leadership, quality management, teamwork, time management, and process improvement skills. When we take the time to improve ourselves we will also improve our organization. See the Watermark Training Course Catalogue for additional details.

3.c.i: **Supervisor’s Management & Development Training**
    Often outstanding employees are promoted to positions of authority without any prior training or experience. We recognize this fact and understand the importance of training and development of these individuals. Lack of training can result in high employee turnover, low employee morale, requests for transfer, and overall poor performance; all translating into monetary cost.

**Board of Directors and Other Volunteers**
Credit unions have Boards of Directors that serve as trustees for the members. They have the responsibility to perform their duties in a fiduciary manner. This includes the following:
- **Duty of Care – Responsibility to perform their duties in good faith with the care a prudent person would normally exercise.**
- **Duty of Loyalty – Responsibility to put the organization’s interests ahead of their own.**
- **Duty of Obedience – Responsibility to follow the organization’s mission and bylaws and to obey local, state, and federal laws.**

The board is responsible for hiring the CEO. Through open communication and appropriate delegation, they work with the CEO to develop the strategic direction of the Credit Union. They establish and regularly review governing policies to provide a framework for operations management, authority delegation, and organizational consistency. They also determine the Credit Union’s mission, values, strategic objectives, and measures of success.

Another responsibility of the board is to appoint a Supervisory Committee. The Supervisory Committee’s primary role is to inspect the Credit Union’s records for accuracy, its assets for security, and its procedures for proper handling and use of funds. This committee works with the Internal Auditor to fulfill its responsibilities and is also responsible for hiring an outside auditing firm to perform an annual review of our financial records and reports. This committee serves as a check and balance to Watermark Credit Union’s Board of Directors.

The Chairman of the board also can appoint “ad hoc” committees to work on major projects that have a limited timeframe.

**Our Strategy**
Watermark Credit Union’s Strategic Plan calls for assets to grow to $1 billion with a Capital Ratio of 9% by year-end 2012. These aggressive goals are necessary for the Credit Union’s long-term survival. By becoming a much larger and better-capitalized institution, the Credit Union will be able to remain competitive, implement the latest technologies and offer the products and services needed by our membership. We believe that credit unions with less capital or smaller than $1 billion in assets may not have enough resources to survive. During the past ten years, over 50% of the smaller banks and credit unions have either merged or gone out of business.

In order to reach $1 billion in assets by the year 2012, annual growth must average 12%. Watermark Credit Union plans to add five branches to the Puget Sound area within the next seven years. Membership is expected to grow to over 100,000 and the number of employees to increase from 160 to about 260. Although these growth goals are aggressive, they are reasonable based on our past experience.

**The Identity Principle**
Watermark Credit Union is very fortunate to have a core group of board members that have served the Credit Union consistently for many years. They believe in rotating and sharing the leadership duties of the board. They understand and exercise their roles and responsibilities, allowing our Credit Union to operate at a more efficient level.
How Capital Affects the Credit Union.
Capital is the cumulative total of the net income that a Credit Union has earned since the day it was established. It is important to both members and employees because it ensures that the Credit Union can continue to operate even during times when it might have negative earnings. We gain capital by having a positive net income and lose capital when we have a negative net income.

How Capital Affects Members.
From the members’ perspectives, elevated capital enables us to pay higher dividends on shares, offer lower interest rates on loans, expand our delivery systems (branches and ATMs) and provide enhanced services. Capital also provides a cushion against unexpected losses and promotes member confidence in the Credit Union’s condition. Confidence in the Credit Union is a critical factor in its ability to attract and retain members, which will increase deposits and attract new business for our future.

How Capital Affects Employees.
For employees, increased capital provides stronger employment security, better benefits, and competitive salaries. Employment security effectively increases employee morale. Confidence in the Credit Union’s ability to operate in good times, as well as bad, also contributes to high morale. Increased morale gives the employees an intrinsic motivation to continuously look for avenues to increase productivity. The end result is that you have employees that feel they are contributing in a much larger capacity than just coming to work everyday. Member service is greatly improved and the members are very satisfied with the Credit Union. Therefore, the effect has come full circle - from the Credit Union to the employees to the members and back to the Credit Union – and gets more efficient from there.

It is clear why so much emphasis is placed on the Capital Ratio. Achieving and maintaining our goals will require a significant improvement in our processes and productivity, as well as the reduction of our Expense to Asset Ratio.

Why We Need To Change
The best measure of productivity in a credit union is the Expense to Asset Ratio. The lower the ratio, the more efficient and productive the credit union. A low expense ratio enables a credit union to have lower loan rates and higher deposit rates, and therefore gain a competitive edge. Giving the employees a say in the decision-making process encourages them to help find ways to trim costs, which will help lower the Expense to Asset Ratio. Watermark Credit Union historically has a relatively high ratio of over 4%. The average ratio for other large institutions is 3.5%. This represents a difference of $2 million per year for a credit union of our size.

The EPIC Plan is designed to help us lower our Expense to Asset Ratio. This plan is a system for total organizational development that will help us increase our efficiency and employee development, as well as provide us with fulfillment. The plan puts emphasis on including employees in the decisions being made, seeking their suggestions for improvement, and providing rewards for productivity gains. It is critical to the success of this plan to have total participation from the employees of the Credit Union. Employees working together as a team in an environment that encourages innovation, creativity, and participation will significantly improve our productivity efficiency and is consistent with our Deming Quality Management Philosophy.

EPIC Plan Overview
The EPIC Plan is a system that will give all of us an opportunity to actively participate in problem solving and decision making, as well as share in the results of our efforts. Our motivation and objective will be to provide a fair, balanced return to all stakeholders: the employees, members, and organization.

This booklet describes the systems and processes of the Participation, Equity, and Competence components of the EPIC Plan.

Personal, Professional, and Organizational Training
Watermark Credit Union commits time and money to offering personal, professional, and organizational training for all employees within the organization. We offer learning opportunities in the following ways:

1. Tuition assistance
2. CUES-U Plus Online University (online learning)
3. Internal training including:
   a. CORE job skills training
   b. On-the-Job training
   c. Software skills training
   d. Professional development training
      i. Supervisor’s Management & Development Training
      ii. Deming Quality Management Training
4. External training including:
   a. Conferences
   b. Seminars
   c. Webinars
   d. External training classes using consultants or vendors (on or offsite)
   e. Training available from membership of external organizations or associations
   f. Certification
5. Senior Leadership Training

1: Tuition Assistance
The Credit Union is committed to a vigorous program of education, encouraging self-improvement and professional development for all of its employees. What an organization needs is not just good people; it needs people that are improving with education. Education is for the development of knowledge. Advances in the competitive position of the Credit Union will have their roots in knowledge. All employees are eligible for tuition assistance after 90 days of employment. The amount of tuition assistance is $2500 per year for full time staff (prorated for part time staff). Eligible expenses include tuition for accredited courses, related fees, and textbooks for study leading toward a degree at any accredited college, university, high school, business or technical school, and online/ correspondence university or educational institution.

2: CUES Online University
CUES Online University is an online training and information portal for employees in credit unions. Watermark Credit Union primarily utilizes CUES to provide up-to-date compliance and regulatory training for all staff. CUES provides employees with over 120 courses in subjects ranging from:

- Accounting and Finance
- Compliance and Regulation
- Financial Management
- Financial Products
- Human Resources
- Consumer, Business, and Real Estate Lending
- Management and Supervision
- Marketing and Sales

CUES Online University is a partnership between Credit Union Executive Society and Digital University, Inc. It is created especially for credit union employees and overseen by an advisory panel made up of credit union executives. CUES is more than simply online training. It also provides us with links to information about compliance, operations, legal and regulatory resources, and an online credit union related library. Taking advantage of all that CUES has to offer helps us increase our individual and collective industry competency, maintain regulatory compliance, and access various professional development opportunities in a flexible self-paced environment.

Employees are encouraged to utilize this tool proactively to accelerate their personal professional development. It is accessible from any computer with an internet connection, even at home. See the CUES Online University website for additional details.

3: Internal Training
Watermark Credit Union provides a wide range of internal training opportunities designed to continuously increase individual and organizational competence. The general guidelines for structure, organization, and degree of difficulty (or sophistication) of courses is divided into the 4 levels described below:
What is competence?
Competence is the ability to respond to the constant demand for improvement and change.

Why is competence important?
Employees require competence to increase their knowledge, experience, and ability to do a good job. Increased competence provides higher quality service to our members, an increased ability to improve processes, reduce waste, and increase efficiency and quality. Competence is literally the backbone of organizational improvement.

How Do We Achieve Competence?
Achieving competence is an ongoing process. It requires us all to continuously increase our knowledge and skills. To do this we must:

• Become business literate pertaining to our financial performance, our own Equity Formula, and general business practices
• Provide job skills training, technology training, and professional development training

When we understand the nature of our business and have the skills to provide high quality service to our members we will have more pride in our work.

It is the organization’s responsibility to provide the tools for competence.
It is the employee’s responsibility to use these tools to continuously increase their competence.

The following sections of this document outline what training we currently offer and what we plan to offer for implementing the EPIC Plan.
Section 1 outlines what personal, professional, and organizational training is available.
Section 2 outlines what additional training needs to be done to implement the EPIC Plan.

The Participation Principle
“The opportunity, which only management can give and the responsibility which only employees can accept, to influence decisions in their areas of competence.”

The Participation Principle
The Participation Principle creates a system that includes employees in decision making, solicits their suggestions, and involves them in the change process. Only with all employees working together in an environment that supports innovation and participation will we be able to significantly improve productivity. Employee participation will enable the Credit Union to utilize the untapped knowledge, creativity, and resourcefulness of our staff. Employees will be able to align their goals with those of the Credit Union to increase productivity, and achieve growth and profitability.

The participation plan provides:
• An outline of the organizational structure
• A committee structure to ensure every suggestion is reviewed
• A defined flow of the suggestion process
• Clear roles for all levels of participation

The foundation of employee participation is built by ensuring every employee of Watermark Credit Union has the opportunity to make meaningful contributions that impact the Credit Union’s growth and profitability. To be effective, employees must be educated on the business realities of the Credit Union, make suggestions, and participate in the improvement process.

The Participation section describes the structure of the suggestion system and the processes used to manage change.

Organizational Roles
Staff Employees: All employees of Watermark Credit Union are responsible for submitting suggestions and assisting in suggestion implementation. They will use their professional skills and experience to help the organization gain insight and improve effectiveness. These skills and competencies have an influential impact in the Credit Union’s success.

Managers: Managers oversee the change of management processes within their department. They hold monthly department meetings to review the performance
the Credit Union and reflect on the contributions and challenges their department has in relation to the Credit Union’s strategic objectives.

Senior Managers: Consist of Directors and Vice-Presidents of each business unit. Senior Management sets the strategic direction of the Credit Union to ensure continued growth and stability. They review the work of the Screening Committee to ensure the group is working on initiatives that provide the greatest impact in reaching the Credit Union’s objectives.

CEO/President: The President/CEO oversees all change initiatives in the Credit Union. The CEO works with the Board of Directors to establish the Credit Union’s Strategic Plan. The CEO also recommends policies for Board consideration.

**EPI**C Committees** Committee:** Members of this committee review all suggestions forwarded by the Review Committees and all appealed suggestions. The Screening Committee prioritizes, approves, and oversees implementation of suggestions that fall outside the authority of the Review Committees. In addition, it provides critical feedback to senior management regarding available resources and acts as a resource in setting the goals and objectives of the Credit Union.

Members of this committee are both elected and appointed. Members are elected from the Review Committees and appointed by senior management. Senior management annually reviews the proportion of elected to appointed members on the Screening Committee. At no time shall the number of appointed members exceed the number of elected representatives. A member of senior management, appointed by the CEO, leads the committee. The Screening Committee meets semi-monthly.

**Appointed Committee Members:** Derive their position and authority from senior management. They are appointed according to their competency in their respective areas or departments. The length of the term is at the discretion of management.

**Elected Committee Members:** Derive their position and authority from the constituents who elect them. They are expected to represent and report back to their constituents at least monthly on the Credit Union’s progress. Elected members will serve one-year terms, expiring each January.

<table>
<thead>
<tr>
<th>Example of Gainsharing Distribution Calculation</th>
</tr>
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<tbody>
<tr>
<td>The following is a step-by-step example of a gainsharing distribution:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Step 1:</strong> Calculate Baseline Productivity Ratio</td>
</tr>
<tr>
<td><strong>Step 2:</strong> Calculate Quarter-to-Date (QTD) Gross Income</td>
</tr>
<tr>
<td><strong>Step 3:</strong> Multiply QTD Gross Income by Baseline Productivity Ratio to calculate Expected Operating Expenses</td>
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<tr>
<td><strong>Step 4:</strong> Calculate Actual QTD Operating Expenses</td>
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<td><strong>Step 5:</strong> Subtract Actual from Expected Operating Expenses to calculate amount of Gainsharing</td>
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<td><strong>Step 6:</strong> Split the Gainsharing:</td>
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<tr>
<td>50% to Credit Union retained earnings (capital)</td>
</tr>
<tr>
<td>40% distributed to employees</td>
</tr>
<tr>
<td>10% to reserve account</td>
</tr>
<tr>
<td><strong>Step 7:</strong> Calculate QTD employee compensation</td>
</tr>
<tr>
<td><strong>Step 8:</strong> Divide employee distribution by QTD calculated compensation to get the distribution percent</td>
</tr>
<tr>
<td><strong>Step 9:</strong> Multiply each eligible employee’s compensation by the distribution percent which results in the gainsharing distribution</td>
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**Review Committees:** Each department/branch has a Review Committee. Members of each Review Committee are elected by their department/branch to evaluate, respond to, and process all suggestions received from that group. The Committees prioritize approved suggestions and oversee the implementation of suggestions within the scope of their authority. They utilize department staff in the implementation of approved changes and provide updates on suggestions at monthly department meetings.

Review Committee membership ranges from 2-5 elected members (based on the size of the constituency) and is led by the department manager or supervisor. The committees meet semi-monthly.

**Branch Operations Review Committee:** Each branch has its own Review Committee to handle suggestions pertaining to that branch. Each of these Review Committees elects one member to serve on the Branch Operations Review Committee that handles suggestions affecting all branches.
**The Equity Principle**

calculated using the compensation of the highest-paid non-exempt employee. As a result, no exempt employee will receive more than the highest amount paid to a non-exempt employee.

Before any distribution is calculated or distributed, the Credit Union must have positive year-to-date net income. Any distributions* will be given to employees in the 2nd payroll of the month following a calendar quarter-end: April, July, October, and January.

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In the following example the reserve account was used to partially offset the deficit realized in the 3rd Quarter: When the Credit Union has a positive year-to-date net income at the end of the calendar year, any positive amount* in the reserve account will be distributed to employees no later than the 2nd payroll in January. Whether ending negative or positive, the reserve account is reset to $0.00 for the beginning of the next plan year.

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<th>3rd Quarter</th>
<th>4th Quarter</th>
<th>Full Year Total</th>
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<td><strong>Gain</strong></td>
<td>$100,000</td>
<td>$100,000</td>
<td>($100,000)</td>
<td>$100,000</td>
<td>$200,000</td>
</tr>
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<td><strong>Employee Distribution (40%)</strong></td>
<td>$40,000</td>
<td>$40,000</td>
<td>$0</td>
<td>$40,000</td>
<td>$120,000</td>
</tr>
<tr>
<td><strong>Reserve (10%)</strong></td>
<td>$10,000</td>
<td>$10,000</td>
<td>($50,000)**</td>
<td>$10,000</td>
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<td><strong>Reserve Balance</strong></td>
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**EPIC Teams**

*Teams are formed for a project that has a fixed beginning and end date. Teams are charted for the life of the project. Once the project is completed, the team is dissolved. Examples of these include Department Improvement and Watermark Improvement Teams.

**Improvement Teams:** The Review and Screening Committees can charter Improvement Teams. Improvement Teams are chartered to conduct research for a proposed project and/or implement an approved project. All Improvement Teams must have a mandate and action plan for the project. The committee that charters the Improvement Team is responsible for monitoring the work of the team and ensuring the resources of the Credit Union are used appropriately based on business priorities.

Two types of Improvement Teams can be charted:

**Department Improvement Teams (DITs)** are created when implementation or research requires a significant use of resources. During the project, the team leader is invited to the Review Committee meetings to report on the progress of the team.

The Review Committees charter Department Improvement Teams based on each department’s available resources, business priorities, and objectives.

**Watermark Improvement Teams (WITs)** are formed whenever a project affects more than one department. During the project, the team leader is invited to the Screening Committee meetings to report on the progress of the team.

The Screening Committeechars each WIT based on the organization’s available resources, business priorities, and objectives. The Screening Committee’s goal is to have ten or fewer teams operating at one time.

**Suggestion Process**

Every suggestion must contain a business case for the proposed change. A meaningful business case is strategy driven and considers the impact on the entire Credit Union. The best suggestions will focus on contributions improving the Credit Union’s critical measures.

Employees are encouraged to make suggestions relating to their department’s function and area of competence.

**Suggestion Types:** Every suggestion will be evaluated on how successfully the business case was proven. Business cases should address one or more of the following:

- Increase Operational Efficiencies
- Lower Expenses
- Increase Revenue
- Increase Productivity
- Improve Member Service
- Improve Quality
- Improve Morale

The business case should outline the expected cost and resources needed to implement the suggestion relative to the potential gain for the Credit Union.

**Timeline:** Many suggestions will be handled by the Review Committees. When suggestions exceed the authority of a Review Committee, they will be forwarded to the Screening Committee. Suggestions will be reviewed at the next regularly scheduled committee meeting. Responses and feedback will be provided at each phase of the suggestion process. Responses will include any action being taken and a reason for the decision.

**Response Options**

**Approved for Implementation/Research:** A suggestion is approved if it meets the established criteria and effectively proves a business case. In addition, the expected impact must warrant the resources necessary to implement and sustain the change. It is the duty of the committee reviewing the suggestion to ensure that the suggestion is implemented or researched in a timely manner.

Refer to the chart on page 10 for further information.
### Committee Overview

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*Transferred and terminated employees will forfeit their position and re-election will occur. The newly elected member will complete the remainder of the term.

### Accountability

All employees will commit to the financial success of the Credit Union by contributing ideas, communicating problems or barriers, and being accountable for daily performance. An accountability system ensures that the needs of all the key stakeholders at Watermark are met. Accountability is maintained by regularly reporting the Credit Union’s performance. Financial information will be used to track improvements in the Credit Union. Financial successes will be shared with employees, members, and the organization. Through this consistent reporting, we will have open communication and all employees will have an understanding of how the Credit Union is doing.

Employees will have opportunities for input and involvement, and will communicate any needs and ideas as identified in the Participation section of the plan.

### Gainsharing

A system of gainsharing will be used to monitor the financial improvements made in the Credit Union. The gainsharing system will track Watermark’s improvement in the productivity ratio, defined as operating expenses (excluding any that employees can’t have any affect on) divided by gross income. Every employee can contribute and make improvements in these key measures. Improvements made by employees will increase the financial viability of the organization, and the financial gains from these ideas will be shared with employees and the organization.

Employees will be educated on how gainsharing relates to their specific job and how improvements in their departments will lead to the long-term success of the Credit Union. They will be educated on how their daily activities will impact the productivity ratio and ways to improve the ratio.

Operating expenses include any expense in which an employee suggestion could have had an effect. These include: compensation and benefits (including overtime), supplies, telephone expenses, software/hardware maintenance, etc. Gross income includes: loan income, investment income, and fee income.

To measure improvement, we must first establish a baseline productivity ratio. We will look back to see what this ratio has been historically and use this ratio as a baseline number. The baseline will be established using the previous three years’ data. For example, for 2006 the baseline will be established using 2003-2005 data. Gains will then be measured by how much we improve (lower) this ratio. Employees have an affect on the productivity ratio by making suggestions that result in either a decrease in operating expenses and/or an increase in gross income.

### Eligibility

Employees who are full time, part time, temp-to-hire, and employees in the Investments, Insurance & Travel Departments are eligible for gainsharing distributions. From the day you start at Watermark, unless you are a temporary employee on assignment, you are eligible to participate in the plan.

### Distribution

At the end of each calendar quarter, actual gross income for that quarter will be multiplied by the baseline ratio to calculate the expected operating expenses. Gains will result if the actual expenses for the quarter were lower than expected. The amount gained will be split as follows: 50% for the Credit Union (retained as capital), and 50% for employees (40% distributed and 10% held in a reserve account).

To ensure that we comply with the Fair Labor Standards Act, our distribution to non-exempt employees cannot be a flat dollar amount. The distribution must be a percent of compensation. To ensure the distribution to the higher-salaried exempt employees doesn’t outweigh the distribution to the non-exempt employees, higher-salaried exempt employees’ percent of compensation will be...
The Equity Principle

The Equity Principle focuses on fairness and justice. It is critical to the long-term success of the Credit Union that we balance the needs of all those who have a vested interest in the well being of the organization. This involves employees and members having a shared role in the financial viability and success of the Credit Union. Only when the best interests of the whole are met, can the individual needs of each constituent group also be met.

Equity Triangle
Equity is symbolized as a triangle with three equal sides. In most companies the sides represent three distinct groups which have interests in the organization: owners, customers and employees. At Watermark, as part of its uniqueness as a credit union, the members are both owners and customers, and employees are members and therefore, they are also owners and customers.

Watermark defines equity as balancing the interests of all:

- The organization wants growth and financial soundness, which is represented by capital, to ensure the continued existence of the organization.
- Members want competitive prices, good quality, excellent service, and the continued existence of the organization (through capital).
- Employees want job security, competitive wages and benefits, involvement, and the opportunity to share in the Credit Union’s profitability.

Watermark Credit Union’s Equity Triangle

Roles For Team And Committee Members

Members: Members are expected to actively participate in projects, ensure realistic timelines are set, and represent the needs of their department and the overall organization. They work cooperatively and take personal responsibility for effective teamwork, open dialog with other members, effective resource allocation, and problem solving.

Committee and team members are expected to come prepared and attend all scheduled meetings. They keep the leader updated on their assigned tasks, outcomes, and barriers. They provide supporting data to build the business case for the Committee’s/Team’s objectives.

Appointed committee members can be changed at any time by management. Elected committee members complete a one-year term expiring in January. Team members are appointed for the life of the project.

Leaders: Leaders play a critical role in communicating how the members’ work fits into the overall success of the Credit Union. They provide a safe and fair atmosphere for suggestions and feedback. Leaders keep the group aware of other committees and team activities to avoid rework, duplication of efforts, or creating added work for other departments.

Leaders are generally appointed. They are responsible for the overall success of the committee or team.

- They schedule meetings and facilitate committee and/or team dialogues.
- They monitor the group and ensure that it stays within the established scope, timeline, and budget for the project.
- They ensure the group has the resources necessary to complete its work. This includes the removal of any roadblocks or barriers to the group’s success.
The participation principle

- The goal of the leader is to seek consensus on all decisions. Every leader will appoint a back-up to run meetings in his or her absence.

**Review and Screening Committee Leaders:**

These leaders facilitate the screening and prioritizing of received suggestions. They ensure that communication relating to the scope of their committee is communicated and the committee’s work is in line with the organization’s overall strategic goals.

**Team Leader:** Team Leaders are appointed for the life of a project. They submit the business case, present final recommendations, and/or the implementation plan back to the committee from which they were chartered, as well as oversee the implementation process.

**EPIC Coordinator:** The role of the EPIC Coordinator is to advocate the principles of the EPIC Plan. While the EPIC Coordinator doesn’t have final say on any issue, he or she holds all participants accountable for their role in the suggestion process. Serving as a liaison between management and staff, the EPIC Coordinator is seen as a neutral and trusted resource. He or she is a safe person for staff to go to with concerns, and maintains an objective perspective. The EPIC Coordinator is a resource to leaders and team/committee members for identifying and removing roadblocks and ensuring teams and committees are functioning in accordance with the EPIC Plan.

The EPIC Coordinator reports directly to the appointed Screening Committee Leader. The EPIC Coordinator position will be a full-time position allotted no less than 20 hours a week for completing EPIC responsibilities. These duties include:

- Managing the suggestion system
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2022

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• Prioritize projects  
• Oversee implementation of department-specific suggestions  
• Provide feedback on suggestions  
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• Meet semi-monthly |
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Teams are formed for a project that has a fixed beginning and end date. Teams are chartered for the life of the project. Once the project is completed, the team is dissolved. Examples of these include Department Improvement and Watermark Improvement Teams.

**Improvement Teams:** The Review and Screening Committees can charter Improvement Teams. Improvement Teams are chartered to conduct research for a proposed project and/or implement an approved project. All Improvement Teams must have a mandate and action plan for the project. The committee that charters the Improvement Team is responsible for monitoring the work of the team and ensuring the resources of the Credit Union are used appropriately based on business priorities.

Two types of Improvement Teams can be chartered:

- **Department Improvement Teams (DITs)** are created when implementation or research requires a significant use of resources. During the project, the team leader is invited to the Review Committee meetings to report on the progress of the team.
- **Watermark Improvement Teams (WITs)** are formed whenever a project affects more than one department. During the project, the team leader is invited to the Screening Committee meetings to report on the progress of the team.

The screening Committee charts each WIT based on the organization’s available resources, business priorities, and objectives. The Screening Committee’s goal is to have ten or fewer teams operating at one time.

Refer to the chart on page 10 for further information.

**Suggestion Process**
Every suggestion must contain a business case for the proposed change. A meaningful business case is strategy driven and considers the impact on the entire Credit Union. The best suggestions will focus on contributions improving the Credit Union’s critical measures. Employees are encouraged to make suggestions relating to their department’s function and area of competence.

**Suggestion Types:** Every suggestion will be evaluated on how successfully the business case was proven. Business cases should address one or more of the following:
- Increase Operational Efficiencies
- Lower Expenses
- Increase Revenue
- Increase Productivity
- Improve Member Service
- Improve Quality
- Improve Morale

The business case should outline the expected cost and resources needed to implement the suggestion relative to the potential gain for the Credit Union.

**Timeline:** Many suggestions will be handled by the Review Committees. When suggestions exceed the authority of a Review Committee, they will be forwarded to the Screening Committee. Suggestions will be reviewed at the next regularly scheduled committee meeting. Responses and feedback will be provided at each phase of the suggestion process. Responses will include any action being taken and a reason for the decision.

**Response Options**
Approved for Implementation/Research:
A suggestion is approved if it meets the established criteria and effectively proves a business case. In addition, the expected impact must warrant the resources necessary to implement and sustain the change. It is the duty of the committee reviewing the suggestion to ensure that the suggestion is implemented or researched in a timely
Senior Managers: Consist of Directors and Vice-Presidents of each business unit. Senior Management sets the strategic direction of the Credit Union to ensure continued growth and stability. They review the work of the Screening Committee to ensure the group is working on initiatives that provide the greatest impact in reaching the Credit Union's objectives.

CEO/President: The President/CEO oversees all change initiatives in the Credit Union. The CEO works with the Board of Directors to establish the Credit Union's Strategic Plan. The CEO also recommends policies for Board consideration.

**EPIC Committees**

Committees are formed to perform ongoing functions. Examples of these include the Review, Screening, Safety, & Branch Office Security Committees.

Review Committees: Each department/branch has a Review Committee. Members of each Review Committee are elected by their department/branch to evaluate, respond to, and process all suggestions received from that group. The Committees prioritize approved suggestions and oversee the implementation of suggestions within the scope of their authority. They utilize department staff in the implementation of approved changes and provide updates on suggestions at monthly department meetings.

Review Committee membership ranges from 2-5 elected members (based on the size of the constituency) and is led by the department manager or supervisor. The committees meet semi-monthly.

Branch Operations Review Committee:

Each branch has its own Review Committee to handle suggestions pertaining to that branch. Each of these Review Committees elects one member to serve on the Branch Operations Review Committee that handles suggestions affecting all branches.

Screening Committee: Members of this committee review all suggestions forwarded by the Review Committees and all appealed suggestions. The Screening Committee prioritizes, approves, and oversees implementation of suggestions that fall outside the authority of the Review Committees. In addition, it provides critical feedback to senior management regarding available resources and acts as a resource in setting the goals and objectives of the Credit Union.

Members of this committee are both elected and appointed. Members are elected from the Review Committees and appointed by senior management. Senior management annually reviews the proportion of elected to appointed members on the Screening Committee. At no time shall the number of appointed members exceed the number of elected representatives. A member of senior management, appointed by the CEO, leads the committee. The Screening Committee meets semi-monthly.

**Appointed Committee Members:**

Derive their position and authority from senior management. They are appointed according to their competency in their respective areas or departments. The length of the term is at the discretion of management.

**Elected Committee Members:**

Derive their position and authority from the constituents who elect them. They are expected to represent and report back to their constituents at least monthly on the Credit Union's progress. Elected members will serve one-year terms, expiring each January.

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**Example of Gainsharing Distribution Calculation**

The following is a step-by-step example of a gainsharing distribution:

1. **Step 1:** Calculate Baseline Productivity Ratio 
   - Baseline Productivity Ratio = 45.92%
2. **Step 2:** Calculate Quarter-to-Date (QTD) Gross Income 
   - QTD Gross Income = $8,000,000
3. **Step 3:** Multiply QTD Gross Income by Baseline Productivity Ratio to calculate Expected Operating Expenses 
   - Expected Operating Expenses = $3,673,600
4. **Step 4:** Calculate Actual QTD Operating Expenses 
   - Actual Operating Expenses = $3,573,600
5. **Step 5:** Subtract Actual from Expected Operating Expenses to calculate amount of Gainsharing 
   - Gainsharing = $100,000
6. **Step 6:** Split the Gainsharing: 50% to Credit Union retained earnings (capital) 
   - Capital Gainsharing = $50,000
   - Employee Gainsharing = $50,000
7. **Step 7:** Calculate QTD employee compensation 
   - QTD Compensation = $1,250,000
8. **Step 8:** Divide employee distribution by QTD calculated compensation to get the distribution percent 
   - Distribution Percent = 3.20%
9. **Step 9:** Multiply each eligible employee’s compensation by the distribution percent which results in the gainsharing distribution

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**The Participation Principle**

- of the Credit Union and reflect on the contributions and challenges their department has in relation to the Credit Union’s strategic objectives.

**Formula Review**

The distribution formula will be reviewed every six months for the first two years, and annually thereafter. If unusual circumstances occur that have a significant affect on the gainsharing calculation, management may propose an adjustment, which will be reviewed by the EPIC Plan Evaluation Committee.

**Fairness System**

To support the equity principle for fairness and justice, we will have a Fairness System open to all employees. Fairness requests may be filed with the EPIC Coordinator for two reasons: if an employee feels that they have been treated unfairly in any way, or if an employee wants to recognize the exceptional work of a colleague.

The first step whenever an employee feels they have been treated unfairly is to discuss the matter with their manager or supervisor. It is expected that these discussions will continue to be the primary method of settling most problems or concerns.

There may be times when communication is blocked between an employee and their manager or supervisor. Either or both parties may experience difficulty being objective. If this occurs, and the employee is not satisfied with the solution that the manager or supervisor proposes, the employee can file a fairness request.

The Fairness Committee will thoroughly review all fairness requests and facilitate their resolution. The committee will consist of 3 to 5 elected or appointed members and will be led by the EPIC Coordinator. The committee will meet monthly and ensure all fairness requests are reviewed and responded to in a timely manner. If the request pertains to a rejected suggestion, the committee will either uphold the decision of the Screening Committee or request that the committee reconsider the suggestion based on additional comments or new information. For all fairness requests, the Fairness Committee will notify the employee in writing with a detailed explanation of its decision.
The Competence Principle

What is competence?
Competence is the ability to respond to the constant demand for improvement and change.

Why is competence important?
Employees require competence to increase their knowledge, experience, and ability to do a good job. Increased competence provides higher quality service to our members, an increased ability to improve processes, reduce waste, and increase efficiency and quality. Competence is literally the backbone of organizational improvement.

How Do We Achieve Competence?
Achieving competence is an ongoing process. It requires us all to continuously increase our knowledge and skills.
- To do this we must:
  • Become business literate pertaining to our financial performance, our own Equity Formula, and general business practices
  • Provide job skills training, technology training, and professional development training

When we understand the nature of our business and have the skills to provide high quality service to our members we will have more pride in our work.

It is the organization’s responsibility to provide the tools for competence.

It is the employee’s responsibility to use these tools to continuously increase their competence.

The following sections of this document outline what training we currently offer and what we plan to offer for implementing the EPIC Plan.

Section 1 outlines what personal, professional, and organizational training is available.

Section 2 outlines what additional training needs to be done to implement the EPIC Plan.

The Participation Principle

“The opportunity, which only management can give and the responsibility which only employees can accept, to influence decisions in their areas of competence.”

The Participation Principle

The Participation Principle creates a system that includes employees in decision making, solicits their suggestions, and involves them in the change process. Only with all employees working together in an environment that supports innovation and participation will we be able to significantly improve productivity. Employee participation will enable the Credit Union to utilize the untapped knowledge, creativity, and resourcefulness of our staff. Employees will be able to align their goals with those of the Credit Union to increase productivity, and achieve growth and profitability.

The participation plan provides:
- An outline of the organizational structure
- A committee structure to ensure every suggestion is reviewed
- A defined flow of the suggestion process
- Clear roles for all levels of participation

The foundation of employee participation is built by ensuring every employee of Watermark Credit Union has the opportunity to make meaningful contributions that impact the Credit Union’s growth and profitability. To be effective, employees must be educated on the business realities of the Credit Union, make suggestions, and participate in the improvement process.

The Participation section describes the structure of the suggestion system and the processes used to manage change.

Organizational Roles

Staff
Employees: All employees of Watermark Credit Union are responsible for submitting suggestions and assisting in suggestion implementation. They will use their professional skills and experience to help the organization gain insight and improve effectiveness. These skills and competencies have an influential impact in the Credit Union’s success.

Managers: Managers oversee the change of management processes within their department. They hold monthly department meetings to review the performance...
How Capital Affects the Credit Union. Capital is the cumulative total of the net income that a Credit Union has earned since the day it was established. It is important to both members and employees because it ensures that the Credit Union can continue to operate even during times when it might have negative earnings. We gain capital by having a positive net income and lose capital when we have a negative net income.

How Capital Affects Members. From the members’ perspectives, elevated capital enables us to pay higher dividends on shares, offer lower interest rates on loans, expand our delivery systems (branches and ATMs) and provide enhanced services. Capital also provides a cushion against unexpected losses and promotes member confidence in the Credit Union’s condition. Confidence in the Credit Union is a critical factor in its ability to attract and retain members, which will increase deposits and attract new business for our future.

How Capital Affects Employees. For employees, increased capital provides stronger employment security, better benefits, and competitive salaries. Employment security effectively increases employee morale. Confidence in the Credit Union’s ability to operate in good times, as well as bad, also contributes to high morale. Increased morale gives the employees an intrinsic motivation to continuously look for avenues to increase productivity. The end result is that you have employees that feel they are contributing in a much larger capacity than by just coming to work everyday. Member service is greatly improved and the members are very satisfied with the Credit Union. Therefore, the effect has come full circle - from the Credit Union to the employees to the members and back to the Credit Union – and gets more efficient from there.

It is clear why so much emphasis is placed on the Capital Ratio. Achieving and maintaining our goals will require a significant improvement in our processes and productivity, as well as the reduction of our Expense to Asset Ratio.

Why We Need To Change
The best measure of productivity in a credit union is the Expense to Asset Ratio. The lower the ratio, the more efficient and productive the credit union. A low expense ratio enables a credit union to have lower loan rates and higher deposit rates, and therefore gain a competitive edge. Giving the employees a say in the decision-making process encourages them to help find ways to trim costs, which will help lower the Expense to Asset Ratio. Watermark Credit Union historically has a relatively high ratio of over 4%. The average ratio for other large institutions is 3.5%. This represents a difference of $2 million per year for a credit union of our size.

The EPIC Plan is designed to help us lower our Expense to Asset Ratio. This plan is a system for total organizational development that will help us increase our efficiency and employee development, as well as provide us with fulfillment. The plan puts emphasis on including employees in the decisions being made, seeking their suggestions for improvement, and providing rewards for productivity gains. It is critical to the success of this plan to have total participation from the employees of the Credit Union. Employees working together as a team in an environment that encourages innovation, creativity, and participation will significantly improve our production efficiency and is consistent with our Deming Quality Management Philosophy.

EPIC Plan Overview
The EPIC Plan is a system that will give all of us an opportunity to actively participate in problem solving and decision making, as well as share in the results of our efforts. Our motivation and objective will be to provide a fair, balanced return to all stakeholders: the employees, members, and organization.

This booklet describes the systems and processes of the Participation, Equity, and Competence components of the EPIC Plan.

Personal, Professional, and Organizational Training
Watermark Credit Union commits time and money to offering personal, professional, and organizational training for all employees within the organization. We offer learning opportunities in the following ways:

1. Tuition assistance
2. CUES-U Plus Online University (online learning)
3. Internal training including:
   a. CORE job skills training
   b. On-the-job training
   c. Software skills training
   d. Professional development training
   e. Supervisor’s Management & Development Training
   f. Deming Quality Management Training
4. External training including:
   a. Conferences
   b. Workshops
   c. Technical training classes
   d. External training classes using consultants or vendors (on or offsite)
   e. Training available from membership of external organizations or associations
5. Certification

1: Tuition Assistance
The Credit Union is committed to a vigorous program of education, encouraging self-improvement and professional development for all of its employees. What an organization needs is not just good people; it needs people that are improving with education. Education is for the development of knowledge. Advances in the competitive position of the Credit Union will have their roots in knowledge. All employees are eligible for tuition assistance after 90 days of employment. The amount of tuition assistance is $250 per year for full-time staff (prorated for part-time staff). Eligible expenses include tuition for accredited courses, related fees, and textbooks for study leading toward a degree at any accredited college, university, high school, business or technical school, and online/computer university or educational institution.

2: CUES Online University
CUES Online University is an online training and information portal for employees in credit unions. Watermark Credit Union primarily utilizes CUES to provide up-to-date compliance and regulatory training for all staff. CUES provides employees with over 120 courses in subjects ranging from:

• Accounting and Finance
• Compliance and Regulation
• Financial Management
• Financial Products
• Human Resources
• Consumer, Business, and Real Estate Lending
• Management and Supervision
• Marketing and Sales

CUES Online University is a partnership between Credit Union Executive Society and Digital University, Inc. It is created especially for credit union employees and overseen by an advisory panel made up of credit union executives. CUES is more than simply online training. It also provides us with links to information about compliance, operations, legal and regulatory resources, and an online credit union related library. Taking advantage of all that CUES has to offer helps us increase our individual and collective industry competence, maintain regulatory compliance, and access various professional development opportunities in a flexible self-paced environment. Employees are encouraged to utilize this tool proactively to accelerate their personal professional development. It is accessible from any computer with an internet connection, even at home. See the CUES Online University website for additional details.

3: Internal Training
Watermark Credit Union provides a wide range of internal training opportunities designed to continuously increase individual and organizational competence. The general guidelines for structure, organization, and degree of difficulty (or sophistication) of courses is divided into the 4 levels described below:

The Identity Principle

The Competence Principle
3.a.i: On-the-Job Training (OJT) Program
This program furthers the work of CORE Training by pairing the learner with a Peer Coach when entering a new position. Peer Coaches receive specialized training on their role as a coach; the basics of adult learning, learning styles, communication, and adaptation of coaching techniques. They facilitate the learner’s transition from classroom to self-sufficiency. The OJT Program ensures consistent skill levels for all employees across the organization in similar positions. This consistency reduces variation and increases quality service for members, vendors, and internal customers. See the Watermark Training Course Catalogue for additional details.

3.b: Software Skills Training
The Training Department provides introductory and advanced, instructor-led software training courses for Microsoft Windows and Microsoft Office Applications. These courses enable employees to better use these business tools. See the Watermark Training Course Catalogue for additional details.

3.c: Professional Development Training
Competence is not only knowing how to do your job right, but also taking the initiative to continuously improve your skills, knowledge, and value to the team and yourself. The process of becoming competent never ends. We offer many internal opportunities for continuous professional development. The goal of our internal professional development program is to enhance writing, leadership, quality management, teamwork, time management, and process improvement skills. When we take the time to improve ourselves we will also improve our organization. See the Watermark Training Course Catalogue for additional details.

3.a: CORE Employee Job Skills Training
The CORE Training courses have been developed to ensure employee competence at the individual level. These courses are designed to teach the competencies described in each job description so individuals can safely, efficiently, and skillfully perform their job. See the Watermark Training Course Catalogue for additional details.

The board is responsible for hiring the CEO. Through open communication and appropriate delegation, they work with the CEO to develop the strategic direction of the Credit Union. They establish and regularly review governing policies to provide a framework for operations management, authority delegation, and organizational consistency. They also determine the Credit Union’s mission, values, strategic objectives, and measures of success.

Another responsibility of the board is to appoint a Supervisory Committee. The Supervisory Committee’s primary role is to inspect the Credit Union’s records for accuracy, its assets for security, and its procedures for proper handing and use of funds. This committee works with the Internal Auditor to fulfill its responsibilities and is also responsible for hiring an outside auditing firm to perform an annual review of our financial records and reports. This committee serves as a check and balance to Watermark Credit Union’s Board of Directors.

The Chairman of the board also can appoint “ad hoc” committees to work on major projects that have a limited timeframe.

Watermark Credit Union is very fortunate to have a core group of board members that have served the Credit Union consistently for many years. They believe in rotating and sharing the leadership duties of the board. They understand and exercise their roles and responsibilities, allowing our Credit Union to operate at a more efficient level.

Our Strategy
Watermark Credit Union’s Strategic Plan calls for assets to grow to $1 billion with a Capital Ratio of 9% by year-end 2012. These aggressive goals are necessary for the Credit Union’s long-term survival. By becoming a much larger and better-capitalized institution, the Credit Union will be able to remain competitive, implement the latest technologies and offer the products and services needed by our membership. We believe that credit unions with less capital or smaller than $1 billion in assets may not have enough resources to survive. During the past ten years, over 50% of the smaller banks and credit unions have either merged or gone out of business.

In order to reach $1 billion in assets by the year 2012, annual growth must average 12%. Watermark Credit Union plans to add five branches to the Puget Sound area within the next seven years. Membership is expected to grow to over 100,000 and the number of employees to increase from 160 to about 260. Although these growth goals are aggressive, they are reasonable based on our past experience.

Our Core Values
Credit unions have Boards of Directors that serve as trustees for the members. They have the responsibility to perform their duties in a fiduciary manner. This includes the following:

• Duty of Care – Responsibility to perform their duties in good faith with the care a prudent person would normally exercise.
• Duty of Loyalty – Responsibility to put the organization’s interests ahead of their own.
• Duty of Obedience – Responsibility to follow the organization’s mission and bylaws and to obey local, state, and federal laws.

These courses of are advanced difficulty offered to current or prospective leads, supervisors, and managers. They are offered to students interested in and qualified for professional development.

Expectations:
1. The students have the ability to do research, or to obtain relevant information in the field (libraries, web sites, credit union literature, etc.)
2. They are fluent in the language of the field so as to read and assimilate relevant information (prepare presentations)
3. They are able to produce some substantial work, such as a paper of “term paper” length, or a process improvement project

400-level course designation
These are highly specialized courses, seminars, or practicums. Prerequisites and a level of readiness are required for this advanced level work.

Board of Directors and Other Volunteers
Credit unions have Boards of Directors that serve as trustees for the members. They have the responsibility to perform their duties in a fiduciary manner. This includes the following:

• Duty of Care – Responsibility to perform their duties in good faith with the care a prudent person would normally exercise.
• Duty of Loyalty – Responsibility to put the organization’s interests ahead of their own.
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The board is responsible for hiring the CEO. Through open communication and appropriate delegation, they work with the CEO to develop the strategic direction of the Credit Union. They establish and regularly review governing policies to provide a framework for operations management, authority delegation, and organizational consistency. They also determine the Credit Union’s mission, values, strategic objectives, and measures of success.

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The Competence Principle

The Identity Principle

- 100-level course designation
  - These courses are broad surveys or an introduction to a discipline. They do not have prerequisites, unless it is a sequential course.

- 200-level course designation
  - These courses are of intermediate difficulty. They may or may not have prerequisites.

- 300-level course designation
  - These courses are of advanced difficulty offered to current or prospective leads, supervisors, and managers. They are offered to students interested in and qualified for professional development.

- Expectations:
  1. The students have the ability to do research, or to obtain relevant information in the field (libraries, web sites, credit union literature, etc.)
  2. They are fluent in the language of the field so as to read and assimilate relevant information (prepare presentations)
  3. They are able to produce some substantial work, such as a paper of “term paper” length, or a process improvement project

- 400-level course designation
  - These are highly specialized courses, seminars, or practicums. Prerequisites and a level of readiness are required for this advanced level work.

3.a: CORE Employee Job Skills Training
- The CORE Training courses have been developed to ensure employee competence at the individual level. These courses are designed to teach the competencies described in each job description so individuals can safely, efficiently, and skillfully perform their job. See the Watermark Training Course Catalogue for additional details.

3.a.i: On-the-Job Training (OJT) Program
- This program furthers the work of CORE Training by pairing the learner with a Peer Coach when entering a new position. Peer Coaches receive specialized training on their role as a coach; the basics of adult learning, learning styles, communication, and adaptation of coaching techniques. They facilitate the learner’s transition from classroom to self-sufficiency. The OJT Program ensures consistent skill levels for all employees across the organization in similar positions. This consistency reduces variation and increases quality service for members, vendors, and internal customers. See the Watermark Training Course Catalogue for additional details.
Pacific Northwest Bell (PNB). In the 80s, antitrust legislation forced the breakup of AT&T, the parent company of PNB. This breakup regionalized the telecommunications industry, and PNB became known as US West Communications Company. In 1982, the National Credit Union Administration (NCUA) announced that Federal Credit Unions could add “select employer groups” (SEGs) to their field of membership. In 1985, Seattle Telco FCU expanded beyond a single sponsor company and began solicitations of SEGs, which expanded the field of membership.

From 1985 to 2001, significant changes occurred in our products and services, delivery channels and field of membership. These are listed in the following timeline:

**A Brief Historical Overview**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>CUFS Board of Home Equity loans were introduced.</td>
</tr>
<tr>
<td>1986</td>
<td>Management growth through acquisition of the Bellevue FCU.</td>
</tr>
<tr>
<td>1987</td>
<td>Telco becomes one of the first FCS software vendors.</td>
</tr>
<tr>
<td>1988</td>
<td>Telco links FCU with Seattle Union, 90 days later.</td>
</tr>
<tr>
<td>1991</td>
<td>Telco enters expanded ONC.</td>
</tr>
<tr>
<td>1994</td>
<td>ONC expands expanded.</td>
</tr>
<tr>
<td>1996</td>
<td>Telco selected as one of the first FCS software vendors.</td>
</tr>
<tr>
<td>1997</td>
<td>Credit Union changes title to financial institution.</td>
</tr>
</tbody>
</table>
| 1998 | Telco forms a partnership with a state-chartered credit union.
| 1999 | Credit Union establishes new technology with TCU. |
| 2000 | Acquisition of Branches. |
| 2001 | September 11 terrorist attacks. |

**The Credit Union Today**

In September of 2001, Charles (Chuck) Cockburn was hired as the Credit Union's sixth and current CEO. Chuck came to our Credit Union with over 20 years of experience with four different credit unions. He brought with him a proven track record of successfully running large credit unions while providing high quality service to both the members and employees. Chuck believes in continuous organizational improvement and brought the Deming Philosophy of quality management to our Credit Union. Under his leadership, we have transformed into an organization obsessed with quality, which drives us to act as one team to continually improve processes using data. Our Credit Union strives to improve the quality of service for our members, as well as enhance and improve the work environment for our employees.

In 2001, the State of Washington granted us a statewide community charter, removing limits on our opportunities for growth. Since this time, we have continued to expand our membership through select employer groups and the establishment of a 10-year branch delivery plan. Our Bellevue, Redmond, and Lynnwood branches were relocated to accommodate growth and to better serve our members. In 2003, we changed our name from Seattle Telco Credit Union to Watermark Credit Union, reflecting the change in our field of membership. A “watermark” is a symbol of quality and, chosen as a name, does not limit us geographically like Seattle, or within an industry like Telco. A watermark also stands for security and excellence, which are qualities we strive to deliver to our members and employees.

The improvements that have been made since Chuck came to Watermark, along with the expectations for expansion and growth, are all part of the future of our Credit Union. We have established a goal to become a strong financial institution that can withstand both the anticipated and unforeseen events that will take place in the future. Under Chuck’s leadership, Watermark has created a long-term plan that will provide controlled growth, profit, and stability for our members and employees.

As a result, Watermark Credit Union developed the Supervisor’s Management and Development Training Program in 2003. The program includes sixteen sessions (each is three hours in length):

**Phase 1: Foundation Courses**

- Supervisor Training Orientation
- Communication Skills
- Effective Time Management
- Leading and Working in Teams
- Overview of Deming Principles and Process Improvement Theories

**Phase 2: Managing People Courses**

- Delegating
- Coaching
- Providing Feedback
- Conflict Management
- Motivating Others

**Phase 3: Business/Communication Courses**

- Problem Solving and Decision-Making
- Presentation Skills
- Planning and Scheduling
- Interviewing
- Basic Employment Law
- Project Management

**3.cii: Deming Quality Management Training**

Chuck Cockburn introduced the Credit Union to the Deming Quality Management Philosophy upon his arrival in fall of 2001. The Deming Quality Management Philosophy is based on the idea that employees take pride in their work and care about quality. Management must create a collaborative working environment with employees, working as a team to improve processes and eliminate waste. Employees understand processes because they work within them. Management is responsible for soliciting ideas for improvement and making the changes necessary to continuously improve every process.

A seventeen-session program was developed with the assistance of an external consultant and the first “Deming Quality Management Class” began in January of 2002. In this training program each participant completes numerous reading assignments, presentations, and a process improvement project. So far over seventy participants have graduated from the program. The seventeen sessions (each 3 hours in length) of the Deming Quality Management Training Program are:

- Advanced Deming Quality Management Orientation
- Constancy of Purpose
- The New Philosophy
- Ceasing Dependence on Mass Inspection
- Ending Lowest Tender Contracts
- Improving Every Process
- Instituting Training
- Instituting Leadership of People
- Driving Out Fear
- Breaking Down Barriers
- Eliminating Exhortations
- Eliminating Arbitrary Numerical Targets
- Permitting Pride of Workmanship
- Encouraging Education
- Top Management Commitment & Action
- Review of Process Improvement Projects
- Application of Deming Quality Management on the Job

**4: External Training/Conferences**

External training is provided using consultants, specialists, or organizations with special expertise in the subject matter. External training is used to obtain job-specific competencies. There are many different types (examples included):

- Conferences
- Shared Branching Conference
- Fraud Conference
- Novell Conference
- Connections User Conference
- CUNA Conference
- ACUOA Conference
- ACUOA Conference
- CUNA Management Conference
- Signature Guarantor Conference
- CUNA Mortgage Conference
- Business Services and Lending Conference
- FSU Conference
The Competence Principle

- Scanlon Leadership Network Conference
- NW Symitar User’s Group

4.b: Seminars
- Savings Bond Seminar
- Shared Branching Seminar
- Compliance Seminar

4.c: Webinars
- CFO Webinar

4.d: External training classes using consultants or vendors (on or offsite)
- Allied Solutions
- Balance
- Experian

4.e: Training available from membership of external organizations or associations
- CLNA Management School
- Washington Credit Union League
- ASTD
- Symitar

4.f: Certifications
- Novell Administrator Certification
- ACH Certification
- Training Specialized Certification
- Professional Human Resources Certification
- Auditing Certification
- Certified Public Accountant Certification
- Certified Internal Auditor Certification
- Human Performance Improvement Certification

5: Senior Leadership Training

Chuck Cockburn has a proven track record in developing the senior team members who work for him. Today’s organizations are faced with many challenges: the speed of project implementation, a need for more resources paired with the reality of cost cutting, lack of training for new leaders, and tired and stressed workers.

Organizations need leaders who focus on developing their people to manage these challenges.

Chuck Cockburn’s Senior Leadership Development includes the following:
- Determine who your leaders are
- Educate and train
- 360-degree evaluation (Assessment by direct reports, peers, and manager)
- Provide developmental assignments
- Promote from within

Leadership development is a serious investment in Watermark Credit Unions’ future.

4: The Identity Principle

Identity is the process of knowing ourselves.

We must know where our organization has come from, where we are now, and where we are going. When everyone is educated about the realities our business faces, we can all work together to improve the company and achieve our goals.

The Credit Union Movement

Credit unions have been unique depository institutions since they began in 1906. They were created as not-for-profit financial institutions with the purpose of serving members as credit cooperatives. The credit union movement has grown because hard working people wanted an alternative to banks, which often charge high fees and offer unfavorable rates. Credit unions have provided two basic services: a safe place to deposit money and a fair place to receive credit when needed.

Credit unions differ from banks because at a credit union, all members are owners. Each member has the opportunity to participate in the election of the Board of Directors, which governs the Credit Union. The role of the Board, in turn, is to represent the interests of the membership.

Our History

Over breakfast one day in 1938, Mr. Ted Baer delivered a 3-minute speech about credit unions to his coworkers at The Pacific Telephone and Telegraph Company in Seattle, Washington. They were so taken with the idea of a credit union that they decided to form one of their own and did so on May 23, 1938. Seattle Telco Federal Credit Union was the 60th credit union in Washington State, and the third one serving telephone company employees. Mr. Baer became the first elected treasurer, and the Credit Union opened with 178 members. The first loan was approved on June 6, 1938, to William C. Wilkerson. Each credit union director contributed extra money to the treasury in order to make the $65 loan for a set of golf clubs.

The original Credit Union office was located in the 911 Republic Building on 3rd Avenue, and Ethel Noll was the first CEO. She served the Credit Union until 1964, during which time Seattle Telco FCU increased its assets and membership base. The Board then hired Don Johnson to serve as the Credit Union’s second CEO. He served in this position through 1985. During his tenure, a few big events changed the face of Seattle Telco FCU. In 1977, the Credit Union constructed and relocated to the current headquarters building on 8th and Steward. The entire Credit Union staff and operations occupied the first floor of the building. Through the 70s, the Credit Union continued to serve the same single sponsor, known then as
A Letter From Your EPIC Design Team

October 3, 2005

Dear Colleagues,

Seven months ago, in March 2005, your vote created our team of elected and appointed members and mandated us to design a Scanlon Plan for the organization. Through many months of research, discussion, and development, we have created The EPIC (Equity, Participation, Identity, Competence) Plan. As we move towards our goal of becoming a billion dollar credit union by 2012, we will need to embrace change, growth, and staff participation. To achieve these goals we must all become more actively involved in the decision-making process. Throughout this booklet you will learn about what this plan means for our organization and how it will contribute to our continued success.

The EPIC Plan offers all of us the opportunity to be part of the growth and future of the Credit Union. The Plan defines the way we utilize everyone’s expertise to improve the company and offers us a share in its financial gains. Most importantly, its implementation allows us to continuously make Watermark a better place to work.

We are excited to present you with your copy of The EPIC Plan. As you review the Plan you will notice it is divided into four sections; the principles of Identity, Participation, Equity, and Competence. The principles work together to contribute to the success of the Plan.

On October 10, 2005, you will be voting whether or not to implement the Plan. With at least 80% staff approval, we will move forward with The EPIC Plan. We strongly support The EPIC Plan and encourage you to carefully review this booklet, ask questions, and cast an educated vote.

Sincerely,

Your Design Team

EPIC Plan Principles and Processes Training

We will develop courses to educate employees about the Principles and Processes of the Watermark Credit Union EPIC Plan. This approach ensures that each person is skilled and knowledgeable in the EPIC Principles and Processes to effectively implement the EPIC Plan.

All staff will receive training on:
- EPIC 101 – Scanlon History & EPIC Principles Overview
- EPIC 102 – The Suggestion System
- EPIC 103 – Introduction to Business Literacy

All staff leading or working on teams/committees will receive a combination of the following training courses:
- EPIC 210 – Active Team Participation (already in place)
- EPIC 310 – Leading & Working in Teams (already in place)
- EPIC 311 – Review & Screening Committees Roles & Responsibilities

The competencies learned in each course are:

a: EPIC 101 – Scanlon History and EPIC Principles Overview
- The history and origins of the Scanlon/Frost principles
- The Scanlon/Frost principles and processes
- The role of the Scanlon Leadership Network
- Review of Watermark’s EPIC Plan and discussion of how we will implement the four principles:
  - Equity
  - Participation
  - Identity
  - Competence
- How our EPIC Plan will complement and strengthen our commitment and implementation of Deming Quality Management
- Why do we need to change?

b: EPIC 102 – The Suggestion System
- Why employee input is so important as part of the EPIC Plan

The Competence Principle
- Overview of the Suggestion System
- How to use the Suggestion Form
- The lifecycle of a suggestion
- Appropriate suggestion guidelines
  - What is appropriate
  - What is inappropriate
- How to make a good business case for your suggestion
- Suggestion feedback (approval, decline, changes to suggestions)
- Appealing Suggestion System decisions

c: EPIC 103 – Introduction to Business Literacy
- Watermark Credit Union Strategies and Objectives
- Our Business Model
- The Pathway to ROA
- Our Critical Measures
  - Financial, Member, and Employee
- The purpose and use of SWOT Analysis
  - Strengths, Weaknesses, Opportunities, and Threats
- How we use data to make decisions
  - Scientific data collection and interpretation in process improvement
  - Organizational strategic decisions based on Raddon reports
- How to read Watermark Financial Reports

d: EPIC 210 – Active Team Participation
- The PDCA Cycle
- Conway Process Improvement Methodology
- Our Process for Managing Change
- Team Roles & Responsibilities
- Team Leader’s Guide to Success
- Meeting Ground Rules
- Post-meeting Process Checks

e: EPIC 310 – Leading and Working in Teams
- Team Orientation
- Power and Influence in Teams
- Team Production and Feedback
- Characteristics of Best and Worst Teams
- What Makes a Successful Team
- Stages of Teams
The constant demand for improvement and change insists we continuously learn and improve ourselves professionally, personally, and organizationally. Through competence we will provide higher quality service to our members and continuously improve our processes. As we become more aware of improvements, we will achieve the goals of the EPIC Plan.

f: EPIC 311 – Review and Screening
Committees Roles and Responsibilities
- The Election and Appointment Process
- Guidelines for Appointments, Elections, and Team Budgets
- Chartering Improvement Teams
- When to do Research
- Decision-Making Process

The Competence Principle

Table of Contents

Page 2
A Letter From Your EPIC Design Team

Page 3
The Identity Principle
The Credit Union Movement
Our History
Board Of Directors and Other Volunteers
Our Strategy
Why We Need To Change
EPIC Plan Overview

Page 7
The Participation Principle
Watermark Organizational Roles
Suggestion Process
Roles For Team & Committee Members

Page 14
The Equity Principle
Equity Triangle
Accountability
Gainsharing
Eligibility
Distribution
Reserve Account
Example of Gainsharing Distribution Calculation
Formula Review
Fairness System

Page 18
The Competence Principle
Competence Overview
Personal, Professional, and Organizational Training
EPIC Plan Principles and Processes Training

Page 25
EPIC Plan Evaluation Process
**EPIC Plan Evaluation Process**

The EPIC Plan will be evaluated every six months for the first two years, and annually thereafter.

Upon implementation, the Design Team will be dissolved and an EPIC Plan Evaluation Committee will be chartered. The Evaluation Committee will consist of the members from the Participation, Equity, and Competence subcommittees, the Screening Committee Leader, and the EPIC Coordinator.

For the first year of the Evaluation Committee, one elected member from each subcommittee will serve a one-year term, and the other will serve a two-year term. After the first year, all terms will be two years in length. As each elected committee member’s term expires, an employee vote will be held to elect a new or incumbent member. Appointed committee members are selected at the discretion of Senior Management.
SCANLON PLAN COMMITTEE STRUCTURE

**Productivity Committees** – Consists of Department Manager and two or more elected employees. They meet monthly and review all suggestions received. They discuss and approve or disapprove each suggestion. Ideas that cost more than they can approve or that require coordination with another department are forwarded to the Screening Committee or the proper authority.

**Screening Committee** - Consists of selected top management and representatives from the Productivity Committee. Their first function is to meet monthly and act on all suggestions forwarded for approval by the Productivity Committees. They also review disapproved suggestions and may reverse the decision.

Their second function is communication. The Committee keeps the organization aware of productivity results, announces gain-sharing bonuses and explains why a bonus was made or not made. The Committee ensures all disapproved suggestions are explained to the employees who submitted the idea.

**Ad Hoc Design Committee** – Consists of elected employees to work with management in developing a specific proposal for implementing a Scanlon Plan. The criteria for membership include trustworthiness, reputation for fairness and competence to represent constituents. Their primary goal is:

The creation of a rational working environment that recognizes the dignity of each member and challenges the potential of every member in achieving the organization’s mandate.
**Review Committee Nomination Form**

Please fill out the form in the spaces provided. When the form is complete, save it and email it as an attachment to the plan coordinator.

<table>
<thead>
<tr>
<th>Name:</th>
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<tbody>
<tr>
<td>Department:</td>
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<tr>
<td>Job Title:</td>
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<tr>
<td>Length of Time at Credit Union:</td>
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</tbody>
</table>

**Why someone should vote for me:** (Education, experience, etc; 400 word limit please)
Screening Committee Nomination Form

Please fill out the form in the spaces provided. When the form is complete, save it and email it as an attachment to the plan coordinator.

Name: 

Department: 

Job Title: 

Length of Time at Credit Union: 

Why someone should vote for me: (Education, experience, etc; 400 word limit please)
Fairness Committee Nomination Form

Please fill out the form in the spaces provided. When the form is complete, save it and email it as an attachment to the plan coordinator.

Name: ____________________________

Department: _______________________

Job Title: _________________________

Length of Time at Credit Union: _________

Why someone should vote for me: (Education, experience, etc; 400 word limit please)