Blueprint

BANKING BUILT FOR YOU

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The INS & OUTS of EXPORTING

Expand overseas with a long-term plan and a network of trusted allies

Solving the Health Insurance Puzzle
Educate your employees to make smart choices about their health coverage

Global Growth, Demystified
Set the stage to profit from exporting your products or services

Peer Exchange: Win the Innovation Game
Nimble leaders share how they beat bigger competitors

BBVA Compass

Staying Ahead of Change

Change is inevitable. At BBVA Compass, we work with our clients to anticipate change and help them adopt a proactive strategy.

Internally, we have two members of our executive team who will help the bank meet the varied needs of our clients. William Helms is the senior executive vice president and head of BBVA Compass' Wealth Management Group. Bill joined Compass Bank in 2003, and has 35 years of experience in financial services and proven leadership in serving high net worth clients. Shelaghmichael Brown is the executive vice president of Consumer Finance. She has over 30 years of experience in banking, and is responsible for managing, developing and implementing strategies designed to grow the company's retail banking operations.

In this issue of *Blueprint*, the theme of staying ahead of change resurfaces on page after page. In "Solving the Healthcare Puzzle" (page 12), we explore the evolution of group health insurance and how the growth of consumer-driven care affects your ability to preserve employee morale as your workers face rising medical bills. More than ever, business owners need to educate their workforce on the role of health insurance and offer a variety of plan choices based on employee input.

In "The Ins & Outs of Exporting" (page 8), we address another change that's afoot: An increasing number of American firms are exporting their products and services. From widgets to information technology, U.S. business owners are embracing exports as a core component of their long-term growth. Banks with a global presence, such as BBVA Compass, are ideally suited to advise you as you expand your exporting activities.

In this volatile economic environment, leadership matters more than ever. It's easy for CEOs to look smart during a boom. But as we discuss in "Calling All Leaders!" (page 5), your challenge is to articulate a vision for your employees during the unpredictable year ahead and sharpen your communication skills to guide their success.

Please e-mail me at blueprint@bbvacompass.com with your comments, questions and ideas.

Thanks for reading,

George Boltwood
Vice Chairman
Corporate Banking Executive
BBVA Compass

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COVER STORY

Features

Departments

ON THE COVER: VEER. THIS PAGE: JUPTIER IMAGES.

BBVA Compass
15 South 20th Street
Suite 1303
Birmingham, AL 35233
Fax: (205) 297-7671
E-mail: blueprint@bbvacompass.com

HARNESSING THE POWER OF THE EXPERT TEAM

BBVA Compass and BBVA NY collaborate to fill client needs

As a business grows, its relationship with its bank grows as well. After a commercial client opens a savings and checking account, their needs can evolve to include financing, letters of credit and international transactions expertise.

Banks that offer a complete package of services wield an advantage over financial institutions that lack the depth and breadth to accommodate visionary entrepreneurs. Owners of fast-growing companies gain peace of mind from a bank that combines diverse products and services with financial strength and a healthy balance sheet.

BBVA Compass provides a case in point. As part of the BBVA Group, it enables local business clients to tap the resources of a global powerhouse with more than $750 billion in total assets and 8,000 branches in more than 30 countries.

> **The collaborative relationship between BBVA Compass and BBVA NY paves the way for protecting business clients from financial risk.**

One of the many resulting synergies is the collaboration between BBVA Compass and BBVA New York (BBVA NY), a unit of the BBVA Group. They work together to develop wide-ranging solutions to the challenges that thriving businesses face in a global economy.

BBVA NY consists of both a brokerage house (BBVA Securities, Inc.) and a full branch operation of BBVA for commercial clients that includes corporate banking, trade finance and

ISTOCK PHOTO

treasury-related activities. Through their local bankers, BBVA Compass clients in the U.S. are increasingly capitalizing on BBVA NY's menu of services.

"There are many cross-servicing opportunities between BBVA Compass and BBVA NY," says Howard Freeman, chief executive of BBVA Securities. "For example, we're a big player in the foreign exchange arena. If a BBVA Compass client has a need for foreign exchange or hedging services, for cross-border business between the U.S. and Europe or South America, our large footprint makes us well positioned to help."

Open Doors To Raise Capital

Large and midsize companies that bank with BBVA Compass may need to raise large amounts of capital. These companies can benefit from BBVA Group's size and credit quality to achieve their funding goals.

Thanks to the collective expertise of BBVA Compass and BBVA NY, business owners gain wider exposure to an assortment of risk management tools and access to capital through many attractive options.

As a registered broker-dealer in the U.S., BBVA Securities can help underwrite both fixed-income and equity transactions for businesses seeking to raise capital. In 2008, BBVA NY participated in more than 10 deals in which BBVA Compass business clients sought to issue either bonds or stock.

"Through our underwriting capabilities, BBVA Compass clients can come to market," Freeman says. "They can keep everything within the BBVA Group rather than having to start a relationship from scratch with another bank."

Cross-Border Cash Management

The collaboration between BBVA Compass and BBVA NY benefits BBVA Group's commercial clients around the globe. An American company that seeks to sell its products or forge partnerships in Europe can open a deposit account overseas within the BBVA family of banks. BBVA NY can facilitate the process and harness BBVA's worldwide contacts to pave the way for the client's international presence.

Conversely, a business in Mexico with an account at BBVA Bancomer can ensure payments flow smoothly as they enter the U.S. market. BBVA NY's ability to provide mutual referrals that help global businesses address their cash management needs represents yet another outgrowth of BBVA Group's synergy.

> "Through our underwriting capabilities, BBVA Compass clients can come to market. They can keep everything within the BBVA Group rather than having to start a relationship from scratch with another bank."
>
> *—Howard Freeman, chief executive of BBVA Securities*

Speaking of doing business abroad, a U.S. firm that banks with BBVA Compass may need to guarantee payment for a particular shipment of goods to a foreign market. Through BBVA NY and BBVA Group's vast operations overseas, the firm can secure a letter of credit or other financing options through BBVA's trade finance capabilities.

Additionally, the collaborative relationship between BBVA Compass and BBVA NY paves the way for protecting business clients from financial risk. Consider a U.S. company that grows tea on its own farms around the world. Some of its global operations may reside in a volatile risk environment.

In those countries where it farms tea, the company would be subject to a devalued dollar versus the local currency. BBVA can help hedge that currency risk. In addition, it can protect the company from wild price swings triggered by a natural disaster. Commodity derivatives would enable the tea grower to buy a guarantee of a certain amount of product at a certain price at a future date. ■

A Case Study in Synergy

For years, Andy Wykstra sought to woo a regional healthcare company based near his BBVA Compass office in Flagstaff, AZ. In early 2008, Wykstra and relationship manager Josh Rice got in the door by helping the company pay off debt with a tax-exempt loan.

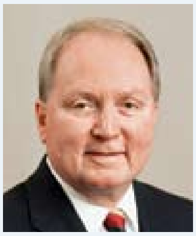
After successfully closing that deal last summer, the relationship deepened when Wykstra, BBVA Compass' district executive for Arizona Community Banking, learned that the company required a letter of credit to guarantee a bond issue. Wykstra and Manolo Sánchez, then Community Bank head and current president and CEO, contacted BBVA NY for help.

Thanks to BBVA NY's financial expertise, strong credit ratings and favorable terms for structuring the deal, it promptly outbid two competitors to earn the business. As a result, the healthcare company has moved all its banking services to BBVA Compass.

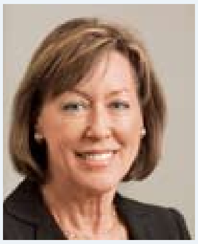
"Within 10 days of my contacting BBVA NY, we had approval for the deal," Wykstra says. "With a BBVA NY letter of credit backing up its bond, the company gained cheaper cost of funds. And we were able to meet all their other banking needs—from deposit accounts to treasury management services. It was a win-win for all involved."

BBVA Compass Leaders Envision Tomorrow's Business Model

The Future of BANKING


Haines


Murray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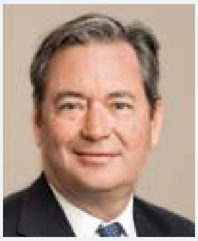

Hutt

At some point, financial markets will always recover. Relative stability will displace today's high levels of volatility and uncertainty. When the dust settles, how will your relationship with your bank change?

Blueprint asked four BBVA Compass executive vice presidents to analyze the future of banking: Randy Haines, commercial banking executive, Billy Murray, director of corporate business development, Joan Baraba, corporate products and services manager and Doug Hutt, corporate banking executive. They discuss how business owners can expect financial institutions to evolve and how today's most well-positioned banks can thrive in tomorrow's marketplace.

BP: Over the next decade, how will banks conduct business differently?

Haines: There will be a lot of industry consolidation. The difference at the top end—at the larger banks—will be in delivery channels. In the future, banks that thrive will strengthen their capabilities within the market where the client is located. Tomorrow's banks will also have the technological capabilities to serve clients who choose to do their business by computer.

Murray: The smart banks will not only provide better technology tools to consumers, but they'll also go back to basics in what they offer. They will help clients get credit so they can grow their businesses and help hedge risk by using simple, straightforward products.

Baraba: I think banks will re-think what they do, why they do it and how they do it. Take payment processes—the payments business is over $200 billion in the U.S., but it's a very fragmented business. That makes it harder for banks to connect with their clients and control costs. In the future, banks will be more aware of the larger picture and commit as an industry to getting it right in terms of more efficient, integrated systems.

BP: How will today's downturn affect banks' efforts to serve clients?

Hutt: Many financial intermediaries—not just commercial banks but also investment banks, mortgage companies and credit unions—have over-leveraged themselves. The lineup will change as some of these intermediaries either go away or stay on the sidelines. Those that survive will invest in better systems and technology to improve client services, so clients can ultimately come out of the downturn with better access to best practices.

Murray: We'll come out of this with a fresh recognition of the fundamental value of the business relationship.

Hutt: More than ever, capital is king. Capital and stability go hand in hand, and stability is the order of the day. That plays to BBVA's core strengths of depth and financial strength.

BP: BBVA Compass is launching services that America's biggest banks offer. Do you expect regional banks to compete more aggressively with larger banks?

Haines: Yes. The distinction between larger banks and local community banks will become more pronounced. Some local banks will not be able to keep up with the much greater capabilities and expertise that the bigger banks will possess. BBVA Compass will be one of the larger banks even as it remains connected to the community. We'll continue to deliver our products and services at the community level for our commercial client—with bankers in these communities who can bring to bear all of BBVA's global capabilities.

Baraba: Our clients are looking for a complete set of financial tools. As they focus on being more efficient, they won't want to buy a stand-alone service from a bank. Instead, they'll need a more integrated relationship with their banking partner and products that build on and compliment each other.

Hutt: I agree you'll want to have a longstanding relationship with your bank. Working with a smart banker who understands your business will be more important than ever, especially a local banker who understands why now might be a great time for you to expand to a new location or invest in new technology.

Murray: To build on what Doug said, we've all seen down cycles. Clients understand they need liquidity to maneuver in different markets and access to capital from a bank that they can trust through all kinds of market swings. A local bank can understand local industries better and the risks associated with those industries. At BBVA Compass, we're launching specialized groups that target certain industries. We already have an energy group in Houston and we're developing other groups that allow us to provide a greater depth of services to our clients in specific industries. We're also building our syndicated finance unit to structure more sophisticated lending relationships with our larger business clients.

BP: How will regional banks manage their future investments in new products and services?

Haines: Given the rapidity of change in our business, banks will need to be planning and investing ahead. Technology is a big part of that; it will become more and more relevant. Relationship banking will be heavily supplemented by technology such as online capabilities. The banks that put sophisticated services online will stay out in front. At BBVA Compass, we're constantly harnessing technology to help clients. For instance, we're launching an online platform to speed the processing of client applications for international letters of credit.

Murray: Banks must make smart investments in technology to further enhance client service. We're certainly doing that. What BBVA Compass also has that other regional banks don't necessarily have is our global presence and financial strength. BBVA Group operates in over 30 countries and is among the top ten global banks in market capitalization. So we can support our local clients with both stability and global resources.

Hutt: In the future, I like to think clients will view their bank as an important financial partner, not simply as a vendor. For the mid-market business owner, BBVA Compass embodies a new model for client relationships based on what we call "blending the best." We're blending the best of our organization's with local geographic presence, operations and decision-making with a large global player and its access to capital, technology and expertise in overseas markets.

BP: To what extent will the current recession change clients' attitudes about dealing with banks?

Haines: Clients will more clearly see the value of nurturing a solid relationship with a local banker backed by a highly capable and technologically advanced financial institution. At BBVA Compass, we not only have the capability to serve the customer on a local level, we can call upon BBVA Group's vast array of national and international resources to support a particular client's needs. But the key will be building a trusting relationship at the local level—that's going to be more critical than ever.

Baraba: It's not a matter of if, but when—even smaller businesses will have cross-border needs like international payments—and I think clients will expect their bank to have an international presence. BBVA Compass understands what it takes to meet those requirements on a small or large scale. ■

CORBIS

WIELD POLITICAL INFLUENCE THE EASY WAY

As recently as 1996, many business owners expressed apathy for politics. In the run-up to that year's presidential election, a survey found that nearly 40 percent of owners of small and midsize businesses believed it didn't matter who won.

Today, it's harder to ignore politics. The range of issues that directly affect business is greater than ever—from taxes to trade policy to minimum wage laws.

Fresh from an historic presidential campaign, many business owners are more politically engaged than ever. While pockets of indifference remain, it's more common for entrepreneurs to develop strong views about how elected officials can and should help them prosper.

Yet relatively few business owners know how to flex their political muscle and make their voices heard. Unwilling to dive in fully and proclaim themselves activists, the vast majority of them yearn to exert more influence but cannot devote the time, energy or money they assume it takes to make an impact.

One of the easiest, low-cost ways that you can sway local, state and federal politicians is to open a dialogue with them. Introduce yourself and your company to their aides by sending a fact sheet about what you do, how many people you employ and the issues you care about most.

Invite politicians or their representatives to tour your facility. Take an inclusive approach and offer to host dignitaries from across the political spectrum.

By taking the initiative to contact reporters, you may find that they call you as a source for future stories.

Don't let your biases cloud your business sense: You want to open doors with all key officials, even those who may belong to what you deem an opposing party.

By conveying the concerns that you and your employees share—from the economy to energy to healthcare—

you position yourself as a conscientious member of the business community who wants to participate in the democratic process. It also helps if you emphasize that your employees track politicians' voting records and frequently exchange ideas and insights about relevant issues.

At the same time, cultivate relationships with journalists. When you read an article in a local or national newspaper, write a letter to the editor or e-mail the reporter directly with your feedback and opinion.

While it's fine to criticize the coverage, you can wield more influence by striking a positive tone. For example, make an important point that supports the thesis of the article. Or cite your in-the-trenches business experience and express your views about controversial political issues.

By taking the initiative to contact reporters, you may find that they call you as a source for future stories. Your comments can shape public opinion in a more direct way, especially if your quotes appear in the final article.

Political officials—and their aides—gauge public sentiment in part by reading the newspaper. Your willingness to work with journalists on topical articles can prove just as powerful as writing a letter to a member of state or national government.

Read editorials on the newspaper's opinion page as well. When these editorials address hot-button issues such as business regulation, health insurance or taxes, contact the editorial page editor and express your views.

As a result, you may get a call from an editorial board member to discuss your opinions in more detail. That can sway the tone and position of the next editorial on that topic in your favor. ■

Model Firm

Leadership In Shaky Times

If you browsed the business section of a bookstore 20 years ago, you might see a handful of titles on leadership. Today, you can choose from dozens of books that explore different aspects of how to lead.

Why the surge in interest in leadership? John Kotter, a professor at Harvard Business School, attributes the increasing importance of this topic to the rapidity of change. As product life cycles shrink, information systems advance and customers complain with more frequency, senior executives must spend larger chunks of their day leading employees to overcome adversity, deliver exceptional service and embody the company's core values.

GETTY IMAGES

Leading is easier in prosperous times. But in the current unpredictable economic climate, gaining buy-in from the rest of the organization and winning them over to your vision for a better future can require extraordinary effort.

At its core, leading is communicating. Your ability to listen attentively and speak dynamically can help you forge alliances and isolate resistors.

To develop your listening skills, adopt a "teach me" mentality. Shove aside what you want to say so that you can concentrate fully on others. That enables you to observe speakers more closely as well as listen to their words. If a technician says, "I can fix this problem" while grimacing and fidgeting with uncharacteristic nervousness, the non-verbal cues can prove as revealing as the words you hear.

Because managers typically confront many challenges at once and must render dozens of decisions on the fly, they may make a halfhearted effort to listen while fretting about the future or dwelling on past mistakes. Employees are left thinking, "My manager's mind is elsewhere."

In a crisis, people seek cues by watching how their bosses act. If managers maintain their composure and show confidence, it has a soothing effect on everyone else. Leaders who level with employees and guide them with a steady hand can earn their trust.

When they speak, leaders convey assuredness and forcefulness. Some of the most persuasive communicators convey grace with their soft but clear voice, emphatic gestures and vivid word choice.

To speak with enthusiasm, organize your thoughts beforehand. Take a few seconds to identify your goal—the overriding message you want to plant in your listeners' heads. Then select three supporting points you want to make to add heft to your remarks and sway skeptics.

By thinking in threes, you provide a roadmap that your employees can use to follow your train of thought. They are more apt to retain your main message if they find your three pieces of support simple and compelling.

BEATING BIGGER RIVALS in the INNOVATION GAME

ISTOCK PHOTO

In this feature, an executive presents a business challenge he or she faces and we ask other business leaders to share their experience grappling with a similar problem.

ED ROGERS
President, FoodSource Lures
Birmingham, Alabama

We want to differentiate our fishing and hunting products from bigger players in our industry. We also want to educate retailers and the end user about what we offer and why it's superior. This is especially challenging because larger competitors can make claims about the alleged environmental benefits of their products. Our products truly are environmentally advantageous, but our smaller marketing budget makes it harder for us to prove our case.

We can't outspend bigger competitors that tout their products. And we would rather not litigate false claims. What's more, bigger companies can't always innovate the way smaller companies can (for fear of cannibalizing their existing products). They face "the innovator's dilemma," but we don't.

JEREMY CLARK
President, FXX Inc.
Mountain View, California

Many small businesses face rivals who can outspend them and make claims proportionate to their larger scale. The logical counter is to stress the advantages you can deliver such as personalized service and localization.

In marketing my strategic growth and innovation firm, I've found there's a benefit to establishing enduring, continuing relationships with customers. I can offer a personal touch that larger consulting firms can't. In my field, clients can get the bait-and-switch where larger firms deploy their most sophisticated, senior-level expert on the front-end to do the selling. But the team that arrives later to do the actual work is filled with junior-level folks. I emphasize to clients that I'm the guy who shows up to do the work so that there's no risk my customer will get passed to a support team.

Localization also works to my advantage. Many of my clients appreciate having someone close by. People know you can be counted on to be present in your community—and that your understanding and deep connection with the needs of local customers set you apart. Even if you're selling across the nation or abroad, the fact that you're rooted in your community shows that you're close to the end customer.

I also think a smaller, more innovative firm can enliven its marketing with personal stories about its founder. Such stories have great appeal. My clients tell me that my success stories are a particularly powerful part of my approach. They like when I illustrate how my satisfied clients have benefited from sensible adaptations of a new mindset. Business owners who share stories about how their inventions came about or how they harnessed creativity to solve a problem can win over more customers.

“Business owners who share stories about how their inventions came about or how they harnessed creativity to solve a problem can win over more customers.”

—Jeremy Clark

SHANNON RILEY
President and CEO
One Stop Environmental
Birmingham, Alabama

We bid on government work against companies with 80,000 employees. We have 45 employees. These big competitors talk about their large size as if it's an advantage to the customer. They also talk about how their list of equipment is longer than ours.

But in terms of emergency response and industrial services that we provide, we serve the local market better because we can arrive at a customer's site more quickly with more equipment and more people. Our bigger competitors may have more equipment, but it is spread across the nation. Ours is local and more accessible for the immediate need; we also have resources to fill in the gaps.

A small business like mine can also compete more effectively for value-conscious customers, who are often happy to trade off a recognized brand name for reduced cost. Smaller customers often fall into this category, but so do larger firms seeking cost control (such as food manufacturers—historically a narrow-margin business—or semiconductors where expense efficiency is a deeply held principle).

It's rare for a woman to be running a business in our industry, so I get a lot of media attention. There have been numerous articles about us. That's another way we're able to stand out from our bigger competitors.

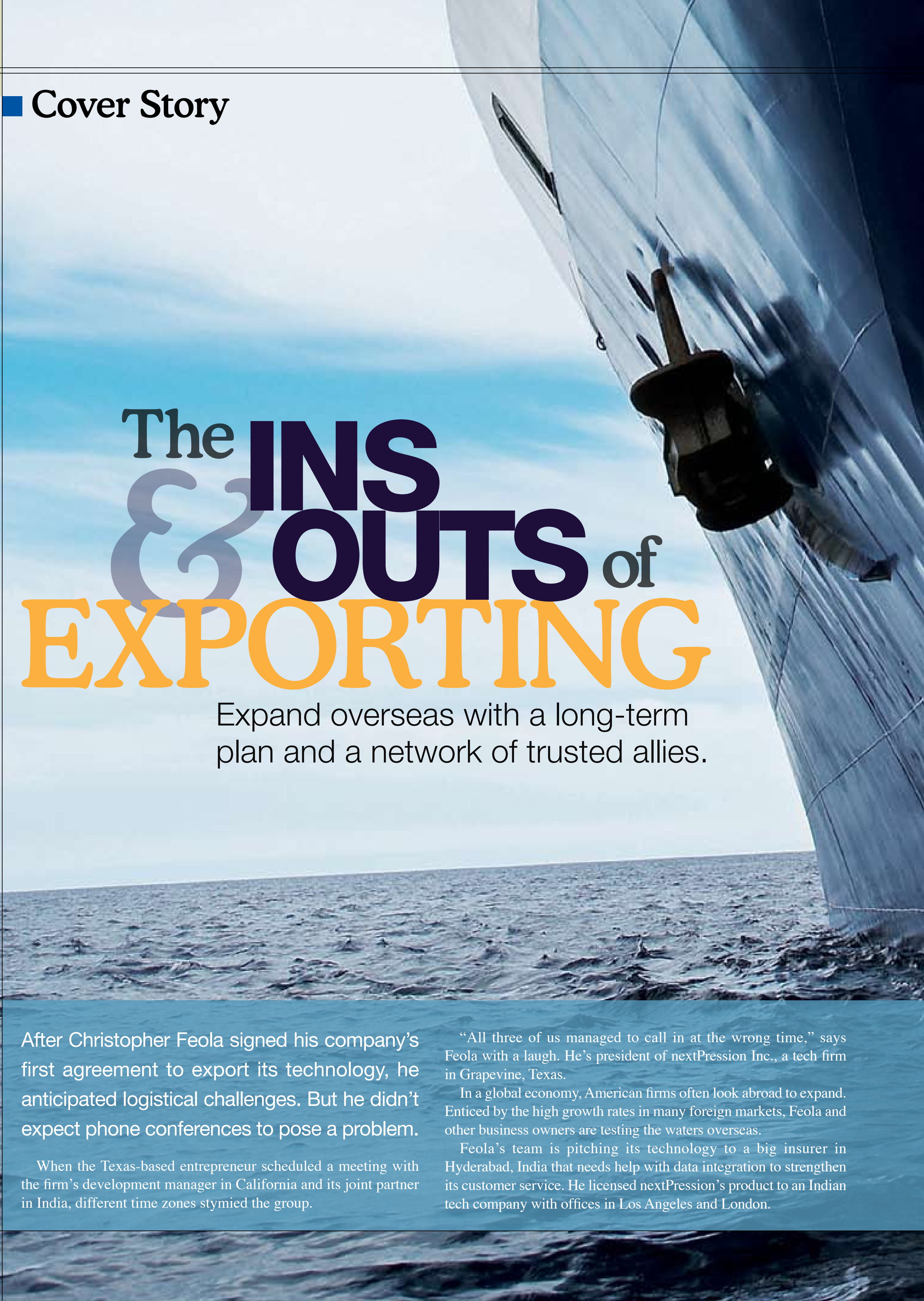
MARK FORST
President, A.M.E.'s Uniforms
Fort Lauderdale, Florida

Our largest competitor is a corporation with $4 billion a year in sales. That dwarfs our $8 million in sales. Our customers are U.S. Post Office employees. There are 450,000 uniformed employees and each of them gets an allowance from the Post Office to buy his or her uniforms. We don't try to outspend our largest competitor on marketing. But we keep taking market share away from them because we lure away their best sales representatives. (Almost all of their sales reps are independent contractors so there are no non-compete issues.)

We've been around 10 years and we have a reputation for great service. We can't pay our sales reps more than our competitor, but the salespeople know we provide better service. And they want to work with us because they don't want a bunch of calls at night from customers asking, “Where are my uniforms?”

We're good at finding sales reps who are dissatisfied working with our larger competitors. Once we hire a sales rep from a competitor, that person will typically refer three others from his former company to come over to us. ■

“Once we hire a sales rep from a competitor, that person will typically refer three others from his former company to come over to us.” *—Mark Forst*



The INS & OUTS of EXPORTING

Expand overseas with a long-term plan and a network of trusted allies.

After Christopher Feola signed his company's first agreement to export its technology, he anticipated logistical challenges. But he didn't expect phone conferences to pose a problem.

When the Texas-based entrepreneur scheduled a meeting with the firm's development manager in California and its joint partner in India, different time zones stymied the group.

"All three of us managed to call in at the wrong time," says Feola with a laugh. He's president of nextPression Inc., a tech firm in Grapevine, Texas.

In a global economy, American firms often look abroad to expand. Enticed by the high growth rates in many foreign markets, Feola and other business owners are testing the waters overseas.

Feola's team is pitching its technology to a big insurer in Hyderabad, India that needs help with data integration to strengthen its customer service. He licensed nextPression's product to an Indian tech company with offices in Los Angeles and London.

KEY TAKEAWAYS:

- Cultivate your international distributors and customers. Speak their language and adapt to their culture.
- Seek advice from experienced exporters and enlist a bank with a global presence that can help you build relationships abroad and assess foreign markets.
- Treat exporting as a long-term investment in business growth rather than a temporary reaction to slumping domestic markets.

A former globetrotting journalist, Feola is accustomed to overcoming cross-cultural barriers. His travels through Asia taught him not to mistake politeness for agreement.

"You have to be cautious about cultural issues when doing business overseas, but you also need to bring the same focus to every sale," he says. "No matter where you are, you need to understand the customer's problem and make a strong case to show how you will solve it."

An American company that lays the groundwork to export its products or services can expect speed bumps along the way. Financial and regulatory requirements, coupled with the need to forge alliances with distributors and other partners in foreign lands, can cause initial delays and cost overruns.

Successful business owners begin exporting as a long-term investment in growth. They brace for early hiccups and persevere while building a reliable network of relationships abroad.

Impatient executives, by contrast, tend to give up after a few quick disappointments. They may conclude that the initial headaches of exporting don't outweigh the familiarity of sticking with an established pipeline of domestic sales.

But by assembling an experienced team of advisors and devising a sound strategy for international marketing and distribution, you can enhance your competitive advantage and fortify your brand on a wider scale. Enlisting experts in logistics planning, financing and global marketing and licensing can reduce the odds of difficulties.

The first step is to draft a business plan for the foreign markets you seek to enter. Conduct the same "SWOT analysis" (to identify strengths, weaknesses, opportunities and threats) that characterizes your domestic strategic planning. Research the changing demographics of your target export market and list its pros and cons along with key variables that can affect your results.

Beware of assumptions that can lead you astray. The fact that your product or service generates strong sales in the U.S. (or in a particular international market) does not guarantee that its success will carry over into another country. Scrutinize each market on its own merits.

Round Up the Right Allies

If you're starting to export your company's goods and services, you're not alone. The dollar's relative weakness enabled surging exports to buttress the U.S. economy for much of 2008.

In July, total exports of $168.1 billion took some economists by surprise. July exports were $5.4 billion more than June. The sectors showing the greatest increases in exports were industrial supplies and materials, automotive vehicles and parts and capital goods, according to the U.S. Department of Commerce.

In a year with a severely troubled housing market and slumping business investment, the high level of exporting activity injected much-needed life into a declining economy. While it's possible that slowing growth overseas will reduce demand for U.S. goods and services, the opportunities remain attractive.

"More Americans are exporting because the dollar is weak," says Giampaolo Consigliere, an executive vice president at BBVA Compass who heads its International Corporate Banking Division in Houston. "In this environment, it's more expensive to travel to a place like Italy, but it makes it easier to export because it's cheaper for Europeans to buy American."

When dipping your toe into exporting, you may initially worry about doing business across an ocean. The chances for mishaps, misunderstandings and payment disputes can stoke your anxieties.

To allay your fear, seek advice from experienced business owners who have a solid track record of exporting. You can connect with knowledgeable executives by attending international banking seminars or educational sessions hosted by the Export-Import Bank of the United States.

To lay the groundwork, invite seasoned exporters to share their impressions of foreign markets. Ask them, "What countries could I feel comfortable doing business in—and why?"

Probe to find out which banks they recommend in a given country. If you're going to accept a letter of credit, for example, find out from experienced exporters which banks are well positioned to take that risk and work with you.

"Some Americans have misconceptions about exporting," Consigliere expands. "It's important to get an accurate understanding of the risks involved and how to mitigate those risks. If you're unsure about the foreign clients or distributors you're dealing with, there are steps you can take to reassure yourself."

If your financial institution has a presence in the countries where you intend to export, you can tap its overseas network of bankers and financial advisors. At BBVA Compass, its trade financing experts can discuss options for how you can finance your exporting transactions or enter into a sales contract. And its team of international economists publishes quarterly analyses of currency fluctuations and other trends that may affect your decision to sell abroad.

"With BBVA Compass your buyer can be our bank's client," Consigliere says. "That puts us in a position to help secure payment on your behalf and mitigate payment risk."

Stronger Relationships, Fewer Problems

The success of any business transaction revolves around relationships. Whether you deal with a neighbor or a buyer halfway around the world, mutual trust brings parties together to pursue a shared interest.

But you cannot operate solely on trust. If customers prefer to set payment terms rather than provide cash upfront, you may require that they sign a legally enforceable document in that country.

"Make sure to write documents so

Test Demand Before you Ship

In local markets, you can gauge demand for your product or service by offering trials, samples or pilot programs. These simple steps are often more costly and complex to stage in a foreign country.

Testing is especially crucial when you export. Projecting sales is hard enough in your backyard; the task becomes more difficult when you lack familiarity with consumers and you must rely on second- and third-hand analysis.

The good news is you can run tests without shipping your products overseas. By assembling a network of trusted international partners and distributors, you can enlist their help in evaluating customers' tastes, incomes and needs. Their conclusions can guide your exporting strategy.

that you can, if necessary, sue them in their home country," Consigliere says. "If you sell to Mexico, you want to be able to sue in Mexico. Before you export someplace, know the legal framework in that country."

On a more positive note, cultivate relationships with your overseas distributors and customers. Create multiple communication channels and use them regularly so that you can stay attuned to the needs, concerns and ideas of your key constituencies.

Aim for consistency in all your business dealings. Provide your faraway contacts with the same responsiveness that characterizes your relations with vendors and clients at home. Promptly update your domestic and foreign counterparts on changes that affect price, service and other relevant issues. Avoid treating your overseas contacts as an afterthought.

International distributors tend to act with more independence than American distributors. Complex logistical planning can force their hand and lead them to make fast decisions that you may not necessarily endorse. As long as you remain in frequent contact, you can minimize surprises and maintain a solid relationship.

For overseas contacts with limited command of English, you have a choice. You can opt for English in all your written communication and hold them accountable for deciphering what you send. Or you can translate documents into their language. In most cases, your foreign colleagues and customers will prefer to read correspondence in their native tongue—even if they know enough English to do business.

More importantly, your willingness to translate documents accurately on your end reduces the risk of misunderstanding. By making it easy for foreign salespeople and support staff to learn about your wares, you leave little room for ambiguity and help them understand your policies regarding cost, payment terms and delivery.

What's more, removing the language barrier works to your advantage by showing that you respect others' culture. Some countries even require that user guides, safety instructions and warranty information be written in the native language.

Long-Term Strategy or Short-Term Fix?

For many business owners, exporting arises out of necessity. In the current slumping economy, for example, American companies tend to look abroad to offset declining domestic sales.

The danger of treating exporting as a hedge against slowing U.S. sales is that you may adopt a short-term strategic outlook instead of taking a longer-term approach. By thinking beyond the next quarter or two, you can plan for the day when the local market recovers and establish the desired balance of exports and domestic sales.

Before you invest time and money exporting, research the country or region that you seek to target. Assess economic and demographic trends and evaluate currency risk, security issues and demographic that can affect your business. Check these websites:

U.S. Census Bureau (links to country-specific economic data)**:**
http://www.census.gov/main/www/stat_int.html

United Nations Statistical Division:
http://unstats.un.org/unsd/default.htm

U.S. Department of Commerce International Trade Administration:
http://www.trade.gov/td/industry/otea

Asia-Pacific Economic Cooperation:
http://www.apec.org

Davidson Data Center & Network (for emerging markets)**:**
http://ddcn.prowebis.com

If you view exporting through the prism of building profits and establishing steady growth through all types of economic environments, you lay the groundwork for a more effective and resilient strategy. You may conclude, for instance, that you can grow a sustainable business with a certain percentage of your sales—say, 10% to 20%—coming from exports year after year.

Guided by a clear strategy with well-defined targets for your exporting activity, you position your business to thrive even as economic winds shift. When domestic orders pick up, your commitment to balancing national and international activity will help you resist the temptation to abandon or scale back your export trade.

Some CEOs start exporting by chance. They may receive an inquiry from abroad that leads them to make a sale in a country that they might otherwise have ignored. For example, an Australian customer contacted a Florida auto-parts manufacturer seeking specific products featured on the company's website. That led to other sales in Australia, which in turn persuaded the CEO to hire an Australian sales representative.

As your exporting business hits its stride, fold it into your overall business operation. Extend your marketing and advertising campaigns to include your foreign audiences. Cultural differences may require that you tweak your brand image or core messaging to consumers, but don't overlook the importance of promoting your products and services with the same vigor overseas that you bring to the domestic market.

Similarly, manage your international distributors in the same manner as your U.S. team. Give them equal access to awards, incentive programs, warranty deals and favorable credit terms based on the uniform criteria you've established. Otherwise, your foreign distributors may become disgruntled if they discover the discrepancies. ■

GETTY IMAGES

SOLVE THE HEALTHCAR

Boost morale by seeking employee input on health plans and by offering them a choice

For many years, employers grappled with double-digit annual increases in the cost of health insurance benefits for their workers. In 2009, that's expected to change as healthcare costs grow at a less lofty level.

Employers' healthcare bill will increase 5.7% in the coming year, according to preliminary results of a survey conducted by Mercer, a consulting firm. But before you cheer the news, there's a downside.

A new trend has supplanted the huge annual rate hikes: Cost shifting to employees. Workers accustomed to manageable out-of-pocket healthcare expenses are confronting steeper deductibles, premiums and co-payments for what in many cases is less comprehensive, more restricted coverage.

If you ask healthcare policy experts about this trend, some will rejoice. Regina Herzlinger, a Harvard Business School professor and proponent of consumer-driven healthcare, argues that making employees pay for their care has its advantages. She believes that the current system's reliance on payers and providers undermines the patient while jacking up costs. Abandoning the old approach and putting individuals in charge of their healthcare transactions enables them to become more rational, educated, cost-conscious consumers.

Herzlinger and other experts conclude that patients benefit when they can make decisions without an intermediary (i.e., an insurer) influencing their care. By diverting insurance money

KEY TAKEAWAYS:

- Educate employees about the purpose of health insurance so that they embrace a risk-sharing mentality rather than a narrow cost-sharing mindset.
- Let employees choose the type of coverage they want and invite them to participate in an annual review of health plan changes.
- Emphasize the total compensation employees receive—beyond salary and bonuses—so that they know how much you spend on their health insurance and other benefits.

E PUZZLE

into consumers' hands and out of bureaucracies, everyone supposedly wins: patients exert more choice and control over their healthcare, employers pay less in group health premiums and physicians work freely without interference from insurance companies. That's the theory.

Yet employers often have a tough time selling this concept to their workforce. When faced with higher deductibles or other out-of-pocket costs, many employees grumble, "My employer may be saving money, but it's at my expense."

Every year since 2000, the percentage of Americans who get health insurance from their employer has shrunk. In 2007, this number dropped to about 62% of workers under age 65. As a result, more people purchased health insurance on their own or added themselves to their spouse's plan.

Even though employers are no longer facing skyrocketing premium increases this year, many individuals may find the cost of buying their own policies prohibitive. With increasing prices for food, fuel and other vital goods and services, some lower-wage workers may find consumer-driven offerings from their employer unaffordable.

Yes, cost matters more than ever. Despite modest annual premium hikes of less than 6%, employers cannot celebrate the relative tameness of the latest rate increase. The lure of adopting a less expensive consumer-driven plan can save money for employers, but it leaves employees with a substantially higher upfront deductible.

In this environment, you still need to retain top workers and offer an attractive benefit package. You may want to provide some form of company-funded health insurance coverage as a way to differentiate your organization from its competitors and woo the most qualified stars to your team.

Why Costs Keep Soaring

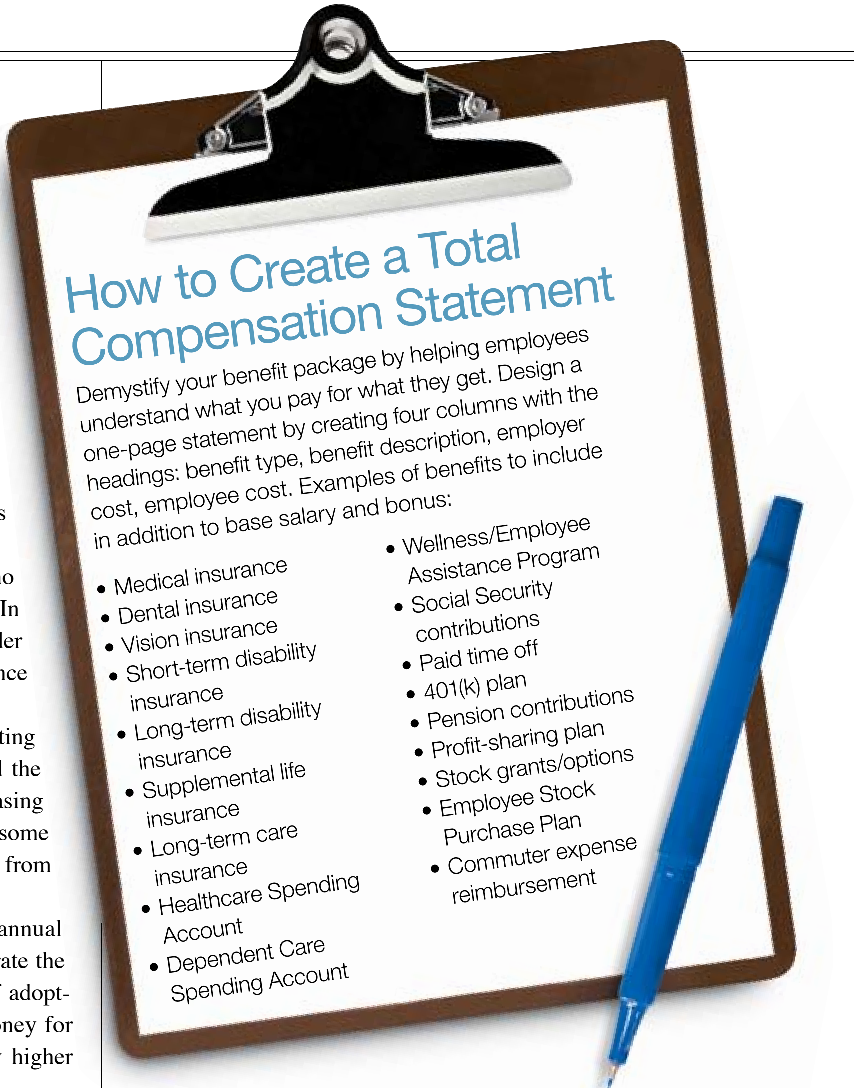
It's no secret that skyrocketing premiums impact a company's bottom line. Few of today's workers expect "free" health coverage as part of their benefit package.

Recipients of healthcare increasingly accept that new drugs, treatments and medical technologies come at a cost. They know someone must pay for all these breakthroughs.

But to win the hearts and minds of your workforce, you need to go a step further.

"If you raise employees' deductibles or their payroll deductions for health insurance, that's just cost-sharing," says Lynn Beshany, a vice president in the Denver office of BBVA Compass Insurance Agency, Inc., a subsidiary of BBVA Compass. "You need to get past cost-sharing to instill a risk-sharing mentality where employees buy into the process."

When individuals share the risk of funding their healthcare with you, they don't just fork over more money. Instead, they take interest in their healthcare, gather information and ultimately



make wiser decisions about how to both stay healthy and seek appropriate care for injury or illness. In short, they adopt a consumer-driven mindset.

Beshany, an employee benefits specialist, recommends that employers make an effort to explain the basic role of insurance. Workers purchase auto insurance for financial protection in the event they incur catastrophic losses such as major accidents.

It's the same with homeowner insurance. You don't submit a claim to your insurer to pay for routine roof repairs or painting your deck. You purchase this policy in case your house burns to the ground or if you sustain another type of major loss that's beyond your ability to pay.

"As you discuss this with your employees, point out that many people expect their health coverage to pay for pretty much everything," she says. "But that's not the purpose of insurance. Help them apply the same mindset to health insurance that they bring to insuring their cars or homes."

Some people mistakenly assume that the steady increases in health premiums over the last decade are the byproduct of multimillion dollar medical bills that patients accrue to treat complex diseases. But the cost of covering a major health crisis "is not the main driver of higher premiums," Beshany says. "Adding all the

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maintenance stuff to your health plan is one of the reasons we have seen costs escalate."

Traditionally, health policies focused on insuring people against the most serious, highest cost conditions. But that has changed in recent years.

States regulate most insurance products sold within their borders. Each state licenses insurers to sell policies to its residents and must approve the carriers' requests to raise rates.

But the regulation doesn't stop there. States can mandate that all health policies include certain benefits or coverages. Examples include requirements that all health insurers offer maternity care, substance abuse counseling and mental health benefits.

Despite state regulators' good intentions, these mandates can drive up costs, Beshany says. A business that employs mostly older workers may not want to pay for maternity coverage because few if any employees would need it. But they have no choice if the state requires it in every health plan.

"I talk to employers about how crammed full of services our medical plans are today," she says. "Many of these services—like hospice or prescription drugs—weren't in your plan 25 years ago."

Involve Your Employees

With all the cost pressures affecting health coverage, employers must double as educators if they're going to preserve employee morale. Workers may not like paying more for medical coverage, but you can at least help them set realistic expectations and appreciate your efforts on their behalf.

"Make employees part of the process so that they're involved every step of the way, not just passive recipients of benefits," Beshany says. "One of the fallouts of 20 years of HMOs is that they created a paternalistic attitude among employers, which bred an entitlement mentality for employees."

To shift your workers' perspective from "I better get all the health benefits I need" to "I better take steps to secure the protection I need," begin by emphasizing that you want to serve as their ally and help them stay ahead of changes in the health insurance marketplace.

Your employees may not realize that your group health plan is constantly in flux. The list of services and coverages change every year. Whether the insurer elects to add new procedures, drugs or therapies to the policy or your state mandates new benefits, the tendency is for plans to grow "bigger and better every year," Beshany says.

Rather than merely warn employees that these enhancements will drive up costs, involve them in the insurance renewal process by asking them to complete surveys or by establishing a benefits committee. Let them help assess options and provide input on proposed changes. That creates buy-in for the new plan.

At the same time, update employees on state regulatory actions so that everyone understands the cost of mandatory changes to their group plan. A well-informed workforce may still balk at higher premiums or co-pays, but by helping spread knowledge, you show that you're on their side.

Hype the Value of Total Compensation

In a world where dozens of cereals line supermarket shelves, consumer choice clearly reigns. Give your employees the same opportunity to shop when it comes to their health coverage.

"Provide more than one plan option," Beshany says. "Let each employee choose the plan that best suits his or her anticipated need for services and budget."

While your array of choices may vary by state and by your headcount, you can generally locate a carrier that will permit you to provide a more expensive plan with comprehensive coverage alongside a lower-cost plan with leaner benefits. Even if you only employ a few people, you can usually find insurance products that appeal to workers with varying healthcare needs, Beshany says.

As employees evaluate different plans, throw open your books so that they can calculate your financial contribution. When they realize how much you're earmarking for their health insurance, they may better appreciate your investment in them.

In terms of employee pay, savvy employers look past salary and bonuses to focus on the total compensation package that they offer. They list all the benefits so their employees understand the full amount that they receive beyond their paycheck.

"A lot of employees have no clue what they're actually earning," Beshany says. "At BBVA Compass Insurance, we provide a 'total compensation statement' to employers that they can use with their employees."

Along with communicating total compensation to your workforce in the form of a personal benefit statement, introduce wellness programs that reward healthy habits. The best strategy is to isolate health risks that can lead to higher premiums. Then offer solutions—exercise, smoking cessation classes, or chronic disease management programs—that encourage positive behavioral change to reduce the risk of medical problems. ■

Invest in Wellness

Offering rewards to employees who adopt healthy habits can create a win-win outcome: Your group health premiums may fall as your workers improve their fitness. Consultants can provide off-the-shelf incentive plans built around wellness or customize a program for your organization.

These plans usually focus on measurable health-related outcomes and metrics such as smoking cessation, attending a gym or participating in disease management programs.

The Art of VISUAL STORYTELLING

Most of us rely on the spoken or written word to communicate. Richard Rose deploys a third tool—video—to connect with people.

Rose launched Film Creations, Ltd., a video production firm, in 1978. The Tucson, Arizona-based company has developed film and video projects for clients ranging from the Arizona Diamondbacks to the U.S. Army.

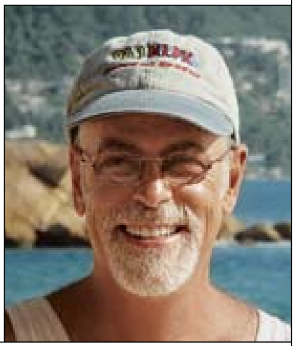
Many of the firm's projects seek to educate as well as entertain viewers. A client may hire Rose's company to develop television ads, marketing videos, oral histories or training DVDs. His specialty is reducing complex concepts into simple, gripping messages that will resonate with the intended audience.

In its 30-year history, Film Creations has grown steadily and broadened its client base. Rose, the company's president and chief executive, has broadened himself as well: He recently directed his first feature film, a teen comedy which premiered in Phoenix and Tucson to rave reviews.

Blueprint spoke with Rose about his ability to use visual media to facilitate understanding and communicate wide-ranging and often complex ideas in a captivating, accessible way.

PHOTO CREDIT

> “We seek to create something that’s visually and emotionally relevant to the intended viewer.” —Richard Rose



When clients hire you, do they usually envision what the finished film will look like?

RR: They usually come to me with a goal, not necessarily a concept or approach. We have a lot of auto dealers and home-builders who use video or TV to market their business. In other cases, the goal is tougher. For 10 years, I was the documentary filmmaker for the Biosphere 2 project. Their goal when they came to me was, “Explain the entire universe to a 6-year-old in 25 minutes.”

How did you do that?

RR: It was a challenge because the media greeted Biosphere 2 with skepticism, so the public was already somewhat resistant to the idea that any “real science” was going on. The perception was that it was a hippie cult with a huge indoor greenhouse. The first question I asked Ed Bass [the project’s financier] was, “Why did you fund this?” He replied, “My family has always invested in future technologies. Biosphere 2 is designed not only to help us understand complex environmental systems on Earth, but also to help us colonize space. We hope to create a sustainable model for future space exploration.” Since “manifest destiny” is ingrained in the American psyche, I decided to parallel space exploration with the westward expansion in this country.

Some educational videos are boring. How do you enliven your films?

RR: We seek to create something that’s visually and emotionally relevant to the intended viewer. You don’t want to talk down to intelligent people—or talk over the heads of the rest. When we made a film about the Wright brothers, for example, we didn’t focus on what they did. We wanted to explain *how* they did what they did—the way they worked as a team and overcame overwhelming odds and hardships. That made the story fresher and more compelling.

If the topic is complex, how do you simplify it for a mass audience?

RR: I’ll often use animation and fun graphics to represent complex ideas. I’m currently in pre-production on a film that explains why nuclear energy is our best solution toward converting from a petroleum-based economy to an electric-based one. Since many of the concepts behind nuclear fission are complex and perceived as scary and dangerous, I intend to use color and animation to convey some of these ideas.

Why?

RR: No matter how clearly you talk about something, you’ll reach more people by painting pictures than you will with just words. You can explain the splitting of an atom. But with video, you can both explain it and show it. [Physicist] Stephen Hawking’s publisher told him that for every scientific equation he put in his book, he would cut sales by half. So he took out equations and replaced them with vivid illustrations.

What if you want to arouse a viewer’s emotions?

RR: You still need to create something that’s visually arresting. But you also need to make a problem relevant in a way that connects to something people value in their lives. If I’m making a film to raise money for a homeless shelter and the intended audience is fairly conservative, I have to recognize that most viewers won’t be able to relate to the fact that someone sleeps in a drainage ditch. But if you point out the tax dollars it takes for the police to track the homeless, hospitalize them or even incarcerate them, it brings the issue to a level which viewers can relate.

Those questions get people to think but not necessarily react emotionally.

RR: Well, you don’t stop there. Through carefully shot and edited testimonials from people the audience will presumably care about watching or respect, you can add impact to the message. Our rule for making nonprofit fundraising videos is to make the audience cry three times. The third time, they must dry their tears with their checkbook.

Any advice for executives who show slides with their presentations?

RR: Today’s audiences have a low retention level for static images. People are used to MTV-type programming with fast-paced editing. Today’s laptops and high-definition video projectors allow almost anyone to run high-definition video productions directly from a computer hard drive. A video or animated presentation will always be more engaging and allow far less mind wandering than even the best slide show or PowerPoint presentation. ■

HUNTING FOR A STOCK'S POTENTIAL VALUE

You're thinking of buying a stock, so you check its price-to-earnings ratio, dividend yield and earnings growth in recent years. That's a good start.

But some investors stop there.

Your odds of success soar if you dig deeper. By looking past popular indicators to gather hidden clues of a stock's potential worth, you can make a more informed investment decision.

Among the most revealing numbers to help you evaluate a stock is cash flow from operations, says Brian Coughlan, portfolio manager at BBVA Compass in Scottsdale, Arizona. It shows the actual amount of cash flowing into a company's coffers.

"It's the lifeblood of an organization," Coughlan explains. "It shows if they are making money from their product or service."

A stock with a healthy, sustained cash flow from operations signals that the company is well positioned to weather downturns and make money year after year. Coughlan especially likes to see a consistent cash-flow growth trend over time.

Public companies report a statement of cash flow in Form 10-Q on a quarterly basis and Form 10-K every year. The sources and uses of cash are typically tracked in three ways: cash flow from operations, investing activities and financing activities.

"The statement of cash flow is something the traditional investor rarely looks at," Coughlan says. "But it's important information that gives you a truer look at a company's business than the P/E ratio."

Other invaluable resources for investors can be found in a company's annual report and other S.E.C. filings. Coughlan likes to read a section in the annual report entitled, "Management Discussion and Analysis" (MD&A).

"It gives you a better feel for what's happening within the company with its sales and markets," he says.

On the Form 10-K, pay special attention to the footnotes to financial statements. Investors who skip the footnotes may miss clues about a company's future performance.

The details buried in footnotes may expose contradictions that can bode ill for a particular stock. They often address issues such as tax ramifications that affect earnings, how a company classifies revenues and its approach to compensating key employees.

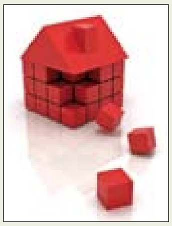
"You can glean from footnotes when revenues are concentrated in one client or one-time events that boost current earnings," Coughlan explains.

While many investors track a stock's P/E ratio, a less popular but vital measure is the price-to-earnings growth ratio (or PEG ratio). This number represents the market's valuation of a company in relation to its earnings prospects.

"It's better than just looking at P/E," Coughlan says. "We currently have more stocks with rising PEG ratios because earnings are falling. But a low PEG ratio stock may be undervalued."

Remove Obstacles

to snare the best mortgages



After months of talk about a "mortgage crisis," you would think it's almost impossible for consumers to buy or refinance a home. Actually, you can still obtain a mortgage in today's market.

But recent events have affected how homeowners shop for loans. A few years ago, you could choose from among dozens of exotic mortgages and even avoid a down payment. But the days of no-money-down loans are over.

The role of the mortgage broker has also changed. Many homeowners used to enlist a broker as an intermediary to help them find the best deal. Today, consumers are more apt to deal directly with a bank.

"Mortgage brokers are in a fragile position," says Jon Mulkin, president of Compass Mortgage, a division of BBVA Compass. "Unlike a financial institution, mortgage brokers aren't lending their own money so they're more susceptible to the rapidly deteriorating secondary market."

Mulkin recommends that mortgage shoppers work directly with a financially stable bank with a long track record of success. Well-managed banks with solid credit performance and strong balance sheets are able to "keep mortgage loans in their portfolio, thereby lending their own money and avoiding the secondary market," he says.

Once you identify the strongest, safest financial institutions, meet with a knowledgeable, experienced loan officer. "It's critical in this market to find a trusted advisor," Mulkin says.

Before you shop for a mortgage, pay down your debts as much as possible. By doing so, you increase your odds of getting quick approval from your lender. An experienced loan officer can also suggest steps you can take to improve your credit.

As a precaution, you can check your credit score using one of the many free online services. Review your credit report so that you can fix any errors ahead of time.

While there's no make-or-break number that will pave the way for a mortgage, Mulkin says consumers generally need a minimum credit score of 680 for a conventional loan if they wish to borrow more than 80% of the home's value or purchase price. For jumbo loans, the number can exceed 700. However, FHA loans still allow for lower credit scores.

Applying for a mortgage in this precarious market requires documentation to support your income and assets. Prepare to submit at least the last two years of your federal tax returns and recent statements from banks, mutual funds or brokerages relating to your investments.

Self-employed individuals need to substantiate how they generate revenue and submit evidence of a steady income stream, while salaried employees should gather pay stubs. If you're refinancing your home, bring copies of your homeowner's insurance policy.

Once you submit sufficient documentation to validate your income and assets, ask a bank to prequalify you for the loan amount you may be able to get. Mulkin warns against overextending yourself by pushing your loan to its limits. He also recommends that you avoid a loan officer who tries to persuade you to borrow more than you actually need.

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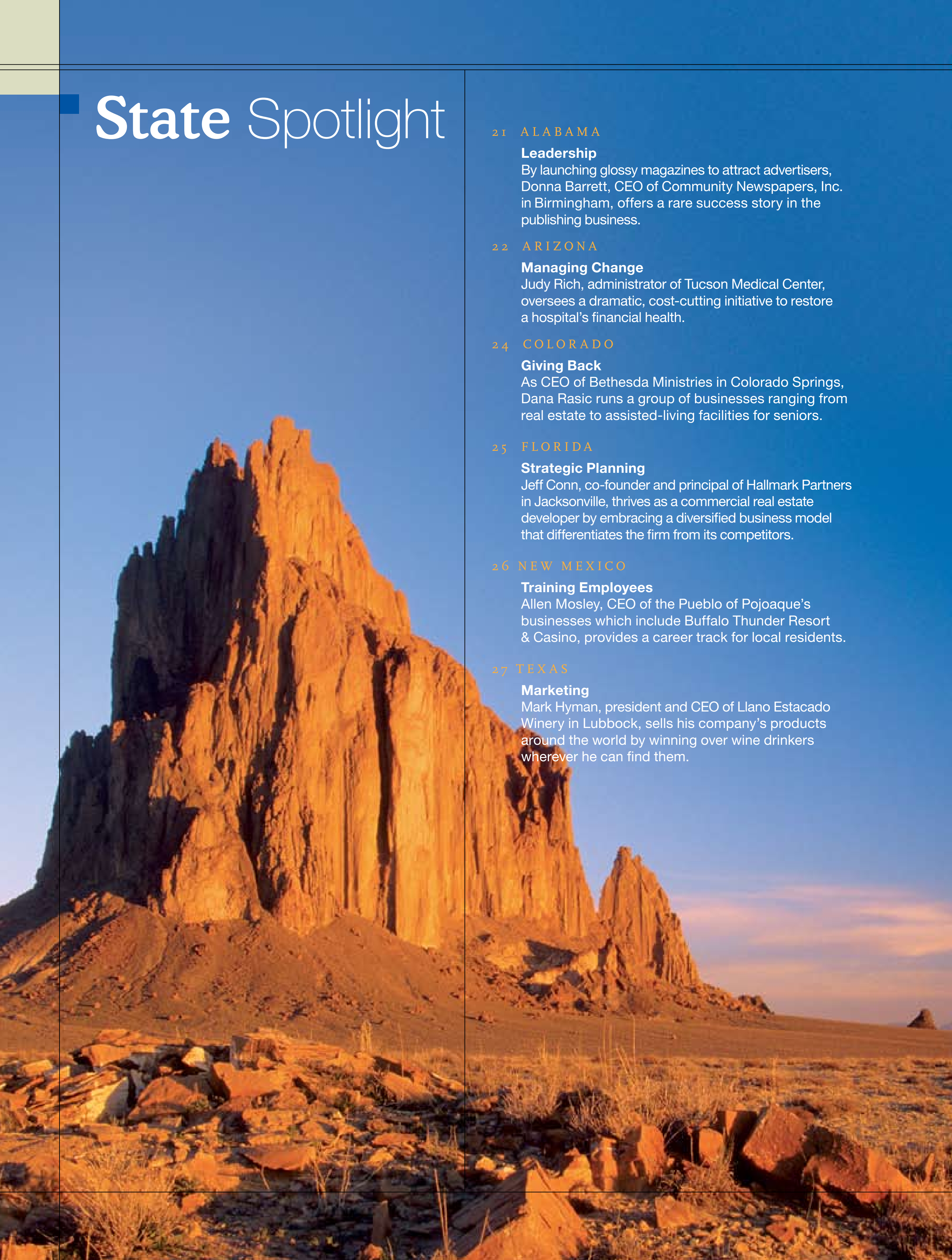
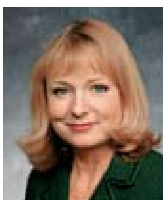
State Spotlight



NEW PRODUCTS NEW GROWTH

Donna Barrett's company offers a rare success story in the struggling publishing business



PRESIDENT AND CEO
Donna Barrett

COMPANY
Community Newspaper Holdings, Inc.

TOPIC
Leadership

For the newspaper industry, the 21st century has brought dire predictions of its demise. However, reports of its death are greatly exaggerated.

Community Newspaper Holdings, Inc. (CNHI) has consistently outperformed other newspaper companies while many of its peers struggle. The company's president and chief executive, Donna Barrett, credits its success to what she calls an "expanded market" strategy.

Since becoming CEO in January 2006, Barrett has led the Birmingham-based company's evolution from a publisher of community newspapers into a leading news and information provider in each of its local markets. In three years, the firm has launched 65 magazines and overhauled its websites to benefit both its customers and advertisers in 22 states.

"Even as we expanded our markets and diversified our products, we didn't expand our workforce or add to overhead," says Barrett, formerly the company's chief operating officer. "Instead, we gave our employees new opportunities for personal and professional growth."

Because CNHI's expansion plans didn't require renting additional office space or increasing head count, Barrett's team was able to limit the cost—and risk—of each product launch. Deploying existing staff and resources in new ways has "allowed us to outperform the rest of the newspaper industry by a considerable margin," she says.

Thanks to its steady introduction of high-end, glossy magazines (all 65 launches have proven successful, Barrett says), the company increased annual revenues in this business segment by more than 36 percent in 2008. Similarly, its Internet advertising has generated solid double-digit annual growth.

To mitigate risk, CNHI started slowly when rolling out new products. The company unveiled its first glossy magazine in early 2006, followed by a second and then a third. Each new launch strengthened the company's ability to balance centralized oversight with providing autonomy to the local team producing each product.

For Barrett, the most pleasant surprise is how well her newspaper employees "took to the demands of a glossy magazine." Reporters enthusiastically expanded their roles. Journalists accustomed to submitting short newspaper dispatches jumped at the chance to write more in-depth pieces, while photographers enjoyed the creative freedom to snap artsy magazine shots.

Through all its success, CNHI has worked with BBVA Compass as its primary commercial bank. It also serves as a lender to CNHI, provides a letter of credit and participates in a syndicated bank debt facility.

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CURING A MONEY-LOSING DISEASE

Judy Rich engineers a dramatic turnaround at a hospital in financial distress

EXECUTIVE VICE PRESIDENT AND HOSPITAL ADMINISTRATOR
Judy Rich

COMPANY
Tucson Medical Center

TOPIC
Managing Change

When Judy Rich arrived at Tucson Medical Center in June 2007, her challenge was clear: Stabilize a sinking ship.

From her 30 years in healthcare, Rich knew that fixing a money-losing hospital would require bold action. Yet making drastic changes while preserving employee morale can foil even the best leaders.

Rich brought distinct advantages to the task at hand. She had worked at Tucson Medical Center (TMC) for three years (2003-2005) as its chief operating officer before she lost her job with five other top executives amid an organizational upheaval.

"When I came back in 2007, the board wanted to stop the losses and get to break-even," says Rich, executive vice president and hospital administrator. "That was an aggressive goal after seven down months."

Just before Rich took the job, layoffs hit 100 employees. After analyzing payroll numbers, Rich feared more pain lay ahead.

During her earlier stint at TMC, the management team focused on constructing a new facility while acquiring a nearby hospital. But that purchase didn't turn out as projected. By 2006, TMC closed the hospital it had bought a few years before.

As a result, 350 employees were added to TMC's payroll even though business volume did not increase proportionately to justify the extra staff. Rich identified two options to reverse the hospital's fortunes: announce more layoffs immediately or work with employees to control costs and cut jobs through attrition.

Rich outlined her two scenarios to the hospital's finance committee in August 2007. They approved the second option, giving her a chance to proceed without layoffs as long as she could stem losses by year-end.

She rallied her managers by telling them, "Now we have four months to do this." Their goal was to significantly reduce the number of "full-time equivalent" positions by December 31 without layoffs.

The hospital imposed a hiring freeze, but Rich and her team also got creative. One department enacted a mandatory seven-hour workday. And mid-level managers were immediately directed to find between 10% and 15% in "pure dollar savings," Rich says.

Supervisors began meeting with underperforming employees and developing timetables to boost their productivity.

"We communicated with employees and made sure they understood what we were up against," Rich says. "Some of them quit when we put them on more demanding performance tracks, but we gave them a choice: Improve and stay or leave in the next 90 days."

To manage inventories more effectively, Rich applied her mother's advice to "eat out of the pantry instead of going to the grocery store." She asked her staff to avoid overstocks and exert more discipline when ordering supplies.

To raise morale, Rich launched "Java With

Overview of Tucson Medical Center

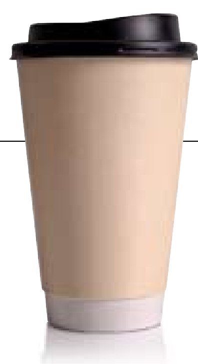
Judy" every Thursday morning. She invited all employees to join her for free coffee and informal conversation. She also started writing a blog on the hospital's intranet that gained a wide following from housekeepers to surgeons who e-mailed her with their ideas and concerns.

They would ask Rich questions such as, "Can we make payroll?", "What happened to the plans to build a new hospital?" and "Will you stay this time?"

"When I arrived, there was a lot of fear and mistrust," she says. "By communicating with openness, honesty and transparency, we changed the culture."

Rich also improved TMC's financial health. During the past year, the hospital has earned $25 million in operating income after a dismal stretch of losses. By the end of 2007, Rich pruned 330 full-time equivalent positions without a single layoff. And with patient satisfaction levels soaring and enthusiastic buy-in from physicians and staff, the future looks brighter than ever.

To raise morale, Rich launched "Java With Judy" every Thursday morning. She invited all employees for free coffee and informal conversation.



ISTOCK PHOTO

TURNING PROFIT INTO SOCIAL SERVICE

Dana Rasic's mission is to make money—and help needy children

PRESIDENT AND CEO
Dana Rasic

COMPANY
Business for Benevolence

TOPIC
Giving Back

Like any CEO, Dana Rasic tracks his company's bottom-line performance with keen interest. But his motives transcend profit for profit's sake.

He runs a group of companies with approximately 700 employees that include a real estate firm, a group of radio stations and assisted-living facilities for seniors. A percentage of the earnings from these businesses help needy children in dozens of countries under a program called "Business for Benevolence."

While many businesses make charitable donations, Business for Benevolence provides a structured form of giving in which organizations commit to donating a set percentage of net income as the fiscal year begins. Driven by the goal of making money so part of it can go to worthy causes, employees rally around their employer's mission.

"The key to our approach is we're intentional about our plan for giving," Rasic says. "We set targets and then give for the year ahead rather than being reactive by giving at year-end."

Rasic joined Bethesda Real Estate Co. in 1996 as a commercial property manager after getting laid off from a sales management job in the publishing industry. He enjoyed managing Bethesda's portfolio of properties—from self-storage units to shopping malls—but also liked how his employer earmarked a hefty chunk of annual profits for charities.

Rasic became chief executive of the Colorado Springs-based parent company, Bethesda Ministries, in 2007. He spends most of his time overseeing Bethesda Adult Communities, which operates 15 assisted- and independent-living communities in six states. The rest of his job involves overseeing Bethesda Real Estate, directing Bethesda's investment portfolio and operating Mission of Mercy, a unit of Bethesda Ministries that assists children living in poverty.

Through Mission of Mercy, individual donors sponsor a child for $30 a month. Their gift pays for schooling and other necessities for 35,000 youngsters in 20 countries. Because the other businesses within Bethesda Ministries—real estate management, retirement communities and radio stations—allocate part of their earnings to fund Mission of Mercy, the public's donations go further to benefit the children rather than to administrative expenses.

Companies of any size can adopt the Business for Benevolence model on their own. Bethesda was founded in 1959 by an American pastor who proposed a plan for citizens in his community to fight poverty in Central America by operating a local nursing home and sending part of its profits overseas. Many businesses now embrace the concept of budgeting in advance of their fiscal year to set aside a portion of profits (such as 10%) to benevolent giving.

"Most of the time, I'm operating the Bethesda companies in the most profitable manner possible to achieve the best bottom-line results," Rasic says. "But in the back of my mind and in my heart, I know we're making money to support the needy children around the world."

CORBIS

CORBIS

DIVERSIFYING HELPS DEVELOP PROFITS

While many of its rivals struggle, Jeff Conn's company aces real estate deals

CO-FOUNDER AND PRINCIPAL
Jeff Conn

COMPANY
Hallmark Partners

TOPIC
Strategic Planning

They develop commercial real estate. They're based in hard-hit Florida. So why is Hallmark Partners thriving when many of its competitors struggle to survive?

Jeff Conn, a co-founder and principal of the Jacksonville firm, shares his secret: Creating a business model built on a broad range of products and services.

"It's the advantage of not focusing too narrowly on offering just one thing," Conn says. "We have the skill sets to provide a diversification of real estate deals and services."

The company is divided into two divisions. Its most profitable unit develops commercial properties, concentrating on shopping centers, offices and industrial buildings. The second division provides third-party real estate services divided among leasing, property management and developing properties for others.

To build the business, Conn and co-founder Alex Coley assembled a mix of in-house personnel and introduced creative ways to motivate them. Their philosophy is to align each employee's goals with the firm's strategic goals.

They designate nearly half of the company's 18 staffers as "key employees," including leasing personnel, development specialists and property managers. Each of these individuals receives a percentage ownership stake in the company's most important deals.

"Around 2004, Alex and I started to carve out a set percentage of every deal to those employees who we felt could make it successful," Conn recalls. "Before, we gave bonuses. But we found that giving key employees a percentage of ownership increased their buy-in."

For Conn and Coley, the toughest part of establishing the new system was gaining agreement from participating employees on an amount that they deemed fair. To set the process in motion, they stipulated how much of each deal they were willing to forgo. Then they stepped aside to allow employees to decide among themselves how to divide the pie.

As a result, these key players have become "more involved in the company and understand our strategic business units better," says Conn.

Conn and Coley also practice a loose form of open-book management and dangle bonuses for everyone within a business unit if that division's results exceed specified levels.

"Once we figured out how to align our employees' goals with the goals of the company, our deal flow and company performance increased significantly," Conn says.

He views BBVA Compass as one of the firm's most strategic relationships. "They take the time and initiative to thoroughly understand the critical issues surrounding our proposed developments," Conn says. "We sit down and discuss everything in great detail about the deal. As a result, our loan transactions have come out the way they should—a win-win for both parties."

AS BUSINESSES BLOOM, SO DO CAREER OPPORTUNITIES

Allen Mosley runs commercial operations that bring a community together

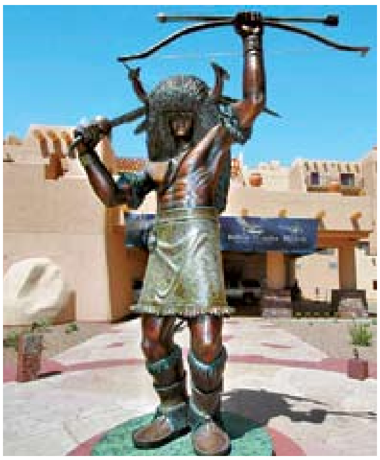
PRESIDENT AND CEO
Allen Mosley

COMPANY
The Pueblo of Pojoaque

TOPIC
Training Employees

Many companies pride themselves on giving back to the community through charitable donations or employee volunteerism. The Pueblo of Pojoaque goes a step further.

The Pueblo's diversified businesses include Buffalo Thunder Resort & Casino, New Mexico's largest resort. While the profit from other Native American-owned casinos typically gets distributed to tribal members in cash, this Pueblo adopts a different strategy.



"Their longstanding philosophy is to use profit to expand and create new businesses," says Allen Mosley, chief executive of the Pueblo's business operations. As a result, the tribe's growing profits fund college scholarships, childcare, senior care and other social services that improve members' lives.

When Mosley joined the Pueblo in 1996 as its chief financial officer, it ran a few small businesses with a modest payroll. Today, it employs 2,000 people including nearly one-third of the Pojoaque's 390 tribal members.

As one of the largest private employers in northern New Mexico, the Pueblo provides career advancement opportunities that residents might otherwise lack. Many of them have entered the managerial ranks after earning a series of promotions. Turnover among the Pueblo's employees is very low, Mosley reports.

"The profits we generate take care of people who can't take care of themselves," he says. "The others get training, education and a sense of purpose that comes from the employment we offer. If you just give people things, you don't help them as much as if you give them a sense of self-worth."

During his 13 years with the Pueblo, Mosley has worked to complete an ambitious slate of projects including three hotels, a medical center, an apartment complex, a shopping plaza and two gas stations.

These wide-ranging businesses generate sufficient revenues to create a solid tax base to fund the tribal government's services. The operating budget for the local police, community wellness center and other public safety programs comes from taxes raised from the tribe's lodging, gaming and gasoline sales.

Because taxes support the tribe, Mosley and his management team can plow profits from business operations into new projects such as the $280 million Buffalo Thunder Resort in Santa Fe. The tribe has partnered with Hilton Hotels to offer 395 guest rooms, a casino, spa, golf course and seven restaurants.

SELLING A WINE IN ITS PRIME

For Mark Hyman, marketing is up close and personal

PRESIDENT AND CEO
Mark Hyman

COMPANY
Llano Estacado Winery

TOPIC
Marketing

With wineries in all 50 states, America is awash in the fruit of the vine. That's not news to the ever-increasing number of wine lovers.

But here's a surprise. Most people know that wineries dot fertile regions of California, Washington, Oregon and New York. What state rounds out the Top Five?

Texas ranks fifth in total volume of U.S. wine production. And Llano Estacado Winery is the Lone Star State's best-selling premium wine.

The second oldest of Texas's 150 wineries, Llano Estacado was founded in 1976. Powered by steady growth, it has established a worldwide presence. The winery produces more than 130,000 cases of wine a year and has done business in 22 states and five European markets as well as Japan, South Korea and Russia.

Hyman, who joined the winery in 1994, likes to market from the ground up. He directs his sales force to court consumers in stores, local festivals and other venues that attract scores of wine enthusiasts.

Nearly three years ago, Hyman began hiring part-time salespeople who offer wine tasting in stores or public events to attract new consumers. The company recruits outgoing personalities who share a passion for wine—and then trains them to communicate with consumers.

"We help to get them state certified and make sure they have the licenses and permits to do their jobs," Hyman says. "Then we take these trained employees and float them all over regionalized marketing areas where they can introduce our products and generate excitement."

Larger wineries may use employment agencies to fill openings for part-time sales representatives. But Hyman has found that hiring his own team not only proves more cost-effective, but also enables the company to grow its own corps of motivated, knowledgeable employees.

The salespeople emphasize the quality of the wines while appealing to local pride. They boast how Texas wines have garnered national and international acclaim. Llano Estacado has won more than 1,000 awards and been featured in magazines such as *Wine Enthusiast*, *Wine & Spirits* and *Bon Appetit*.

Because Texans love local festivals, Hyman treats these events as low-risk, high-reward marketing opportunities. Over the last year, he and his salespeople have set up shop at 62 fairs and seasonal celebrations.

For Hyman and his marketing team, the biggest challenge is deciding which festivals to attend. Some weekends, there are four or more events scattered around the state to choose from. They consider the anticipated turnout, the demographics of the attendees and the location.

The company is currently putting the finishing touches on an expansion of its facility that's financed by BBVA Compass. By enlarging its tank space and adding bottling equipment, Llano Estacado is well positioned to meet the growing demand for its wines in Texas and beyond.

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